Bank of Ireland Group

Interim Results Announcement for the 6 months ended 30 September 2008

Script for results presentation 13th November 2008

Slide 1: Title slide

Slide 2: Forward-looking statement

Slide 3: Title slide - Brian Goggin

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

I will open our presentation this morning with an overview of our business performance. I would also like to put that performance in the context of the extreme conditions we have faced in global financial markets in the first half of our year and outline our business priorities for the remainder of the year. John, our chief financial officer, will then take you through the detail of the financial results. I will close the formal part of our presentation with a few comments on our outlook for the rest of the year which will be followed in the usual way by questions and answers.

Slide 4: Introduction

Since last speaking formally to the market in mid September at the time of the release of our Trading Statement – we have all witnessed the severe deterioration in financial markets internationally with the collapse, nationalisation or consolidation of a range of long established financial institutions. Arising from this – risk aversion escalated – most evident in the wholesale funding markets with the near closing of access to funding. Trust evaporated. This resulted in severe liquidity constraints for banks globally and prompted a wide range of interventions by Governments and financial authorities in the form of guarantees, liquidity and capital supports. Their objective throughout was to limit the impact of the financial crisis on the wider economy.

Here in Ireland the Irish Government announced on 30th September its intention to guarantee for a 2 year period the deposits and a range of liabilities of covered institutions. This was done to safeguard the Irish financial system in the interests of the wider economy and Bank of Ireland chose to participate in this scheme. We acknowledge the key role of Government in bringing necessary stability to the broader Irish financial system, though we did not experience any material outflow of funds prior to the introduction of the guarantee.

In addition to these more recent events - the economic environment has also continued to decline over the first half of our financial year with the result that Ireland, the UK and other economies across Europe together with the United States are either in recession or heading into recession.

We have managed the Bank safely and effectively through this period of unprecedented volatility by focusing on a number of key priorities:

- Strengthening our core tier 1 and tier 1 capital ratios
- Improving our key funding metrics
- Actively and prudently managing our credit risk
- And rigorously managing our costs

Slide 5: Interim highlights - Group

Our results today are set against this challenging backdrop – we delivered underlying profit before tax and earnings per share of €650m and 55c respectively - a decline of 32% and 31% respectively on the prior year. A number of factors have contributed to this performance – most notable being the rise in the level of impairments in a deteriorating credit environment - and while we are reporting an increase in the level of impairment, the increase is from the extremely low levels recorded in the prior comparable period and in recent years. Other factors impacting our performance have been the volatility in financial markets; the reduced levels of new business activity across some of our businesses and the continuing elevated cost of funding.

While the level of our profitability is down – we have made good progress on a number of key priorities

- We prioritised the strengthening of our capital base – and report an increased core tier 1 ratio to 6.3% and tier 1 to 8.7%.

- We prioritised our objective of improving our key funding metrics – and report a significant decrease in our wholesale funding ratio from 46% to 41% and an improvement in our loans to deposit ratio from 174% to 159%. I should add that this latter ratio has improved further and at the end of October was circa 145%.

- We also prioritised the rigorous management of our costs – and despite the inflationary environment our total costs are down 1 percentage point in the period.

Turning now to our Divisional performance.

Slide 6: Interim highlights

PBT across our Divisions is down – largely as a result of rising impairment. Pre-provisions – good cost management has enabled us to drive growth in operating profit in Retail Ireland, Capital Markets and UK Financial Services.

Performance in Retail Ireland which covers our Mortgage Business, Business Banking, Consumer Lending and Private Banking activities has been affected by the slowdown in the economy impacting business and consumer confidence. This has resulted in reduced sales of a range of financial products; which together with higher impairment, most notable in Business Banking, have impacted PBT.

Operating profit in our Life company is down primarily due to the steep slowdown in sales of savings and investment products as a result of the impact of weak and volatile equity markets on investor sentiment. A negative investment variance contributed to lower PBT.

In Capital Markets – strong lending and better margins in Corporate Banking have resulted in a good PBT performance – a rise in impairment, though from exceptionally low levels has impacted this somewhat.

