

**Bank of Ireland Group**  
**Preliminary Results Announcement for the year to 31<sup>st</sup> March 2008**  
**Script for results presentation 21<sup>st</sup> May 2008**

**Slide 1: Title Slide**

**Slide 2: Forward-Looking Statement**

**Slide 3: Title Slide - Brian Goggin**

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 an overview of our business performance. I would also like to put that performance in the context of the very volatile global financial markets in the second half of our year and outline our business priorities in the year ahead. John 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 year ahead which will be followed in the usual way by questions and answers.

**Slide 4: Business Overview**

The last year has presented some of the most significant challenges to the banking industry for a considerable time – and has tested the robustness of the operating models of banks globally. In addition the rate of economic growth in Ireland was also impacted by the general softening in the property sector.

Bank of Ireland is strongly positioned and we continue to manage successfully through this very challenging period. We are a traditional retail and commercial bank – we have a strong balance sheet and our business is built upon the development of deep and lasting customer relationships. We have a conservative business philosophy - our approach is to deliver controlled growth in our established markets and gradually develop our activities in new geographies and segments. This provides us with a broadly based business portfolio and diversified income streams. We have a robust risk culture that is embedded across the Group with deep management experience gained across market cycles – we are also prudent lenders – it is these disciplines which result in our strong asset quality. And it is clearly these disciplines which have also resulted in our minimal exposure to those asset classes most negatively impacted by the continuing dislocation in financial markets.

Turning to the highlights of our Preliminary Results

**Slide 5: Preliminary Highlights - Group**

Our results today represent a satisfactory performance in the context of the significant market volatility that has characterised 8-months of our financial year.

Underlying profit before tax and EPS are up 6% and 4% respectively. Excluding Davy which we sold in October 2006, our underlying PBT and EPS are up 8% and 6% respectively.

Our asset quality remains strong. As expected, against a backdrop of slowing economic activity in our main markets, our impairment charge has increased from historically low levels.

We completed the Strategic Transformation programme this year – one year ahead of schedule and ahead of target delivering €145 million of annualised cost savings. Strong cost management has delivered excellent efficiency gains with our cost / income ratio down a further 3 percentage points to 51% in the current year, down 9 percentage points since the launch of the Programme in March 2005.

Our Return on Equity is once more in excess of 20%.

We continue to grow our dividend – which we have increased by 5%.

We have strengthened our capital position this year with our equity tier 1 ratio increasing from 4.9% to 5.3% on a Basel 1 basis and to 5.7% on a Basel II basis – of importance to note here is that our capital ratios are quoted after taking out the proposed dividend – this is a requirement of the Irish Financial Regulator and differs from the practise in the UK. On a like-for-like basis with our UK peers – our equity tier 1 ratio on a Basel II basis is 6%.

I am also pleased to highlight our significantly strengthened funding position. We have grown our customer deposits by 19% with the result that our wholesale funding as a % of the balance sheet reduced by 5 percentage points to 41%. While continuing to grow our lending by 9% we improved our loan to deposit ratio, significantly reducing it from 173% to 157% over the year. We also maintained a prudent maturity profile in our term funding by raising €7.7 billion of term debt during the year - of particular note was the €4 billion in private placements in the period from August 2007 through to our year end in March 2008.

Altogether a good outcome for a challenging year!

Turning now to our Divisional performance.

#### **Slide 6: Preliminary Highlights**

A positive feature of our results today is that we delivered growth across a well diversified portfolio.

In Ireland the strength of our leading franchise together with firm cost management produced a satisfactory performance.

Following an excellent start to our year, sales in our Life business slowed in the second half of the year as investor sentiment was impacted by the significant volatility and weakness in financial markets. The medium term prospects for this business remain very attractive.

Our Capital Markets Division is a skill-based customer business – and the expertise of our teams here in Ireland and in our international markets are clearly demonstrated in the results today. PBT in the Division increased by 21% excluding the trading impact of Davy. In Corporate Banking – excellent growth in our international markets are delivering strong lending volumes across diversified portfolios and geographies at improved margins with continuing strong asset quality. In Global Markets, our team delivered an excellent performance in volatile trading conditions.

