FY 2023 Results Presentation

Monday, 26th February 2024

FY 2023 Performance

Myles O'Grady

Group Chief Executive, Bank of Ireland

FY 2023 Performance

Step-change in business performance

Good morning from Dublin, and thank you for joining us. A year ago, we presented our refreshed strategy. That strategy is built on three pillars: stronger relationships, a simpler business and a more sustainable company, and is very much guided by our purpose, which is to help customers, colleagues, shareholders and society to thrive.

We are now more than one-third of the way through our three-year strategic cycle, and we are executing our strategy well. This is evidenced by a step-change in the performance of the Group – loans, customer numbers and AUM have grown. Our financial performance is strong with profits of €1.9 billion, a cost-income ratio of 42%, and ROTE of 17.3% – outperforming our target. This is delivering capital generation of 340 basis points.

Today we're announcing an ordinary dividend of €0.60 per share and a share buyback of €520 million. This brings total distributions to €1.15 billion, more than three times what we announced this time last year, equating to a total payout of 72%.

Highly attractive Irish market

Ireland is an attractive market. Three-quarters of our profits come from here. Ireland has record total employment, up by 14% since pre-COVID 2019. Households and businesses have healthy balance sheets and housing completions last year reached a 15 year high, with more growth expected.

While we are mindful of the risks presented by the external environment, this positive backdrop is important and Bank of Ireland is very well-positioned to create value in this market. This all helps drive our strong Irish retail performance.

Strong Irish retail performance

In Irish mortgages, we've increased our share of a growing market to 41% with organic net book growth of 8%, whilst maintaining our risk appetite and pricing discipline.

Irish deposits and current account balances grew by €2.5 billion to over €80 billion, while customer fee income grew by 11%. Our assets under management increased by 18% to €46 billion. This was supported by strong customer inflows of €3.3 billion, highlighting the quality of our New Ireland Assurance and Davy businesses.

Supporting Irish businesses and a complementary international footprint

The performance of our other businesses is in line with strategy. We grew new lending in our Irish corporate and SME loan books. We've also maintained our disciplined approach to property and international corporate, with exposures down by 10% over the last year. Here, we've increased our commercial real estate coverage ratio by 100 basis points to 3.4%. We've taken this action to capture known and potential future risks to this portfolio.

In the UK, our approach of delivering returns through a niche strategy has transformed its performance, with underlying profit before tax up 57% since 2019. Our UK business continues to generate returns above the cost of equity. This was a strategic imperative when we commenced the execution of this strategy back in 2020.

Strategic pillars supporting growth and improved Customer experience...

As I mentioned, our strategy is to build stronger relationships, a simpler business and a more sustainable company. In terms of stronger relationships, new to bank customers increased 8% last year. At the same time, complaints in Retail Ireland fell 5%, bringing the reduction since 2018 to 50%. This shows continued delivery of our simpler business strategy, where our work to improve customer journeys and enhance digitalisation is having a positive impact.

...delivering benefits to Society and Colleagues...

As part of sustainable company, we're well on our way to meeting our Sustainable Finance target of €15 billion by 2025. This lending increased 35% last year to €11 billion.

Sustainability is about more than green lending. We've increased the share of female senior appointments by six points to 46%, while colleague engagement and culture scores reached all-time highs. These improvements support our ambition to attract, grow and retain the best possible talent.

...and rewarding our Shareholders

Our strategy is delivering for shareholders. Exceeding our ROTE and Cost / Income targets is enabling stronger than expected distributions. We're meeting our 40% pay-out ratio target one year early, and we're adding to this with a €520 million buyback – returning surplus capital, as we committed to last year when we communicated our updated distribution policy.

Unique opportunity as The National Champion Bank

I've previously spoken about Bank of Ireland's unique position as Ireland's National Champion Bank. We are serving our customers' financial needs at every stage of their lives. Through Bank of Ireland, Davy and New Ireland, we offer banking, wealth and insurance propositions all from within the Group. We operate in an attractive economy with supportive demographics, and our UK and international businesses are complementary. All of this delivers an enduring step-change in our performance and confidence in the strategy. The Group's strengthened business model is well-positioned to deliver our financial and non-financial targets.

From an investor perspective, our strategy is producing great commercial outcomes, translating to a very strong financial performance and supporting sustainable capital generation and increased distributions. Acknowledging this strong capital generation, the step-change in our distribution capacity and our desire not to hoard capital, interim distributions are to commence in 2024.

Mark will now talk us through our financial performance in more detail.

FY 2023 Financials

Mark Spain

Chief Financial Officer, Bank of Ireland

FY 2023 Financials

Strong financial performance in 2023

Thanks, Myles. Slide 15 sets out our strong financial performance. We delivered growth, efficiency and excellent returns last year. The performance reflects our strategic decisions in recent years and commercial delivery right across our business lines, supported by higher interest rates. This translates into the step-change in capital generation and distributions that Myles highlighted.

FY23 financial performance; PBT +92%

Slide 16 details our P&L items. Total income was up 42%, with all lines contributing. Our Cost / Income ratio improved by 12 points year-on-year, reflecting higher income and operating leverage supported by previous investments.

Our impairment charge is higher than our guidance. There are two key points to note on this: Our actual loan loss experience is slightly higher than 2022; and The higher charge reflects additional management adjustments to address potential risks, primarily in CRE. Finally, our ROTE is 17.3%. This exceeds our medium-term target of circa 15% and is equivalent to a Return on CET1 capital of 21%.

48% growth in net interest income

On slide 17, we cover our NII performance. Our NII is 48% higher on the prior year. We deliver this through higher lending and liquid asset income, which more than offset growth in funding costs. Looking to 2024, we expect NII to be 5-6% below the 2023 Q4 annualised run-rate. This reflects our rate expectations with an ECB deposit rate at end-2024 of 2.75% and higher deposit costs. These factors will be countered by our ongoing business momentum, particularly in our Irish franchise.

Structural hedge providing NII resilience

Our structural hedge is designed to smooth the effects of the interest rate cycle, and it is working as planned. We took actions to materially increase the hedge in 2022, which you can see in the top chart. These actions are providing clear benefits. Our gross hedge income increased nearly fivefold last year. We expect hedge income to continue to grow by circa 10% in 2024 with a significant proportion of this already locked in. The structural hedge will be a positive factor in our NII development over the coming years, protecting income as rates go lower.

Strong retail deposit franchise

Bank of Ireland has a strong and stable retail deposit base. Looking specifically at our Everyday Banking franchise in Ireland, we saw growth here in H1. In the second half, continued inflows were offset by High Net Worth customer migration to Davy, where we have specific offerings to meet the needs of these customers.

As anticipated, we've seen migration into term pick up during the year from low levels, which flows highest in the final quarter. Looking at 2024, we expect modest growth in our Irish deposit franchise, reflecting our economic outlook and customer behaviour expectations as interest rates trend lower. We also expect a similar rate of migration to term as experienced in the last quarter of last year.

