Bank of Ireland Group plc (the "Group")

Interim Management Statement – Q3 2019 update

30 October 2019

The Group continues to trade in line with expectations.

The Group continues to deliver against its 2021 strategic targets for loan book growth, transformation and cost reduction together with the ambition to grow its wealth and insurance business.

Economic growth in the core markets of Ireland and the UK remained positive notwithstanding ongoing uncertainties related to the UK's decision to leave the European Union.

Key highlights for the 9 months to 30 September 2019

- Net interest margin (NIM) of 2.15%, reflecting stable loan asset spreads offset by lower interest rates
- Net lending growth of €1.5 billion, €0.8 billion higher compared to the same period in 2018
- Cost reduction of c.3% compared to the same period in 2018
- NPE ratio at 4.7% of gross loans, a 160bps reduction in nine months
- Fully loaded CET1 ratio of 13.7%, comfortably in excess of 13% guidance

Income Statement

Net interest income and business income for the 9 months to September were in line with expectations.

NIM was 2.15% for the 9 months to September 2019. Our expectations for the full year margin are unchanged. As guided in July, full year NIM is expected to be slightly lower than 2.16%, reflecting the lower interest rate environment. The Group continues to maintain strong commercial pricing discipline with loan asset spreads remaining stable.

The Group continues to maintain tight control over the cost base, while making appropriate investments in our businesses, infrastructure and people including our multi-year business transformation programme. We remain focused on costs and continue to seek further efficiencies with operating expenses (excluding levies and regulatory charges) c.3% lower in the first 9 months of 2019 compared to the same period in 2018.

We continue to expect levies and regulatory charges to total €115 million - €120 million in 2019.

Balance Sheet

Customer loan volumes were €78.0 billion at the end of September 2019, an increase of €1.0 billion since the end of December 2018, (€0.5 billion on a constant currency basis). Net lending growth of €1.5 billion, combined with the acquisition of a portfolio of loans, was partially offset by NPE securitisation and sale transactions and the disposal of the Group's UK credit card portfolio. New lending in the first 9 months of 2019 was c.4% higher than the same period in 2018. The Group's market share of new mortgage lending in Ireland averaged c.23% in the first 8 months of 2019 with strong positive momentum in market share of mortgage applications during the quarter. While SME lending demand has been impacted by Brexit uncertainty, we continue to deliver good year on year growth in both application and drawdown activity.

Asset quality across our loan portfolios has continued to improve. NPEs have reduced by €0.4 billion since the end of June 2019 to €3.8 billion at the end of September 2019, equivalent to an NPE ratio of 4.7%. The Group continues to progress a full range of resolution strategies in response to the associated and evolving regulatory framework.

Customer deposits were €81.8 billion (€81.3 billion on a constant currency basis) and wholesale funding was €10.3 billion at the end of September 2019. The Group issued €900 million of MREL securities since June, consisting of €600 million senior debt and €300 million Tier 2 securities.

Capital Position

The Group's fully loaded CET1 ratio increased by a net 10bps from 13.6% at June 2019 to 13.7% at the end of September 2019. The Group's organic capital generation during the quarter was partially offset by investments in risk weighted assets associated with new lending, investments in our business transformation programme, an increase in the Group's IAS 19 defined benefit pension deficit and a dividend deduction.

The Group's regulatory CET1 ratio was 14.9%, and the Group's Total Capital ratio was 18.1% at the end of September 2019.

Other

In Q3 2019, the Group provided an update on the following strategic initiatives:

- The Group agreed to sell a portfolio of NPEs predominantly secured on ROI buy-to-let investment properties. The portfolio has a gross book value of c.€0.25 billion. The transaction enabled the Bank to reduce its NPE ratio below 5%.
- The Group announced that it had, through Bank of Ireland (UK) plc, extended its long term financial services partnership with the UK Post Office to a minimum end of 2026. The extension of the Group's longstanding partnership with the Post Office has further enhanced alignment of both parties, to drive mutual benefits, and is consistent with the Group's strategy to improve returns in our UK business.

The Group is committed to achieving a RoTE in excess of 10%. As noted at the time of the Group's interim results, the interest rate environment, combined with economic uncertainty impacting credit formation, presents challenges to achieving this by 2021.

However, the Group's franchise performance continues to be positive and despite the external challenges as outlined with the Group's interim results, management is focused on a range of actions relating to cost reduction; selective growth; prudent price management; business model simplification; transformation and IT change and efficient capital allocation designed to improve RoTE on a sustainable basis. The Group will provide an update on these actions as part of the 2019 annual results presentation.

Ends

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Forward Looking Statement

This announcement contains forward-looking statements with respect to certain of Bank of Ireland Group plc (‘BOIG plc’) and its subsidiaries’ (collectively the ‘Group’) plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates and its future capital requirements. These forward-looking statements often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as ‘may,’ ‘could,’ ‘should,’ ‘will,’ ‘expect,’ ‘intend,’ ‘estimate,’ ‘anticipate,’ ‘assume,’ ‘believe,’ ‘plan,’ ‘seek,’ ‘continue,’ ‘target,’ ‘goal,’ ‘would,’ or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking.

Examples of forward-looking statements include, among others: statements regarding the Group’s near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, loan to deposit ratios, expected impairment losses, the level of the Group’s assets, the Group’s financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group’s pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators and plans and objectives for future operations. Such forward-looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward-looking statements.

Nothing in this announcement should be considered to be a forecast of future profitability, dividends or financial position of the Group and none of the information in this announcement is or is intended to be a profit forecast, dividend forecast or profit estimate. Any forward-looking statement speaks only as at the date it is made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.