Similarly in the UK, our investment strategies continue to drive an excellent profit performance. Further strong volume growth has been achieved in Business Banking in both lending and deposits. In a slowing housing market, our Mortgage business is performing in line with last year. Recent changes in the mortgage market with a number of lenders exiting the market have enabled us to achieve an improved volume of business and better pricing. This impact will flow through to our current financial year. And finally, our joint ventures with the UK Post Office are progressing well with deposit gathering through POFS a particular highlight in the current environment.

Turning now to our immediate priorities.

**Slide 7: Group Priorities**

We remain committed to our business strategy: to be the number one bank in Ireland with dynamic business growing internationally. In the year ahead we will remain focused on ensuring that we continue to manage the challenges of the current market environment.

Our immediate priorities are clear.

To further strengthen our capital position while maintaining our dividend policy. We increased our equity tier 1 ratio to 5.7% under Basel II this year and have now raised the upper limit of our target range for this ratio to 6.5%. This will be achieved through a combination of retained earnings and capital management initiatives.

As highlighted earlier, we have strengthened our funding position significantly during the past year and we expect a continuing trend of improvement in the year ahead.

We will continue to grow our loan portfolios prudently and allocate our funding and capital to maximise our return on assets within appropriate risk parameters.

And finally, we will maintain our rigorous focus on cost control and I re-affirm our commitment to the achievement of further improvement in our cost / income ratio. Given our decision to continue to invest in the development of our business and the more challenging income environment that we face in the year ahead, our stated objectives of achieving a cost / income ratio of 50% by March 2009 and mid 40's% in the medium term may take longer than previously indicated. This is the right decision for the business at this time in the context of the excellent progress we have made on our cost reduction over the past three years and the investment needs of the business in the current environment.

Turning to our Divisional priorities in the year ahead.

**Slide 8: Divisional priorities**

We have a very strong competitive position in the Irish market – our brand, the scale of our distribution, scope of our product range and commitment to service excellence provide us with an unrivalled franchise. Richie and his team are focused on maximising the business opportunity within our extensive customer base through effective cross-selling; they will continue to protect and drive growth in our valuable deposit base; and focus on the significant sales opportunity for pension growth in our Life business and prepare potential investors in anticipation of a recovery in equity markets.

The strengths of our Capital Markets Division are in clear evidence in our results this year – under Denis's leadership - our Corporate Banking team will maximise the opportunity from re-pricing and re-structuring of risk and continue to realise the return from the investment in their targeted international niches.

In Global Markets – there is significant opportunity for us to continue to grow our customer business through the delivery of risk management solutions to our customers in Ireland, and through our international offices in the UK and the United States.

In our UK Business Banking and Mortgage businesses – there is significant opportunity for Des and his team to drive further organic growth. Notwithstanding the slow-down in the economy, there are very attractive opportunities for banks with strong funding and capital positions.

In our joint ventures with the Post Office – we will continue to capitalise on the strength of the brand and add to our 1.4 million customer base, particularly in deposit gathering and insurance sales.

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

**Slide 9: Title slide – John O’Donovan**

Thank - you Brian. Good morning everyone.

Over the following slides I will take you through the detail of our financial results – on this occasion, I will be spending some additional time focusing on topics that are currently of particular interest to investors including asset quality, our treasury assets and ABS portfolios, capital and funding. As Brian has mentioned the financial impact of the current market dislocation has been relatively modest on our financial performance and the Group’s capital and funding positions remain strong.

**Slide 10: Group Income Statement**

Commentary on our financial performance through-out this presentation is on an underlying basis and this slide shows how we strip out the impact of non-core items from both income and costs to derive this underlying performance.

On an underlying basis, our profit before tax increased by 6% reflecting the €125 million direct impact of the dislocation of financial markets on our performance which comprised €50 million relating to the negative investment variance in our Life business, €45 million relating to higher funding costs, and as our policy is not to hedge the translation of our sterling profits there is a €30 million currency impact relating to the translation of profits in our UK Financial Services Division into euros.

**Slide 11: Total Income and Operating Expenses**

We delivered a very strong cost / income jaws of 4% excluding the trading impact of Davy with total income and operating expenses up 9% and 5% respectively.

Income growth was driven by very good volumes in both lending and deposits – up 9% and 19% respectively – or 16% and 27% on a constant currency basis - and a low level of margin attrition. The negative investment variance in the Life business did however impact the income outcome.

