HY 2024 Results Presentation

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HY 2024 Performance

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Group Chief Executive, Bank of Ireland

HY 2024 Performance

Strong Strategic and financial performance through our business model

Good morning and thank you for joining us. Today, we are reporting our half year performance. The theme is strategic delivery and sustainable returns. We are mid-way through our three-year strategic cycle and making excellent progress. This is demonstrated by continued growth in Irish loans, in new customers, and assets under management. Our performance is also well supported by the interest rate environment. This translates into profitability of EUR1.1 billion, that's up 5% year-on-year, and, notably, a Return on Tangible Equity of 18.9%.

This performance supports upgraded earnings guidance for the year. Our business model continues to be highly capital generative; 170 basis points in H1. And today we are announcing an interim dividend of EUR352 million. This is an important component of our full year objectives, which are progressive dividends and the return of surplus capital.

c.75% of profits from Ireland; supportive domestic macro environment

Slide 6 gives a flavour of economic conditions in Ireland, which account for three-quarters of our profits. The Irish market continues to be highly attractive and a source of growth. Full employment supports asset quality and the pickup in credit formation is underpinned by strong fundamentals in terms of demographics, robust household and business balance sheets, and the increased housing supply.

Strong Irish retail performance

Turning to slide 7, our retail Ireland franchise delivered another very strong performance. Our high-quality mortgage book continued to grow, supported by increased supply of new homes and market dynamics. This is enabling us to capture value in a growing market. And our deposit base remained robust, supporting balance sheet growth and higher income, including increased fee income of 3%.

Unique wealth offering; Ireland’s only bancassurer

We recently announced the creation of a new wealth and insurance division. This is made up of our wholly owned subsidiaries, Davy, specialising in wealth and capital markets, and New Ireland, focussed on life and protection. These businesses performed very well in H1. Net inflows to Davy and New Ireland grew by 84%, €2.1 billion in total. This reflects the strength of our unique position. Today, total AUM exceeds €50 billion, the highest level ever. In turn, this has increased business income by 6%, outperforming economic growth. Our leading New Ireland and Davy brands are a valuable source of future growth and a more resilient revenue model.

Corporate and Retail UK performing well, in-line with strategy

On slide 9, we're reporting annualised net lending growth of 5% in our Irish business and corporate lending books. Given the global macro backdrop, we've maintained a measured approach to our international corporate and property books, with these reducing at a 3% annualised rate. During H1, we completed a strategic refresh of our retail UK business. We see long-term value in this market. We continue to focus on higher return mortgages, asset finance lending, and a full-service retail bank in Northern Ireland. The UK market is an important part of our Group, making a strong contribution to overall profitability, with an underlying PBT of £167 million, a 43% increase year-on-year.

Strategic pillars support growth and improved stakeholder outcomes

Slide 10 sets out the heart of our strategy, which is to build stronger relationships, a simpler business, and a more sustainable company. As we grow our new customer base, we continue to improve and deepen those relationships. We are achieving better outcomes for customers with materially lower complaints. And we continue to focus on practical, meaningful ESG interventions. We've grown sustainable lending by 24% and remain the leading provider of green mortgages. We've also retained our position as number one for financial well-being in Ireland. This is especially positive to see as we reach the halfway point in our strategic cycle with further progress expected.

Strategic execution driving shareholder value creation

Turning to slide 11, Bank of Ireland's equity story is one of enduring and strong organic capital generation. This continued in the first half of 2024 with 170 basis points generated and the full year outturn likely to be in the region of 310 to 320 basis points - an upgrade from our previous guidance. This capital supports loan book growth, allows us to invest in our business, and reward shareholders. Mark will provide more details on this later.

Last year's results supported total distributions of EUR1.15 billion, three times more than 2022 and 11 times higher than 2021 this year. As previously signalled, we are announcing interim distributions of €352 million. Subject to all necessary approvals, our objective for the full year is to distribute down to CET1 guidance of greater than 14%. We will do this through a combination of progressive DPS and earnings and the return of surplus capital via share buyback.

…and consistent delivery on medium term targets

Slide 12 demonstrates consistent delivery of our medium-term financial targets - return on tangible equity, cost-to-income ratio, and distributions. This underlines the theme for today's presentation that I called out earlier, excellent strategic delivery generating sustainable returns.