In Global Markets – business performance was very strong for both our customer business and trading activities. However, the collapse of Washington Mutual and its subsequent default on their senior notes resulted in us taking a €40 million impairment charge in our liquid asset portfolio. The remainder of that portfolio, which is AA- rated continues to perform well.

Turning to the UK – the contribution from strong volume growth and better lending margins in Business Banking were offset largely by the impact of higher impairment due to the weakness in the property sector primarily. Asset quality has remained very good in our UK Mortgage Business though higher funding costs and reduced redemption fee income as a result of the lower level of re-mortgaging in the industry has negatively impacted the profit performance. Our Joint Venture with the UK Post Office has had a particularly successful first six months – with the rate of deposit growth a particular highlight – our deposit book more than doubled over the period to £6bn.

Slide 7: Priorities

Our results today highlight the very difficult conditions across our main markets – as a management team we remain focused on our key priorities to manage the Bank both effectively and safely during this period.

With regard to capital – I believe it important to put on record the fact that the risk profiles of all banks are not the same. Bank of Ireland has a low risk profile with almost 50% of our balance sheet in well collaterised residential mortgages and no investment banking-style activities. I should also state that until very recently our core tier 1 and tier 1 ratios of 6.3% and 8.7% respectively would have been deemed to be highly satisfactory.

Market expectations for capital ratios have however been increased in the current uncertain and more volatile environment, and against this background, our strategy is to further strengthen our capital position. As I mentioned, we have made good progress in this regard bringing our core tier 1 and tier 1 ratios up to 6.3% and 8.7% respectively. We will further strengthen our capital through use of a range of options including controlling risk weighted asset growth, selective balance sheet de-leveraging, some asset disposals and earnings retentions. In September 2008 we announced our intention to cut the 2008/9 dividend on ordinary stock by 50%. In light of the significant market turmoil and deteriorating economic environment that has taken place since this time, the Directors concluded that further strengthening the Group's capital ratios is a priority and consequently no dividend will be paid on ordinary stock in 2008/9. The Group does not expect to resume paying cash dividends on ordinary stock until more favourable economic and financial conditions return.

We have made good progress in transitioning to a more conservative funding profile – the strength and scope of our customer franchise has resulted in very strong deposit growth with the consequent positive impact of reducing our loan to deposit ratio to 159% at September 2008. And as I mentioned earlier this ratio has improved further to circa 145% at the end of October. Our priority - through a process of selective balance sheet de-leverage and increasing customer deposits - is to continue to reduce our quantum of wholesale funding – in addition – we will focus our efforts on lengthening the maturity profile as markets re-open.

Against the backdrop of a significant deterioration in the credit environment our priority is to actively and prudently manage our credit risk – we have reviewed our lending portfolios across the Group and identified those most at risk. We have re-allocated senior resources to the management of these portfolios and our policy of early intervention across all business lines will be a key factor in the control and minimisation of impairment losses.

And finally, we will maintain our rigorous focus on cost control – driving further savings in the current year and aligning our cost base to an environment of lower levels of activity and revenue.

Slide 8: Title slide - John O'Donovan

I want to now hand you over to John to take you through the detail of our financial performance for the six months and before we go to Q&A I will provide you with an overview of how we see the year ahead.

Slide 9: Today's presentation of interim results

Thank you Brian. Good morning everyone.

My presentation today will focus on the 3 areas of primary focus for investors – Asset Quality, Capital and Funding – topics which 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 as highlighted in our Income Statement.

Slide 10: Section 1 – Asset quality

Turning first to asset quality.

Slide 11: 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 Property & construction sectors and the SME/Corporate sectors represent 26% and 25% of the book respectively. We have a modest portfolio of unsecured Consumer lending representing approximately 4% of our Group loan book.

Slide 12: Group loan book grade portfolio

Bank of Ireland's loan book has seen some deterioration over the past six months with a reduction of 1.3% to 95.7% of the book performing satisfactorily at 30 September 08.

The level of 'Past due but not impaired' loans – that is those loans where interest or principal are overdue by 1 day or more but where we do not expect to make a loss – have however increased from 2.2% in March 08 to 3% at September 08. Impaired loans – have increased from 0.8% of the loan book in March 08 to 1.3% in September 08. These increases reflect the deterioration in general economic conditions in our main markets, weaker consumer and business sentiment and a continued slowdown in the property and construction sectors both in Ireland and the UK.

