



Bank of Ireland | 2025 Interim Results Call | 29th July 2025

Myles O'Grady:

Good morning from Dublin, and welcome to our H1 results presentation. In February, I highlighted the Bank of Ireland equity story. Notwithstanding the global backdrop, including ongoing trade discussions, we retain our positive outlook to 2027.

This is supported by the attractive markets in which we operate, notably our home market. Ireland's resilient and growing economy underpins balance sheet growth, and we remain highly focused on efficiency.

All of this underlines our confidence in maintaining strong returns, with expected ROTE in excess of 17% by 2027, supporting business model investment and sustainable shareholder returns. We have a highly capital generative business model.

Turning to our H1 results, as we progress the final year of our current strategic cycle, we are executing well against all of our targets, and this is delivering tangible commercial benefits. We have grown Irish loans and deposits, and today, we are upgrading our NII outlook.

We have also grown wealth assets under management. Together, these contribute to our PBT of €0.7 billion. We've maintained our focus on efficiency with a 48% cost income ratio, we have a strong CET1 ratio of 16.0%, and we have declared a dividend of 25% in respect of H1 performance, and reaffirmed our guidance of a progressive full year dividend per share.

The €590 million share buyback announced earlier this year is ongoing, with circa 80% deployed to date. Since the start of 2023, the Group has returned €2.6 billion to shareholders through a series of buybacks and dividends, equating to circa 22% of market cap, and reducing the Group's share count by 11%. Our medium-term outlook supports further capital returns.

Slide 7 provides an overview of progress under each of our three strategic pillars. We are building stronger relationships with our more than 4 million customers, and this is delivering improvements in customer satisfaction.

And our drive to make Bank of Ireland simpler to do business with is helping grow our active digital users, which supports a material reduction in complaints. A simpler business is, of course, also about efficiency, which supports our circa €2 billion cost outlook to 2027.

We continue to target efficiency, including customer journeys, targeted insourcing, organisational redesign, and Artificial Intelligence. Our work on AI continues as we assess the considerable opportunity this technology presents to identify the value pools where we can best put it to work. And under our third strategic pillar, we have grown our sustainable finance portfolios by 24%.

Moving to Slide 8, Ireland is among the best-performing advanced economies. Output and employment growth is well above the Eurozone average. We are, of course, vigilant to the evolving external backdrop, particularly around global trade.

Against this backdrop, Ireland's economic position offers reassurance. We have strong private and public sector finances, robust demographics, and a diversified economy. We also see record employment, growing retail sales, and housing output increasing, notably up 35% year-on-year in Quarter 2.

Multinationals account for 11% of total employment, spread across more than 1,800 companies, operating in a range of sectors. Many of these companies are long-established and embedded in the Irish economy, undertaking financial and professional services, advanced manufacturing, and research and development.

We expect Irish GDP growth of 8% this year, which includes domestic growth of 2.9%. These economic dynamics, in combination with the Group's strong execution, are contributing to the excellent performance of our Irish mortgage book that you see on Slide 9.

The book grew at an annualised rate of 6%, the second consecutive year the book has grown at this pace. Bank of Ireland is the number one provider of new mortgages in Ireland since Quarter 4 of 2022, and our market share of new lending was 40%.

Achieving this outcome, while maintaining strong risk and pricing discipline, has been supported by product innovation and significant investment in customer service. The mortgage business is integral to the Group's medium-term growth prospects. Our Everyday Banking franchise, that's current accounts and deposits, is seeing positive momentum. Customer balances increased at an annualised rate of 5%, and flow-to-term was €1.1 billion, lower than last year, in line with expectations.

We continue to innovate, and have recently launched two new propositions. Coming to Ireland, a bespoke account opening service which supports customers relocating here, and Smart Start, which meets the banking needs of our 7 to 15-year-old customers.

And later this year, the rollout of a major upgrade to our mobile app will commence, offering increased functionality and enhanced user experience. Our differentiated Wealth and Insurance franchise continues to deliver, with assets under management of €55.6 billion.

This equates to an annualised growth rate of 3%, with strong inflows of €1.2 billion. Against the backdrop of volatile markets, I am very pleased with this performance. The growth in AUM is also a key driver of the 8% increase in fee income for this business.

The favourable demographics in Ireland, in combination with a significant opportunity in wealth creation, are key parts of a structural and resilient growth story for our Wealth and Insurance business.

That opportunity is underpinned by the Group's position as Ireland's number one wealth provider via our Davy and New Ireland Assurance businesses. Wealth and Insurance offers long-term capital-light diversified income, and we see it being the key driver of overall fee income growth into the medium term.

Turning now to Slide 12 on our Corporate and Commercial division. This was a solid first half for our Irish Corporate franchise, with the loan book up 3%. Within this Irish book is €1.3 billion of funding, supporting the construction of close to 25,000 homes. To further drive momentum, we recently announced an increased ambition to support the development of 30,000 homes. This ambition is grounded in strong commercial discipline, while also responsibly supporting this critical sector for Ireland.

