

Bank of Ireland Group
Preliminary Results for year ended 31 March 2009
Script for results presentation 19 May 2009

Slide 1: Title slide

Slide 2: Forward-looking statement

Slide 3: Title slide – Richie Boucher

Good morning everyone - welcome to our preliminary results presentation and thank you for joining us here in Dublin and London.

I will open our presentation this morning with a brief review of one of the most difficult years Bank of Ireland has ever experienced. I will then hand over to John O'Donovan to take you through the detail of the financial results.

Slide 4: Turbulent Trading Conditions

Trading conditions throughout our financial year have been extremely difficult. The dislocation in financial markets, increased impairment charges and requirements for significantly increased capital buffers resulted in the demand for higher levels of capital for all banks. The collapse of Lehmans in mid September caused extreme difficulty in global funding and liquidity markets and heightened concerns regarding counterparty risk. Credit was withdrawn.

This resulted in widespread intervention by governments and financial authorities across the globe.

In Ireland we had our own additional problems – the economy continued to weaken sharply - the property sector being particularly impacted through lack of liquidity and significant asset price reductions. Unemployment has risen markedly and we have experienced a large fall in consumer demand. Against this backdrop the Government's fiscal position has deteriorated resulting in the down-grade of the Irish Sovereign credit-rating. The Irish Government has taken steps to address these challenges – most recently in the supplementary budget in early April.

Slide 5: Interim highlights – Group

It is against this backdrop that we are reporting a significant deterioration in our financial performance. Underlying PBT is down 81% to €32 million and earnings per share are down 80% to 30.2 cent. The most significant factor impacting our performance this year has been the rise in the level of impairment across our loan books with the charge for the year of 102 basis points – an increase from an unnaturally low level of 17 bps in March 08. This rise in impairment reflects the impact of the deteriorating economic and credit environment, particularly in the property sector in Ireland and the UK. Pre-impairment the Group generated an operating profit of over €1.8 billion in the year to March 09 reflecting the Group's significant earnings generating capacity.

We strengthened our capital ratios during the year by both increasing our quantum of capital and by reducing our risk-weighted-assets. Our core tier 1, tier 1 and total capital ratios increased from 5.7%, 8.1% and 11.1% to 9.5%, 12% and 15.2% respectively. This largely reflects the significant investment made by the Irish Government of €3.5 billion in 8% coupon core tier 1 preference shares with warrants over 25% of our share capital. Other initiatives included balance sheet de-leveraging, cancelling our dividend, and further progress in transitioning assets to Foundation IRB from Standardised approach under Basel 2.

In an environment of significantly lower income our focus on cost management and cost take-out assisted a 6% decrease in costs resulting in a cost / income ratio of 52%.

Funding has been a key priority for the Group. Notwithstanding the extreme conditions in money markets internationally we have maintained our funding metrics broadly in line with last year with a wholesale funding ratio as a percentage of total assets of 40% compared to 41% last year. Our loan to deposit ratio of 161% shows a modest increase from 157% since March 08.

Slide 6: Divisional Performance

Turning to our Divisional performance:

The year was particularly challenging for our Retail businesses in Ireland due to the severe slowdown in the pace of economic activity, the downturn in residential and commercial property markets, the poor environment for the sale of investment products and the higher funding costs compared to the prior year. Lower levels of income and a significantly higher impairment resulted in Retail Ireland PBT reducing by 97% to €20 million. We made a loss before tax in our Life company of €31 million. This was partially due to a significant reduction in the level of new business together with higher policy lapses, but primarily reflected a negative investment valuation variance of €17 million. Capital Markets PBT is 27% lower. PBT in Global Markets increased by 11% - reflecting strong income growth generated by good positions in a falling interest rate environment and continuing growth in our customer business. Operating profit in Corporate Banking was strong driven by volume growth and improved margins. However the rise in impairment charge resulted in PBT in Corporate Banking reducing by 34% for the year to €247 million. Underlying PBT in UK Financial Services of stg£10 million was 97% lower than the prior year. Performance in UK Business Banking was particularly adversely affected by a significant increase in impairment charge and recorded a loss before tax of stg£81 million. The Mortgage Business reported an underlying PBT of stg£92 million, down 30% on the prior year as the level of impaired loans increased during the year. While arrears across the mortgage portfolio have increased the portfolio continues to significantly outperform industry averages. Performance in Consumer Financial Services was in line with the prior year partially reflecting ongoing investment in our POFS relationship.

Slide 7: Series of supportive Irish Government initiatives

The Irish Government has played a significant role in stabilising the Irish financial sector during this extended period of financial and economic disruption by providing support to systemically important institutions through a series of key initiatives.

