Bank of Ireland Group

FY 2024 Results Presentation

Monday 24 February 2025

OPENING – COVER SLIDE

Good morning. I'm Eamonn Hughes, the Chief Sustainability and Investor Relations Officer at Bank of Ireland. You're all very welcome to the presentation.

Myles O'Grady and Mark Spain will outline our results and outlook, we'll then take questions. But first we'll see a short overview of the past year at Bank of Ireland.

SLIDE 3 FY 2024 Performance Group CEO Myles O'Grady

Thank you, Eamonn, and good morning to everyone joining us on the call today.

SLIDE 5 Highly capital generative business model

Before we talk through the results in detail, our opening slide presents our positive outlook for the medium term.

Bank of Ireland continues to be highly capital generative. Supported by a growing Irish economy and our market position, I expect loan and deposit book growth and Wealth AUM growth, while retaining our proven cost discipline. Seizing this opportunity translates into a return on tangible equity of greater than 17% by 2027, and I'll come back to these building blocks shortly.

SLIDE 6 Strategic pillars propel growth and optimise stakeholder outcomes

Successfully executing our strategy is driving this performance. In terms of stronger relationships, we're growing customer numbers, while at the same time reaching an all-time high with our net promoter score, an excellent benchmark for customer satisfaction. We're making our business simpler with more active digital users and materially lower customer complaints. And sustainable lending is up 32%, broadly achieving our €15 billion target one year early.

SLIDE 7 2024 was another year of strong strategy execution

2024 was another year of strong strategy execution. We've delivered positive business momentum and financial performance. The highlights include:

- Growth in loans and deposits and a significant increase in assets under management;
- Another very good year of profitability and efficiency; and
- Strong capital generation and returns.

This supports our €1.2bn total distribution, up 6% year-on-year, the group's largest ever.

SLIDE 8 Capital generation compares favourably to peers

Our business model is outperforming our peer group, reporting higher capital generation and total shareholder returns than the peer average. This is underlined by cumulative distributions for 2023 and 2024 of €2.4 billion. This is equivalent to more than a quarter of our market cap.

SLIDE 9 Irish economy is resilient and growing

The Irish economy is growing and continues to outperform the Euro area. Private sector credit and deposits are strong and the trajectory for housing completions, underpinned by Ireland's demographic advantages, will grow the mortgage market. All of this presents a tangible commercial opportunity. It is clear, of course, that the world is in a period of heightened uncertainty and evolving international trade policies add complexity. We monitor this closely.

Ireland is on track to run a fiscal surplus for a fourth successive year. The national debt is also tracking down at 41% compared to 88% for the Euro area. These factors put Ireland in a good place today and position it well for any future challenges that may arise.

At Bank of Ireland, our focus is on growing our business with this growing economy.

SLIDE 10 Irish mortgage book continues to grow

To that point, on slide 10 we set out an excellent performance in Irish mortgages. Our mortgage book is up 7%, with a 40% share of new mortgage lending. With the planned increase in housing completions, I expect our Irish mortgage book to continue growing, delivering stable and attractive returns into the future.

And looking to that future, we continue to innovate. We've seen a positive reaction to the launch of our EcoSaver Mortgage product, which rewards customers if they improve the energy rating of their home. And our mortgage service improvements are building customer satisfaction, with customer scores up considerably in the last year.

SLIDE 11 Everyday Banking – strong franchise performance

On slide 11, we detail a strong performance from our Everyday Banking businesses. Here I'm pleased to report growing customer balances and fee income growth of 4%, while also reaching an all-time high in customer satisfaction. As with mortgages, innovation and investment drive this performance. Looking ahead, we will benefit from ongoing deposit growth and we'll continue to enhance our digital offering at pace. That includes upgrading our Mobile App and continuing to roll out a new customer-lending platform for our Small Business and Agri customers.

SLIDE 12 Wealth and Insurance is a growth opportunity for BOI

Slide 12 sets out the significant opportunity we see for our Wealth and Insurance business in Ireland. Last year, total AUM increased 19% to €55 billion. Both Davy and New Ireland contributed to this result. Since it joined the Bank of Ireland Group in June 2022, Davy's AUM has grown by 55%, and New Ireland Assurance has increased its protection policy sales to our new mortgage customers.

Wealth and Insurance fee income now represents almost 50% of total Group business income, offering valuable capital-light diversified income. The future for Wealth and Insurance is very positive. Irish

household wealth is increasing. There are commercial opportunities which we will target, and I expect AUM to grow by 30% over the next three years. That's significantly ahead of economic growth.

SLIDE 13 Corporate and Commercial customer sentiment positive

Turning now to our Corporate and Commercial division, here the loan book has evolved in line with our strategy. We have delivered solid and sustainable growth in Ireland and increased fee income. As previously communicated, our Corporate GB and US CRE books have contracted as we allocate capital to higher returning activities. We've also made excellent progress on asset quality, delivering a material improvement in the NPE ratio. This year, we expect to drive continued growth in our Irish Corporate book in line with the domestic economy, and we will grow fee income and corporate deposits, while our disciplined capital allocation will ensure continuing attractive returns.