Unique opportunity as the national champion bank

Slide 13 provides a summary of the Bank of Ireland investment case. Our strategy is clear, and we are consistently executing well against it. We are meeting or beating all of our targets. We have a differentiated business model operating in highly attractive markets. And notwithstanding global uncertainties, Ireland continues to be a successful dynamic economy with very supportive demographics and our international businesses are highly complementary. Bringing all this together results in continued strong value creation and sustainable returns.

Before concluding, I'd like to thank our customers for their business and their trust, my colleagues for their commitment, and our shareholders for their support.

I now hand over to Mark take us through the strong financial performance.

HY 2024 Financials

Mark Spain

Chief Financial Officer, Bank of Ireland

HY 2024 Financials

H1 2024 financial summary

Thank you, Myles. As set out in slide 17, today, we're announcing a strong performance for H1. Key highlights include higher profit, further growth in our loan book, and the reduction in our NPE ratio to 2.9% now below the milestone 3% level. A particular callout is the ongoing strength of our capital generation at 170 basis points. Supported by this performance, we are upgrading our outlook for the full year. The key drivers of this upgrade are lower expected levies and the impairment charges.

H1 2024 financial performance

Slide 18 details the building blocks of our performance. Net interest income is 2% higher on a like-for-like basis. Total business income is up 6% with wealth a key driver. Opex has performed in line with our guidance, our impairment charge is materially lower, reflecting both the improved macro and better loan loss experience. All of these factors are contributing to the 5% growth in PBT. Our ROTE remains very strong at 18.9%.

Net interest income performing in line with guidance

Slide 19 shows components of NII in the first half. Performance in the period is driven by growth in liquid asset and lending income more than offsetting higher funding costs. In our Q1 IMS in April, we refreshed our NII guidance range to capture updated interest rate expectations. We now see the full year coming in at circa €3.55 billion, at the top end of that guidance. In February, I noted that we expected NII to be broadly stable in 2025, that view remains unchanged.

Structural hedge supporting NII resilience

The structural hedge is a key component in our expectations for NII. Slide 20 shows that volumes and yields have evolved as expected, driven by depositor behaviour and reinvestment yields respectively. We expect the hedge size in H2 to be in line with H1. The gross yield, which materially below current swap rates will continue to build over the coming years.

Strong retail deposit franchise

On slide 21, we can see our customer deposit base with total balances stable in the period. There was a €1.3 billion flow to term in the first half, which was within our expectations with similar volumes expected for H2.

We expect our total customer balances will continue to be stable in the second half of the year. This reflects the positive macro dynamics that Myles spoke to earlier, our ongoing commercial pricing discipline, and customer behaviour.

Loan book growth across our key retail portfolios

Our net lending saw good growth in H1, in line with our strategy. Our lending in Ireland grew 4% annualised, or €1 billion. Our UK loan book also grew in the first half, after a number of years of strategic deleveraging. We expect broadly flat net lending volumes in H2, with net loan growth in Ireland, offset by the exit of UK personal loans and rundown of UK corporate.

Total business income +6%

Slide 23 shows business income growing by 6%. Wealth and insurance income is a key highlight, supported by higher AUM, particularly in Davy. For the full year, we continue to expect mid-single digit growth in business income.

Operating expenses in line; guidance improved on levies

The €54 million increase in operating expenses you see on slide 24 comprises net growth and additional investment. This investment is designed to drive future efficiencies. For the full year, we see a 5-6% growth in OpEx, in line with the mid-single digit guidance we provided back in February. We continue to see non-core items similar to the prior year. And we now see levies coming in at €125-130 million, below previous guidance of €160-165 million.

Improved asset quality – NPE ratio now 2.9%

We had an excellent H1 from an asset quality perspective, reflecting our high-quality diversified loan book. Our NPE ratio reduced to 2.9% and stage two loans reduced by 13% or €1.6 billion. We have continued to maintain coverage levels at 1.5% of loans.

Impairment charge materially better; FY 2024 guidance upgraded

Slide 26 shows we've had a strong H1 asset quality outturn. The impairment charge was €50 million, or 12 basis points. The improved macro drove releases. The underlying portfolio activity charge was an annualised 25 basis points. We expect a similar portfolio charge in the second half, leading to an expected full year outturn of the order of 20 basis points. This is a significant upgrade to our previous guidance of a charge in the low 30s.