Slide 13: Impairment charge and stock of balance sheet provisions

Impaired loans increased from 769 million euro in September 07 to 1.1bn euro in March 2008 and to 1.9bn euro in September 08 – while impaired loans have increased across the Group the increase is most notable in the UK, albeit from a very low base in September 07.

A common thread 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 482 million euro in September 07 to 841 million euro in September 08. While the level of provisions has increased – coverage has reduced from 63% to 44% - again this trend being most notable in the UK where the ratio has decreased from 72% to 30% September on September. This trend is consistent with an increase in impairment in our property and construction portfolios reflecting the higher proportion of impaired collateralised loans in September 08 compared to prior periods.

The Group impairment charge for the 6 months to September 08 amounted to 267 million Euro or 38bps annualized – compared to 22bps in the half year to March 08 and 12 bps in September 07, reflecting 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 the 6 months to September 08 was 42bps annualised, compared to 35bps in the half year to March 08 and 23bps in September 07. Mortgage impairment losses are negligible. Of the increased impairment charge, September on September, 20% relates to Consumer Lending with the balance across small business, and property and construction loans driven by the slowdown in the economy and a deterioration in the property sector.

In Capital Markets asset quality has also deteriorated. The impairment charge of 8bps in September 07 was unsustainably low. In the half year to March 08 the charge increased to 34bps, and to 48bps in September 08. Of the increased impairment charge, September on September, 70% is due to some specific provisions together with grade degradation in the property lending portfolio.

The impairment charge in UK Financial Services has increased to 29bps annualised, up from 7bps in the half year to March 08 and 4bps in September 07. Asset quality in our mortgage portfolio remains very good – with an annualized impairment charge of 6bps in September 08 up from 1bp in the half year to March 08 and a nil charge in September 07. The balance of the increase arises in the property development lending portfolio.

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

Slide 14: Impairment charge at 30 September 08 – by portfolio

The 38bps Group impairment charge equates to a charge of 4bps on our residential mortgage portfolio of 63 billion euro; 65bps on our Property & construction portfolio of 38 billion euro – which represents a 4bps charge on the investment portfolio and 181bps on the development portfolio; our SME and Corporate lending portfolios of 37 billion euro had a charge of 44bps and our consumer lending portfolio of 6 billion euro which includes credit cards, motor loans, overdrafts and personal loans had a charge of 179bps.

Turning now to each of the portfolios in more detail.

Slide 15: UK residential mortgages - €36bn/£29bn

Residential mortgages account for 44% of the Group's total loans and advances to customers – the UK mortgage portfolio of 36 billion euro or 29 billion pounds sterling represents 57% of this. The book has experienced strong growth, up 16% September 08 over September 07; and this growth has been achieved with better pricing and lower LTVs.

The housing market in the UK has generally weakened with significant house price declines and mortgage activity has slowed considerably, however with lower supply in the market margins on new business are generally improved.
The asset quality of the book is good - a loan loss charge of 6bps remains modest. Our arrears profile, though deteriorating from March 08 and September 07, continues to compare favourably against the industry:

- Arrears on the total book were 75bps in September 08 compared to the latest published data for the CML in June 08 of 133bps
- Arrears in the buy-to-let book were 80bps in September 08 compared to the CML data of 110bps
- Arrears in the self-certified book were 164bps which again compare favourably with other industry participants – though comparable data for the CML is not available

Our experience in repossessions is equally good – with over 265,000 mortgages we only had 237 in possession at September 08 representing just 0.09% of the portfolio. The CML indicate that possessions represent 0.38% of all mortgages across the industry.

With UK house prices down 14% year-on-year to October 08 – there is some negative equity in our portfolio – this amounts to circa 100 million pounds at end September 08.

Turning to our Irish residential mortgage book .