We delivered a very strong cost performance over the year while continuing to invest in our business. We completed the Strategic Transformation Programme – one year ahead of target delivering €145 million of annualised cost savings. In addition, we benefited during the year from a lower level of compliance spend. Our business as usual cost growth for the year was 6% - one third of which was driven by volume.

**Slide 12: Net Interest Margin**

Our Group net interest margin reduced by 3bps from 1.69% to 1.66% – the main drivers of this attrition were:

- Balance sheet structure where average lending growth exceeded average deposit growth impacting margin by 2bps;
- Higher funding costs arising from the market dislocation reduced margin by 2 bps;
- Lending margins negatively impacted Group margin by 1 bps – within this, mortgage competition which impacted margin by 2bps was partially offset by improved pricing in non-mortgage lending.
- Improved product mix with stronger growth in higher margin products together with some other small items increased margin by 2bps.

Looking forward to March 2009 we expect to see mid single digit margin attrition from the Group Net Interest Margin of 1.66% at March 08 – primarily due to continued higher funding costs together with tighter liability spreads.

**Slide 13: Cost / Income Ratios**

The positive benefits from the successful delivery of the Strategic Transformation Programme and our continuing focus on rigorous cost management can be clearly seen across the trends in our Group and Divisional cost / income ratios. Since its launch in March 2005, the Programme has contributed to a 9 percentage point reduction in our cost /income ratio with the last year showing an improvement of 3 percentage points from 54% to 51%.

On a Divisional basis:

- Against a backdrop of slowing income growth, cost control and delivering on our efficiency agenda are of increased importance in our Retail and Life businesses in Ireland. We continue to make very good progress in this regard with cost / income ratios down year-on-year by 2 percentage points in both businesses to 53% and 40% respectively.
- In Capital Markets, the cost / income ratio reduced year-on-year by 6 percentage points – excluding the trading impact of the Davy disposal the cost / income ratio improved by 4 percentage points, reducing from 41% to 37% in the year to March 08.
- This reflects the improved operating leverage that we have achieved in this Division in the last year while continuing to invest for growth in the international development of both our Corporate Banking and Global Markets businesses.
- In UKFS our cost / income ratio improved by 2 percentage points March 08 versus 07 – the operating leverage in our Business Banking and Consumer Financial Service businesses have contributed to this outcome.

**Slide 14: Loan & Deposit Volume Growth**

We have delivered strong volume growth across the Group – with deposits and loans up 19% and 9% respectively or 27% and 16% respectively on a constant currency basis. The growth in customer deposits was a particular highlight as we focused on successfully strengthening the Group's balance sheet funding position in the challenging market conditions of the last year.

In Ireland – a more moderate level of activity in the consumer and business sectors resulted in a lower level of growth than last year in our mortgage, business and consumer loans with increases of 9%, 16% and 6% respectively. We have maintained our position as the No.1 provider of residential loans in Ireland. In Retail Ireland our deposits grew by 5%.

In Capital Markets, the continued development of our international niche businesses contributed to the very strong lending growth. Treasury teams in Dublin, the UK and the US delivered an excellent deposit gathering performance, with customer deposit growth of 56% again reflecting the success of our resource gathering strategy.

In the UK, we delivered deposit growth of 21% - in this context the performance of Post Office Financial Services – our joint venture with the UK Post Office was particularly outstanding – deposits grew by 74% to £3.3 billion. We maintained the momentum in the growth in our Business Banking portfolio where we continue to see very good opportunity for continued organic growth. Growth in our mortgage book was stronger in the second half of the year as the market dynamic changed as a result of the credit-crunch – a topic I will return to later in the presentation.

**Slide 15: Profile of Loans and Advances to Customers - €136bn**

Our loans and advance to customers at March 08 was €136 billion - an increase of 9%, or 16% on a constant currency basis, from the March 07 total of €126 billion euro. The book is well diversified across portfolios, sectors and geographies.

Residential mortgages in Ireland and the UK represent 45% of our lending portfolio, Business Banking loans in Ireland and the UK – defined as lending to the SME and mid-corporate sectors was 32% of the lending portfolio; our lending to large corporate clients in Ireland and internationally represented 20% of our book; and our unsecured consumer lending is a small component of the overall book at 3%.