Capital performance supports upgraded FY24 guidance

Moving now to slide 27, and our capital position. Organic capital generation was an excellent 170 basis points. This was augmented by a 10 basis points net RWA benefit as our CRT transaction offset investment in lending. The interim dividend of 35 cents per share we are announcing today equates to 70 basis points of capital and a 40% payout ratio. And after deducting this interim dividend, our capital ratios still remain very healthy. Our CET1 ratio is 15.4%.

On the outlook, we are upgrading our guidance for the full year capital generation to 310-320 basis points from the previous 260-280 basis points range. On Basel IV, we expect its implementation next year to result in an RWA reduction of up to 5%. And, as Myles said said, our objective remains to distribute down to our CET1 guidance of greater than 14%.

Strong performance supporting upgraded FY24 guidance

Slide 28 recaps on all of our 2024 financial guidance. This has clearly been a very good half, and we're expecting a further strong performance in H2 resulting in a ROTE ahead of last year. Bank of Ireland is firmly on track to meet or beat all of its financial targets over our strategic horizon, and is well-positioned to continue to deliver attractive returns beyond this.

Thank you for all your support, and we'll now open the call to questions.

Q&A

Diarmaid Sheridan (Davy): Good morning, Myles. Good morning, Mark. Thanks for taking my questions. Mark, maybe firstly, around net interest income, thank you for the fairly specific guidance for 2024 of EUR3.55 billion. When you talk to 2025 being broadly stable, how should we interpret that? And maybe if you could talk through some of the moving parts in terms of some of the pluses and some of the minuses, as we look into maybe the second half this year, but also into 2025 there please?

And then secondly maybe, a very strong H1 ROTE outturn as both of you have kind of pointed out. If I take your full-year guidance at that point, implying the second half of the year is low to mid 16 percentage points. So maybe again, if you could talk through some of the moving parts there, but also looking into 2025 relative to your current c.15% target. And maybe if you have any perspective, even beyond 2025 on that 15% would be very appreciated? Thank you.

Myles O'Grady: Good morning, Diarmaid, and thank you for those questions, and indeed good morning to everyone on the call. I'll offer some comments on the ROTE performance and then hand over to Mark. What we are seeing and what we've signalled previously is that the business model continues to be highly capital generative and we see that in upgraded guidance on capital generation this year of between 310 and 320 basis points. And of course, that translates into upgraded guidance on ROTE of greater than 17.3% and I know Mark will offer more details on the drivers of that. But also, we expect that next year, our ROTE to outperform against our target to be in the region of c.15%. So it's a very strong business performance, generating capital, which, of course also supports our distributions as well. Mark, over to you.

Mark Spain: Thanks, Myles. Good morning, Diarmaid. And maybe, Diarmaid, I'll just maybe expand a little bit on the ROTE piece and then come back to the NII question. So if I look at maybe the H2 versus H1, which is part of your question, and the key tailwind there is lower levies in H2 V H1. Against that, based on our guidance of NII slightly lower, impairment will normalise to circa 25 basis points. OpEx, noncore and modest RWA growth are all factors as well.

But all in all, our upgraded guidance of greater than last year's outturn of 17.3% is a material upgrade from our prior expectations for this year. And then if we look at 2025, really the moving parts there for that broadly stable NII, which I'll come back to are ongoing fee income growth, offset by OpEx growth and investments where we're investing at an elevated level. Those are the key factors up behind our confidence for exceeding our target next year, and they're supportive factors beyond next year as well.

Then maybe just turning to the NII in 2025. Really the key message here, Diarmaid, is one of NII resilience as rates go lower. And if I look behind that, really there are three positive factors which support that resilience. So firstly, I've got that lending growth coming through and driven from Ireland. And we've called out in the presentation, Irish mortgages continuing to perform really, really strongly, business lending also contributing. That's very much in line with the strategy we set out 18 months ago. So it's great to see that strategy being delivered upon and coming through in the numbers. So that will be one supportive factor.

The second supportive factor is the benefit from the structural hedge. And you'll see in the presentation today that the average receive rate on the fixed leg of the structural hedge is about 1.70% this year, seven-year swaps are currently north of 2.50%. So that's a real positive factor for us over the next number of years.