- In September 08 the Minister announced the introduction of the Government Guarantee Scheme for deposits and certain liabilities. We confirmed our participation in this scheme in October. In April the Government announced their intention to extend the period of the guarantee for certain issuance for up to 5 years.
- In March 09 the Government completed the re-capitalisation of Bank of Ireland through their investment of €3.5 billion in 8% coupon preference stock with the right to subscribe for warrants for up to 25% of the enlarged ordinary stock of the Group.
- In April 09 the Government announced their intention to establish a National Asset Management Agency – NAMA – to address the issue of asset quality in the banking system. The proposal is to transfer the land and development loans of the banks to this new agency. The objective is to improve funding of banks, reduce uncertainty and support the capital positions of the banks.

These initiatives have had the effect of underpinning the stability of the Irish financial system.

Slide 8: Stabilisation immediate management priority

Our objective through this period of disruption has been to stabilise the Bank of Ireland. Our priorities are to support our customers; strengthen capital; fund our balance sheet effectively; manage our credit risk and rigorously manage our costs. We have made progress on each during the year.

Turning first to capital – there have been a number of initiatives - the most significant being the completion of the Government's €3.5 billion investment in preference shares following extensive due diligence in March this year – a process which incorporated extremely extensive and thorough due diligence of the Bank of Ireland Group including detailed stress testing across all our loan portfolios.

Balance sheet de-leverage has been a further initiative employed to both strengthen our capital and prioritise the allocation of more scarce funding resource. We announced in January our decision to withdraw from broker distributed mortgages in the UK and to wind-down a number of non-core international lending niches in Corporate Banking.

Today we announced the launch of a debt repurchase programme where we will be offering to repurchase an element of our subordinated liabilities, predominantly tier 1 securities. This initiative will be equity accretive.

Our second priority is to manage our funding effectively – against a background where wholesale funding markets remained stressed, and where the Irish Sovereign and Bank of Ireland credit ratings were downgraded, we had 3 priorities:

- Deposit gathering
- Maintaining access to term wholesale funding markets, and
- Strengthening our contingent liquidity position

Our extensive distribution capability in both Ireland and the UK resulted in good deposit growth with market share gains in both Ireland and UK Post Office Financial Services. This performance was offset somewhat by lower levels of credit balances in business accounts in Ireland due to lower levels of economic activity. In addition, we experienced some outflows of international institutional deposits particularly in January and February of '09 resulting in our level of customer deposits remaining unchanged for the year. At March 09 customer deposits and wholesale funding with a maturity of greater than 1 year represented 77% of total customer lending.

We continued to build our contingent liquidity asset pool which can be pledged to monetary authorities to borrow wholesale funding during periods of pressure in markets. In March this pool stood at €49 billion.

We continue to actively manage our credit risk and have re-directed large numbers of senior people to the intensive management of our more challenged portfolios. In our Interim Management Statement we indicated an expected loan impairment charge in the region of €4.5 billion in the 3 year period to March 2011, indicating that if key economic indicators deteriorated there was downside risk to this estimate of up to an additional €1.5 billion. Given the change to consensus economic forecasts particularly in Ireland where circa 50% of our lending portfolio is based, we believe, the more likely outcome of loan impairment for the overall Group is now circa €6 billion in the 3 year period to March 2011. Downside risk to this estimate arises in the event of even further deterioration in economic conditions or further prolonged low levels of activity in residential and commercial property markets.

We are actively engaging with NAMA to explore how this initiative can be successfully implemented.

Faced with the significant reduction in our income in the current year we have reduced our costs significantly. Rigorous control over all expenditure has been enforced across the Group with levels of remuneration significantly reduced. Initiatives to downsize UK Business Banking and Mortgages, together with non-core Capital markets businesses have been implemented. As a result our costs for year are down 6% and our staff numbers are down by 5%, and on March 2007 our total staff numbers are down approximately 9%.

Slide 9: Bank of Ireland committed to rebuilding trust

Turning to our final priority for the Group – to support our customers and re-build trust.

While prioritising the stabilisation of the Group – we remain focused at the same time on supporting our customers.

Our strategic bias is in Ireland and in those international businesses where Bank of Ireland has clear competitive strengths and capabilities.

In Ireland, we are responding to the changing needs of our customers. We have launched a number of specific initiatives: a mortgage fund for first-time buyers; an investment and support fund to assist viable businesses at this time of greater economic and financial challenge. In addition we have launched a series of funds in support of environmental initiatives. We have established a Financial Advice centre to support both personal and business customers through this economic downturn.

Through our enduring franchise we will leverage the strength of our distribution, product range and commitment to sales and service excellence to support our customers.