By deepening our Corporate customer relationships, we've also increased fee income by 11%. As previously guided, we are continuing to run down a number of lower returning International portfolios.

And moving to credit quality, our Ireland book continues to perform well.

We have increased coverage on our US Acquisition Finance book, preemptively capturing potential risk, which is reflected in our impairment charge.

Our Retail UK division is producing attractive and sustainable returns, generating ROTE of circa 15%.

During H1, both lending and deposits grew, while headline PBT here was lower. This is driven by a normalisation of the impairment charge in the current period compared to a net write back last year. And the NPE ratio also improved by 20 basis points.

Slide 14 sets out our targets for the current strategic horizon, spanning 2023 to 2025. We reiterate our circa 15% full year ROTE target, and the guidance for a progressive full year dividend per share is maintained.

And mindful of our strong capital position, and in line with our policy, the Group will give further consideration to distributions at our full-year results.

Our unique business model, the attractive markets in which we operate and the focused delivery of our strategy underpin our unchanged guidance for 2025, and our positive outlook to 2027. I will now pass over to Mark to bring you through our financial performance in more detail.

Mark Spain:

Thanks, Myles, and good morning everyone. There are three key financial takeaways from these results. Firstly, we've delivered a good performance in H1, with strong Irish loan and deposit growth while maintaining cost discipline.

Secondly, we are reaffirming our key guidance for 2025, a ROTE of circa 15%, and capital generation of 250 to 270 basis points. And finally, our H1 performance puts us well on track to deliver on our outlook to 2027, and deliver a ROTE of greater than 17% in that year.

The income statement in Slide 19 demonstrates resilient income and an ongoing focus on efficiency. We've also declared an interim dividend of 25 cents per share, a payout ratio of 40%, in line with last year.

Moving to Slide 20, our NII performance in H1 was better than we originally expected, supported by strong business momentum, especially in Ireland. We've also meaningfully increased the size of our bond portfolio to capture higher income, with further growth expected in H2.

We are upgrading our full year NII guidance from greater than €3.25 billion to around €3.3 billion. The key positive factors driving our NII performance this year, Irish loan and deposit growth, the structural hedge, and a larger bond portfolio will continue to support our NII growth into 2026 and 2027.

We now see 2027 NII being higher than €3.5 billion, reflecting the momentum we are seeing and the actions we are taking. We had strong lending growth in Ireland in H1 where we delivered an excellent performance in mortgages.

The contraction you see in our International Corporate portfolios primarily reflects the planned run down in our GB Corporate book. Looking ahead, we continue to see growth in net lending of around 2% for the full year, with Ireland growing by around 5%.

Our differentiated Wealth and Insurance business turned in another strong performance in H1. Against the backdrop of volatile markets, net inflows were resilient at €1.2 billion, which equates to around 4% annualised of opening AUM.

This helped AUM to close the half at a record €55.6 billion. Looking ahead, we expect to see AUM growth of around 5% for the year, supported by inflows and market growth. And the structural drivers for this division remain very much intact, supporting our medium-term annual growth expectation of 7 to 8%.

Our deposit franchise saw further growth in H1, up 2% to €105 billion. There was particularly good momentum in Irish Everyday Banking balances, with a strong Q2. Flow-to-term moderated to €1.1 billion in H1 from €1.9 billion in H2 of last year, in line with our expectations. And we see this moderation continuing. For the full year, we now see overall deposits growing by around 3%, up from 2% previously.

Slide 24 provides an update on our structural hedge. Average volumes are modestly higher in H1, and we see this trend continuing in H2. The hedge yield continues to grow, but still remains well below current market rates. This upside is a key driver of our positive NII outlook over the next number of years.

Turning now to business income, H1 saw growth of 4%, in line with our expectations. This was driven by a strong performance in our Wealth business. Associates' income was lower, with this down to the non-recurrence of gains in the prior year period.

For the full year, we expect growth in total business income, including JVs and associates, of around 5%, unchanged from our review earlier in the year. As Myles said, we have a clear focus on efficiency.

Operating expenses, we're 3% higher in H1, with a cost-income ratio of 48%. This is primarily driven by higher staff costs, a function of tight labour market conditions. Our operating expense guidance for the year is unchanged at 3%, and we reiterate our outlook for costs to be around €2 billion out to 2027.

Levies and regulatory charges are substantially booked in H1, and we expect them to be around €130 million for the full year. Non-core items were €83 million in H1. The majority of this is down to investment in restructuring, including redundancy costs, as we evolve our business model in line with our strategy.

We expect a broadly similar quantum of non-core items in H2. This is an acceleration of spend relative to our guidance in February, with total expected restructuring costs over the three years to 2027 materially unchanged.

This investment is directly linked to our outlook for operating expenses of around €2 billion in 2026 and 2027. On UK Motor Finance, there is no change to our provision in H1. We expect further clarity on this in the second half.