And thirdly, deposit growth in line with economic growth, which is what we've typically seen in Ireland over many years. So these factors are obviously going to be positive in 2025, they can also be positive factors beyond 2025 as well. Against that, and obviously, rates lower is the key headwind as it is for all banks. And rates, we expect to be on average about 80 basis points lower in 2025. So we assume an ECB deposit rate of 2.75% at the end of 2025. The locked-in value of the structural hedge, of course, provides protection against that factor.

We've also made the decision in the first half to rundown our GB corporate book. That's a ROTE positive decision, but we estimate it impacts 2025 NII by EUR30 million to EUR40 million. If I bring all that together and if I look at consensus for 2025, I believe that consensus has actually all those moving parts already captured. And clearly this NII, the stability is a key component in our confidence that our ROTE will exceed our circa 15% target next year.

Myles O'Grady: Thank you, Diarmaid.

Diarmaid Sheridan: Thank you.

Sanjena Dadawala (UBS): Good morning. Thank you for taking my questions. Two please. The first on the interim dividend, 35 cents is above expectation. I just want to clarify, when it compares to consensus for the full year 60-65 cents, it implies a lower final dividend than the interim, so just wanted to know your thoughts in the context of a progressive dividend policy, do you see that as an issue? And then the second question, on slide 11, you say that about 20% of organic capital for RWA investment, which suggests higher loan growth than -- I gather from your comment, and then does that mean effectively guiding to 80% total payout if -- unless you move closer to the CET1 target? Thank you.

Myles O'Grady: Great. Thank you very much, and good morning, Sanjena. I'll take the question on dividends and pass to Mark on RWA. So I guess to kind of frame the answer overall for full year distributions, Sanjena, our objective is to distribute to CET1 guidance of above 14%. And there are two components to that. Firstly, a progressive DPS on our earnings. We had a good start on that with an interim distribution of €352 million, to relate that back, that's 40% of H1 profit after tax. I think that's how generally you should think about interim distributions going forward. And of course, more broadly then, the return of surplus capital. And again, to that point of our objective to distribute to CET1 guidance of greater than 14%. Mark, on RWAs?

Mark Spain: Yeah. Thanks, Sanjena. Yes, just to equate to your question and what we typically expect is that we'll invest that 20% of organic capital in RWA, that's through a combination of loan growth and obviously, things like op risk RWA will feature in that as well. If I just look at the first half of this year, you'll see our RWAs were actually down in the first half of this year. But we had sort of the 20 bps investment in RWA more than offset by a CRT transaction which we completed in June.

If I think about the second half of this year, that CRT -- those CRT benefits would begin to amortise in line with the loan books. We also have RWA op risk coming through during the second half and we've got underlying loan growth as well. So that will flip in the second half. So I'd expect investments in RWA this year to be somewhere around 60 to 70 basis points. So hopefully, that helps in terms of squaring the circle.

Myles O'Grady: Thank you, Sanjena.

Grace Dargan (Barclays): Hi, morning. Thank you very much for taking my questions. First one, maybe could you just give us a bit more colour on the difference in margin between, say, a typical term savings product and savings wealth products? So I guess I'm particularly thinking about that growth in AUM, which seems to kind of be bypassing some term migration and understanding the difference potentially in income there. And then secondly, just thinking about, there was a Dear CEO letter on motor finance in Ireland, I'd be really interested to hear your thoughts. Do you see that situation could develop in a similar way to the UK and what risks do you see for yourselves? Thank you.

Myles O'Grady: Great Grace, thank you, and good morning. And so to your first question, from a deposit offering, we have a range of products available to our customers up to and including at 3%. And at the same time, we know that some of our customers prefer a money market fund. We're very pleased to offer that product as part of our Davy offering. With the offer and that product, I would say is generally consistent with that rate of up to 3% on our deposit base.

In relation to your question, I think it alluded to the motor car finance review by the FCA in the UK, from our perspective, we are a small player in that market, small market shares. And while it's an important part of our business model for the UK, it's generally, I would describe it as not being material in the overall context of our overall business model where currently, we as are all market participants are sharing information and certainly no read-across to the Irish market.

Grace Dargan: Apologies, maybe I have misunderstood your answer. But I guess it was in relation specifically to the Dear CEO letter from the Central Bank of Ireland that I was referring to.