Building on the strong business we have in Corporate Banking, we remain committed to a number of specific niches internationally in the areas of project finance; mid-market leveraged acquisition finance and comprehensive asset based lending where the Group has developed clear capabilities and competitive strengths in originating and structuring deals. In Global Markets we will continue to leverage our market-leading customer business in Ireland, and continue to drive returns from our highly-successful and growing customer businesses in the UK and the United States. Global Markets has built a strong technical funding capability, which will continue to allow us to maximise funding opportunities to support the Group. Our funding platform is extensive with an innovative range of programmes offering well-diversified access to investors across multiple geographies.

In the UK – the scale of our distribution and strength of the Post Office brand provide a clear competitive strength for continued growth in Post Office Financial Services where today we have over 2 million customers. In UK Business Banking we remain focused on a number of niches in leisure, professional services and healthcare. Our relationship banking approach enables us to meet a broad spectrum of customer requirements including deposit, treasury and lending requirements.

Bank of Ireland has fundamentally sound businesses. Following the support of the Irish Government we are confident that the Group will emerge from this recession as a vibrant financial services company. Our goal is to be more efficient, to have more customers and greater share of the markets where we do business. We will play our full role in the recovery and renewal of the economies in which we operate. Over time we will rebuild the value in the Bank of Ireland Group for our stockholders.

Thank-you. I will now hand you over to John to take you through our financial performance in more detail.

Slide 10: John O'Donovan, Chief Financial Officer

Slide 11: Today's presentation of preliminary results

Thank-you Richie. Good morning everyone.

My presentation today will focus on the 3 areas of primary focus for investors – asset quality, funding and capital – these topics I will cover in some detail in the first two sections of the presentation. The third part of the presentation will cover the Group and Divisional financial performance for the year ended March '09.

Slide 12: Section 1 – Asset quality

Turning first to asset quality.

Slide 13: Profile of loans and advances to customers

The largest element of our Group loan book is residential mortgages in Ireland and the UK which comprises 44% of loans and advances to customers. Lending to the SME/corporate sector represents 27% and lending to the property & construction sectors 25% of the book respectively.

We have a relatively modest portfolio of unsecured Consumer lending representing approximately 4% of our Group loan book.

Slide 14: Group loan book grade profile

There has been a significant deterioration in the grade profile of the Group's loan book over the past 12 months with the quantum of impaired loans increasing from 0.8% of the loan book in March '08 to 3.9% in March '09. The Group's 'challenged' loans were €15.7 billion at 31 March '09 compared to €4.1 billion at March '08.

These 'challenged' loans include 'impaired loans', together with elements of 'past due but not impaired' loans, 'lower quality but not past due / impaired' loans, and loans at the lower end of 'acceptable' quality which are subject to increased credit scrutiny. The year on year change of €1.6 billion is due to an increase of €4.3 billion in 'impaired loans' with the balance attributable to the impact of general economic conditions on arrears and downward grade migration across the portfolio.

Slide 15: Stock of balance sheet provisions and impairment charge – loans and advances to customers

Impaired loans increased from €1 billion in March '08 to €5.3 billion in March '09 with a significant increase reported across each of the Divisions. The common theme across the Divisions has been the marked deterioration in the quality of property and construction related lending.

The stock of balance sheet provisions has increased – rising from €96 million in March '08 to €781 million in March '09. While the level of provisions has increased – the coverage ratio has reduced from 56% to 33% driven by lower coverage ratios in both Retail Ireland and Capital Markets. Coverage ratios vary considerably by portfolio – unsecured lending has, as might be expected, high coverage levels while more highly collateralised portfolios such as property and construction and residential mortgages have lower levels of cover.

The Group impairment charge for the 12 months to March '09 amounted to €1435 million or 102bps – compared to 17bps in the prior year. This reflects the impact of the rapid deterioration in general economic conditions, consequent loan grade degradation and severe weakening in the property and construction sectors, both in Ireland and the UK. The loan loss charge in each Division is shown on the bottom line of this slide.

In Retail Ireland the impairment charge for 12 months was 129bps compared to 28bps in the prior year. Of the increased year on year impairment charge, 10% relates to residential mortgages, 12% to consumer lending with the balance of 78% relating primarily to the property and construction component of the business lending portfolio.

In Capital Markets asset quality has also deteriorated. The impairment charge increased from an unsustainably low level in March '08 of 19bps to 108 bps in March '09. The key driver of the higher year on year charge is the deterioration in the property loan book which was not a feature in the prior year.

The impairment charge in UK Financial Services has increased to 73bps, up from 6bps in the year to March '08. The impairment charge in the residential mortgage portfolio increased from 1bps in March '08 to 20bps in March '09. The balance of the increase arises in the property and construction portfolio in Business Banking.

I set out the Group impairment charge by portfolio on the following slide.