SLIDE 14 Retail UK strategy refresh complete

The picture is similar on slide 14, which covers our Retail UK division. In recent years, we successfully repositioned this business. This has transformed its performance. Our UK subsidiary is now delivering sustainable returns with an underlying ROTE of 15%. We delivered a 27% increase in Retail UK underlying profit last year. We also completed the sale of our UK Personal Loan books at a modest profit. Our outlook is for a stable loan book of circa £17 billion, with an ongoing focus on operational efficiency. We're investing over £100 million in our UK business over the next three years to improve products, services, and customer experience. And, as Mark will speak to, we've recognised a provision of €172 million in relation to our Motor Finance book.

SLIDE 15 Meeting or beating medium term targets

This is the final year of our three-year strategy and we've had a good start to the year. As slide 15 shows, we are meeting or beating our medium term targets. We've delivered another year of high double-digit ROTE, 16.8% for 2024, while maintaining operating efficiency, and this has been reflected in our distributions.

Today, we're setting out a 5% increase in our full-year DPS to 63 cent and a €590 million approved buyback. This is the fourth year in a row where we have returned capital to shareholders via share buybacks. Taking the dividend and the buyback together, a combined €1.2 billion, we are today confirming an 80% payout ratio.

Mark will now bring you through our financial performance in more detail, and I'll return to talk about our expectations for the medium term.

SLIDE 16 FY 2024 Financials Group CFO Mark Spain

Thank you, Myles.

SLIDE 18 Financial Summary

Slide 18 recaps on our strong financial performance in 2024. Key highlights are: robust loan and deposit growth; strong AUM growth; an excellent asset quality performance; and a ROTE of 16.8%. This all underpins our confidence in the outlook for this year and beyond.

SLIDE 19 Strong financial performance in FY24

Our key income statement lines are shown on slide 19. Income and costs evolved in line with our guidance and market expectations. Non-core items are higher than our guidance, and I'll come back to this.

SLIDE 20 FY24 net interest income in line with guidance

Slide 20 details net interest income. Last year our NII was 2% lower on a like-for-like basis. This reflects higher liquid asset income, growth in loan volumes, and increased funding costs. For 2025, we expect NII of greater than €3.25 billion. This takes into account our assumption of lower average interest rates and the wind-down of Corporate GB. These factors are partly offset by the combined benefits of continued loan and deposit growth and structural hedge benefits. These same positive factors will be the key drivers of our NII trajectory into 2026 and 2027.

SLIDE 21 Loan book growth driven by excellent Ireland performance

Slide 21 sets out how our loan book grew in-line with our strategy in 2024. The standout of this slide is strong growth in lending in Ireland, which Myles referenced. This has become more broad-based, with commercial lending increasingly contributing, alongside an ongoing strong performance in mortgages. We also saw modest growth in our continuing UK portfolios. The reduction in International Corporate books primarily reflects the strategic rundown in our Corporate GB and US CRE portfolios. This year, we expect to see further growth in net lending. This reflects continued strong growth in Ireland, partially offset by ongoing deleveraging in the Corporate portfolios that we are exiting.

SLIDE 22 Strong AUM growth of +19%

Slide 22 covers the building blocks of the 19% AUM growth we delivered last year. Robust net inflows were augmented by market growth. By leveraging the scale and the breadth of our propositions and distribution, we're uniquely placed to capture the future growth opportunity presented by the Irish market.

SLIDE 23 Strong retail deposit franchise

Another highlight is the growth in our customer deposits. This was delivered while retaining our commercial discipline on pricing in a competitive marketplace. A key feature in 2024 was flow-to-term, which now accounts for around a tenth of our Everyday Banking balances. This year, we expect deposit growth of around 2% and a decrease in flow-to-term versus 2024.

SLIDE 24 Structural hedge contribution increasing

Our structural hedge strategy is an important factor in smoothing our NII trajectory through the interest rate cycle. Slide 24 shows our structural hedge gross fixed leg income was higher than last year, with the average yield up 24 basis points, helping to improve income. In 2025, we see this income circa 10% higher than 2024, driven by a further increase in yield and modestly higher balances. We see this structural hedge income tailwind continuing to support our NII trajectory in 2026 and 2027.

SLIDE 25 Total business income (incl JVs) +4%

Total business income increased by 4% last year. Our Wealth and Insurance and Retail Ireland franchises delivered good momentum in fee income. This year we expect to see growth of circa 5% in business income, with Wealth and Insurance again the main driver.

SLIDE 26 Operating expenses in line with guidance

On slide 26, we cover operating expenses, which were in-line with guidance. This performance included the investment of an additional €30m to drive future efficiencies. For this year, we expect circa 3% growth in operating expenses. The moderation in the growth rate reflects in part the delivery of benefits from our investment programmes. The combined impact of both investments made and future investments to come will deliver further efficiencies in 2026 and beyond. This supports our outlook for broadly stable operating expenses post-2025.

Finally, levies and regulatory charges were around 30% lower last year and we expect them to be stable this year.

SLIDE 27 Non-core items include UK motor finance provision

Non-core charges in 2024 were €275m, higher than originally envisaged. This is largely down to UK Motor Finance, where we've taken a provision of €172m. There are a number of variables at play and potential scenarios here, and we've adopted a probability-weighted approach. Our expectation is for more clarity on this later in 2025. We've also taken a €108m charge in relation to the impairment of software intangibles.

On this slide, we also detail a gain of €85m in relation to the disposal of our UK personal loans portfolio. For 2025, we expect the non-core charge to be in the range of €100-125m, largely reflecting restructuring costs. These will support our operating cost outlook beyond 2025.