Myles O'Grady: Yes, I'm sorry Grace, I should have been clearer on that. So that was letter was simply request for sharing of information. And there is no read across from what's happening in the UK to the Irish market.

Grace Dargan: Sorry. Understood, thank you very much.

Chris Hallam (Goldman Sachs): Yeah, morning, everybody. Just two quick questions for me. So first, Mark, I think you said earlier you're assuming 2.75% year end ECB policy rates for 2025. And I guess the most recent market expectations are probably around 50 basis points below that. So I mean, obviously, these things can move around quite quickly, but I just wanted to check, that all we need to do is take the sensitivity you give on slide 20. So about a €60 million or €65 million haircut to that sort of €3.55 billion in 2025 or whether there's anything else that we need to consider? I know there's quite a long footnote right on that sensitivity, but anything you want to emphasise?

And then the second question on OpEx. Just if I look at slide 24, the split between investment related spending growth and sort of underlying net growth and OpEx, how would you expect that to look next year or in the medium term, particularly, think about consensus expectations for OpEx growth to be slowing to around 3% per annum? Is that something you're still comfortable with given the investments you've been doing and the progress you've been making?

Myles O'Grady: Thank you, Chris, and good morning. I'll offer a comment on the operating costs more broadly and then hand over to Mark. I mean, the Bank of Ireland over recent years has built up a strong capability in terms of cost discipline. And it's really important that we maintain that, and that's certainly our absolute focus. So we are pivoting from a period of cost reduction now to efficiency.

And what we're seeing in the numbers and in the guidance that the Mark is offering, first of all, our ability, I would say, successfully to deal with inflationary pressures, but also in the context of the value that the model is creating. And of course, always in the context of our guidance and our targets on ROTE and the cost-to-income ratio to be below 50% is to invest for the future as well, to ensure we maintain that long-term efficiency. Mark, over to you.

Mark Spain: Chris, just to pick up on the cost piece. And so as we called out in the slide, as you say the split there between BAU inflation, investment efficiencies and also the additional investment we're making to future-proof the business model when we're generating attractive returns. And we do see those factors continue into next year. Obviously, the inflationary environment based on the rate environment is expected to be less of a headwind, but we will continue to invest next year to drive those future benefits as well.

Just on your question on the NII and on the rate piece. As you say, the rate environment has been volatile. And if I go back 10 days ago, I think we're probably spot on. So it is moving around a little bit. But I'd also note that particular end points are important, but the averages through the year actually what's more important and the delta probably isn't what you suggest. But fortunately, the NII sensitivity that we provided, that's a good guide to the quarter.

Chris Hallam: Great. Thank you, Mark. Thanks, Myles.

Myles O'Grady: Thank you, Chris.

Andrew Stimpson (KBW): Morning, guys. First question on loan growth, please. You've had a very good start to the year there, but then I was surprised to see that in the outlook of second half is flat. I appreciate you've got the UK book coming off there. So I was just wondering if you could remind us on the timing and the quantum there? And then just checking, you would presumably be more optimistic heading into 2025? And presumably, if you're -- with the Irish growth remaining or whether you were thinking that the Irish growth was going to flow into the second half and beyond?

And then on the net interest income sensitivity, that number's unchanged again. I think that's unchanged since the first half of 2023. I'm just wondering how come that's so stable? which is good in a way, it means we have to update our spreadsheets a bit less I suppose. But I'm just - because those numbers tended to move around quite a lot. And as you said, the rate environment has been volatile. So just wondering how come that is so stable and whether there was lots of moving parts?

Myles O'Grady: Andrew, thank you for that. I'll take the loan growth question and Mark can come back on the NII sensitivity, mindful of course of Mark's guidance of NII as a strong performer overall. On loan book growth, Andrew, when we brought our refreshed strategy to the market, almost 18 months ago now, we were very clear on where the sources of value creation were going to come for Bank of Ireland.

One component of that was very much loan book growth in the Irish market, and we've seen that. So the loan book, last year just to remember grew by 23%, very strong this year, the loan book has grown by 4%, and we've seen that across different portfolios in Ireland. So for example, the mortgage book grew by 4% and net lending on our SME and corporate business in Ireland, that grew by 5%. So very strong performance and therefore, halfway through our strategic cycle, thinking about the remainder as of the end of '25, there are other positive factors as well, but certainly, Irish loan book growth will continue to be a feature of driving value. And plays into actually, to your question in some ways on NII, where one of the positive factors that's supporting a relatively stable outlook for NII is a growing loan book.