Asset quality remained robust in H1 despite the uncertain global economic backdrop. Our NPE ratio was 2.6%, up 40 basis points year-to-date, but close to multi-year lows, and our overall provision coverage is

higher at 1.4% in June. We expect the NPE ratio to reduce modestly in H2, reflecting management actions. We've taken a €137 million impairment charge for H1, the equivalent to 33bps annualised. This compares to our guidance of low to mid-20s back in February. The H1 charge comprises two elements. 23bps reflects net portfolio experience. The biggest driver of this was our US Acquisition Finance book with a charge in that book, partly offset by credit insurance protection. The balance of 10bps relates to additional management adjustments to capture updated model assumptions and PMAs that reflect the change in environment since the start of the year. We now expect the full year charge to be around 30bps. If I stand back from the detail, the key takeaway is that our overall asset quality is in good shape and our customers are navigating the changing environment very well.

Turning that to slide 30 and capital. We finished the half with a CET1 ratio of 16.0%. The building blocks for this - the Basel IV benefit of 115 basis points, organic capital generation of 110 basis points, the dividend accrual and investment in RWA growth. Our full year guidance is unchanged. We continue to expect 250 to 270 basis points of organic capital generation. The higher capital generation in H2 is mainly explained by timing issues around levies and movements on intangibles. Slide 31 recaps on all of our full year guidance with ROTE of around 15% expected. Our closing slide here sets out the building blocks that produce our positive medium term outlook, underpinning confidence in our ROTE, building to an excess of 17% in 2027.

Thank you for your interest in Bank of Ireland. Our Chief Sustainability and Investor Relations Officer, Eamonn Hughes will now take us through the Q&A.

Eamonn Hughes:

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

Diarmaid Sheridan:

Good morning. Thank you, Eamonn. Good morning Mark. Good morning Myles. A couple of questions if I may. Maybe just firstly on the impairment charge, Mark, how should we think about the SRTs and how they interact with either changes in the credit quality in the Acquisition Finance portfolio or when you put provisions on? Just trying to understand how the dynamics there work and if there's any implications for risk-weighted assets or is that protection kind of fully there to the extent that the SRTs are there? Maybe just secondly then on net interest income and the guidance that you've provided. And then looking out to 2026 and 2027, to what extent should we expect those additional liquid assets that you've put on and the hedge to be key drivers of what you're indicating this morning in terms of that upside that you've talked to?

And then finally, maybe, Myles, when you talk to distributions and the target CET1 level, I guess, firstly, is that likely to be something that is a multi-year to get down towards the just above 14%? And secondly, is there anything stopping you from at a total level distributing greater than 100% of earnings in any given year? Thank you.

Myles O'Grady:

Okay. Good morning Diarmaid. Let me take the broad capital distribution question. I'll ask Mark to take impairment and that NII profile. On capital distribution, Diarmaid, consistent with our approach since 2022, our objective clearly is a progressive full year DPS and an assessment of surplus capital returns at year end. And as I referenced in my narrative earlier in terms of track record, the Group has returned €2.6 billion in dividends in cash and buybacks. So, hopefully the track record demonstrates that we understand shareholder distributions are integral to the Bank of Ireland equity story. Clearly, with a very strong capital position at the half year with the CET1 is 16.0% that's going to grow out over the course of the second half of the year and we will think about that in the context of a target capital ratio to be above 14%. Mark?

Mark Spain:

Yeah. Morning Diarmaid. So, maybe to stand back on asset quality overall, I'd say, Diarmaid, we're in very, very good shape. Our NPE ratio is 2.6% at H1, that's close to multi-year lows. As I look across our portfolios overall, our customers are really weathering, I'd say, the evolving environment very well. On the CRT question, which I think relates to US Acquisition Finance in the first half. So, I mentioned in the presentation, €97 million our charge in H1 relates to portfolio experience that reflects, I'd say, largely the US Acquisition Finance offset by the benefit of the CRT protection in place. Maybe to step back from that, so we've got CRT protection in place over about 70% of the US Acquisition Finance book. That's an integral part of our risk management framework and it's designed to protect the Group if there is adverse credit experience. And if we think about what's happening at H1, it's doing exactly what it should do. It's providing a partial offset against the loss experience in the book.

I would emphasise that does not represent actual losses have hit at this stage. So, that's effectively a mark to market. And again, as we work through that, if the stage three ECL which drives that were to unwind, the recoverable asset would reduce in line with that. Maybe turning to NII, Diarmaid, I think there, it's a real story of, I'd say, positive momentum in the context of NII and that NII trajectory is obviously a key building block into our overall outlook of ROTE growing to greater than 17% by 2027. If we look at maybe the key building blocks there, really some good momentum there, that strong Irish loan and deposit growth in H1. So, 5% annualised growth there. The structural hedge is playing out as we expected, maybe even little bit better than that in terms of the reinvestment yields.