Slide 16: Impairment charge – by portfolio

The 102bps Group impairment charge equates to a charge of 20bps on our residential mortgage portfolio - 23bps in Ireland and 20bps in the UK; 94bps on our SME and Corporate lending portfolio; 211 bps on our Property & construction portfolio – which represents 61bps charge on the investment portfolio and 493bps on the development portfolio; and a charge of 308bps on our consumer lending portfolio which includes credit cards, motor loans, overdrafts and personal loans.

Turning now to each of the portfolios in more detail.

Slide 17: UK residential mortgages - £29bn/€31bn March 2009

Residential mortgages account for 44% of the Group's total loan book – the UK mortgage portfolio of €31 billion or stg£29 billion represents 52% of this.

The pace of growth in our UK mortgage book has moderated during the year as a result of our decision to cease broker distributed mortgages in January '09 as part of our strategy to de-leverage our balance sheet. As a result, while the book grew by 7% year on year to March '09; the annualized rate of growth in the second half of the year of 1% compared to 13% annualized growth recorded in the first half. The housing market in the UK has generally weakened with significant house price declines and mortgage activity has slowed dramatically, however with lower supply in the market margins on new business are generally improved. The asset quality of the book has weakened considerably against the backdrop of weaker overall economic conditions, higher unemployment and lower house prices though relative asset quality continues to compare favourably with the industry. Using the CML, or Council of Mortgage Lenders, data on arrears for March '09, our mortgage book arrears compare as follows:

- Total book arrears are 148bps compared to a CML figure of 239bps.
- Buy to let arrears are 173bps compared to a CML figure of 309bps, and
- The arrears on our self cert and standard books are 366bps and 80bps respectively - against which there are no comparable figures published by CML

Asset quality in the self-cert portfolio of stg£5 billion has shown the greatest level of deterioration as we would expect in a recessionary environment with 3 month arrears increasing from 139bps in March '08 to 366bps in March '09.

The impairment charge on the overall mortgage book increased to 20bps for the year to March '09 which compares to the miniscule 1bp in the prior year.

Our experience in repossessions remains relatively benign – with over 267,000 mortgages we had 388 properties in possession at 31 March '09 representing 15bps of the portfolio. The CML indicate that possessions at 31 March '09 represent 23bps of all mortgages across the industry. In the year to March '09 we had 619 new repossessions – we are therefore selling down this stock at a faster rate than new repossessions are emerging.

With UK house prices down 16% year-on-year to March '09 – there is some negative equity in our portfolio – this amounts to circa stg£685 million at the end of March '09.

Turning to our Irish residential mortgage book.

Slide 18: Irish Residential Mortgages - €28bn March 2009

The Irish residential mortgage portfolio at €28 billion represents 48% of the Group's mortgage lending – book growth of 5% March '09 over March '08 is in line with the market and reflects the weakness in the Irish mortgage market. This weakness is testament to falling house prices and poorer economic sentiment leading to fears of job losses. Even though affordability has improved significantly, first time buyers are reluctant to enter the market. In addition, due to housing stock oversupply buy-to-let rents have fallen by 14% year on year to April '09 with a consequent dampening in demand from that sector.

With house prices down probably about 25% from their peak in February '07 – negative equity in our portfolio at March '09 was approximately €355 million – 50% of which relates to our portfolio of first time buyer 100% mortgages – a now withdrawn product we launched in August 2005 and which has draw-downs of €900 million.

The asset quality of the mortgage portfolio has deteriorated with an impairment charge of 23bps in the year to March '09 compared to 1bp in the prior year. Unemployment is a key risk driver of impairment in our mortgage portfolio and this higher charge reflects the general deterioration in the economy and increasing pace of unemployment. Arrears levels have also increased with mortgages 3 months or more in arrears at 192bps in March '09 compared to 70bps in March '08. While the level of arrears has increased across the book, there is a more significant trend in the professional segment of buy to let which represents circa one third of our overall Irish buy-to-let portfolio. The level of house repossessions remains very low with only 6 houses currently in repossession out of a book of over 195,000 mortgages. All of these repossessions were voluntary.

Slide 19: Property & construction lending - €34 billion March 2009

Our property and construction portfolio of €34 billion represents 25% of the Group's loan book. The recession in both the Irish and UK economies together with lack of liquidity and falling asset values are significantly impacting the asset quality in this portfolio.

Our book bias is towards investment lending which represents 65% of our property lending exposure with a portfolio of €22 billion. While there is a low level of impairment in this portfolio pressure is evident in both retail and office investment properties due to poorer consumer sentiment impacting consumer spend and an oversupply of office space in an environment where the demand for space is muted.