Slide 16: Irish residential mortgages - €27bn

The Irish residential mortgage portfolio at 27 billion euro represents 43% of the Group's mortgage lending – book growth of 7% September 08 over September 07 highlights the general slowdown in the Irish mortgage market. We have focused on maximizing profitability through margin management, have withdrawn from the tracker mortgage market in recent weeks and are promoting fixed rate products. With house prices down 14% from their peak in February 2007 – net negative equity in our portfolio at September 08 was approximately 190 million euro – with 100 million euro relating to our portfolio of first time buyer 100% mortgages – a product we launched in August 2005 and which has draw-downs of circa 1 billion euro. The asset quality of the total portfolio remains very strong – with negligible impairment and 91bps of the book in arrears at September 08 – up from 70bps in March 08 and 59bps in September 07.

Overall – asset quality in our mortgage books is proving resilient.

Slide 17: Property & construction lending - €38 billion Sept 2008

Our property and construction portfolio of 38 billion euro represents 26% of the Group's loans and advances to customers. The slowdown in the Irish and UK economies together with falling asset values are significantly impacting this portfolio. Our book bias is towards lower risk investment lending which represents 65% of our property lending exposure with a portfolio of 25 billion euro. The remaining 13 billion euro 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 landbank and residential development portfolios in particular.

Slide 18: Property – Investment lending €25bn

65% of our property and construction lending is investment related and is split 42% in Ireland; 54% in the UK with the balance of 4% 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. Interest cover is a key determinant of asset quality across these portfolios – and both in Ireland and the UK interest cover remains strong. Our residential investment portfolio is more modest and primarily relates to professional landlords, housing associations and student accommodation, with strong geographic spread and tenant profile.

Overall, this investment portfolio is performing well with negligible impairment of 4bps in the six months to Sept 08.

Slide 19: Property and construction – Development and landbank €13bn

35% of our total property and construction lending relates to development and landbank in Ireland and the UK – the portfolio splits geographically 54% in Ireland and 46% in the UK; and splits 59% development and 41% in landbank.

Our exposure to commercial development of 3 billion euro is of good quality – with a high element of pre-sales or pre-lets resulting in this portfolio demonstrating lower risk characteristics.

The declines in asset prices in the property sector are hitting landbank quite significantly and we would expect peak to trough falls in land values of between 35% and 65%. Our landbank portfolio of 5 billion euro is largely zoned or with planning – risk is well managed in the portfolio with exposures largely cross-collateralised.

Our residential development portfolio of 5 billion euro is split quite 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. We have taken a cautious view of the 'cost-of-carry' across this portfolio and have assumed an additional 18 months carry due to economic and residential property market conditions..

Slide 20: Asset quality across other lending portfolios Sept 2008

Asset quality across our remaining portfolios remains good.

Our SME and Corporate lending portfolio of 37 billion euro is split 38% in Ireland, 35% in the UK with the balance of 27% in Europe and the US. Our SME portfolios in the UK and Ireland are well diversified across a range of sectors however asset quality will be 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. Asset quality across these well diversified portfolios has remained strong.
Our consumer lending portfolio of 6 billion euro represents 4% of overall loans and advances to customers. The portfolio includes personal loans, overdrafts, motorloans and credit cards. There has been some deterioration in asset quality – though this 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 21: Outlook for asset quality

In summary therefore as I look across our major lending portfolios -

- The asset quality in our mortgage books both in Ireland and the UK is proving resilient
- Our investment property lending portfolio continues to perform well
- Our development and landbank property lending is being impacted by current market conditions
- Asset quality remains strong across our SME and Corporate lending portfolios
- And the level of impairment in our consumer lending portfolio is as we would expect in the current phase of the economic cycle

Looking forward – the severe deterioration in economic conditions, weaker consumer sentiment and further property asset re-pricing is resulting in our expectation for a higher level of impairment. Our assumptions driving this increase in expected impairment are:

- Declines in house prices in Ireland and the UK of circa 30% 'peak-to-trough'
- A 35% to 65% drop in the value of landbank
- Declines in retail spending both in Ireland and the UK together with a more 'stressed' assessment of potential unemployment levels of between 8% and 9% in Ireland and the UK
- In our development and landbank portfolios we are factoring in an additional 18 months cost of carry
- And finally – we are not factoring in any benefit from interest rate cuts either from those actual cuts over the past month, or further cuts, which the market expects over the coming months.