Loan book growth reflects KBCI and Irish net lending

On slide 20, we chart the key movements in our loan book. The book evolved in line with our expectations with the acquisition of the KBCI portfolios, higher net lending in Ireland, deleveraging in the UK and our cautious stance to our CRE and international portfolios. A highlight is the €2 billion growth in our non-property net lending in Ireland, up more than 60% year-on-year. Our mortgage performance is the main driver here and delivered while maintaining our commercial discipline and risk standards.

In 2024, we expect modest growth in the overall loan book, driven by continued growth in our Irish portfolios and stability in our UK loan book ex personal loans.

Total business income 10% higher

Our business income increased by 10% last year. When we launched our strategy one year ago, we spoke about Wealth and Insurance being the key driver of fee income growth. This is playing out as we planned. Wealth and Insurance was the largest contributor to our fee income growth last year. For 2024, we expect mid-single-digit percentage growth in our total business income, which includes the contribution from associates and JVs. Again, we see Wealth and Insurance as the most significant growth engine in this.

Operating expenses in line with c.€1.85bn guidance

Slide 22 covers costs, where we've continued to maintain our discipline and our out-turn is in line with our guidance. In terms of our 2023 performance, inflation and BAU items account for less than a quarter of the headline increase. Acquisitions and other items, including additional investment, account for the balance.

Looking to 2024, we expect mid-single-digit percentage growth in OpEx. This growth includes additional strategic investment to drive future efficiencies in a period when we are generating attractive returns.

Non-core items of €85m

Non-core items reflect acquisitions, divestments and our liability management exercise. For 2024, our expectation is for a similar level of non-core items as last year.

Improved asset quality and strong coverage maintained

Slide 24 shows the Group's diversified loan book with good collateralisation. Circa 60% of our lending is in mortgages with low LTVs. The Group's asset quality improved last year, with a 50 basis points reduction in our NPE ratio to 3.1% and Stage 1 loans up. We continue to maintain strong coverage levels, 1.5% on the overall book. On a like-for-like basis, 2023 cover is the same as 2022.

Proactive approach to CRE

On Slide 25, we give detail on the group's CRE exposures. We reduced our CRE book by 12% during 2023. This reflects our active portfolio management. Our book is predominantly Ireland-focused. We have a small US CRE book which accounts for less than 1% of total Group loans and is prudently provided for.

We are continuing to see positive borrower behaviour right across our portfolio, supported by average LTVs of circa 60%.

Our overall CRE asset quality is stable, and we meaningfully increased our coverage levels from 2.4% to 3.4%. This includes a trebling of our Stage 2 coverage. These actions underline our proactive approach.

Higher impairment charge primarily due to additional management adjustments

This leads us to slide 26 where we look at the building blocks of the group's cost of risk. Our loan loss experience and portfolio activity charge of €265 million is slightly higher than last year. We also made additional management adjustments totalling €138 million comprising PMAs, FLI and model adjustments. The largest element of these additional adjustments relates to our proactive stance towards our CRE exposures, where we have addressed potential future risks.

Looking to 2024, we expect a charge in the low 30s basis points.

Significantly higher capital generation...

Turning to capital, the Group generated 340 basis points of net organic capital last year. This has allowed us to invest in our business, complete book acquisitions and increase distributions more than threefold.

...results in sustainable step change in distributions

We expect another year of strong organic capital generation in 2024. 2024 distributions will comprise a mix of buybacks and dividends and, as Myles has set out, interim distributions are to commence this year.

2024 guidance

Our final slide recaps our guidance for 2024. The moving parts here lead us to expect a ROTE of greater than 15% with associated strong capital generation. We are firmly on track to deliver all of our medium-term targets.

Thank you for your attention.

Back to you, Myles.

Closing Remarks

Myles O'Grady

Group Chief Executive, Bank of Ireland

Thanks, Mark.

To recap, 2023 was a great year that gives us a strong platform to build from. We are focused on driving the Group forward in 2024 and beyond.

We'll now open the line for questions. Thank you.

Q&A

Operator: Thank you. To ask a question, you will need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, please press star one and one again. Please stand by while we compile the Q&A roster. We will now go to your first question. One moment, please. And your first question comes from the line of Diarmaid Sheridan from Davy. Please go ahead.

Diarmaid Sheridan (Davy): Good morning, Myles. Good morning, Mark. Thank you for presentation and taking my questions. Three, if I may. Myles, maybe just starting with broadly the strategy and how you look at the business in terms of Ireland and the confidence you have in the business.

Clearly, in 2023, you outperformed the targets you set 12 months ago. You're guiding for that to continue into 2024. So maybe just talk to the areas where you're seeing that in terms of that outperformance and the confidence you have in that relative to what would have been set out 12 months ago.

In terms of capital, Myles, you referred to substantially higher distributions. How should we think about that in 2024 and beyond, both in terms of the mix between ordinary dividends and buybacks and your CET1 guidance?

And Mark, maybe finally, you're guiding 2024 net interest income lower. Given 2025 interest rate expectations are lower, again, I just wonder if you could talk to the moving parts as we look out of 2024 into 2025 in terms of structural hedge and the other parts of the – the moving parts there in terms of how that can play out? Thank you.

Myles O'Grady: Good morning, Diarmaid, and thank you for those questions. I'll take the first two and Mark will take the net interest income question.

So, in terms of confidence in our business model, I mean, last year was all about executing strategy and translating that into commercial outcomes. I think we've done well there. All parts of the business performing strongly. Last year was also about building on the foundation of the material strategic decisions that we took in previous years that relates to acquisitions and multi-year transformation programmes. And in our home market, we've got a very strong market position.

Our business model, and actually, our balance sheet in particular, is structured very well to create sustainable value for customers and shareholders. And also, just to remind those on the line, we're also the only wholly owned bancassurer in Ireland, with New Ireland Assurance and Davy, Ireland's leading wealth business. And in the UK, you may have – you heard me reference earlier that this is a business that is consistently delivering returns that are above the cost of equity. And on asset quality, the balance sheet has strengthened last year compared to the previous year, and also we've increased our Sustainable Finance by 35%.

So I call that out to you because when I bring all of these components together, it certainly offers me continued confidence in our strategy and in our business model. This is very much reinforced by the 2024 guidance Mark has provided and, indeed, my own commitment to deliver the targets we announced last year. So, Diarmaid, standing back, I guess what excites me, as CEO, is the actions we are taking to truly future-proof our business beyond the current strategic cycle. And of course, that translates into outcomes such as sustainable enduring capital generation and distributions to shareholders, which takes me on to your second question.

So, I expect distributions this year will comprise ordinary dividends and share buybacks, very much anchored in a progressive dividend per share and continuing to return surplus capital.

And given our highly capital generative business model, we've referenced 260-280 basis points for 2024. That equates to 65, 70 basis points per quarter. We plan to commence interim distributions this year, which I regard as a very positive development.