The remaining €12 billion or 35% of the portfolio is in development lending and landbank and has been more negatively impacted by property asset re-pricing, with increased impairment in the landbank and residential development portfolios in particular.

Slide 20: Property and construction – Investment lending €22bn March 2009

Two thirds of total property and construction lending is investment related and is split 39% in Ireland; 54% in the UK with the balance of 7% in Europe and the US. This is a well diversified portfolio with good quality tenants and spread of properties primarily in retail and office exposures. Our residential investment portfolio is more modest and primarily relates to professional landlords, housing associations and student accommodation, with reasonable geographic spread and tenant profile. The impairment charge on this portfolio in the year to March '09 is 61bps. While lower interest rates will positively impact borrowers funding costs – the key risks for this portfolio relate to increasing office vacancy levels – impacted by oversupply and weaker demand, and lower consumer confidence and retail sales impacting retailers.

Slide 21: Property and construction – Development and landbank €12bn March 2009

One third of our total property and construction lending relates to development and landbank in Ireland and the UK – the portfolio splits geographically 56% in Ireland and 42% in the UK; and splits 56% development and 44% in landbank.

Our exposure to commercial development of €2.1 billion is of good quality – with a high element of pre-sales or pre-lets resulting in this portfolio demonstrating lower risk characteristics. However lower economic growth, job losses and weaker consumer sales are impacting developments.

The declines in asset prices in the property sector are impacting landbank quite significantly – while our landbank portfolio of €5 billion is largely zoned or with planning and the risk well managed with exposures largely cross-collateralised – we expect further pressure to emerge as downward pressure continues on asset prices, as a result of house prices and commercial property values continuing to come under pressure in very illiquid markets.

Our residential development portfolio of €4.6 billion is split evenly between Ireland and the UK – this portfolio is most sensitive to house price declines.

The portfolio is largely finished stock or projects at groundwork level where the developer is in a position to ‘close the site’ – we have limited exposure to partly completed stock. Market recovery is some way off, as house price declines and their related impact on residential development property values have not fully played out.

Slide 22: Asset quality across other lending portfolios March 2009

Asset quality across our remaining portfolios is as expected, at the current point in the recessionary cycle.

Our SME and Corporate lending portfolio of €37 billion is split 43% in Ireland, 30% in the UK with the balance of 27% in Europe and the US. The asset quality of SME portfolios in the UK and Ireland which are reasonably well diversified across a range of business sectors is being impacted by the general downturn in levels of economic activity.

Our lending to larger businesses focuses on Corporate Ireland as well as a range of international specialist portfolios including acquisition finance, global project finance, media, maritime and comprehensive asset backed lending. While we expect asset quality to continue to deteriorate as we progress through this recessionary cycle, it should be borne in mind that we are a senior debt lender with miniscule exposure to junior and mezzanine finance.

Our consumer lending portfolio of €6 billion represents 4% of overall loans and advances to customers. There has been significant deterioration in asset quality – though this is in line with what we would expect at this phase in the economic cycle. There has been a general tightening of credit criteria and enhanced management of arrears in this portfolio across the Group.

Slide 23: Outlook for asset quality

In our Interim Management Statement we indicated an expected loan impairment charge in the region of €4.5 billion in the 3 year period to March ‘11, indicating that if key economic indicators deteriorated there was downside risk to the estimate of up to an additional €1.5 billion. Given the change to consensus economic forecast particularly in Ireland where circa 50% of the credit risk on our lending portfolio is based, we believe, the more likely outcome of loan impairment for the overall Group is now circa €6 billion in the 3 year period to March ‘11. Downside risk to this estimate arises in the event of even further deterioration in economic conditions or further prolonged low levels of activity in residential and commercial property markets.

I set out on the right hand side of the slide the weaker economic assumptions which are more likely to lead to € billion of impairment charges over the 3 years to March '11.

Slide 24: Funding and Capital

Turning now to the second section of my presentation today – Funding and Capital

Slide 25: Balance Sheet Funding

Asset and liability management, as in all banks, continues to be a most important area of focus for Bank of Ireland. Across the industry there is a heightened sense of awareness of funding of financial institutions – markets have been through a very volatile period over the past twelve months and the availability and cost of liquidity has shown huge variability. The most significant event during the year to impact our ability to access debt capital and deposit markets was the collapse of Lehmans in September '08. Money markets essentially froze with heightened concerns regarding counterparty risk closing off access to quality funding for most market participants across international markets.

The Irish Government took supportive action in late September '08 with the introduction of a Guarantee Scheme for all deposits and certain liabilities of institutions covered by the Scheme – Bank of Ireland is covered by this scheme and its introduction was very positive, in particular supporting deposit gathering and the issuance of bank paper in international markets.