Slide 22: Outlook for asset quality

We expect our impairment charge for the 12 months ending 31 March 2009 to be at the lower end of a 60 to 75bps range reflecting an expectation of loan losses of circa 8bps on residential mortgages; circa 135bps on property and construction (where circa 35bps is on the investment portfolio and 320bps on the development and landbank portfolios); circa 50bps on the SME and Corporate portfolio and circa 210bps on consumer lending.

Looking towards the year ending March 2010 we expect that continued negative economic growth, poor consumer sentiment and asset re-pricing are likely to lead to an impairment charge in a range of 90 to 110bps - reflecting an expectation of loan losses of circa 20bps on residential mortgages; circa 225 bps on property and construction (where circa 100bps is on the investment portfolio and 500bps on the development and landbank portfolios); circa 100bps on the SME and Corporate portfolio and circa 250bps on our consumer lending. Expected loan losses in the year to March 2010 are, I think, likely to be repeated in our fiscal year to March 2011 before returning to more normalised levels for the year to March 2012.

Over the three year period to March 2011, the Group will absorb significant loan losses with the greatest stress being experienced in the development and landbank segments of our property and construction portfolio.

While there is clearly uncertainty relating to loan losses – the high percentage that residential mortgages represent of our overall loanbook, the relatively low level of consumer lending and a strong SME/ Corporate book must be borne in mind.

Slide 23: Profile of Available for Sale Financial Assets

At 30 September 2008 the Group's portfolio of Available for sale financial assets or AFS assets amounted to 27.7 billion euro – down from 29.3 billion euro in March 2008 as we continue to selectively reduce our exposure to lower return assets. The average life of the portfolio to maturity is 2.64 years. The Group expects to retain these assets until maturity and therefore under IFRS accounting convention – the portfolio is marked to market through reserves – resulting in a reserves movement of 403 million euro in the 6 months ended 30 September 2008. Within the senior bank debt portfolio an impairment loss was incurred on the collapse of Washington Mutual – the loss amounted to 40 million euro and has been charged through the income statement. In early October a number of Icelandic banks were

nationalised. The Group has an exposure of 27 million euro to these banks – any impairment loss will be recognised in the second half of our financial year.

Slide 24: Funding and capital

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

Slide 25: Balance sheet funding strategy

Bank of Ireland has a proactive approach to asset and liability management. Growth in assets is subject to our ability to increase customer deposits; the availability and quality of wholesale funding, including term wholesale funding – and by term I mean funding with a maturity of greater than one year at the time of measurement; and the maintenance of prudent liquidity buffers and capital ratios. In addition – we continue to maintain and build a robust contingent liquidity pool to enhance and widen our contingent liquidity options.

We have maintained a strong funding position:

- We have grown our customer deposits by 19%
- We have reduced our quantum of wholesale funding from 85 billion euro in September 2007 to 78 billion euro at September 2008
- Up to mid September we benefited from good access to wholesale funding markets for both short and longer term maturities and we issued 5.7 billion euro of term debt including a euro-denominated public benchmark size floating rate note issuance

In mid September 08, post the collapse of Lehman, wholesale funding markets essentially froze, with activity concentrated at the very short end of the curve – overnight to one week. Bank of Ireland was not immune to this severe market dislocation, however we managed our funding effectively – our deposits remained stable; our contingent liquidity collateral pool provided us with a significant buffer against the stressed market conditions and would have provided us with more than adequate resources to access if required.

Since early November we are seeing continuing improvements in the functioning of wholesale funding markets – and our own experience has been positive:

- At the short end of the market, all our funding programmes are open and printing and pricing has improved in line with the market
- While little has happened in the term market in recent weeks – there is clear evidence from the UK that the UK Government guarantee has been a positive stimulus for market participants – a trend that we will likely see in Ireland shortly

Slide 26: Group deposits

We have delivered very strong deposit growth in the 6 months to September 08 – growth of 19% year on year. The key enabler of our deposit strategy is our distribution capability.

In Ireland we have a broad distribution platform with an extensive branch network – the reported 2% growth in deposits is impacted by reduced balances on current accounts – excluding these balances deposit growth is 12% in Retail Ireland.