Mark, over to you.

Mark Spain: Yes, Andrew on the NII sensitivity. So on that, really the key point there is that the starting point in terms of interest rates hasn't changed. The structural hedge size is broadly the same if I look over the last couple of reporting periods as well. So the key moving parts in terms of the inputs to that NII sensitivity are unchanged. Clearly as rates go lower or higher, that does affect the delta, but there hasn't been any material change to the key inputs.

Andrew Stimpson: Great, thank you.

Myles O'Grady: Thank you, Andrew

Sheel Shah (JP Morgan): Hi, two questions from me, please. Firstly, on NII with regards to the structural hedge, could you give a sense of the yields of the maturing swaps for this year and next? And if you think there's any potential to reduce these maturing yields?

And secondly, back on the wealth business, inflows have been strong at EUR2.1 billion. What do you think -- what are your AUM ambitions for wealth business across the longer term? And then more broadly, do you think an 80-20 split for NII versus non-NII is the right mix for your business across a longer term?

Myles O'Grady: Thank you Sheel. And I'll take the last question. We are very pleased to see our growth in AUM, and we're seeing the real benefit now of those two very strong brands in the marketplace. Of course, Davy as Ireland's leading wealth provider and our established New Ireland business as a life assurance and protection business. So both have performed very well with business income up 6%. So it's certainly a strong part of our overall performance.

And I mean earlier when I answered the question on where does growth come from and Bank of Ireland strategy, I referenced Irish loans. The other very strong component of growth will be our wealth business as well. And we are certainly outperforming our AUM growth. When we took our strategy to the market 18 months ago, I spoke about AUM growing between 5% and 10% per annum. The important metric that we would grow at a faster rate than the economy will grow, and that represents the opportunity in the marketplace. So it's another important component of our value creation.

In terms of the overall split, I mean what we're pleased to see is that business income is now comprising a greater component of overall revenue, up 6% and actually, wealth and insurance as a component of that now represents about half of our overall business income, and we expect that trend to continue. We're be very pleased with our wealth and insurance business, how that translates into business income. Mark.

Mark Spain: On the structural hedge – the structural hedge is actually doing exactly what we wanted to do. And that is, as I mentioned earlier, it's a key component in our NII outlook and the resilience of NII. And if I just think about the moving parts there, about one seventh of the hedge rolls off every year. On the specific question, somewhere around 1.2%-1.3% are the yields on the hedges, which are, let's say, maturing at. But again, those are being replaced at yields north of 2.5%. So again, that's a key positive factor as we think about that NII trajectory and our profitability as we go forward.

Sheel Shah: Thank you very much. Thanks, Mark.

Antonio Duarte (Goodbody): Good morning and thank you for taking my questions. Another one on the loan book and asset quality if I may. We see that there is an increase in quality in certain loans. Follow up with your decreasing exposure in certain areas namely CRE. So what I would just wanted to know if you could give us some colour on how you see this distribution going forward, namely in terms of your risk appetite, and your diversification in segments and geography?

And then touching a bit on ESG and green lending, how do you see yourself going in terms of your ambitions for the green space and not just on the green mortgage, but also on other types of green lending in terms of medium term targets? Thank you.

Myles O'Grady: Antonio, thank you very much for those questions. I'll take the green -- sustainability financing, first of all, and also comment a little bit on asset quality and then hand over to Mark.

So Antonio, we set out for ourselves a target to have a loan book of €15 billion that was sustainability finance. And of course, that's a combination of green mortgages. We are the largest provider of green mortgages, it accounts for about 60% of the overall mortgage book, so very strong. And of course, we enhanced our capability in that regard earlier this year with the introduction of the Ecosaver mortgage offering.

But of course, as well as mortgages, it's also SME and corporate lending as well. And that's an important component of the overall sustainability finance. And we're working with business customers, both from a lending perspective, but also from an advisory perspective. The Davy model also has the Horizons advisory service, which is very helpful indeed to our corporate customers. So it's a combination of both green mortgages, but also helping sectors in the Irish economy, whether that's agri, whether that's retail, making very practical interventions. And we're very comfortable with our target to achieve €15 billion by next year and indeed €30 billion by 2030.