The mix of interim distributions, likely to include a cash dividend, will be assessed as we get closer to H1. And important to note that the primary decision for distributions will take place at year-end, and therefore any interim distribution will be a component or a subset of the overall decision for 2024 distributions. Also, important to say that share buybacks are subject to regulatory approval, as is the case for Eurozone regulated banks.

So, I mean, stepping back a little bit. Like last year, we committed to growing a dividend payout of 40% by 2024. We've done that a year early. We also said we would not hoard capital, and our share buyback announced today is demonstration that we are not hoarding capital, and our CET1 ratio, we've landed at 14.3%, is very much in-line with our capital target and indeed our distribution policy. It also demonstrates that we're comfortable running the business at this level.

So to wrap up, before handing over to Mark, our delivery last year and the transition to interim distributions reinforces, I guess, our capital return credentials and should give you a sense of our confidence in our business model and the ability to generate and return capital to shareholders.

Mark, over to you.

Mark Spain: Thanks, Myles. Morning, Diarmaid. And maybe just on NII, maybe standing back, I would say NII is playing out as expected when we launched the strategy a year ago. At that point, we expected 2023 to be the strongest year in a three-year cycle, with attractive returns in each of the three years.

Just before we get into 2025, maybe, just maybe, it's worth dwelling on the 2024 guidance and really three elements behind that. So firstly, rates and our assumption based on market expectations at the beginning of February, is that the ECB will cut in April and every meeting afterwards other than December, getting us to 2.75% by the end of the year. I know the market is probably a little bit more hawkish on that at the moment. We've given an NII sensitivity to support the market in that regard.

The second factor is higher deposit costs. That's primarily reflecting our flow to term assumptions in Ireland. Again, just to recap there, our assumption is that the flow to term will continue at the same rate as Q4 2023, throughout all of 2024. Now, of course, market – the market, and we are expecting rates to come lower. So obviously, you can make a judgement on that.

And then the third element is business momentum. And we are seeing that business momentum, particularly in Ireland. We've seen that €2 billion growth in Ireland last year in terms of non-property lending, up 60% year-on-year, very strong performance in mortgages for the good start this year as well. And we're also projecting modest deposits growth as well. So those factors will counteract the first two.

And then on 2025, again, maybe at an overarching level, and just to echo what Myles has said, we're firmly on track to deliver our committed financial targets, our ROTE of circa 15% and our Cost / Income ratio of less than 50%. And obviously, we're not giving formal guidance on 2025 today. But my best view is on NII that we'll have relative stability versus 2024 levels. And if I think about the factors underpinning that, obviously rates, as you pointed out in your question, lower is a headwind and that is obviously a key variable. But there are three offsetting factors. So one is we will see lower funding costs as rates go lower. Secondly, that lending and deposit growth that I spoke about in terms of 2024, and thirdly, then the structural hedge benefit becomes more pronounced for NII as rates go lower.

So hopefully, that is helpful in terms of thinking about that strategy.

Myles O'Grady: Thanks, Mark. Thank you, Diarmaid.

Diarmaid Sheridan: Thank you.

Operator: Thank you. We will now go to the next question. And your next question comes from the line of Grace Dargan from Barclays. Please go ahead.

Grace Dargan (Barclays): Hi. Good morning. Thank you very much for taking my questions. Two, please. One on, kind of, NII, again, and then the second on capital. So firstly, on NII, I guess just thinking about coming back to your commentary around deposit migration in a falling rate environment and thinking about broader market competition, you've had overall, I think it's fair to say relatively low betas in terms of deposits on the way up. But thinking about how when rates come down, how are you thinking about the balance of deposit pricing versus mortgage pricing?

And then secondly, just to push a little bit more on the distributions point, is there anything stopping you moving much closer to a total pay-out of 100% this year and next year, especially now, you're able to move to interim distributions. Do you think that helps with the amount of surplus you'll be able to return each year? Thank you very much.

Myles O'Grady: Grace, good morning. Thank you for those questions. Let me take the capital question first of all, I'll also comment on our pricing strategy for mortgage and deposit customers. And Mark, you may have more to add in relation to the broader deposit question as well.

On the capital distribution question, Grace, our overall objective is to be clear that we want to have a progressive dividend per share, building on the €0.60 per share that underpins the 2023 announcement. And of course, that's going to be driven by a range of factors, P&L performance, but also the share buyback itself is supportive of that and our policy. So our pay-out last year was 40%. Our policy allows us to operate within a 40-60% range, so we have the flexibility to use that as required. And also, again, on the other component of the distribution, on share buyback, again, hopefully our credentials are strong on this in the context of what we've announced today. And I would reiterate the point that we have no desire to hoard capital. So I think it's less about whether it's a total pay-out of 100% and more about a progressive DPS and the return of surplus capital. And again, I think getting down to 14.3% is a good demonstration of that.

In relation to pricing strategy in the context of the rate environment, just to maybe recap for a moment on what happened last year, because against the backdrop, for example, of ECB rates increasing by 4.5% in, I guess, a 15-month period, we took, I would say, a market-leading position to take a balanced approach to how we applied those rates. Now, all our pricing decisions will always be economic, they will always be based on pricing discipline to ensure we secure the right returns. But within that, so, for example, ECB rates at 4.5%, we passed on 1.75% rates to mortgage customers, and on the deposit side, we brought to the market a number of products, including a 3% 'super saver' product as well. And that's what I mean by our balanced approach.

Now, it's true in the context of your beta comment, that last year customers were slow to take on term deposits. I think that's a factor of a very long and protracted period of low and negative rates. We saw that increase in the last quarter of last year, as we expected, and we expect that also to continue into this year. That is very much captured in the guidance that Mark has offered and also in the context of my comment that inasmuch as we apply the balanced approach last year, we will do the same this year. Always underpinned by a disciplined commercial approach to pricing, and always underpinned by our commitment to the market in the context of our ROTE and Cost / Income ratio targets.

Mark, I don't know if you want to add more on the deposit rate?

Mark Spain: Myles, that's perfect, thank you.

Myles O'Grady: Okay, great. Thank you very much.

Operator: Thank you.

Grace Dargan: Thank you.

Operator: We will now go to the next question. And your next question comes from the line of Chris Cant from Autonomous. Please go ahead.

Chris Cant (Autonomous): Good morning. Thank you for taking my questions, both. Could I ask about RWAs, please? So, in the slides, you've flagged Basel 3.1 as a modest positive now for 2025, and obviously, you've got this exit from the UK Personal Loans business, which I guess is going to be nudging down your expectation for RWAs at the end of this year from the mid-€50s. Wrapping the commentary together, I'm guessing you're expecting an average RWA base in 2025 of something like €53 billion. But if you could speak to the numbers there, that would be appreciated. It feels like an area where one of the things I'm struggling to square this morning is your reiteration of the ROTE guide with some of what you're saying on the P&L. And I think the thing that squares the circle is that consensus has in the wrong denominator for the ROTE. So if you could speak to the RWAs, please.