And also we've increased our bond portfolio in H1 as well from €9 billion to around €15 billion, and there's further to go in that. Those factors are supporting our upgraded NII outlook. So, we've upgraded our outlook this year to around €3.3 billion from €3.25 billion previously. We expect NII to grow next year to greater than €3.3 billion. And in 2027, we now expect NII to be greater than €3.5 billion compared to €3.5 billion previously. If I look at where consensus is today, I don't think that consensus has probably fully captured that.

Diarmaid Sheridan:

Great. Thank you.

Myles O'Grady:

Thank you Diarmaid.

Eamonn Hughes:

Our next question comes from Sanjena Dadawala in UBS. Sanjena, maybe unmute your mic and turn your video on. Thank you.

Sanjena Dadawala:

Morning. Thank you for taking my questions. Can I have two follow-ups from the previous discussion and then I have a question on non-core? So, maybe on the impairment charge, when we look at the CRT benefit within, is it possible to break out? Because 23 basis points driven by US Acquisition Finance still seems large if part of it is covered. And then on the guidance implied second half charge of 27 basis points, that's still higher than the low to mid-20s that we were expecting before. So, what are you seeing in terms of expectations for the second half, which has that charge still higher than a mid-20s kind of thing.

And then the second follow up on distributions. Should we expect the consideration to the greater than 14% target at the end of each year, especially given the current excess position or could it be more phased? And then my question on non-core charges, it's about a 50% increase for this year, wondering what's the total restructuring budget, if you could give us a sense and then what do we now expect for 2026, which was supposed to be, again, €100 to 125 million before? And then more importantly, what benefits you're seeing from these investments in the future. Thank you.

Myles O'Grady:

Lovely. Thank you very much for that, Sanjena. Let me comment more broadly on the impairment charge and also capital distributions, and then hand to Mark on some of the detail, both for H2 impairment and indeed non-core. On impairment overall, Mark would've called this out, asset quality remains very healthy. The best measure clearly overall is our Group non-performing exposure. That's at 2% of total book, close to multi-year lows. And when I look across the portfolios, across our Group loan book, customers are in good shape. Our impairment in the US is higher and I regard that very much as a pre-emptive measure to capture potential risks. So, this is getting ahead of, I guess, a potential problem, getting our arms around it. Mark talked about the realised losses versus what we've taken a half year.

And the work we've done here is what you would expect us to do, particularly given the US dynamics throughout quarter two. And on capital distributions, again, Sanjena, objective here is a progressive DPS that's very important to us, and also the return of surplus capital. And we will consider that in the context of where that capital is at at the end of the year relative to a target to be above 14%. It is as straightforward as that.

Mark Spain:

Yeah. Sanjena, looking at our guidance for the year, our outlook for the year circa 30 basis points, if you go back to our H1 charge, two elements to it. So, the net portfolio loss activity on the one hand and also the further adjustments we've made, which are really an additional PMA and also increasing our weightings to the downside. That really reflects our judgment as of June as to the change in the environment. We would review that again at the end of the year, but if you look at our guidance for the year, we're effectively assuming no change in that. So, that continues and portfolio loss activity, similar to the first half in H2. And if I maybe go out into 2026 and 2027, we'd see a normalised cost of risk somewhere in the mid-20s.

On non-core. Really the biggest driver of non-core, as I mentioned in the presentation, is relating to restructuring charges. And in terms of that, we see some acceleration, but I would say the overall envelope materially unchanged and those costs, they include voluntary redundancy costs and other restructuring costs are directly linked to our outlook for having costs flat at around 2 billion euros in 2026 and 2027.

Sanjena Dadawala:

Thank you. So is there more to come in '26 and '27?

Mark Spain:

Yes. That's similar to what was said in February. So, it's sort of a three-year sort of program, Sanjena. So, we'd expect something similar next year and then materially lower in 2027.

Myles O'Grady:

And I guess, Sanjena, that plays in very much to our cost target of 2 billion by 2027. And Mark referenced redundancies. I said before that I expect that we will be a smaller and leaner organization by '27, headcount will reduce over the course of the second half of this year. And that includes 260 voluntary redundancies expected before year-end, and most likely more in '26 as well. Thanks, Sanjena.

Eamonn Hughes:

Okay. Our next question comes from Grace Dargan in Barclays. You may unmute your microphone, Grace.

Grace Dargan:

Good morning. Thank you for taking my questions. Maybe I could start with one on the deposit performance, which has been really strong. Maybe you could be a little bit more granular around the retail, corporate and the geographic split, and the mix within the deposits as well of how that's outperformed and what you're expecting in H2 and next year in particular.

And then secondly, can I just ask a couple of clarifications? So, on NII you said maybe further to go on the bond portfolio. Do you have a sense of how much you're looking to grow that book? And then finally, can I just confirm, did you say you were looking for similar restructuring charges in '26 on '25, or did I just mishear that? Thank you.

