Bank of Ireland Group plc (the "Group")

Interim Management Statement – Q1 2024 update

30 April 2024

Comment: Myles O'Grady, Bank of Ireland Group CEO:

"We had a strong first quarter, underpinned by loan book growth, higher income and robust capital generation.

"The Group is now in the second year of a three-year strategic cycle. We continue to make tangible progress with a focus on building stronger customer relationships, a simpler business, and a more sustainable company. The launch of an innovative green mortgage product, unique in the Irish market, was an important development for our customers. We introduced new supports for customers impacted by fraud and continued to invest in technology and the branch network, with customer satisfaction further improving in the period. The Group also increased its funding commitment for housing development in Ireland and expanded agri-business green lending.

"We remain on track to deliver our committed financial targets, including the commencement of interim distributions this year. As we approach the mid-way point in our strategic cycle, we continue to generate value from our differentiated business model operating in attractive markets."

Key highlights Q1 2024

- Supportive Irish macroeconomic conditions
- FY24 net interest income guidance positively updated to reflect latest interest rate expectations
- All other FY24 guidance remains unchanged
- Net lending €1 billion higher vs end-December 2023 with Ireland the key driver
- Strong Wealth and Insurance performance; excellent AuM growth of 7% to €49.5 billion
- Operating expenses performing in-line with expectations; cost income ratio of 45%
- Robust asset quality; non-performing exposures (NPE) ratio of 3.2%
- Fully loaded CET1 capital ratio of 14.7%, supported by net organic capital generation of 70 basis points
- Tangible progress on the delivery of ESG ambitions; 2023 Sustainability Report released yesterday

Income

Net interest income in Q1 2024 performed in-line with both our expectations and the Q4 2023 level. This reflects positive lending momentum combined with continued strong commercial pricing discipline, partially offset by lower deposit volumes and modestly higher deposit funding costs.

Market expectations for interest rates[1] in 2024 supports improved net interest income guidance, now expected to be 3-4% lower than the Q4 2023 annualised run rate of €3.65 billion, compared to original guidance of 5-6% lower.

Business income, including share of associates and JVs, is performing in-line with our FY24 guidance of mid-single digit percent growth. Performance in the period reflects a strong outcome in our Wealth and Insurance businesses, which achieved excellent AuM growth in the quarter of 7% (+€3.4 billion), with positive momentum across all other fee income business lines.

Operating Expenses

Operating expenses have progressed in-line with expectations in Q1 2024. The Group continues to maintain tight control over its cost base while absorbing inflation and continuing to invest in strategic growth and simplification opportunities. 2024 operating expenses guidance remains for a mid-single digit percent increase versus 2023. Levies of €134m, including the FY24 Irish bank levy charge of €75 million, have been accrued in Q1. We continue to expect 2024 levies and regulatory charges of €160-€165 million.

Balance Sheet

Customer loan balances were higher at €80.7 billion at end-March 2024 vs €79.7 billion at end-December 2023. Net lending across divisions increased by €0.7 billion, positive FX/other impacts were €0.4 billion, partially offset by a €0.1 billion reduction in UK personal lending, which we are exiting. By division, trends in organic net lending were as follows:

- Retail Ireland net lending increased by €0.2 billion, supported by continued growth in mortgage lending. Our market share of new lending was 40% for the first two months of the year. We continue to support the transition to a more sustainable economy with green mortgages accounting for 47% of new mortgage lending in Q1 2024
- Corporate and Commercial net lending increased €0.4 billion primarily reflecting growth in business banking and corporate lending in Ireland of €0.3 billion
- Retail UK net lending was €0.1 billion higher, primarily reflecting growth in mortgage lending.

RWAs at end-March 2024 of €52.9 billion (€52.5 billion end-December 2023) reflect the increase in lending and movements in FX.

Our liquidity profile remains strong, supported by our retail franchise in Ireland. Customer deposits were €98.4 billion at end-March 2024 (€99.4 billion on average in the quarter), €1.8 billion lower than end-2023. This primarily reflected lower Corporate and Commercial balances with ongoing pricing discipline, partially offset by modestly higher Retail Ireland balances. Migration by customers into term/other products in Ireland was €0.6 billion in Q1 2024, compared to €0.7 billion in Q4 2023. This brings total term/other products to €5.8 billion, compared to our Irish Everyday Banking deposit base of €79 billion.

At end-March 2024, the Group's liquidity coverage ratio was 202% (end-December 2023: 196%), loan to deposit ratio was 82% (end-December 2023: 80%), and net stable funding ratio was 157% (end-December 2023: 157%).

The Group's liquid assets of €42.3 billion have decreased by €1.3 billion since end-December 2023. Wholesale funding of €12.4 billion at end-March 2024 has increased by €0.6 billion since end-December 2023 reflecting a senior MREL issuance in Q1 2024.

Asset Quality

The Group's asset quality in Q1 2024 performed in-line with expectations and remains strong, helped by the supportive Irish macroeconomic environment. Macroeconomic scenarios impacting credit impairment will, as usual, be refreshed to reflect updated market forecasts and captured as part of the Group's half-year credit impairment process.

The Group's NPE ratio was 3.2% of gross customer loans at end-March 2024 (end-December 2023 NPE ratio: 3.1%). The Group continues to focus on achieving further asset quality improvements through a combination of organic and inorganic activity.

Capital Position

The Group's fully loaded CET1 ratio at end-March 2024 was 14.7% (14.3% end-December 2023). The Group's capital performance reflects strong net organic capital generation of 70 basis points, partially offset by an ordinary dividend accrual and investment in RWA.

The Group's regulatory CET1 and total capital ratios were 14.7% and 19.4% respectively.

Sustainable Company

In Q1 2024, the Group increased sustainable lending by €0.7 billion (c.6%) to €11.8 billion, with €0.4 billion increase in green mortgages and €0.3 billion increase in other ESG lending. We also enhanced our ESG disclosures with the release of our 2023 Sustainability Report [Investor Resources - Bank of Ireland] on 29 April.

ESG highlights in Q1 include:

- Increasing our funding for housing development to €2.5 billion, and within this more than doubling funding for social and affordable housing to €1 billion
- Introducing our new innovative 'EcoSaver Mortgage' product, supporting customers to improve the energy efficiency of their homes
- Further expansion of our Enviroflex agri-business green loan, which is tangibly supporting sustainable farming
- The launch of our Sustainable Finance Framework Sustainable finance framework - Bank of Ireland
- Commitment of €50 million to fraud prevention and protection.

Financial Targets

The Group remains on track to continue delivering the financial targets contained in the 2023-2025 strategic cycle.

[1] We expect interest rates in 2024 to be, on average, c.25 basis points higher across EUR, GBP and USD compared to the assumptions used at our FY23 results update

Ends

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Forward Looking Statement

This announcement contains forward-looking statements with respect to certain of the Bank of Ireland Group plc (the 'Company' or 'BOIG plc') and its subsidiaries' (collectively the 'Group' or 'BOIG plc 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, LDRs, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, future share buybacks, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, UK, European and other regulators, plans and objectives for future operations, and the impact of Russia's invasion of Ukraine and the Israeli-Palestinian conflict particularly on certain of the above issues and generally on the global and domestic economies. 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.

Such risks and uncertainties include, but are not limited to, those as set out in the Risk Management Report in the Group's Annual Report for the year ended 31 December 2023. Investors should also read 'Principal Risks and Uncertainties' in the Group's Annual Report for the year ended 31 December 2023 beginning on p 135.

Nothing in this announcement should be considered to be a forecast of future profitability, dividend forecast 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.