And I guess related to that in terms of your new policies on pay-out and that kind of thing, when I think about the TNAV that you're expecting, obviously you have this quite complicated ex-pension surplus, 14% CET1-based TNAV denominator that we all wrestle with. I think you're expecting a TNAV in 2025 of maybe €9.25 billion through the year, which would be about a €1.4 billion net income number to get to 15%. Just wondering if that's sort of the right ballpark. Thank you.

Myles O'Grady: Okay, Chris, good morning, and thank you for those questions. I'm going to ask Mark to take the risk-weighted assets and the TNAV as well. But I might just comment very briefly on just squaring the circle in relation to ROTE.

So, you know, our target is for each of the three strategic years to 2025 is a ROTE of circa 15%. We've outperformed that in 2023, and as Mark has alluded to, we expect that to be the case for 2024 as well. So, yes, we may come off the very, you know, the high level of ROTE, i.e., 17.3%, but still very much committed out to 2025 that the ROTE will be in the region of 15%. Strong range of contributors to that.

Mark, the Risk Weighted Assets and the TNAV question, please.

Mark Spain: Yeah, thanks. Morning, Chris. So, just on the – firstly, Chris, on the RWAs. So, in 2024, the – what we're expecting there is probably low-single-digit growth in RWA. There's a couple of things there. So we'll have loan book growth, mix changes. We'll have a further step up in Op-risk RWA as earnings go higher. So that's a mechanical piece. And then we'll have the offset from, we're assuming, the exit of UK Personal Loans, about €900m RWA tied up in that business. And the reason for that is, again, back to our capital allocation discipline. So that's a business that ultimately requires scale. It's a business where we couldn't see us getting to sustainable returns over the medium term, and that's what's driving the actions there.

On Basel IV then, Basel IV is due to come in 1 January 2025. Obviously, there's some final legislative approvals required there, and obviously, we need to see those in 2024. But our best view right now is that is a modest positive for the Group from 1 January 2025.

And order of size, Chris, we expect in the low-single-digit reduction in RWA from 2025.

And then maybe just turning to TNAV for a second. So TNAV, as we think about TNAV into 2024, the key elements there are going to be our profit. We've given good guidance on that. Distributions which need to come out. So the 2023 distributions need to come out. But of course, the denominator needs to be adjusted as well for the impact of the share buyback. That should give you a good sense on the moving parts in terms of TNAV as you go out.

Myles O'Grady: Thanks, Mark. Thank you, Chris, thank you.

Chris Cant: Thank you.

Operator: Thank you. We will now go to the next question. And your next question comes from the line of Robert Noble from Deutsche Bank. Please go ahead.

Robert Noble (Deutsche Bank): Morning. Thanks for taking my questions. Just on the NII guide, you've got quite a lot of ECB rate cuts. What's the sensitivity to the guide to plus or minus 25 basis points on the ECB at the end of the year?

And then just on the last point on capital, how often do you consider your capital target? And will finalising Basel, will that make you reconsider the level that you'll target? Thanks.

Myles O'Grady: Robert, good morning, and thank you for your questions. Let me just take the target capital question first of all, and Mark will take the NII sensitivity. So our target capital to be above 14% is valid for the strategic cycle out to 2025, Robert. And the Basel IV is more about a consumption of capital rather than a capital target itself.

Mark, on NII?

Mark Spain: Yeah. So, Robert, actually we published our NII sensitivity in slide 18 in the pack, so you can see it there. And broadly, 25 bps higher for our full year is about 60 basis points on ROTE.

Myles O'Grady: Thanks, Robert.

Robert Noble: Thank you, Mark.

Robert Noble: Thank you. We will now to the next question. And your next question comes from the line of Borja Ramirez from Citi. Please go ahead.

Borja Ramirez (Citigroup): Hello, good morning. Can you hear me?

Myles O'Grady: Yes, we can hear you very well. Good morning.

Borja Ramirez: Good morning. Thank you for taking my questions. I have two. Firstly, is on NII. If you could please provide more details on the contribution of the structural hedge in 2024 and 2025, and also if you could give more details on the deposit beta that you are assuming for the year?

And then my second question would be, given the fact that rates are expected to decrease, if it would make sense to do any restructuring of the branches or staff in order to improve the efficiency. Thank you.

Myles O'Grady: Borja, thank you very much for those questions. Mark will take the structural hedge and deposit beta question. And in relation to the rate impact on the operating model, there's a couple of points to unpick here, Borja.

First of all, we always knew that 2023, from an NII perspective, was going to be a very strong year. And that's one of the reasons why our overall ROTE is 17.3% – above our committed target of in the region of 15%. And we knew that that would have an impact into 2024, but not in any way putting at risk our commitment to securing a ROTE of circa 15% this year and next year. And in fact, this year we're likely to outperform that as well.

And also the other target that's very important, which is our Cost / Income ratio to remain below 50%. Again, that was very strong at 42% last year, and we're very confident that we will for sure commit – continue to commit to that target out to 2025.

And maybe more broadly on the cost question, let's spend a moment on that because Bank of Ireland, over many years now, has demonstrated a very strong discipline to managing cost. Prior to the inflationary environment, we made some of the very big decisions to reduce net cost. I'm thinking back to net cost down by 13% by the end of 2021, and we are entering an inflationary environment, and we're managing that very well. Essentially, we are pivoting from a cost reduction to a cost efficiency play, and that efficiency will always play out. And our cost profile is appropriate for the business model which we have, and very much supports our Cost / Income ratio to remain below 50%. There is no risk to that target.

Mark, on NII and the structural hedge and deposit beta?

Mark Spain: Yeah, Myles, and I might just add one other thing on the cost piece for you. So we have flagged that we are making additional investments. We've done that in 2023 and also in 2024 to drive future efficiency. We've got a good pipeline in that regard.

On the structural hedge, Borja. So structural hedge is designed to smooth NII over the cycle. And as I referenced in answer to Diarmaid's question earlier, that's going to be a key dynamic in our NII development as we go into the back part of 2024 and into 2025 as well. A key supportive factor for NII. We have guided that our gross receive hedge income is going to be circa 10% higher in 2024. That's a function of volumes and rates. But if I think about the average or the exit rate on the hedge, which is 1.65% at the end of this year. And I think about seven-year swaps in a euro context of being somewhere between sort of 2.50% - 2.60%, one can expect that the rate trends towards that over the coming years.

From a volume perspective on the hedge, we've guided that we think the volume comes down modestly. That's a direct function of our flow to term assumption. Obviously, if that behaviour doesn't play out, that has a read across on the hedge as well.

And in terms of deposit beta, I think Myles has answered that, in one sense, in terms of the pricing approach earlier. I think the key focus for us from an ROI perspective is that flow to term assumption. I think that's probably where you need to focus.

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

Borja Ramirez: Thank you.

Robert Noble: Thank you. As a reminder, if you would like to ask a question, please press star one and one on your telephone keypad. That is star one and one to ask a question. We will now go to the next question. And your next question comes from the line of Andrew Stimpson from KBW. Please go ahead.