Myles O'Grady:

Morning Grace, and thank you for that. Broad answer to your deposit question, and firstly, very pleased that that deposit book has grown at an annualised rate of 5%. Of course, at the same time as on our wealth business, we've seen our AUM at the highest level ever, including net inflows of €1.2 billion as well. So, both parts of that product offering, the deposit offering plus the more sophisticated wealth offering working well. Mark, over to you on some of the detail.

Mark Spain:

Yeah. And Grace, if you look at the individual businesses, it's really our Irish retail business. So, Everyday Banking, those current accounts and deposits which have grown in the first half of the year. Very strong Q2 there. And that's one of the reasons why we're increasing our guidance in terms of deposit growth for the full year to be around 3%. Now, given that Q2 performance, I'd say also just the flow to term playing out very much as we expected. So, it's reduced from €1.9 billion second half of last year to €1.1 billion in the first half of this year, and we expect further reduction in moderation in the second half of the year. We're seeing that on the ground. Should I go on to maybe the bond portfolio, Grace? So, I'd say further to go there, maybe something similar. So, up about €5, €6 billion and we're working actively in that, we see an economic opportunity there and that's going to support that really positive NII outlook that we've given this morning. And on restructuring costs, correct, similar ballpark next year and then materially lower in 2027.

Grace:

Thank you.

Myles O'Grady:

Thank you, Grace.

Eamonn Hughes:

Okay, our next questions from Borja Ramirez is in Citibank. Do you want to unmute your phone, Borja?

Borja Ramirez:

Hello, good morning. Thank you very much for your time, for taking my questions. I have two questions. Firstly, I think on the cost side, I think, I don't know why, but consensus does not seem to fully incorporate your cost savings. I think there seems to be some upside to consensus estimates. That would be my first question. And then my second question would be on the NII sensitivity, if you could kindly provide a bit

more details on the developments compared to the second half and also if you have any actions to decrease the sensitivity to rates. Thank you.

Myles O'Grady:

Thank you Borja, and good morning. I mean, on costs, the key message, what's most important for me to communicate is that we remain on track with our cost target of €2 billion by 2027. We are in an inflationary environment, so the team are working hard across the organisation to secure efficiencies. I think we can see that in our headline numbers overall. We go back to last year, cost increased by 6%. This year, we're guiding 3%. So, that work is coming through in terms of limiting the impact of inflation. Deploying a range of interventions, some examples, digitising our customer journeys. We launched a new business loan platform linked to that, really working hard with our third parties to secure greater value from them, working on our organisational design overall, but also insourcing cheaper and better, frankly, engineers for our technology change programs. And I referenced AI as well, that's an important component. And overall, essentially half the cost of Bank of Ireland is people costs.

So, we do know that of course while we continue to invest in our people, overall headcount will reduce between now and '27 with some of those departures occurring in the second half of this year. Mark, on NII sensitivity?

Mark Spain:

Yeah. And just to add, Borja, you're right in terms of the consensus, there is a gap, but obviously we're reiterating our outlook this morning. So, on the NII sensitivity, key factors there versus the year-end, Borja the increase in the structural hedge, which reduces sensitivity. And also on the upside, we've reflected also our experience of pass-throughs as we've gone through the cycle. So, those are the two key moving parts. I noted in the call this morning that we expect the structural hedge to continue to modestly increase as we go forwards in line with our expectations on deposit growth.

Borja:

Thank you. Very clear.

Myles O'Grady:

Thank you. Borja.

Eamonn Hughes:

That's great. Our next question is from Sheel Shah in JPM. Sheel, you may unmute your microphone.

Sheel Shah:

Great, thank you. Hopefully you can hear me.

Myles O'Grady:

Loud and clear.

Sheel Shah:

Yeah, great. Two questions from me, please. Firstly, I'm looking at your mortgage market shares, they've held at 40% consistently for the last few years actually. And I'm wondering around the competitive dynamics in the Irish market, where do you expect these mortgage market shares to be held? At 40%, or do you expect it to maybe drop over the coming quarters? And then secondly, again, on the mortgage side, I'm looking at some data points you provided around the mortgage to insurance, insurance penetration, 6 out of 10 take out a new life insurance policy, 4 out of 10 take out a general insurance policy. What's the upside to this? Where do you think mortgage to insurance penetration could go towards? Is that something you see as a growth prospect? Thank you.

Myles O'Grady:

Thank you for that, Sheel, and good morning. I mean the part of the fundamental pillar clearly of the Bank of Ireland equity story is the growth in Irish loans and our home market supported by a very strong economy, but also supported by structural opportunities such as the mortgage market in particular. So, the biggest factor that drives value for Bank of Ireland in the mortgage market is the fact that the mortgage market itself in size is increasing. So, that's largely driven by the increased supply of new homes that is coming to the market and Bank of Ireland's position in relation to that. That's one of the reasons why the book has grown by 6% last year and 6% on an annualised basis so far this year.