SLIDE 28 NPE ratio reduced by 90bps to 2.2%

Turning to asset quality, where we delivered a significant improvement last year. As shown on slide 28, our NPE ratio improved by 90bps to 2.2%. This is in line with the European averages. This is primarily driven by strong organic cure and resolution activity coupled with an NPE transaction in December.

SLIDE 29 Impairment charge of 15bps; better than guidance

The 15bps impairment charge was better than our guidance. This is primarily due to better loan loss experience. The underlying loan loss experience charge was around 20 basis points. For 2025, the charge is expected to be in the low-to-mid-20bps, subject to no material change in economic conditions or outlook.

SLIDE 30 Strong organic capital generation in line with guidance

Slide 30 showcases the strongly capital generative nature of our business model. Over the full year, we generated 310bps of organic capital. RWA investment of 65bps was in-line with our prior guidance. Shareholder distributions, including the final dividend and buyback announced today consumed 215bps. We finished the year with a fully loaded CET1 ratio of 14.6%, leaving us very strongly positioned.

For 2025, our expectation is for organic capital generation of 250 to 270bps. In addition, we've increased our expectation of the benefit from Basel IV to circa 110bps from roughly 80bps previously.

SLIDE 31 Strong momentum supporting 2025 guidance

Slide 31 recaps all of our key guidance for this year. Together, this produces our expectation for a ROTE of circa 15% this year. Thank you, and I'll now pass you back to Myles.

SLIDE 32 Outlook and concluding remarks

Thanks, Mark. We're turning now to our medium term outlook.

SLIDE 33 Leading Irish franchise, complementary international footprint

Slide 33 captures the depth and breadth of our businesses through which we are privileged to serve more than 4 million customers. Our banking, wealth and insurance model is unique in the Irish market, offering value to customers and returns to shareholders. Our blend of a physical, on the ground footprint with engaging digital capabilities is a winning formula, helping serve customers better and faster. And our

colleague engagement is now at an all-time high. Engaged colleagues are vital to the progress we are making and I would like to thank them for their contribution.

SLIDE 34 Bank of Ireland's highly capital generative business model

Slide 34 sets out the four building blocks to our highly capital generative business. Firstly, the markets we do business in, in particular Ireland, with the economy on track to outperform Euro area peers. Another block is our lending and deposit growth. We're delivering this today and see more to come. Thirdly, our differentiated business model, notably in Wealth and Insurance where we have seen very strong AUM growth and expect more. And the final block is our focus on efficiency where we have a proven track record.

SLIDE 35 Positive outlook to 2027

Now, bringing all these together underpins my confidence for the years ahead and translates to a positive medium term outlook. This includes a return on tangible equity of above 17% in 2027, strong and sustainable capital generation of circa 750bps over the next three years with net capital generation equivalent to circa 45% of our market cap. A strong and attractive outcome for our shareholders. Thank you very much for your attention. Eamonn will now take us through the Q&A.

Eamonn Hughes:

Thank you, Myles. At this time, we invite those analysts wishing to ask a question to click on the raise hand button, which can be found at the bottom of your screen. When it's your turn, you will receive a prompt to be promoted as a panelist. Please accept, wait a moment, and once you've been introduced, you may unmute yourself, turn your video on, and ask your question. So we'll just wait now for one moment for the queue to form. It looks like our first question will come from Sanjena Dadawala in UBS. Sanjena, may now unmute your audio, turn on your video and ask your question.

Sanjena Dadawala, UBS:

Thank you. Good morning. Thank you for taking my questions. First, could you talk about in more detail the outlook for net interest income and the path to the greater than 17% ROTE target by 2027, consensus as it stands is currently expecting broadly stable NII in '26, '27 after the '25 decline. And second, important for the ROTE and annual capital generation target, what keeps costs at around €2bn in '26, '27 after the 3% growth in '25 and higher growth in the previous years. Thank you.

Myles O'Grady:

Good morning, Sanjena. I'll take the question on costs, and Mark will take the question in relation to the building blocks for net interest income. Sanjena, on costs, we've got a proven track record on cost control. Focus now is to future-proof Bank of Ireland, ensure the sustainability of returns. Cost is an important component. I referenced our outlook on cost to be circa €2bn each year out to '27. Given inflation that requires productivity and cost reduction. So objective is to be a leaner and more efficient organization and we have a range of initiatives underway right across the entire organisation that support that objective to be more efficient and leaner. Mark - on net interest income.

Mark Spain:

Yeah, good morning, Sanjena. And you're right. NII performance is a key input into our ROTE outlook on ROTE building to greater than 17% by 2027. Our guidance for 2025 is for NII to be greater than €3.25bn and we see it building from there so NII higher in 2026 and followed by stronger growth in 2027. And to help you and put some numbers on that in 2026, we see NII a little above €3.3bn and more meaningful growth in NII in 2027 to circa €3.5bn. The key factors informing that outlook, obviously, rates assumptions,

but the positive impact of balance sheet growth and also the structural hedge. And my sense is that maybe the structural hedge factor may be a little bit underappreciated by the market.

Myles O'Grady:
Thanks, Mark. Thanks, Sanjena.

Sanjena Dadawala, UBS:
Thank you.