On asset quality overall, I mean, I know Mark will have views on some of the detail behind this. But certainly, back to my point and in an Irish context, we expect the Irish book to grow. We're also supportive of property development in the context of homebuilding in the Irish market. We're currently supporting the development of 21,000 homes in Ireland. If you think about that in the context of there being demand for 35,000 homes, and we remain strongly committed to that market. But against a global backdrop of some uncertainty and rates remaining high, we're being careful and thoughtful around our international exposures, hence, the reduction of 3% in net lending with the CRE book Mark just asked about 9% of total book. So trending in the direction that we would like. Mark?

Mark Spain: Yes. Great. Thanks. Good morning, Antonio. And so just asset quality overall a real key highlight of these results, Antonio, after several years, getting the NPE ratio below 3%. That's important, and we'll continue to drive that further down. Stage two loans also down and also then stage one loans clearly up and I'd say the overriding piece from an asset quality perspective is resilience from our customers right across our portfolios. And we've maintained the coverage level of 1.5%, so still maintaining a prudent approach there. If I look at our impairment charge in the period, so 12 basis points in H1, that's obviously materially outperforming our guidance beginning of the year.

Key driver there better macro. So we update those macroeconomic assumptions at each set of results and we've got a better outlook at the half year. And also, if I go to underlying loan loss experience, that is also better and that's coming through again, right across our portfolio. So the underlying portfolio, our loan loss charge somewhere around 25 basis points. And that's a good way to think about the second half of the year. And maybe even thinking a little bit further beyond that, as rates go lower, we think that's not a bad way to think about things as we go into 2025 as well.

Antonio Duarte: Thank you very much.

Myles O'Grady: Thanks, Antonio.

Borja Ramirez (Citi): Hello, good morning. Thank you very much for taking my questions. I have two. Firstly, on the NII guidance for this year, if you could kindly clarify the key assumptions for deposit migration in the second half assumption? And then my other question is into 2025, if you could provide more details, because I think that, thanks to the structural hedge and thanks to your bank assurance business, I think that you -- if I compare you with your Eurozone peers in 2025, I think total revenues should -- in my humble opinion, they should have a much better performance than your peers in 2025, especially the Eurozone peers. So if you could clarify any details on NII 2025 and also on other income. Thank you.

Myles O'Grady: Okay. Thank you very much, Borja, for those questions. And I think your observation in relation to Bank of Ireland relative to European peers is interesting, because there is a very strong investment case regarding the sustainability of revenues in Bank of Ireland and hence, the reason why we are outperforming on our targets and particularly our return on tangible equity, and the sustainability of that in line with Mark's question.

So at the heart of that question really as ECB rates begin to come down and normalise, can banks like Bank of Ireland continue to generate sustainable returns. And the answer to that question is, of course it can, because we remain a highly capital generative business. Again, we're seeing that in our guidance of cap gen increase to between 310 to 320 basis points. I think it points to a number of factors.

One is the Irish market itself, the Irish economy, which is proving itself to be resilient and growing and indeed outperforming Eurozone countries. But also, our own particular business model, and I'm pointing to our bancassurance model, which is supporting our wealth and insurance income. And that's going to be a very important resilience factor to our sustainability earnings as rates come down. So I would support your thesis Borja. Mark?

Mark Spain: And maybe, Borja, just to add on that, into 2025 and picking up on the earlier question in relation to ROTE in 2025. So I guess, I've given quite a bit of detail earlier in the call on that broad stability in NII into 2025, and where we see that and the key assumptions underpinning that. But also then that fee income growth of mid-single digits we see this year. Wealth and insurance as a key driver and we see that continue into next year, wealth and insurance continuing to be probably the principal driver moving forwards.

On the NII guidance for this year, so the key inputs there are stable deposits in Ireland. We've seen a migration to term out that €1.3 billion in the first half. That's in line with our expectations. We see similar flow in the second half of the year. And we expect the ECB to reach 3.25% by the end of the year. So those are the three key moving parts in terms of NII guidance.

Borja Ramirez: Thanks.