Andrew Stimpson (KBW): Morning, guys. Two for me, one on rate sensitivity and then one on the commercial real estate, please. On the rate sensitivity, I mean, other banks have talked about really cutting the rate sensitivity of their books in the second half of 2023, and I know you did some of that work maybe earlier than others, but it looks odd to me having a completely unchanged number for the second half of 2023 versus what you had at the first half. And actually, if I look in the detail of that, it looks like the euro rate sensitivity has actually gone up very slightly, and I can't actually think of another Eurozone bank where that's been the case. So just some explanation there about why that is and whether you were waiting for something and got caught by the drastic moves in November, December, or if there's another reason why that hasn't really moved, and then whether there's an outlook on whether that could change in the future as well, please.

And then secondly, on commercial real estate and the overlays, what elements do you think that your models are not capturing, i.e. what are you seeing in the commercial real estate market that your models aren't taking account of? Is there loan-specific issues you're seeing on vacancy rates, on particular loans and collateral that you've lent against? Or are these very much top-down overlays to something that you're seeing? I think if you can elaborate on that, that would be really, really helpful. Thank you.

Myles O'Grady: Okay. Thank you, Andrew, for that. And good morning. I'll take the asset quality CRE question, and Mark will take the rate sensitivity.

On asset quality overall, and I will get to the precise nature of your question on CRE, but we should call out that the overall asset quality of the book has improved at the end of 2023 compared to 2022. Our quantum of stage 1 loans has increased, the quantum of stage 2 and stage 3 loans has decreased, and our NPE ratio has fallen from 3.5% to 3.1%. I expect that to fall further in 2024. And our impairment charge is designed to capture both known and future risks.

And on commercial real estate, so, for example, our overall charge is comprised of our view on the macro environment. So, for example, our central case scenario assumes that commercial real estate prices will fall by 10% next year. Let's see how that plays out. The second component of our charge is also capturing case by case portfolio outcomes, as we work very closely with our customers. And then, against a very strong financial performance, we've also captured an additional post-model adjustment of €48 million. And that really is around that point of getting our arms around the potential future risk.

And then, top-down, I guess, to your point, Andrew, that last component, and more broadly on CRE, our book, is €7.2 billion. That's 9% of our total loans. And by design, Mark called this out earlier, that's down 12% in the year.

And my final point is that there are different components of commercial real estate. So there is for sure some pressure on office space. If I think about other components, for example, on home building, particularly in our home market in Ireland, we continue to be supportive of putting capital into the building of affordable and sustainable homes. We know the supply of homes continues to be under relative to demand, and that's an area where we feel very positive about.

Mark, on rate sensitivity?

Mark Spain: Myles, I'll just add on the impairment, I'd say we're in a very good position to be able to take that additional charge. And so, but on the rate sensitivity, Andrew, it's pretty straightforward. There's no material difference. If I think about the rate starting points, there were 3.5% back in the summer. We're 4% now. From an ECB perspective, the hedge is broadly the same size as it was then. We – just going back in the second half of 2022, we materially increased the size of the hedge then, and that has locked-in value and reduced the sensitivity on the downside. But that's there's no material difference in the position versus the half-year.

Andrew Stimpson: Okay, so the fact that the belly of the curve has started to come up again, that's not an opportunity for you to reduce that rate sensitivity, like today or tomorrow, etc.?

Mark Spain: Yeah. I mean, ultimately, if you look at our – at the size of our hedge relative to our deposit base, about 60-odd percent, maybe a little bit more than that, 65%. So we always keep an eye on the size of the hedge relative to our free funds on our deposit base. And as I said in relation to the earlier question, as we go through 2024, our guidance on the size of the hedge is directly related to our assumption in terms of flow to term. So if that proves to be different, that obviously gives an opportunity in the hedge as well.

Andrew Stimpson: Okay. Thank you.

Myles O'Grady: Thank you, Andrew.

Operator: Thank you. We will now take the next question. And your next question comes from the line of Sanjena Dadawala from UBS. Please go ahead.

Sanjena Dadawala (UBS): Good morning. Thank you for taking my questions. Two, please. The first is just a clarification on the deposit migration assumption. So, are you assuming €700 million migration per quarter in 2024?

And then, second, you mentioned that you're participating in the FCA review of historical motor finance arrangements. So if you could give more colour on those loans and your expectations from that, maybe cross-lending over the year, shape of the commission arrangements, anything that can be helpful for us. Thank you.

Myles O'Grady: Good morning, Sanjena. Thank you for your questions. Let me take the car finance question, first of all, and then Mark, just to come back on the assumptions underpinning the deposit migration.

Sanjena, first of all, maybe just for those who may not be familiar with our UK business, we offer mortgages, savings products, foreign exchange and asset finance, including Northridge car finance. And of course, we also offer a full-service banking model in Northern Ireland.

In relation to the FCA review, firstly, we welcome that. It offers structure to that assessment. The book itself is €2.4 billion at the end of last year. So relatively small in the context of a total balance sheet. We've got about 167,000 customers working with 314 car dealerships across the UK. Now, at the end of the year, there wasn't the case to take an impairment. We have recognised it as a contingent liability in the accounts. And certainly, since this issue presented itself, I guess, 15 months ago, the work that we have been doing over the last 12 months is to really be comfortable from a customer fairness perspective, that we've treated our customers appropriately. That's been a good piece of work that we've completed, and we certainly look forward to working with the authorities as this progresses through 2024.

Mark, on deposit migration?

Mark Spain: Yeah. Sanjena, on the deposit piece, so you can see, again, you can see it in slide 19, that our term and other products have gone from €4.5 billion in June up to €5.2 billion.

Sanjena Dadawala: Apologies, can you hear me? I think the line is not very clear.

Myles O'Grady: Well, we can hear you very well.

Mark Spain: We can hear you perfectly.

Sanjena Dadawala: Alright, thanks.

Mark Spain: Yeah, so that term and other piece has gone from €4.5 billion to €5.2 billion, up €700 million. The bulk of that was in Q4. And we're projecting that the same rate of flow into term continues throughout all of 2024. And that's, I'd say you can form your view on that in the context of also assumptions in the rate environment.

Sanjena Dadawala: Thank you.

Myles O'Grady: Thanks very much, Sanjena.

Operator: Thank you. We will now go to the next question. And your next question comes from the line of Guy Stebbings from BNP Paribas. Please go ahead.

Guy Stebbings (Exane BNP Paribas): Hi. Morning, thanks for taking the questions. I had one more on deposits and one on RWAs. Thanks for all the comments and detail around customer behaviour on deposits. Can I just double-check for clarification that you're explicitly saying that in a world with ECB rate falling to 2.75%, Bank of England base rates of 4.0%, you expect the average customer deposit rate to be higher than where we sit today, reflective of that continued deposit mix effects? I mean, it does sound rather conservative on the face of it, even with that late-cycle deposit mix behaviour that we've been seeing.