Eamonn Hughes:
Thanks Sanjena. We'll now move on to our next question, Diarmaid Sheridan in Davy. Diarmaid, you may ask your question please.

Diarmaid Sheridan, Davy:
Thanks, Eamonn. Good morning, Myles. Good morning, Mark. Three questions, if I may. Maybe first of all, you talked about balance sheet growth there. Maybe you could give us a flavor of the areas that you're expecting to see growth coming through in the next couple of years, obviously picking up beyond this year coming. Secondly, just around dividends and buybacks, distributions more generally, obviously in the press release this morning or the RNS this morning, you talk about material capital return over 2025 to 2027 cumulatively. Maybe you could talk to what you think the strategy will be around returning that and maybe finally and somewhat interrelated to that and the ROTE, maybe just any comments you might have around capital efficiencies or broadly happy with the level of risk-weighted assets once we get to Basel IV, or do you feel that there's ongoing initiatives that you would look to help with the ROTE building blocks there? Thank you.

Myles O'Grady:
Thanks Diarmaid. And good morning. I may ask Mark to take the risk-weighted asset question and I'll take the first two. So in relation to balance sheet growth, again, I'd point to the performance for this year where we saw the Irish loan book grow 6%. So very strong performance and I've set out some of the building blocks to '27, which again include ongoing balance sheet growth both from lending but also from deposits. On the lending side, again, the two areas that I feel confident in relation to growth, firstly in the mortgage book, that grew 7% last year and we know there is demand for new homes in Ireland in the region of 50,000. Last year, we produced 30,000 new homes. This year, targeting 42,000 across the system. And that's going to be a source of growth for sure.

And secondly, a very strong indicator last year is the private sector credit now above 3%, and I can translate that into business and corporate banking growth as well. That book grew 6% last year and I expect that to be a source of growth as well, particularly as there is a renewed confidence from our business customer base to invest for the future. And of course the other part of our balance sheet on the deposit side, overall I expect that to grow as well by about 3%, mindful that deposits typically grow in line with the economy. And those targets also capture our best view on how the competitive environment is going to evolve in Ireland out over the next number of years.

In relation to how the distribution plays out, so again, for last year, a €1.2bn proposed distribution, that's up 6% compared to last year, also equates to a payout ratio 80% up from 72%. So strong growth in that. That's the second year of a distribution of more than €1bn. And again, given the very strong capital generative nature of the model, that 750 bps out over the next three years, I expect the distributions to be a combination of a progressive dividend per share and the return of surplus capital, which we expect

to consider on an annual basis. Mindful of course also last year we introduced for the first time in quite some time an interim cash dividend. That will be a feature of 2025 as well. And Mark - on the risk weighted assets.

Mark Spain:
Yeah. Morning, Diarmaid. So maybe you referenced obviously a key development. A key positive is Basel IV coming in this year. We've upgraded our guidance on the capital benefit from that to circa 110bps points from 80bps previously. If I bring back to RWA then, I think if I look at consensus for '25 and '26, I think consensus is pretty much in the right place. Maybe will be a tad higher than that given our loan growth expectations. But really if I think about the dynamics from an RWA perspective, Basel IV being the one-time reduction in 2025 and then RWA growing broadly in line with loan growth from there.

Diarmaid Sheridan, Davy:
Thank you.

Myles O'Grady:
Thank you, Diarmaid.

Eamonn Hughes:
Okay, we'll now move on to our next question, which is from Ben Toms in RBC.

Ben Toms, RBC:
Morning. Thank you very much for taking my questions. The first one's just on a risk that's regularly cited by investors and that's US tariffs. Can you just talk a little bit about that risk and whether there's any potential for this to feed into the Irish growth story over the next couple of years? And then secondly, you talked about the structural hedge being an underappreciated by the time we get to 2027 and you've helpfully given us the maturing yields and the structural hedge in 2025, can you just help us with the maturing yields in '26 and '27 to help us quantify that tailwind? Thank you.

Myles O'Grady:
Great. Thank you very much, Ben. Mark will take the structural hedge question and let me cover off the question in relation to economic risks. So again, the backdrop, earlier I spoke about an outlook for our ROTE to be above 17% by 2027. That's supported by a base case assumption that the economy in Ireland will grow by 12% out over the next three years. A very strong factor supporting that growth in employment, population growth, and of course also a level of spending increase both from consumers and from investment in public sector spending as well. For all of that, there is downside risk from the risk of trade dislocation from trade tariffs. If I look at the export sector in Ireland, very strong performance last year, pharma up 18% and technology related exports up 19% or in that region.

And therefore, I think the strength of the export sector in Ireland, that's been built up over 40 years, it's a very stable part of the Irish economy. I'm also mindful that in Ireland, we're not producing cars for export, we're producing medicine. I think that's an enduring factor. And of course, having presence in Ireland from a foreign direct investment perspective offers access to the single market in Europe. They're all the positive factors, but it is reasonable to assume that there's a level of risk associated with how this fast-paced economic situation may evolve. But I think we enter into that in a strong position. And maybe one final point, if we look at the fiscal position of Ireland, debt to GDP at 41%, that compares to a Euro average of 88% and certainly that offers capacity should challenges emerge. Thanks a lot, Ben.