Partly as a result of this Guarantee we saw higher-than-usual deposit inflows in the quarter to December '08. These inflows were unwound in the first 2 months of '09 as a result of negative sentiment towards Ireland following rating agency actions and the nationalization of Anglo Irish Bank. Deposit levels since late February / early March '09 have stabilized.

The Banks funding strategy in this environment has been to focus on deposit gathering, match new lending volumes with sustainable funding sources, maintain prudent liquidity buffers and to continue to maintain and build a robust contingent liquidity asset pool.

The balance sheet of €84 billion is funded 45% by customer deposits, 40% wholesale funding with the balance of 15% being Capital and subordinated debt – broadly in line with the profile at March '08.

Slide 26: Group deposits

All deposit markets have become intensely competitive and price sensitive as financial institutions strive to increase their deposits and reduce dependence on wholesale markets. Group deposits remained flat year on year to March 09 on a constant currency basis. The Irish Government Guarantee introduced in September '08 initially supported strong growth in Capital Markets and UK Business Banking deposits. However we have seen an unwinding from these strong levels in the early part of this calendar year as some international depositors re-evaluated their risk appetite following the nationalization of Anglo Irish Bank and the rating agency actions related to the Irish Sovereign and to Bank of Ireland. These deposit volumes stabilised in early March '09.

Driven by our extensive distribution and trusted brand Irish Retail deposits grew by 10%. This growth was significantly offset by a reduction in credit balances reflecting lower levels of activity through customer current accounts in a poorer economic environment. Our core deposit base in Retail Ireland has remained stable and robust in a very competitive market.

POFS was a key driver of deposit growth with balances increasing by 136% to almost stg£8 billion in March '09. The extensive distribution and trusted brand of the UK Post Office were key enablers but were impacted by customer concerns on Irish bank and sovereign credit ratings.

Slide 27: Wholesale funding profile

Wholesale funding markets have been very challenging over the past year, but particularly since September '08. Significant concerns on credit risk have caused very significant volatility in CDS spreads during the year. Irish sovereign CDS spreads have reduced from a peak of circa 400bps in February '09 to a present level of circa 190bps whilst Bank of Ireland 5 year CDS spreads have reduced from a peak of 670bps on 6th March '09 to a current level of 325bps. These reductions reflect a thawing of conditions in international markets and an improved appetite for Irish debt – both bank and sovereign. Notwithstanding these difficult conditions we have managed our funding effectively over this period. Critical points of note:

- Even though wholesale funding levels have remained broadly flat at €74 billion, we have seen a significant shift from unsecured funding such as commercial paper and certificate of deposits to secured funding through higher deposits by banks. This trend is reflected in the move in CP / CDs from €27 billion in March 08 to €14 billion in March 09; and with an increase in deposits by banks from €14 billion in March 08 to €29 billion in March 09.
- We have raised over €8 billion of term funding in the year to March '09 with a further €2.4 billion since the 1st April '09. 27% of wholesale funding at 31 March '09 has a maturity greater than one year compared to 29% in September '08 and 33% in March '08.

Slide 28: Funding position

The metrics on slide 28 show that despite the extreme conditions present in funding and liquidity markets, the Bank of Ireland key funding metrics at March '09 remain broadly unchanged compared to September '08 and March '08, with a loan to deposit ratio of 161%, wholesale funding as a % of total assets at 40% and 77% of customer loans funded by customer deposits and term funding.

Government initiatives have been a significant factor in providing stability to financial markets - the introduction of, and extension to, the Government Guarantee Scheme, the re-capitalisation of the 2 main Irish banks, and the introduction of NAMA – have all contributed to the reduction in risk in Ireland, as demonstrated by the Irish CDS spreads reducing significantly over the past three months.

Against this more stable background - we need to improve these metrics and we have undertaken initiatives to do so – loan book de-leveraging, such as our exit from the broker distributed UK mortgage market, will be key, which together with a continued drive and focus on deposit gathering will materially reduce the Group's loan to deposit ratio and the proportion of its balance sheet funded from wholesale markets.

Slide 29: Capital position

Turning to capital.

Over the last year we implemented a range of initiatives to increase our capital and reduce our risk weighted assets with the objective of improving our capital ratios.

Of most significance has been the Government supported recapitalisation of the Group where they made an investment of €3.5 billion in preferences shares, with warrants attaching giving the right to subscribe for up to 25% of the enlarged ordinary stock of the Group.

In January '09 we announced the cessation of broker distributed mortgages in the UK and the exit from some non-core international niche lending businesses. In November '08 we announced the cancellation of the dividend on ordinary stock and we have continued to transition more portfolios from Standardised to Foundation IRB approach under the Basel 2 framework.

As a result of these initiatives core tier 1, tier 1 and total capital ratios increased as shown on the slide. The equity tier 1 ratio increased from 5.6% to 6.2% year on year over the same period.