In Capital Markets – we achieved deposit growth of 44% - through our treasury offices in Dublin, Belfast, London and Bristol and our branches in the United States, France and Germany we access a significant pool of high quality corporate and institutional deposits – many arising from our broader lending and treasury management relationships.

In the UK, we achieved deposit growth of 34% in local currency. We gather relationship-driven deposits through our team of business bankers across 11 business hubs; and we gather retail deposits through our Joint Venture with the UK Post Office where we benefit from the significant reach of the Post Office branch network. Deposit growth in this network was very strong – with deposits totaling 6 billion sterling – or growth of 147% year on year.

Slide 27: Wholesale funding profile

Over the six months to mid September 08 Bank of Ireland continued to have good access to wholesale funding markets for both short and longer term maturities through our comprehensive range of funding programmes across a wide range of investor classes and geographies.

Bank of Ireland managed through this period effectively – we operate under a robust Irish liquidity regime and we maintained, and continue to maintain a significant liquidity buffer in excess of the requirements of this regime. At 30 September 08, 29% of the Group's wholesale funding had a maturity greater than one year compared to 33% in March 08. The refinancing profile of wholesale funding maturing within one year at 30 September 08 is broadly in line with prior years.

Slide 28: Strong funding position

The metrics on slide 28 show that Bank of Ireland has strengthened its funding position across a number of key metrics, September 08 year on year. Our loan to deposit ratio is down from 174% to 159%, and indeed down to circa 145% at the end of October 08; customer deposits now account for 47% of total assets – increased from 41%; and wholesale funding is down to 41% from 46%.

Slide 29: Strengthening our capital base

Turning now to capital – as Brian has outlined - we have continued to improve our capital ratios since March 08. Core tier 1 and tier 1 ratios have increased from 5.7% and 8.1% to 6.3% and 8.7% respectively. This has been achieved by managing risk-weighted assets, profit generation, and suspending dividend payments to ordinary stockholders. It remains a management priority to further improve these metrics. Looking forward, we will achieve this through a range of options including controlling risk-weighted asset growth; selective balance sheet de-leverage, some asset disposals and earnings retentions.

Slide 30: Income Statement

Turning to the final part of my presentation to you this morning – some commentary on our Income Statement for the 6 months ended 30 September 2008.

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 56 million euro while there were no non-core items in operating expenses.

On an underlying basis, that is excluding non-core items, operating profit, pre-impairment charges, was down 3% – the increased impairment charge on our loans and advances to customers and AFS portfolio resulted in underlying PBT being down 32% to 650 million euro.

PBT at a group level was significantly impacted by a number of items – a writedown of 40 million euro relating to Washington Mutual senior debt, 32 million euro cost relating to the unwind of customer positions following the collapse of Lehman, a higher investment valuation variance of 58 million euro in Bank of Ireland Life and a 40 million euro writedown in the value of an investment in a property unit trust in Retail Ireland.

Slide 32: Total income and operating expenses

Total income is down 2% half year on half year. Strong deposit and loan growth of 19% and 8% respectively together with margin improvement was partly offset by a significant reduction in 'other income'. There were a number of factors contributing to the reduction in 'other income' including: reduced fees due to lower levels of business activity; a higher investment valuation variance of 58 million euro; and the 32 million euro negative impact of the Lehman collapse.

Operating expenses were down 1% – staff costs are down 3% as a result of lower headcount, partly offset by higher pension costs, while non staff costs are 2% higher.

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 particularly strong in both Capital Markets and UKFS – however this was more than offset by the significant reduction in income in the Life business due to the increased investment valuation variance - and a higher level of costs in the UK associated with the continuing investment in our Post Office joint ventures and our deposit gathering initiatives. The cost performance in Retail Ireland was particularly strong with costs down 4% year on year.