Mark Spain:
Hi Ben. Yeah, good morning. Just on the structural hedge, so as I say the structural hedge is doing precisely what we want it to do, it's providing that support to NII as rates go lower and the overall size of structural hedge, €64bn, we see that growing modestly over the next couple of years in line with deposit growth, specifically on the maturing yield, so 150 and we've got €9.5bn or so maturing annually. So 150 in 2025, the uptick in that is somewhere to 230, 240. The yields or the maturing yield in 2026 and 2027, a little bit lower than that. That is all factored in, so about 125, actually, Ben, that's all factored in to our NII outlook into 2026 and 2027. So deposit growth, loan growth, and the structural hedge all contributing to that trajectory over the next three years.

Ben Toms, RBC:
Thank you.

Eamonn Hughes:
Thanks Ben. The next question is from Grace Dargan in Barclays.

Grace Dargan, Barclays:
Hi, good morning. Thank you very much for taking my questions. I guess firstly, maybe just coming back on costs and just thinking about some of the moving parts and the programmes you're undertaking to keep those costs flat, can you give us a little bit more detail?

And I guess maybe linked to that, how should we be thinking about restructuring charges beyond '25? Are they mainly software, technology-driven changes in costs and we should be thinking about more write-downs? Is it going to be more headcount reductions, branch reductions? Any guidance there would be helpful.

And then, just secondly, I guess, on the ROTE, it's great, it looks like a big uplift versus where consensus is, so where do you think consensus is wrong in '26, '27? I guess you've touched on NII, are there any other parts in particular? Thank you.

Myles O'Grady:
Good morning, Grace. And let me take the broad question on cost and also, I guess, the building blocks for ROTE and consensus, and Mark, you might come back on the restructuring component, the cost base. So again, Grace, in setting out that target to maintain cost in the region of €2bn, given inflation, it does require productivity, it does require cost reduction. Objective is a leaner, more efficient organisation. So those initiatives, firstly, they relate to more overall complement of FTE and also to where we target third-party costs as well. So I do expect FTE levels to be lower out over the three years. I also expect us to consolidate our third-party providers to deliver a more efficient support model.

Some specific examples that deliver those savings, as an example, we've digitised and re-engineered our platform for commercial lending, that translates into faster applications, but also, faster approval of loans.

We have deployed and are deploying more gen AI use cases, that supports data engineering, contact centres, more use of robotics, going after what we call our KYC, so know your customer onboarding process, that's a complex process given all of the compliance backdrop, so that's an important area to lean out.

We're also insourcing lower cost and more effective engineers to support technology change and indeed a review of span and layers to ensure we have the right shape of our organisation out in the longer term. So all parts of the organisation will contribute and of course, all in the context of a growing business model as well.

Which points, I think, to your question on ROTE, so again, maybe to recap on the components. Firstly, it's supported by that stable, resilient and growing Irish economy and translating into balance sheet growth, we've seen very strong performance in that over the last two years, that will continue. I've offered an outlook in relation to that lending book growth, but also deposit book growth, that might be a factor for consensus to look at.

On net interest income, Mark has spoken about the positive impact in particular of the structural hedge as we go out over time. That's a factor.

Growing our wealth and insurance business, we've seen a very good performance, up 19% last year. Again, that's a valuable source of what I would describe as capital light diversified income. That's going to be a feature. So that's a sense, Grace, of the moving parts that support both the cost trajectory and the building blocks for ROTE, again, to be above 17% by 2027. And Mark, on the restructuring component?

Mark Spain:
Yeah, so the restructuring piece is, Grace, our guidance this year, €100-125m, that is primarily restructuring-related, but there are some other elements of that as well. And we see that probably at a similar level in 2026 before tapering down again supporting that overall trajectory on operating expenses.

Eamonn Hughes:
Okay, thank you.

Grace Dargan, Barclays:
Thank you very much. Thank you.

Myles O'Grady:
Thanks Grace.

Eamonn Hughes:
That's great, Grace. We'll move on next to Chris Cant in Autonomous.

Chris Cant, Autonomous:
Good morning. Thanks for the call and taking the questions. If I could have two, please, the first on your tangible book, so about €10.5bn at the end of '24. With the kind of the RWA path you are thinking about, obviously, we could track tangible book in line with that, but I guess there's a couple of other things going on in terms of the DTA reabsorption and cash flow hedge pull to par over the next couple of years given the structural hedge dynamics. So how should we be thinking about the tangible book development from here?

And I guess the question I'm trying to ask indirectly is what's the denominator for your 2027 greater than 17% that we should be thinking about? It's got this added complication because you exclude the pension surplus, it's quite hard for us to get to from the outside.

The other question I wanted to ask was on cost of risk, please. So another strong year in terms of underlying book performance. You're guiding confidently onto 2025. Is the old through the cycle cost of risk guidance you used to give us in the sort of 30 to 40 range, is that now somewhat stale? And should we be thinking about this balance sheet delivering a structurally lower cost of risk than we used to have in our minds going forwards over your planning period? Thank you.

Myles O'Grady:
Good morning, Chris. Mark, would you like to take those two please?

Mark Spain:
Yeah. I will, yeah. Good morning Chris. So tangible book, so we use an adjusted tangible book as you sort of highlighted it in your question in calculating ROTE, that excludes surplus capital. So that was €8.7bn. You can see that in the slides. There's a slide on that in our disclosures for 2024. It'll reduce in 2025 for Basel IV by about €500m referencing DTA and other factors and loan growth. We see it growing by a couple of hundred million from there to 2027. So hopefully, that helps you in terms of the denominator.