In the context of competition, I think I've said it before, I do feel, given that Ireland is an attractive market, that competition is going to increase. I think we can see that both from traditional banks but also from some of the neobanks, we're well positioned to compete. Strong risk and pricing discipline, we'll always maintain that. But the combination of a physical footprint plus our digital offering is really important. And in the mortgage space, we're seeing that come through. And so it's not so much, Sheel, that we have a mortgage market share target. It's an outcome of everything that we do. And again, the value really comes from that size of market growing and that pricing discipline, really important, in the context of protecting the value of the total book and not just flows of share, but I do think out to the medium term, a more normalized share is probably in the low to mid-thirties. We're comfortable with that. The book will grow at that rate. I go back a number of years where the market share was in the region of just 20, 21 percent.

And on the cross sell, one of the reasons why we talk about Bank of Ireland having a differentiated business model, it is because of that Wealth and Insurance division from New Ireland Assurance, but also from Davy and that rate of cross sells. So, six customers, mortgage customers taking a life product for taking a home insurance. It's been pretty stable out over the last number of years. We'll of course want to do more in that space. One factor that we have to think about, of course, as the broker market in the mortgage market becomes more dominant, that can have an impact on that cross sell. But again, consistent, solid performance. And actually I know it's not the question you asked, but there are many

other areas in our wealth business, particularly on the insurance side, the pension side, which does offer upside as well. Thank you for that.

Eamonn Hughes:

Okay. Just to remind people, if you want to ask a question, just put up the "raise hand" function on your screen. Our next question, we're going to go now to Andrew Stimpson in KBW. Andrew?

Andrew Stimpson:

Morning guys, thanks for taking my questions. Two for me, please. First one on slide 25, I'm just wondering what's driving the other valuation items for the result this half, please. It's quite a big swing. I appreciate those lines fall outside the scope of the guidance that you kindly provide, but just wondering how we should think about that from here and if, for whatever does cause that calms down, does that reverse into a bigger positive in the future or does it just get back to zero over time, please? And then the second point on the bond portfolio increasing, thank you for the extra detail there. Can you talk about the durations that you are investing in there and just maybe how the shape of the yield curve has pushed you out in durations or whether there's further benefit, if you do see this steepening continue, where there's even more opportunity to take more duration and get bigger benefit there, please?

Myles O'Grady:

Good morning, Andrew. Thanks for those. I'll ask Mark to take those, please.

Mark Spain:

Yeah, Andrew. And the valuation items there actually probably similar, maybe a little bit lower than we published in the IMS actually in April. So, we don't budget those at the beginning of the year. They relate to market movements and interest rates, FX, et cetera, and they're largely mark to market, which work to par over time, but that's what's going on there. So, we don't make any allowance for that in H2, either positive or negative. As we look forwards on the bond portfolio, we're seeing an attractive opportunity there. Credit spreads are somewhere around 50 basis points higher on Sovereigns and related bonds, and that presents an opportunity relative to, let's say, cash at the ECB. That's what we're capitalising on in terms of duration on those, up to around eight years.

Andrew Stimpson:

Got it. Thank you.

Myles O'Grady:

Thank you, Andrew.

Eamonn Hughes:

Okay, we'll move on to our next question from Chris Cant in Autonomous. Chris, if you want to unmute your microphone.

Chris Cant:

Good morning. Can you hear me?

Eamonn Hughes:

All good, Chris.

Chris Cant:

I'm not sure the camera's working. Yeah, thanks for taking the questions. One on NII and one on Leverage Finance, please. So, in terms of the discussion around the bond portfolio picking up a bit better spread on liquidity, you've nudged up your near-term balance sheet growth expectation, the hedge is growing, nudged up your 25 NII guide. Could I invite you to comment on the guidance you gave for 27 NII, so I think it was circa €3.5 billion you had in, earlier in the year. If you could speak to how you're seeing the path towards that and should we expect a bit of upside to that, given that it feels like the drivers are heading in the right direction.

And then on Leverage Finance, could you just remind us how big the book is? And in terms of the CRT coverage, what's the attachment point? Or, I guess put another way, this is one of the things that investors probably forget that you have and we have a court like this where you take a bit of a mark on it and everyone gets quite upset. What's the sort of order of magnitude of maximum risk, I guess, is the question? So, if that entire book blew up, when you say it's 70% covered, we kind of need to know the attachment points, right? So, you're taking a 15% slice of coverage against 70% of the book? What's the overall actual exposure covered through CRT if the whole thing went belly up? And I'm not suggesting that it would do that, but just keen to understand how much protection you're actually getting when you say you've got 60 to 70% covered in some fashion. Thank you.