Chris Cant (Autonomous): Good morning. Thanks for taking my questions. I just wanted to ask you about the competitive landscape, if I could. So there is obviously some noise around bank, talking about the Irish market, and Revolut which I think has a decent presence domestically and has obviously just won a UK banking license and might start to push more products as a consequence of that. So just interested in how you are seeing that competitive landscape which has been moving in your favour for the last couple of years? Are you concerned about any of those recent developments and any anecdotal evidence you can point to would be appreciated?

Thank you.

Myles O'Grady: Good morning, Chris. Thank you for that question. I mean, Ireland is an attractive market. And of course, that's one of the reasons why we're performing so well. I think it's also, to your point, it's fair to say that the period of competitive retrenchment in Ireland is now over. And of course, referencing the previous departure of KBC and Ulster Bank from the marketplace.

Now from our perspective, competition, whether it's fintech or otherwise is healthy for consumers, and it's certainly good for banks like Bank of Ireland, as it keeps us firmly on our toes. It's important also to think about Bank of Ireland in the context that we have 4 million customers and their needs range from basic current accounts to mortgages, to SME loans, to more complex needs of large corporates, and indeed wealth and insurance products for more than 650,000 customers.

So our objective, notwithstanding the reality of competition coming back in, is to be there for our customers at all stages of their financial lives. And that's where we see our ability to maintain value. And of course, we're also generating sufficient value to invest for the future. We will invest in the region of €2 billion over the next four years. That's going to be in our 182 branches on the island of Ireland, that's investing in fraud and cyber resilience. And of course, it's accelerating our digital capability.

For Bank of Ireland customers, it's not just a choice between digital and traditional banking, our customers want both. And our objective is to compete on that basis. Certainly, competition is increasing and we're very happy to compete.

Chris Cant: Got it. Thank you.

Myles O'Grady: Thank you, Chris.

Diarmaid Sheridan (Davy): Hi, guys. Thanks, again. Maybe just to follow up on capital, if I may. Mark, your comments around the 60 to 70 basis points full year capital investment from loan RWA growth. Does that include any full exit during 2024 from the UK personal lending business or would that be separately treated?

And then secondly, in those comments, you've obviously put maybe a little bit more guidance around the impact of Basel IV in 2025. Just how we should think about if you have a 5% reduction in risk-weighted assets at that point, how that plays into the distributing down to greater than 14%? Would that be something that you think you could do in one go or is that something that may take 12, 18 months, a little bit longer to get back down to the 14% once that is implemented? Thank you.

Myles O'Grady: Thank you very much, Diarmaid, for that. I mean on the on the Basel IV component, our first objective, of course, is to land that benefit and we look forward to that at the start of next year. And as I think about it, it doesn't change our capital target to be above 40% over the current strategic cycle. It's simply another input. And it also doesn't change our distribution strategy, which is to distribute to our CET1 target ratio of greater than 14%. That's the most important item that I can share with you now.

And to reinforce that commitment, of a progressive distribution policy that's designed to pay out DPS on earnings on a progressive basis and to return surplus capital wherever it comes from, by way of share buyback or indeed other mechanisms as well. And so it's a factor that we'll have to think carefully about at the start of next year when it lands. But again, it's very much what we thought about it in the context of our capital target and our current distribution policy. Mark, you want to add anything to that?

Mark, on RWA?

Mark Spain: Yeah. Just on the Basel IV, Diarmaid as you'll see we've upgraded, I suppose, our expectation in relation to the our previous expectation was for low single digit to now up to 5%. That's the equivalent to circa 80 basis points in terms of CET1 ratio. So I think, again, helpful and very supportive of us that capital returns strategy that we have and a key part of our investment story.

Just on the RWA piece for -- for the second half. That was all in, the UK personal loans, we do expect to exit that in the second half of the year. Obviously, we'll go through the appropriate processes, et cetera on that, but that book is already redeeming over the first half. So about £800 million left in that but that's captured in the expectations for the second half along with op risk RWA, loan growth and the amortisation of CRTs.

Myles O'Grady: I don't think we have any more questions at this point or do we? Double check.

Operator: We have no further questions registered. So I hand back to you, Mr. Myles O'Grady for closing remarks.

Myles O'Grady: Lovely, thank you very much for that. Just to conclude again guys, we are halfway to our three year strategy, we're performing very, very strongly. The business model is generating capital very much supporting our distribution policy as well. And thank you very much again for your participation this morning and indeed for your interest. Have a good day, take care.

[END OF TRANSCRIPT]