In terms of cost of risk, yes, it's an asset quality, we've had a really exceptional performance in 2024, the NPE ratio down to 2.2%. That's in line with the European averages and improvements right across the books. Our impairment loss expectation going out, Chris, is probably similar to the low to mid-20s that we're guiding for 2025. And I'd note that relative to the sort of previous levels you spoke about, we've, for example, exited UK Personal Loans, which would typically be a higher impairment incurring business than others.

Eamonn Hughes:
Okay, thanks Mark. Thank you Chris.

Chris Cant, Autonomous:
Thank you.

Eamonn Hughes:
It looks like our next question is from Sheel Shah, you want to ask your question.

Sheel Shah, JP Morgan:
Great. Thanks for the presentation. Two questions from me please. Firstly, on CET1, now you printed 14.6% compared to the previous year at 14.3%, and you're talking about distributions above 14%. So should we think about 14.6% being the level which you are willing to solve to on an annual basis when it comes to the end of year distributions?

And secondly, a question on the wealth business. You're targeting 7-8% AUM growth going out to 2027. Are there associated costs in relation to this AUM growth? Should we be thinking about advisor costs? You mentioned a commercial opportunity.

And then, just to tag on the back of that, what is the level of business income growth that is associated with this AUM growth? Thank you.

Myles O'Grady:
Well, Sheel, thank you for that. Let me take those two. So landing on a CET1 of 14.6%, just to recap, it's after the €1.2bn proposed distribution, and certainly, as you'll have heard me say before, no desire to sit

on excess capital. I think about cumulative distributions for '23 and '24, equivalent to 27% of our market cap. So I would regard 14.6% very much as a point in time decision. It captures a range of factors including business requirements, business outlook, and indeed, the macro backdrop. So no change to our capital target to be above 14%.

I did reference capital generation out to 2027, expecting that to grow by 750bps out over the three years. I think that's the most important component really when we think about the sustainability of distributions out over the next three years.

On the wealth question, so we're very pleased with our wealth performance overall, very strong AUM growth, again, up 19% in the year. And maybe some of the components of that. If I think about Davy, had a particularly strong year, Wealth AUM assets up 25% with corresponding fee income for that part of our Wealth business +21%. And so, therefore, if I combine that with the opportunity in the marketplace, strong levels of cash in the system, household wealth increasing as well, they're the reasons why we feel very comfortable regarding the growth in AUM. We expect it to grow faster than the economy. And again, we also expect wealth fee income to grow faster than economic growth, hence the guidance or outlook today. And in setting out our targets to maintain a cost base in the region of €2bn, I mean, that captures the cost base required to deliver that wealth strategy out over the next three years.

Eamonn Hughes:
Thanks all. Okay, just a reminder to everybody if you want to ask a question to use the Raise Hand function and that'll kind of promote you as a panelist. And it looks like our next question actually is coming through from Borja Ramirez, from Citi.

Borja Ramirez, Citigroup:
Yes. Hello. Good morning. Thank you very much for your time and for taking my questions. I have two. Firstly, on the capital, the capital generation target for 2025 of between 250-270bps. I would like to ask if that includes the effect from the DTA consumption.

And also, the 14% target, when do you expect to reach it, if there's any details on the potential timeline?

And then, my other question would be on the deposit beta, it seems based on the ECB data, it was quite low in Ireland, so quite positive trends there. So if you could kindly update on the deposit beta and also what assumptions you have included in the guidance. Thank you.

Myles O'Grady:
Perfect. Good morning. Thank you very much for those questions. I'll ask Mark to take the DTA question and maybe the deposit beta as well and then I'll come back on the capital position.

Mark Spain:
Perfect. Yeah, so Borja, good morning. The capital generation guidance that we've given for 2025 and indeed, over the next three years, does incorporate the benefit of DTA, that is not recognized in our capital today, but does get released to capital. Our DTA asset is about €600m on balance sheet at the end of 2024, and given our outlook, we see that being broadly utilised by some time in 2028.

In terms of deposit betas, so we think about that, Borja, probably more in terms of flow to term, and flow to term, I think largely played out in line with our expectations in 2024, so about 10% of our deposit base in term and equivalent products, just over €3bn of flow in 2024. We do see the flow to term being lower

in 2025 than in 2024. And that is incorporated into our NII guidance of greater than €3.25bn for 2025, and obviously, that builds into 2026 and 2027 that I referenced earlier.

Myles O'Grady:
Borja, in relation to the capital target, so the capital target to be above 14%. And in that context, I think about ’25, distributions for this year, will continue to comprise a progressive dividend per share. And as with last year, there'll be a dividend at the half year with surplus capital considered annually. And again, I know it's a reference, that earlier, it's important to say, that capital generation of 750bps out over the next three years offers a strong degree of confidence on our ability to ensure we maintain progressive dividends and the return of surplus capital back to shareholders. Again, no desire to hoard capital when we don't need it. Thank you very much.

Borja Ramirez, Citigroup:
Thank you.

Eamonn Hughes:
We'll now move on to our next question from Seamus Murphy in Carraighill.