Myles O'Grady:

Okay. Chris, thank you for that. Let me offer some of the data points on the US Acquisition Finance book and then Mark can translate that into a CRT profile. And also your question on 27 upside to NII guidance. The size of the book, the US Acquisition Finance book, is €1.5 billion, so that's less than 2% of Group loans. So, it's important, but I guess not material in the overall profile of the loan book. Given the macro backdrop, particularly since interest rates began to increase, we've been more cautious in recent years. So, that book has declined from about €2.4 billion since 2022. I should say, Bank of Ireland has been in the US Acquisition Finance business for about 25 years now. Business has got a very strong track record of overall asset quality and indeed profitability. It's navigated its way through very positive economic environments, but also significant periods of economic uncertainty and generally has held up well. And I know I said it earlier, but it's important to highlight, and Mark has said it too, in the impairments we're taking here, regard these very much as a pre-emptive measure to capture potential risk. Mark?

Mark Spain:

Yeah. And Chris, specifically then in terms of how it works, effectively, there's a first loss, it's a risk sharing with the investors. The bank bears a first loss and then there's a second loss of up to a 16% on the book on the covered element. So, that's where the protection comes. And as I said earlier, what's happening there is that is doing exactly what it should do if we experience an adverse credit in the first half of the year. From an NII perspective, Chris, you had actually mentioned the presentation, actually we have upgraded our outlook for 2027, so we now expect NII to be greater than €3.5 billion versus around €3.5 billion back in February. And that's really reflecting the momentum we're seeing in terms of deposits and lending in Ireland. The benefits from the bond portfolio and also the structural hedge playing out and maybe some of those reinvestment yields maybe a little bit higher than we had allowed for at the beginning of the year.

Myles O'Grady:

Thank you, Chris.

Eamonn Hughes:

Okay, we'll now move on to our next question from Rob Noble in Deutsche Bank. Rob, do you want to unmute your microphone?

Rob Noble:

Hello? Can you hear me?

Myles O'Grady:

Yep, Rob.

Rob Noble:

Hi. Yeah, sorry about that. Just a few questions or clarification. I think you touched on each of these already, but say the bond portfolio's got €5 to 6 billion, your LCR is at 198%. What's stopping you doubling the size of the portfolio? What's the limits to how far that can actually go theoretically? The Leverage Finance business, is that a business that really fits into an Irish retail bank? It seems to cause more headaches. This from an analyst perspective, it seems to cause more headaches than we can see the benefits separately because I don't get the income and P&L of that business. And then the restructuring charges, just to clarify, did you say €300 million over three years but €160 million this year, then another €160 million next year? So kind of implying nothing in 2027. And do you really expect there'll be no material restructuring necessary for this business from 2027 and beyond?

Myles O'Grady:

Okay. I mean, thank you, Rob. Let me take the US Acquisition Finance business and how it plays into Bank of Ireland. Again, I am, I guess repeating some of the narrative from Chris's call, but it's important. This is

a business that we have been in for a quarter of a century, has a strong track record of overall performance.

So when I look at the P&L performance out over through the cycle period, it has done very well and, again, navigated through difficult period as well. Of course, we have taken a material impairment charge, and I understand the nature of the question, Rob, but I would regard, again, our impairment as a pre-emptive measure. And of course the team on the ground now, given the broader US backdrop right now, there's very little Acquisition Finance being written, particularly in the mid-market, which is the area that we participate in. So that team are working very, very hard to make sure that that risk that we've captured is mitigated and diminished insofar as we can. And we look forward to updating the market on that in due course. But I would regard it in that context and Mark on the bond portfolio?

Mark Spain:

On the bond portfolio. Yeah, so Robert, you're right, the bonds are LCR eligible, etcetera. They can be pledged, etcetera. So no constraints from that perspective. Our expectation is we're going to do the same again, maybe a little bit more in the second half in terms of bonds, and obviously we'll review the situation at that point, but it is even what we're allowing for, that's a key support of that positive NII trajectory. And then that ROTE building to greater than 17% by 2027 and non-core, just to clarify what I said earlier, broadly similar next year and then materially lower in 2027. I don't think I said zero.

Rob Noble:

Just the bond point, I guess, what's the factor that stops you ramping? Is it stress test related rather than... Why wouldn't all of your cash be in bonds?

Mark Spain:

Yeah, I think the stress test is not really a factor actually because though the bonds that we're buying will be put into the Hold To Collect category and therefore they're effectively protected in a stress test. So I think, Rob, it's more where we are, where we started from historically. The bond portfolio has been about €17, €18 billion. We're going to go beyond that and we get to a next point and then we'll review at that point if there's further to go for.

Rob Noble:

Okay, thank you.

Myles O'Grady:

Thank you, Rob.

Eamonn Hughes:

Okay, our next question comes from Denis McGoldrick from Goodbody. Denis, you may unmute your mic.

Denis McGoldrick:

Good morning, Myles and Mark, and thank you for taking my questions, two, please, if I may. One is just around a clarification on impairments and cost of risk. So obviously the guidance now is 30 basis points this year, but am I correct in saying that for '26 and '27, the guidance is back to the low to mid 20 basis points? And then secondly, just maybe a little bit more colour on the term deposit growth that you saw in H1, which obviously continues to reduce. Maybe just around, is that flow coming from new flow or within existing customers? And then maybe just a comment on where the deposit beta is at now, please. Thank you.