Today, we announced a debt buy-back programme, largely of non core tier 1 securities. Given the level at which this debt is currently trading; we believe that this initiative will be equity accretive.

Slide 30: Income Statement

Turning to the final part of my presentation to you this morning – some commentary on our Income Statement for the year ended March '09.

Slide 31: Group Income Statement

Commentary on financial performance, as in previous years, is on an underlying basis and this slide shows how we strip out the impact of non-core items from both income and operating expenses to derive this underlying performance – in the current reporting period, non-core items in total income amounted to €48 million, and to €387 million in operating expenses.

This has been a difficult trading year for the Group. On an underlying basis, i.e. excluding non-core items, operating profit pre-impairment charges was down 5% reflecting the impact of the reduced levels of economic activity across our businesses in Ireland and overseas. Impairment charges on our loans and advances to customers and on our AFS portfolio totalled €1.5 billion resulting in an 81% reduction in underlying PBT.

The most significant impact on profit before tax in the last year has been the marked increase in impairment charges as general economic conditions deteriorated. In addition, profit before tax was impacted by a number of significant individual items in the year to March '09, which are shown on the next slide.

Slide 32: Total income and operating expenses

Total income is down 5% in the year to March '09. While net interest income increased by 6% year on year driven by better product margins in Corporate Banking and UKFS together with strong treasury income, this performance was more than offset by a 32% reduction in “other income”. The drivers of this reduction in “other income” include lower fees in Business and Corporate Banking, an impairment of €46 million on investment properties held for re-sale, lower fees in asset management services, a higher investment valuation variance of €17 million in our Life company, the collapse of Lehmans impacting income by €39 million and the cost of the Government Guarantee amounting to €66 million.

Operating expenses were down 6% as a result of strong cost management across all cost categories. Staff costs are down 8% as a result of reduced headcount, significantly reduced variable compensation partly offset by higher pension costs. Other costs are down 3% reflecting tight control on spend across the Group. Our cost performance also reflects the impact of an accelerated depreciation charge of €38 million on software assets as a result of technology consolidation.

We announced last November our intention to align our cost base to an environment of lower levels of new business activity. A number of downsizing initiatives have commenced across our UK mortgage business, UK Business Banking and Capital Markets. The costs associated with these initiatives are €3 million in the year to March '09 and are reflected as a non-core item in the March 09 income statement..

Slide 33: Divisional income and cost growth

The Group's cost income ratio increased 1 percentage point to 52% during the period – income growth was positive in both Capital Markets and UKFS - however this was more than offset by a lower level of income in Retail Ireland and also in our Life business due largely to the increased investment valuation variance. Costs were well managed across the Group with all Divisions reporting a fall in their overall expenses with the exception of UKFS where costs increased due to deposit gathering initiatives.

Slide 34: Net Interest Margin

The Group net interest margin increased by 8bps to 174bps in the year ended March '09. The key drivers of margin growth were:

- balance sheet structure where average deposit growth exceeded average lending growth, and also a lesser proportion of the Groups average earning balance sheet was in treasury operations which generate lower margins. Taking both together, net interest margin improved by 6bps
- improved lending margins which contributed 8bps and
- improved treasury margins which, as a result of being well positioned in a falling interest rate environment, contributed 5bps

The positive impact of these factors was partly offset by:

- higher funding costs arising from market dislocation decreasing margin by 4bps and
- tighter deposit margins which reduced margins by 7bps – these tighter deposit margins are due to the lower interest rate environment together with a very competitive market environment for deposits.

Looking forward we expect lending margins to remain strong but funding costs and liability spreads are likely to continue to impact negatively on margin and it is unlikely that the strong treasury margins will be repeated at this point in the interest rate cycle.

Slide 35: (Loss) / profit before tax by Division

Turning now to review Divisional performance, I would like to make some brief comments on each Division.

Slide 36: Retail Ireland

The results of Retail Ireland are reflective of the sharp downturn in the Irish economy, poorer consumer sentiment and spending together with the severe downturn in property markets in Ireland and internationally.

Net interest income is down 1% primarily reflecting the reduction in net interest margin as a result of higher funding costs, tighter liability spreads and balance sheet mix. Volume growth slowed as the year progressed with mortgages and business lending up 5% and 1% respectively. Consumer lending saw a sharp slowdown with the book 7% lower March '09 vs March '08. Overall lending in the Division was flat March on March. Strong deposit growth of 10% was offset by a reduction in credit balances on current accounts due to the economic slowdown resulting in overall customer account growth of 1%.

Other income was particularly weak declining 24% year on year. As outlined previously, the retail business was impacted by an incremental 46 million impairment to investment properties held for re-sale, reduced levels of fee-generating activity and reduced insurance sales and higher claims.