And then on RWAs, just to follow on from Chris's question, if I just put together the regulatory driven effects from operational risk and then from Basel IV, if I net those two bits together, does it sounds like the Op risk is perhaps fractionally higher in terms of the impact there over the next couple of years related to the Basel IV release. Is that a fair way to think about it? Thank you.

Myles O'Grady: Good morning, Guy, and thank you for those questions. On the deposit question, a couple of maybe data points to share. Just to remind everyone that the ECB rates, as you know, increased by 4.5% through the back end of 2022 and across 2023. And so in that context, of that 4.5% increase, we've deployed deposit propositions, for example, that offer 2% term for one- and two-year money and a 3% product for savings up to €30,000. So it's that balanced approach that we've taken in relation to that rate environment increase. So we feel we've been quite careful about how we deploy that, and that will continue into 2024. And I think the migration of deposits into 2024 is based on, I guess, first on where the current rates are at.

Now, as we have done so last year, we will assess the appropriate rates as the rate environment evolves, and always guided by the importance of remaining commercial discipline and making sure we deliver on our two committed targets of a ROTE of 15% and a Cost / Income ratio of below 50%. So we feel that there's plenty of space for us to operate within that to ensure we achieve those targets.

Mark, on RWA?

Mark Spain: Yeah. Sorry. And, Guy, just to make sure that you're clear that we're – our assumption of the flow to term, that rate in Q4, throughout all of 2024, that is alongside our assumption on the ECB deposit rate going to 2.75%. So just those are the assumptions that we're making. And you can make your assessment around those.

On the RWA piece and Op risk in 2023, if we look at our RWA evolution in 2023, about 20 bps, or about just under €1 billion of RWA, was due to Op risk RWA. And I think that's not a bad way to think about 2024 as well.

Guy Stebbings: Thank you.

Operator: Thank you. We will now to the next question. And your next question comes from the line of Sheel Shah from JP Morgan. Please go ahead.

Sheel Shah (JP Morgan): Hello. Hi, can you hear me?

Myles O'Grady: We can hear you very well, Sheel. Good morning.

Sheel Shah: Great. Great, thank you. Just two follow-ups on commercial real estate, looking at your slide 25, please. Just with regards to the geographic split between Ireland, UK and the US, are you able to share the coverage levels across the three regions? And then secondly, just looking specifically at your US exposure, would you be able to share the split between office, multi-family and any other larger segments, please?

Myles O'Grady: Thanks, Sheel. I'll ask Mark to take that question, please.

Mark Spain: Yeah. Thanks, Sheel. Just maybe on an overarching level, I'd say that book's in good shape. The asset quality is unchanged relative to last year. So, our NPE ratio at 5%, same as 2022. And notwithstanding that, we've increased the coverage level, and that's reflecting that, addressing those potential future risks, as Myles said earlier.

In terms of the coverage level, so we're 3.4% on the overall book. In terms of geographies within that, the US, which is about €600 million of exposure. So less than 10% of the CRE book, the coverage level there is just below 10%. About three-quarters of the US CRE is in office, primarily East Coast, New York, Boston, Washington. We've hit that hard, from a provisioning perspective. So, again, as Myles said earlier, we believe we've got our arms around that.

Myles O'Grady: Okay. Thanks, Mark. Thank you, Sheel.

Operator: Thank you. We will now take the next question. And your next question comes from the line of Seamus Murphy from Carraighill. Please go ahead.

Seamus Murphy (Carraighill): Hi guys, thanks for taking the questions. Just a couple of questions. I'm just struggling a little bit on the deposit guidance and the average that you're assuming. So I was just looking at the average balance sheet on page 39. And then when you reference slide 19, you'll see that the cost of deposit funding, there was a step – there was no step-change evident in H2, particularly in Ireland. So therefore, current account balances still grew in H2. It seems there was primarily a UK issue in the cost of funding in the second half. So I'm just wondering what happened in Q4 and current account balances in Ireland relative to Q3. So specifically, how much did the balances fall, the current account balances fall in Q3, sorry, Q4 relative to Q3, and like what was the peak, basically, in current accounts.

And on the basis of that, I'm just looking at in terms of what's happening with your structural hedge. So you're kind of guiding for €5 billion max potential reduction in the hedge in 2024. That would tell me that you're expecting term to move to roughly €33 billion, I think, in total in 2024 or certainly a €5 billion rise in the number of term accounts. And I suppose then when I look at your deposit, overall deposit guidance that your deposit balance is going to be flat in 2024 even though you're expecting loan growth. I suppose I'm wondering what's going on there because one would expect basically deposit balance to be stronger.

But I'm just wondering, and you mentioned it in your slide deck, I think on slide 19, about the strength of internal competition within Davy. So you say that you're getting competition from your asset management and your wealth management side for deposits. So I'm just wondering whether that is a driver of your kind of – is captured within your movement to term assumption in one sense because obviously, from a Group perspective, earning 20 basis points on a bond fund is much more – much less attractive than the 275 basis points you would make ECB, let's say by the end of the year, 300 basis points on average over the course of the year.

So I'm just wondering, could you just talk about what happened in Q4 on current accounts, talk about the structural hedge, the €5 billion reduction, whether that's a movement of term and whether that captures the expectation that you will get movement to bond funds through the wealth management competition in Davy? Thank you.

Myles O'Grady: Okay, good morning Seamus, and thank you for those questions. And I'll comment firstly on just the Davy comment, and then Mark, over to you on both deposits and structural hedging.

Seamus, one of the advantages of having Davy in the Group is that in addition to offering a range of more standard deposit products. I referenced, for example, the term deposit that's available offering 2%. I referenced the 'super saver' product as well, at 3%. Also, for those customers who are looking for something which is a bit more sophisticated, money market funds. We've seen about €2 billion of our deposits move across from more mainstream deposits to money market funds in Davy. And we're very happy with that because it demonstrates the quality of the breadth of the offering we have in the marketplace. So I'd much rather see those funds go across to Davy than go somewhere else.

And the second point to make as well, it does play into the strong performance of Wealth. So I think you've got to look at both components together. So firstly, that money market fund offers an income contribution from Davy, but also on a more strategic basis, offers an opportunity for the Davy guys to, over time, offer a broader wealth offering to those customers as well. So very comfortable that our customers who want that more sophisticated product can opt for the Davy money market fund as well.

Mark?

Mark Spain: Yeah, and maybe just briefly on that as well. I mean, Seamus, if you think about the value that's attracted to a wealth earning stream over the medium term, that was certainly one of the reasons that we bought Davy in the first instance. So we're really quite excited by that opportunity.

Just going back on the deposit piece, Seamus, and you do, obviously, given the H1-H2 disclosures on slide 39. To my point earlier, in terms of the flow to term, that will have been more in Q4. And we're again projecting that the same run-rate continues throughout 2024 as pertained in Q4 of last year.