Myles O'Grady:

Okay. Thank you very much for that, Denis. Mark.

Mark Spain:

Yeah, impairment, Denis, I think about sort of mid-twenties as we go forward. So I think that's a good guide. And remember, our charge this year, there's two elements. One is the underlying portfolio activity charge, let's say what's going on the ground, the benefit of protection, et cetera. But really the delta versus our guidance the beginning of the year is because we've taken the additional adjustments. So the PMA and the adjustment to the probability weightings. So mid-twenties. And in terms of the term deposit growth, yeah, a mix with some rollover of customers. And there's certainly some new, but I'd say when you look at the weekly figures, Denis, what you see is Q2 there'll be less flow to term than Q1, and that plays into our expectation of a moderation in the second half of the year and into next year as well.

Denis McGoldrick:

That's great. Thank you very much.

Myles O'Grady:

Thank you, Denis.

Eamonn Hughes:

Okay, we move on to our next question from Seamus Murphy in Carraighill. Seamus.

Seamus Murphy:

Hi, Eamonn. Hi. Thank you. So it's just a question actually on capital. Obviously you've given very strong capital guide, you have a 16% CET1 ratio. I think you said also that the buyback is 80% complete from FY 2024. And so I'm just trying to understand why the Bank of Ireland is not more dynamic in terms of the decision around buybacks or special dividends at interim stage because you have given a very strong guide for '26, '27, and it looks like it's always kind of very, I won't say backward looking, but certainly maybe just

trying to understand why a little bit more dynamism around potentially interim consideration of the level of capital isn't there. Thank you.

Myles O'Grady:

Seamus, thanks for that and good morning. Again, just to recap, we've discussed a number of the different components of the business model over the course of this year. When you step back from it overall, this is a business that's going to generate between 250 and 270 basis points of capital this year. And again, supportive of that consistent target to be in the region of 15% ROTE for this year. So overall, the business is performing very well, strong levels of capital generation. And certainly, last year was the first year we reintroduced interim dividends. So we're doing that again this year, and that's our objective, to get capital back more quickly. We know clearly that the equity story for Bank of Ireland not just about our ability to generate capital but also to distribute it. We understand that, but our approach has been broadly consistent since 2022, which is, again, a progressive DPS for a full year and an assessment of capital returns at the end of the year. That's our approach and our objective, again, is to get capital back to shareholders. Thanks, Seamus.

Seamus Murphy:

Thank you.

Eamonn Hughes:

Okay, it looks like we're going to our last question. We're going to go back to Guy Stebbings and BNP.

Guy Stebbings:

Morning. Thanks for taking the questions. Just a couple of follow-ups really. So the first one was back on impairments. I appreciate it's very difficult to predict the macro in this environment of tariff news flows, but interesting when you updated your models, what assumptions you were making on tariffs, and if it's consistent with the developments in the past few days, I mean, I'd make the observation that you already starts from a position of strength in terms of coverage levels in the performing loan book. So the move today does feel a little bit conservative there. And then on restructuring, the messaging seems to be that this is more than just timing on restructuring and I'm missing something. But if 26 is similar to 25, there's a modest charge in 27 that looks like you're going to be higher than where expectations were, hence, some focus today. So I'm interested, what's changed there? I mean, this is you responding to others in the market or just what's needed to enable you to manage the cost base to €2 billion, which was I guess always consider a stretchy target? Thank you.

Myles O'Grady:

Good morning, Guy. Let me take the relationship between the impairment and tariffs and the economy and Mark on the restructuring. I mean, certainly overall, I welcome the news regarding the agreement on US and EU tariffs. I think a lot of the detail needs to be ironed out, but the headlines, I think, begin to offer much-needed clarity and certainty. And to your point, I mean, Ireland and therefore Bank of Ireland entered this period from a position of economic strength for Ireland and a position of balance sheet

strength for Bank of Ireland. Our latest forecast, we project GDP of 8% this year. Within that, the domestic economy likely to grow by 2.9% and beyond this year sustained annual growth of about 3%. And these forecasts broadly captured the latest news on tariffs that came out on Sunday and yesterday. So we expect both the domestic and the multinational sectors in the Irish economy to be both resilient and growing. And certainly that supports our objective of growing our balance sheet and indeed growing our capital generation as well. Mark.

Mark Spain:

Yeah. So, Guy, on the restructuring, I'd say a little bit higher but not materially. And again, I come back to what's the purpose of that. It's ultimately directly linked to the delivery of that circa €2 billion cost outlook that we've given in 2026 and 2027, and the range of initiatives underway, which we're making good progress on.

Guy:

Okay, thank you.

Myles O'Grady:

Thank you, Guy.

Eamonn Hughes:

Okay, everyone, that concludes today's conference call. Thank you for your participation this morning, and we look forward to meeting with as many of you as possible over the coming weeks. And if you have any questions on these results, please reach out to any of us on the Investor Relations team. Thank you.