Seamus Murphy, Carraighill:
Hi. Hi guys. Thanks very much. Super numbers. Can I just ask you a very simple question just in terms of, you spoke about the hedge growing into 2026 and 2027, but if I just look at the numbers, I think you said there was a €3bn flow to term this year, and if we assume that it's something similar over the next couple of years, which would be a lower percentage flow to term, then how does the hedge actually grow? Because the deposit growth is only running at 2-3% in Ireland. So that's the first question.

The second question is coming back to this capital. Again, we have 14.6% basically this year, but the additional Basel III gives us 14.9%. Given the trajectory of the profit outlook, I suppose we again question why hold back basically just in terms of being slightly more aggressive in terms of your repurchase policies? Thank you.

Myles O'Grady:
Yeah, good morning Seamus. And again, so that position of 14.6% where we landed at for 2024, very much a point in time decision, and again, it does capture a range of factors that we consider. That's about the outlook for the business, which we have a positive view on, and of course also the macro backdrop as well. I would point to a €1.2bn distribution for '24, the largest distribution ever made by Bank of Ireland, up 6% on last year, payout ratio increasing from 72% to 80%, and again, that trajectory of capital generation of 750bps out over the next number of years offers strong confidence in our ability to ensure that we continue to have a progressive dividend and indeed return surplus capital. Mark, on the hedge question?

Mark Spain:
On the hedge, So Seamus maybe a couple of parts there. So one is deposit growth. We speak about sort of 2%, that's our expectation this year in our Irish franchise, but growing from there, particularly as rates go lower into later this year and next year. And then secondly, that flow to term, as we said, about €3bn last year but lower this year and I think lower as the rate cycle goes lower, so those are the dynamics. We're talking probably of a billion a year or so, Seamus, it's of that order, but there is modest growth in the structural hedge over the next couple of years.

Myles O'Grady:
Thanks Mark, thank you Seamus.

Eamonn Hughes:
Okay, we now move on to our next question from Rob Noble.

Rob Noble, Deutsche Bank:
Morning, thanks for taking my questions. They've kind of been touched on already, but your ROTE guide is based on a 14.0% core tier one base. You are in a great capital position, great capital outlook, Basel helps, et cetera, capital generation north of 300bps, never had a higher ROTE, right? And you haven't paid down to 14.0%, so is the 14.0% base actually right, are you actually going to pay it down, or should I run 14.5% through my model into perpetuity? And then just a bit more on the cost, so I don't know how if I build this up, I've got 5% growth in employee numbers, I think you've negotiated 3-4% wage growth, and all of the employee growth is in IT employees because you're investing in tech, so it's expensive. I don't understand how the cost base stays flat without substantial reductions in full-time employees, is that what we should expect?

Myles O'Grady:
Yeah, thanks for those questions Rob. On the ROTE, the capital target, we assume for the ROTE calculation that it's off of 14% ROTE, so that's I think good for model purposes. And again, given the strong levels of capital generation, we expect to return capital and not to sit on excess capital. The actual decision is a point in time, it captures the range of factors. On the cost piece, again, there are two components of that cost reduction. That desire to be a more efficient and lean organisation. Yes, for sure on the headcount side, FTEs, I expect overall FTEs to be lower out over the next number of years. As an example of our intent in that regard, FTE remained flat in the second half of last year, and so that's the progress we're making over the course of '24 that will continue out over the next three years.

Of course, a large part of Bank of Ireland's cost base is also third-party support, and that's an area of focus as well where we will consolidate the number of partners we have and secure efficiency from that. And to your point about the technology point, which is well-made, but actually one of the things that we're doing that's working very well is that we are outsourcing less of our tech change to third parties and bringing in cheaper, more cost-efficient staff, particularly in relation to engineers, which are a critical part of delivering technology change. There's a range of factors across all of our divisions, across all of our geographical locations, within all of our functions, they will all contribute to our overall ambition to ensure we keep our cost base in the region of €2bn. Thanks Rob.

Rob Noble, Deutsche Bank:
Thank you.

Eamonn Hughes:
We'll now move on to Denis in Goodbody.

Denis McGoldrick, Goodbody:
Good morning Myles and Mark, and thank you for taking my questions. Just two please, if I may. So I'm just wondering if you can give us a little bit more colour in how you arrived at your Motor Finance provision please. So does it include an element of redress plus cost associated with any redress scheme? And then I'm also wondering within the non-core guidance for this year of €100-125m, is there a buffer within that for any potential further uplift to the provision? And then secondly, just again on I guess deposits and

term migration in particular, your flow to term in Q3 I believe is a little bit higher than peers and expectations, so just wondering what the latest performance is there in quarter four and year to date? Thank you.

Myles O'Grady:
Thanks Denis, good morning. Mark, would you like to take those?

Mark Spain:
I will indeed. Maybe, Denis, I'll take them in reverse order. So just on the flow to term about €600m in Q4, and it's often difficult to predict precisely the flow in any particular quarter, but I think the year played out broadly as anticipated, about 10% of our deposit base in term and similar, and I'd say experience so far this year in line with our expectations. On Motor Finance, we've taken a provision of €172m or £143m in relation to that. Maybe it's helpful to just walk through our approach in that regard, and our approach is designed to capture a number of variables. So those include, for example, the outcome of the appeal to the Supreme Court, the likelihood of an FCA remediation scheme, the scope and timeframe of any such scheme, the approach to compensatory interest, you mentioned administration costs, etc, so all those variables are things that we have considered and the provision represents our best view, our best estimate of the Group's exposure based on all of the information that we've got available at the present time. And specifically that is our best view, so our guidance in terms of non-core for 2025 of course doesn't include anything in that regard because we've taken our best view at the end of 2024.