But maybe, just maybe, standing back on the deposit piece overall, if you think about deposits at a system-wide level in Ireland, they typically grow in line with Irish GDP. You can sort of back test that over 20, 25 years. And BOI, given our position in the market, BOI deposits also typically grow in line with the system as well. During 2022, obviously, we had a big bounce when two banks exited the market, and we captured more of that opportunity.

In 2023, at the system level, the system grew 2.4% last year, a little bit below economic growth in Ireland. And that's probably possibly cost of living factors. But also we know that there were COVID tax breaks given, which were being repaid by companies. That's probably a factor in overall system growth last year.

In terms of our performance then, we performed really in line with the system last year at a very strong first half. In the second half of the year, again, we continue to attract new deposits that are coming in. And then we have the dynamic in terms of – which is a positive dynamic – where highlight where customers have the opportunity to move to Davy. And we supported that. And we think that's sort of a longer-term opportunity there. So the growth in H2 was offset by that.

As we look out in terms of deposits, we're expecting modest growth. So to your question, we're not expecting no growth next year. We are expecting modest growth in our Irish franchise, but maybe below historic levels, just reflecting some of those dynamics. I think if you look out over the medium term, you expect that to pick up.

On the structural hedge then and how that plays in, so again, our expectation this year, €65bn, but at the end of the year, we're between €60 billion and €65 billion. So I wouldn't project that we're going all the way to €60bn. And as I mentioned in an answer to an earlier question, the flow to term assumption plays directly into that. So deposit growth and the flow to term assumption will influence the size of the hedge in 2024. But that hedge, that will be a key positive factor in our NII development as we go through the back part of 2024 and into 2025.

Myles O'Grady: Mark – go ahead, Seamus.

Seamus Murphy: Sorry, I was just going to ask you, one question I was just really struggling with was the size of the current account balances in Q4 – sorry, how much current account balances fell in Q4?

Mark Spain: Seamus, we don't disclose the quarterly breakdown of that.

Seamus Murphy: Okay.

Mark Spain: But to be honest, you can pick it up from our flow to term detail which is given on the slide in terms of that €700 million which moved in the second half of last year. It'll give you the flow from demand deposits and current accounts.

Seamus Murphy: Okay, brilliant. Brilliant. Thank you, guys. Thank you very much.

Myles O'Grady: Thank you.

Operator: Thank you. Once again. If you would like to ask a question, please press star one and one on your telephone keypad. That is star one and one, to ask a question. We will now take the next question. And your next question comes from the line of Chris Cant from Autonomous. Please go ahead.

Chris Cant (Autonomous): Morning, both. Sorry, I thought when it was polled again for questions a little while back, I thought you were running short of questions, so I thought I'd throw in another one. I'd ask you to talk about your levies and charges guidance, please. So I think the guide for 2024 is lower than people were expecting. Just thinking about how that's likely to develop out into 2025. In terms of some of the other regulatory fees dropping away, should we be expecting that to be down from that 1.60%, 1.65% level in 2025, please. Thank you.

Myles O'Grady: Thanks, Chris. Mark, do you want to grab that?

Mark Spain: Yeah. So, I mean, firstly, Chris, in 2023, the DGS was the reason why levies were a little bit higher than our guidance. That was just a little bit higher than we thought. But into 2024, obviously, you've got the Irish bank levy. That's been clarified now at €50 million higher to €75 million for next year. We also have the SRF coming out and DGS beginning to moderate in 2024, so that informs our 2024 guidance.

Our current expectation that DGS could be a little bit lower again in 2025, we'll have further clarity on that. But at the moment, probably our best view is that levies fall again in 2025 versus 2024 levels.

Chris Cant: Thank you.

Myles O'Grady: Thanks, Chris.

Operator: Thank you. We will now to the next question. And your next question comes from the line of John Cronin from Goodbody. Please go ahead.

John Cronin (Goodbody): Morning, both, and thanks for the call. Three questions for me, please.

One is, can we go back to this NII guidance for 2024, please? Because it's creating huge confusion amongst investors this morning in terms of comparing it to where consensus sell-side resides. And so three things there, I just want to sort of double-check with you. One is on the UK Personal Loans, roughly about €80 million of annualised NII effectively comes out of consensus there. And to the extent that that loan book is held through the course of 2024, that will appear in the Non-Core segment as an income piece. Obviously, there'd be other factors as well in that segment. So maybe you should clarify if I'm right or wrong on that.

And then separately, your – okay, you're not getting a deposit beta, and you've been quite clear in terms of the shift out of or into term product you expect over the course of this year. But can you just – can you give us some colour, now we're at late February, as to how that's been evolving in the year-to-date, actually?

And then finally on the – I think you've been pretty clear on the average rate, I think it comes out about 3.44% for this year, which is obviously a bit below consensus expectations in the market as well. Yeah, if you have any comments on all of those, that would be helpful. And then I might just come to my second question, if that's okay.

Myles O'Grady: John, well, let's – Mark, take the first question on NII, and then we'll come back to you for your second question, John.

Mark Spain: Yeah. John, very simply, the answer is yes. So, I mean, if you think about Personal Loans in 2023, €80 million in total is the NII last year, of which €25 million was in Non-Core. So if you think about our reported number, €3,682 million, that excludes €25 million related to personal loans, which is in Non-Core. So we'd be obviously just over €3.7 billion on an all-in basis, which is probably how the market has been thinking about it. And then if you think about 2024, then that €80 million of Personal Loans' NII coming out, obviously some adjustments on the impairment, small adjustments on the cost line. From a Group perspective, given the amount of capital tied up, it's a business that's generating mid-single-digit ROTE. So obviously, we didn't see a pathway for that to get to an acceptable return. So those are the moving parts there.

Myles O'Grady: And, John, your second question?

John Cronin: Can we – can you just cover as well the deposit, the shift experience out of – or into term that you've seen in the year-to-date?

Mark Spain: Yeah, I can take that, John. So, again, I would say, in terms of the sort of six weeks to date, I would say we're within the assumption that we've provided in terms of the flow to term.

Myles O'Grady: And clearly, Mark captured on our NII guidance for the year.

Mark Spain: Captured in our NII. Sorry, John, to be clear, more positive than – slightly more positive than. But it's very early days. So, but slightly more positive than our assumption.

John Cronin: Yeah, but as you say, rates expected to come down later this year. That will evolve.

Okay, so the second question is, look, I thought, strategically, stepping back, your loan-to-deposit ratio is 80%, you've talked a lot about Davy. Is Davy the conduit to strategic management of a loan-to-deposit ratio and a normalised rate backdrop? And I suppose the question is in the context of – I'm making an assumption that you'd probably prefer to be at a higher loan-to-deposit ratio and a normalised rate backdrop. So any colour you can give us on that would be helpful.

And then I have one more. If you can say anything on it, it would be helpful. But what kind of scenarios you've run on the UK motor finance book and what kind of broad range of potential estimates you're arriving at? Anything you can help us with there in terms of the FCA investigation, welcome. Appreciate it if you can't say much. Thank you.

