Bank of Ireland Group plc (the "Group")

Interim Management Statement – Q3 2023 update

26 October 2023

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

"We had a strong business and financial performance in the period. This performance supports our purpose to deliver more for our customers, colleagues, shareholders and society.

"We are progressing well on our 2023 – 2025 strategic priorities. In Q3 2023, we continue to successfully deliver, with further Irish lending growth, particularly in mortgages, ongoing progress in developing our wealth franchise and with our ambitious ESG agenda. While asset quality remains robust, we are mindful of the challenges facing our customers from the higher interest rate environment and continue to support them through a balanced approach to pricing. Our commercial actions and strategic execution are delivering continued strong organic capital generation and give us confidence in the outlook for the Group for the remainder of 2023 and beyond."

Key highlights

- 2023 net interest income guidance increased (H2 2023 now expected to be c.5% higher than H1 2023 level), reflecting higher rates and ongoing business momentum
- Irish net lending (ex-acquisitions) up €1.3 billion; supported by strong performance in mortgage lending; overall loan book growth of €8.7 billion since December 2022
- 2023 business income guidance unchanged, with performance in the 9 months to end-September in line with expectations
- Operating expenses performing in-line with guidance; supported by continued cost discipline
- Strong capital position; net organic capital generation of 270 basis points in the 9 months to September; fully loaded CET1 ratio of 15.2%
- Asset quality remains robust; non-performing exposures (NPE) ratio of 3.6%
- Strong liquidity position; deposit growth of €1.3 billion in the 9 months to September 2023; Loan to Deposit Ratio 80%
- Sustainability-related finance at c.€10.5 billion end-September; up c.30% during 2023, with green mortgages accounting for 51% of new ROI mortgage lending

Income

Net interest income guidance increased with H2 2023 now expected to be c.5% higher than H1 2023 level of €1,802 million. This stronger outlook primarily reflects higher interest rates and the Group's commercial actions, with interest rates in H2 2023 now expected to be higher compared to earlier in the year. Performance in the 9 months to end-September reflects the rate environment, acquisitions, lending growth in Ireland, and business momentum, supported by ongoing strong commercial pricing discipline.

Business income (including share of associates and JVs) guidance remains unchanged, with H2 2023 expected to be broadly in-line with H1 2023 level of €361 million. Growth in the 9 months to end-September compared to the same period in 2022 of 11% has primarily been supported by increased fee income as a result of higher customer activity, and the benefit from the acquisition of Davy.

Other income/expenses and valuation items at end-September 2023 were €19 million (versus €49 million at end-June 2023), reflecting market movements in Q3.

Cost and levies

Cost guidance remains unchanged with operating expenses expected to be c.€1.85 billion in 2023, as the Group continues to maintain tight control over its cost base notwithstanding ongoing inflationary pressures. Reported costs were 10% higher in the 9 months to end-September 2023 compared to the same period in 2022, primarily reflecting acquisition impacts, an allowance for the lifting of variable pay restrictions and additional investment to drive future efficiencies.

Following recent publication of the Irish Government Finance Bill 2023, the Group provisionally estimates that its 2024 Irish bank levy will be c.€90 million, compared to €25 million in 2023.

Balance Sheet

The Group's loan book increased by €8.7 billion since December 2022 to €80.7 billion. This increase includes the €8 billion of loans acquired from KBC in February, €0.6 billion net impact from FX/impairment/other and net organic growth of €0.1 billion. The net organic growth comprises €1.3 billion increase in net lending in Ireland and a reduction in Retail UK of €0.5 billion, in line with strategy, and reduced international corporate and property lending of €0.7 billion reflecting a continued cautious approach.

The Group's liquid assets were €42.2 billion and wholesale funding was €11 billion at end-September 2023.

Customer deposits were €100.5 billion at end-September 2023, €1.3 billion higher compared to December 2022, reflecting the KBC deposit portfolio acquisition of €1.8 billion and growth in Retail Ireland of €0.4 billion, partly offset by a reduction in Retail UK and Corporate & Commercial volumes.

The Group's Loan to Deposit Ratio was 80% at end-September 2023 (December 2022: 73%). The Liquidity Coverage Ratio was 186% at end-September 2023 (December 2022: 221%), whilst the Net Stable Funding Ratio was 153% at end-September (December 2022: 163%). As expected, the changes in all three ratios in 2023 primarily reflect the impact of the KBC portfolios' acquisition.

Asset Quality

Impairment guidance remains unchanged, with the Group's asset quality in Q3 2023 performing in-line with expectations. Macroeconomic scenarios impacting credit impairment will, as usual, be refreshed to reflect updated market forecasts and captured as part of the Group's full-year credit impairment process. The Group's NPE ratio is unchanged from December 2022 at 3.6%. The Group remains focused on reducing the level of NPEs.

Capital Position

The Group's fully loaded CET1 ratio at end-September 2023 was 15.2% (14.8% at end-June 2023). The movement in the quarter reflects net organic capital generation of 90 basis points, partially offset by a 33% dividend accrual and the mix of investment in customer lending. The Group's regulatory CET1 and total capital ratios were 15.4% and 20.1% respectively at end-September 2023.

ESG

In addition to a c.30% increase in sustainable lending in 2023, as part of Financial Wellbeing, the Group continues to focus on supporting customers to improve their financial resilience. As a founding signatory of the UNPRB commitment to Financial Health and Inclusion, in Q3 2023, the Group has committed to increase the number of customers who have the resilience to withstand the financial impact of an unexpected day-to-day expense or a major life event. Bank of Ireland is one of only 20 banks globally to have set targets in relation to this commitment and is a co-lead of the UNPRB working group on Financial Health and Inclusion.

Ends

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Forward Looking Statement

This document 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, loan to deposit ratios, 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, United Kingdom, European and other regulators, plans and objectives for future operations, and the impact of Russia's invasion of Ukraine 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 2022. Investors should also read 'Principal Risks and Uncertainties' in the Group's Interim Report for the six months ended 30 June 2023 beginning on page 25.

Nothing in this document 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 document 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.