Myles O'Grady:
Thanks, Mark. Thank you Rob. All right, Denis, apologies, all right.

Eamonn Hughes:
Okay, we'll now-

Denis McGoldrick, Goodbody:
Thank you.

Eamonn Hughes:
We'll now move on to Andrew Stimpson. Andrew, you can ask your question.

Andrew Stimpson, KBW:
Morning guys, two from me please. Firstly, on net interest income. The sensitivity guidance you give is always for a parallel shift, which is fair enough, because that's the data that we get from everyone, but it's obviously more likely that we see the short end come down a little lower and then we have hopefully a gently upward sloping yield curve by the half year stage. So I'm just thinking that's likely to be much less bad scenario for you than a parallel shift would be. Is there anything you'd critique on that statement? Maybe the shape of the yield curve ends up being a reason why the net interest income outlook ends up being a bit better on the outer years? And then secondly on loan growth, you've made some very positive sounds there, but you've got a target of more than 3% for 2025. That would still be a material slowdown from what you achieved in '24, but obviously with lower rates in 25, wouldn't that lead to better volumes than what you saw in '24 please? Thank you.

Myles O'Grady:
Andrew, thanks for that, I'll ask Mark to take the NII question. And in relation to loan growth, Andrew, for sure, last year very strong in the Irish franchise with the mortgage book growing by 7% and our commercial

and corporate Irish book growing by 6%. The assumptions that we set out for '25 and indeed beyond, and they factor in a range of considerations. Firstly, we see the totality of the market being bigger. So for example, the mortgage market will increase, driven by the increased supply of new homes, and we're very well positioned to grow our book in that regard. And also general sentiment from business banking is supporting the commercial and corporate book also growing in Ireland. I'm also mindful of course, that competition is going to increase, and therefore in setting out our targets that I have a lot of confidence behind, I want to make sure that they're realistic and achievable.

They also factor in a renewed increase of competition in the marketplace, which of course we will compete for, and we'll always really importantly maintain pricing discipline, it's been a feature at Bank of Ireland and will continue to be so into the future, but there are some of the considerations as we think about that outlook for '25 and beyond. Mark on...

Mark Spain:
Yeah, on the NII sensitivity, Andrew, I maybe think about the question really in the context of our NII resilience and indeed ability to grow as rates come down and stabilise, and I think that's maybe the key message from this morning. The rate impact really is for us largely in 2025, there's a little bit in 2026, but the key positive factors in our NII trajectory, so the structural hedge, which we spent a bit of time on the call this morning on, deposit growth and loan growth driving NII forwards and that gives us the confidence around the trajectory into 2026 and 2027.

Myles O'Grady:
Great, thank you very much, Andrew.

Eamonn Hughes:
Thank you. Just a reminder again, if there's any more questions, just to raise your hand and the function will be picked up, you'll be promoted as a panelist. So we'll now move on to our next question, which is from Aman in Barclays.

Aman Rakkar, Barclays:
Yeah, good morning guys. I just wanted to say thanks for letting me ask the question and thanks for your guidance beyond '25, actually really appreciate that. I know there's lots of moving parts, but it's very helpful. I just wanted to talk about rate sensitivity. I think your rate sensitivity has come down by about 10% versus the last time I'd seen that disclosure, so I just wanted to check what the moving parts were there. Is that just the shift to term deposits that's kind of driving that? And I guess more broadly, when you are thinking about your rate sensitivity from here to cuts, is there anything more that you can be doing? Can you expand your hedge notional as a percentage of your balance sheet, because your structural pass-throughs are clearly coming in much, much, much better than what's being reflected in the hedging of your balance sheet? So I just wondered if there's more work to be done from a management point of view about protecting yourself, the right cuts maybe? Thank you.

Myles O'Grady:
Good morning, Aman, and thank you for the feedback. I'll ask Mark to take the rate sensitivity and those components of it. I do think there is a broad answer to your second question, which is that firstly interest income is very much supported by our outlook and balance sheet growth both for lending and for deposits, and on the rate aspect of it, when we experienced a steep increase in rates, we were very careful to ensure that we protected value in the franchise, protected value in the back book particularly as well. And we describe that as being a balanced approach to applying a rate environment on the increase, and

we will be as disciplined as rates come down. I think we've seen some evidence of that in terms of where the ECB have moved and how we've considered that from a deposit and from a lending impact on the decisions we've made. So we will be very focused in the broad sense on ensuring, of course, we'll offer value to customers, but that pricing discipline will continue to be key. Mark on the...

Mark Spain:
Aman, you've got the answer, you're correct, it's the shift and flow to term that's what's driving the reduction in the downward leg.

Myles O'Grady:
Thanks Aman.

Aman Rakkar, Barclays:
Thank you.

Eamonn Hughes:
Okay, Aman, thank you. It looks like, actually Aman, you were the last question. So this concludes today's conference call, and thanks everyone for your participation this morning. We look forward to meeting as many of you as possible over the coming weeks, and if you have any questions on these results or any other aspects of the presentation, please feel free to reach out to anybody on the Investor Relations team.