Costs were well managed – down 5% with staff numbers significantly reduced by 6%.

The asset quality in the Division has deteriorated significantly reflecting the sharply dis-improved economic environment, rising unemployment, and severe weakness in the property sector.

The impairment charge has increased from €146 million or 28bps in March '08 to €708 million or 129bps in the year to March '09. Of the increased year on year impairment charge, 78% relates to the property component of the Business Banking portfolio, 12% to consumer lending and 10% to residential mortgages. Share of associates and joint ventures shows a loss of €70 million relating principally to a negative mark to market of an investment in a property unit trust which was initially acquired to sell onto private investors but remains on the Group balance sheet. The after tax and minority interest impact of this write down was €20 million.

Slide 37: Bank of Ireland Life

The performance of our Life business has been significantly impacted by weakness in investment markets and poorer investor sentiment. Sales of new business were down significantly year on year with APE sales lower by 44% – single premium sales were more severely impacted being down 53%. Lower volumes of new business, and higher policy lapses, as investors increasingly divert their portfolios from equities to cash; have led to a fall of 23% in operating income. Even though costs were tightly managed with operating expenses down 1%, operating profit was down to €102 million in the year to March '09 from €164 million in the prior year. Loss before tax has been impacted by an increase in the investment valuation variance from €50 million in March '08 to €17 million in March '09 reflecting the significant decline in world stock markets over the past year.

In addition in line with long term bond yields the discount rate applied to future cash flows was increased from 8% to 9%.

Slide 38: Capital Markets

Capital Markets operating profit before impairment charge is 23% higher March '09 over March '08. Strong income performances from both Corporate Banking and Global Markets resulted from improved lending margins, strong average lending growth and a strong treasury performance in a falling interest rate environment. Operating costs in the Division were 10% lower due to the scaleback in operations in asset management activities, tighter cost control and lower variable compensation.

While customer lending increased by 10% year on year, the pace of growth slowed during the year with the book largely unchanged March '09 on September '08. Deposits were 10% lower, and as previously discussed, while our core corporate deposits were stable over the year, we experienced some institutional cash outflows as a result of concerns regarding Bank of Ireland and sovereign credit ratings in the quarter to March '09.

Profit before tax for the Division was 27% lower as a result of increased impairment charge on loans and advances to customers and on AFS assets.

Turning to business unit profitability - pre-impairment operating profit in Corporate Banking is 32% higher year on year reflecting volume growth and higher margins. Costs have been well managed and are down 7% in the year to March '09. The increase in impairment charges to €305 million has resulted in profit before tax being 34% lower year on year. Over 60% of the increased impairment charge relates to property, with the balance spread across the remaining portfolios.

Global Markets delivered a strong performance with profit before tax increasing 11% year on year. Before impairment of AFS assets, operating profit is 40% higher driven by growth in 3rd party customer business together with good positioning in a falling interest rate environment. The AFS impairment charge of €76 million relates principally to the collapse of Washington Mutual and two Icelandic banks which accounted for impairment of 36 and €25 million respectively.

The performance of our asset management businesses were significantly impacted by reduced fees, due to lower assets under management resulting from both weak equity markets and the loss of some international mandates. In addition the business unit suffered a loss of €32 million as a result of the collapse of Lehmans in September '08

Slide 39: UK Financial Services (£ sterling)

And finally turning to UK Financial Services –

Operating profit in Business Banking was up 6% year on year. However an impairment charge of stg£292 million impacted profit before tax with the business recording a loss before tax of stg£81 million sterling in the year. 84% of the impairment charge relates to the landbank and residential property component of the property portfolio which has experienced a sharp quality deterioration as a result of falls in property values and reduced liquidity in the market place.

Profit before tax in our Mortgage business is down 30% year on year. While new business margins have improved, reduced fees from early redemption charges, higher funding costs and increased loan losses have negatively impacted performance. The Mortgage impairment charge increased to 20bps with the economic downturn resulting in material house price falls, higher arrears and higher levels of repossessions.

Profit before tax increased by 4% in Consumer Financial Services with deposit growth of 136% through the Post Office a particular highlight.

Slide 40: Outlook

As we look forward we are facing into a difficult year. The levels of economic activity across our main markets has reduced and we expect lower levels of new business activity, higher levels of impairment and further pressure on liability spreads in the year to March '10.

As Richie has highlighted to you – we remain focused on the factors that are most critical to ensuring the stability of the Group:

- Engaging with customers
- Strengthening our capital
- Effectively managing our funding
- Actively managing our asset quality, and
- Rigorously managing our costs.

Thank you for your attention and I will now hand you back to Richie.