Slide 34: Net Interest Margin

The Group net interest margin increased by 7bps to 1.71% for the 6 months ended 30 September 2008. The key drivers of margin growth were:

- balance sheet structure where average deposit growth exceeded average lending growth for the 6 month period, and improved asset mix which, when taken together, improved margins by 6bps
- the managed step down in balance sheet gearing that took place in the latter part of our financial year to March 08 which improved margins by 4bps, and
- improved lending margins which contributed 3bps

This positive impact was partly offset by:

- higher funding costs arising from market dislocation that was not as significant a feature in the comparable prior period, decreasing margin by 5bps
- increased competition for deposits which reduced margins by 1bps

Slide 35: Profit before tax by Division

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

Slide 36: Retail Ireland

The sharp slowdown in economic activity in Ireland has impacted the performance of Retail Ireland with income down 2%. Rigorous cost control has resulted in a very strong cost performance – with costs down 4%. As a result operating profit is up 1%. Impairment losses increased significantly by 57 million to 114 million euro – 20% of this increase relates to consumer lending – with the balance across small business, and property and construction loans driven by the deterioration in the property and construction sector. It should be noted that PBT was impacted negatively by 40 million euro due to the writedown in value of an investment in a property unit trust made by the Group.

Slide 37: Bank of Ireland Life

The performance of our Life business has been severely impacted by two main factors – both related to the weakness in investment markets and investor sentiment. Sales of new business are down considerably in the 6 months to September 08 compared to the prior year with APE sales lower by 35% – single premium sales were more severely impacted being down 48%. In addition, PBT has been impacted by an increase in the investment valuation variance from 5 million euro in September 07 to 63 million euro in September 08.

Slide 38: Capital Markets

Turning to Capital Markets – significant growth in lending and customer deposits, together with improved margins, and a good cost performance, gave operating profit growth of 22%, however higher impairment losses led to a reduction of 8% in PBT.

Corporate Banking delivered a strong performance with profit growth of 13 percent – strong lending growth with better margins contributed to this outcome. Asset quality has deteriorated as expected with the impairment charge increasing from 8bps in September 07 to 48bps in September 08. 70% of this increase relates to some specific provisions with the balance largely resulting from grade degradation in the property portfolio.

The underlying business performance of Global Markets was also strong but was impacted by a 40 million euro impairment relating to Washington Mutual senior debt. Pre this impairment, profit is up 33% year on year, albeit off a relatively weak comparable prior period.

Asset Management made a small loss in the 6 months to September 08 as a result of the weakness in investment markets and its impact on income from lower funds under management; together with a cost of 32 million euro arising from the unwind of customer positions on the collapse of Lehman.

Slide 39: UK Financial Services

And finally turning to UK Financial Services –

Operating profit in Business Banking was up 14% on the back of strong volume growth and improved pricing partly offset somewhat by higher funding costs and deposit margin attrition. However, PBT was impacted by a significant increase in impairment charges, from 9 bps in Sept 07 to 60bps in September 08. This increase is largely in the property development lending portfolio.

In our Mortgage business the positive impact of strong lending growth of 16% and better new business margins was offset by a reduction in early redemption income from lower levels of mortgage ‘switchers’; increased funding costs together with a higher impairment charge of 6bps compared to zero in September 07.

PBT increased by 4% in Consumer Financial Services with deposit growth of 147% through the Post Office a particular highlight.

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

Slide 40: Brian Goggin

Thank you John.

Slide 41: Outlook

Financial markets and trading conditions are clearly testing – and this is a difficult time for our stockholders, staff and customers alike. Against this backdrop our priority remains to manage the bank safely and effectively. We believe this focus will deliver tangible financial returns for stockholders in the medium term.

For the remainder of the current year to March 2009 – we expect our performance to be negatively impacted by continuing weakness in the economies and markets in which we operate; rising unemployment, slowing retail spending, lower asset prices, reduced investment and volatile stock markets, together will contribute to this outcome.

We expect our income to be lower due to elevated funding costs, including the cost of the Government Guarantee, volatility in financial markets and lower levels of new business activity.

We will continue to rigorously manage our costs.

And we anticipate that our impairment loss charge will be at the lower end of the 60 to 75bps range for the full year.

As a result we expect our underlying earnings per share for the second half of our financial year to be marginally better than breakeven – though given the prevailing difficult market conditions – there is a degree of uncertainty to this outcome.

Thank you everyone for your attention.

I now want to open the floor to your questions. In the usual way – we will take 3 questions from Dublin and then hand over to Des in London.

Ends.