Myles O'Grady: Okay, John, I mean, let me just take some of that. In relation to the Northridge car finance FCA review. So, again, just to reiterate that there was no basis, based on the work that we completed, there was no basis for taking an impairment to the P&L. We have recognised contingent liability, and it really is very early days, and I think bar one bank that is pretty much the situation for all of those who are involved. I would say that just two points to make is that the book, at €2.4 billion, is in the region of 2% of the total book. So it's a small component of our overall balance sheet. And secondly, our market share in Northridge is at 2.6%. And maybe that's a helpful data point, John, to model in whatever way you would like to, but they will be the data points that I think are worth sharing.

In relation to our loan-to-deposit ratio, there isn't necessarily a desired mix. We obviously have a desire to have more of our deposits in term because that offers a more stable funding position, even though we are sitting on large amounts of liquidity. But generally, term is better. And also, two other kind of points to call out. The acquisition of the KBC loan portfolio and the mortgages and deposits that came in there also had an impact on LDR, but overall a hugely positive impact on business model.

And as I referenced earlier from the Davy perspective, we're very pleased to have Davy within the Group, we're very pleased now to be able to offer for those customers who wanted a more sophisticated offering in relation to money market funds. And again, that's nice as a short-term solution for those customers, but also, as Mark and I have pointed out, it also offers an opportunity into the medium- to longer-term, to meet the wealth needs of those customers.

John Cronin: And on the loan-to-deposit ratio, do you have a medium-term optimal ratio and would that be above the 80% where it resides today? Just thinking about that.

Myles O'Grady: No, John, frankly, we don't have an LDR target.

John Cronin: Okay. Thanks

Myles O'Grady: Thanks, John.

Operator: Thank you. We will now take the next question. And your next question comes from the line of Raul Sinha from JP Morgan. Please go ahead.

Raul Sinha (JP Morgan): Good morning, Myles. Good morning, Mark. Thanks very much for taking my questions. I've just got a couple of follow-ups, if you don't mind. Just on the UK motor, I think you very helpfully told us your market share was 2.6% in Northridge. Has that market share been relatively sort of stable over the past decade? Because when we think about this issue, we are trying to work out what market shares might have been sort of historically. Is it fair to assume that the sort of 2.6% or maybe 2-3% range is the right number for your business, even going back historically?

And then I guess the second question I have left is just around the strategic outlook for the UK business. Given the decisions you have made, obviously, on the UK Personal Loan book in December, when we look at deposits versus loans at the Group level, I guess that sort of distorts the picture, which is very skewed in the UK, where obviously your loan book is much bigger than your deposit book. So just trying to understand where you think strategically that business moves to over the next sort of cycle. Do you think that you can still focus on growing that business, or do you think that there might be other businesses you might look at exiting as well? Thank you.

Myles O'Grady: Thanks very much, Raul, for both those questions. On the Northridge car finance, so, actually, we had a very strong year of lending for Northridge, which supports that market share of 2.6%. If you go back over the last number of years, if you were to average that out, it's closer to 2% market share.

And in relation to our UK strategy, since 2020, we have successfully executed, you'll have heard us use this term before, 'Value over Volume' strategy, which essentially targets a smaller, higher-margin loan book, a more efficient funding model and indeed a lower operating cost base. And all of that, when you bring those components together, ensures that we are securing the right type of return. And that's very important to us because our capital allocation discipline is hugely important. And therefore, that strategy over recent years has performed very well.

I referenced earlier that our UK business is performing above the cost of equity, and that's an important metric to call out. And, of course, we also made the decision to come out of the Personal Loan market. That decision was underpinned, again, by a capital allocation discipline. To get the right type of critical mass returns from that book would require us to grow it. And we don't believe growing an unsecured lending book, against the economic backdrop in the UK, is the right thing to do.

So, as we conclude the year, we expect that book to now remain stable when we exclude personal loans. And also, I very much expect that strong-performing ROTEs will continue out over the strategic cycle. Thanks, Raul.

Raul Sinha: Thank you.

Operator: Thank you. We will now to the next question. And your next question comes from Borja Ramirez from Citi. Please go ahead.

Borja Ramirez (Citigroup): Thank you. One quick follow-up question if I may. I think, I'm sorry, if I may have misunderstood. It may have been mentioned at the beginning of the call that the NII 2025 would be stable compared to 2024. So in the area of €3.4-3.47 billion. I would like to kindly ask if I assume correctly? Thank you.

Myles O'Grady: Mark?

Mark Spain: Yeah. Borja, exactly. In answer to Diarmaid's question at the outset of the call. I said, while we weren't giving formal guidance, my best view today was one of relative stability on NII into 2025. And I called out, in answer to the earlier question, the key factors which informed that assessment.

Borja Ramirez: Understood. Thank you very much.

Myles O'Grady: Thanks, Borja.

Operator: Thank you. We will now take our final question for today. And your final question comes from the line of Jordan Bartlam from Mediobanca. Please go ahead.

Jordan Bartlam (Mediobanca): Morning, guys. A quick one on capital return if possible. You said that you're looking to grow dividend per share, not happy to hoard capital by paying out excess and also going to do interim distributions. I just sort of wanted to work out what sort of restrictions there are on the buyback component beyond the Board-mandated 10% limit. So, most notably, I just wanted to know how much of a restriction is liquidity under the rules of the Exchange. Is there much more scope to increase that buyback without hitting those liquidity limits, or is it sort of near the limit already? That was all I had.

Myles O'Grady: Okay, Jordan, thanks for that question. Maybe just to make a comment more broadly, is that the – aside from securing regulatory approval for a share buyback, I mean, that is the only kind of formal approval we need. And of course, we've done three of those so far, with a very successful one completed on the back of last year.

Mark, on the liquidity question?

Mark Spain: Yeah. Jordan, so it's great we got an approved share buyback, which is what we'd said we wanted to do at the interim stage. That will commence very shortly. There are liquidity restrictions imposed by the Stock Exchange in relation to the shares can be bought back. And when we think about those, we think it'll broadly take about six months for the €520 million share buyback we've got approved. So to give you a sense of – on a full-year basis, how the flexibility there.

Myles O'Grady: Thanks, Jordan.

Operator: Thank you. I will now hand the call back to the room for closing remarks.

Myles O'Grady: Okay. Well, thank you very much for everyone on the call. Thank you for the depth and quality of the questions. There were certainly plenty, and we're very happy to receive those and indeed answer them.

And if I could just say in conclusion, maybe back to where we started the conversation, is that the Bank of Ireland business model, the Bank of Ireland balance sheet, is very well-positioned to create value consistent with what we said a year ago as part of our strategy. And maybe just to close out on a distribution comment, which is that we're very pleased with where we got to in the back of 2023. So the payout ratio of 40% and a buyback, taking the capital down to 14.3%. And to reiterate, it's at that capital level that we feel very happy to run our business.

And thank you again for your participation this morning and hope you have a very good day.

Mark Spain: Thank you. Morning.

Operator: Thank you. This concludes today's conference call. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]