Over the next 2 slides I will focus on two areas of our lending portfolio – mortgages and our broader property portfolios.

**Slide 16: Residential Mortgages €61 Bn – 45% Of Group Loan Book**

45% of our customer lending relates to residential mortgages – with 55% in the UK and the remainder in Ireland.

In the UK - the profile of our mortgage book remains broadly in line with last year – with 51% in standard mortgages and the balance of 31% and 18% in buy-to-let and self-certified mortgages respectively. The asset quality of the UK book remains outstanding with mortgages in arrears, that is more than 90 days past due, being 61bps of the mortgage book in December 2007 compared to a published CML figure of 110 bps. Our arrears in March 2008 were 63bps of the mortgage book. The upheaval which characterised the mortgage market as a number of institutions exited the market during the year provided us with the opportunity to achieve significant re-pricing of new mortgage lending with an average increase of 100bps not only reflecting the higher funding costs but also improved risk pricing. In response to the changed market conditions we have narrowed our mortgage product range and reduced our maximum LTVs.

In Ireland - which represents 45% of our overall mortgage book - we also managed our higher funding costs with a strategic shift towards 'fixed rate' priced products. Unlike the UK, the Irish mortgage market has been slower to pass on the higher cost of funding to customers, though more recently new business pricing has been increased by 35 to 45 bps. The asset quality in our Irish mortgage book remains excellent with arrears of 70bps.

**Slide 17: Property: Investment & Development €36bn – 26% of Group Loan Book**

Turning now to our investment and development property lending – this represents 26% of our Group loan book. The portfolio is well diversified:

- Geographically it is split 52% UK and 45% in Ireland
- There is a bias towards investment lending which represents 63% of the portfolio;
- And there is a greater exposure to commercial rather than residential lending which is split 66% and 34% respectively.

In line with Group policy - the credit criteria which we apply to our property portfolios are conservative – we are a cash-flow lender with conservative LTV limits and interest service cover ratios. Thus the asset quality across the portfolio remains very good especially in our Corporate Banking portfolio.

We are however seeing some grade slippage in our Business Banking property portfolios. In the UK, some grade degradation is evident as a result of the softening in the property market whilst in Ireland – the sharper than expected slow-down in residential development activity has created challenges for a small number of mid-tier participants in this sector.

**Slide 18: Asset Quality – Group Loan Book**

The Group's annualised loan loss charge for the year to March 08 was 17bps. This includes a charge of €46 million or 3bps against our €81 million exposure to SIVs . Excluding this portion – our loan loss charge for the year was 14bps – which is 5 bps higher than the charge in the previous year which represented the lowest charge for the Group over

the last 10-years. The higher charge reflects a reversion towards a more normalised level of impairment charge from an exceptionally low level and the impact of a slowing economic environment and consequent grade degradation.

Looking at the Divisions:

- The charge in Retail Ireland increased from 14bps to 28bps – 60% of the increase relates to business banking with the remaining 40% in consumer lending. Both increases are reflective of changing economic circumstances but should also be viewed in the context of unsustainably low charges in the prior year.
- The asset quality in our Capital Markets Division remains exceptionally strong – excluding the charge against the SIV portfolio – the charge for the Division is 3bps – down from 10bps in the prior year. This improvement in the quality of the book is a result of a lower level of specific cases requiring provision than in the prior year.
- UKFS had a loan loss charge of 6 bps compared to 4bps in the prior year. The charge on our mortgage portfolio remains negligible. We have seen some grade slippage in our Business Banking portfolio as a result of the general weakness in the UK property sector.

#### **Slide 19: Asset Quality – Group Loan Book**

Turning to impaired loans.

IFRS 7, which applies to the Group for the first time, provides greater transparency of the risk profile of loans and advances to customers – loans are required to be classified as ‘performing satisfactorily’, ‘past-due’ or ‘impaired’. We have further segmented performing loans into ‘high’, ‘satisfactory’ and of ‘acceptable’ quality – the detailed definitions of each of these classifications are provided in the Preliminary Statement.

Under IFRS 7, arrears greater than 90 days past due, on which there is no expected loss, are included in ‘Past-due’ rather than ‘Impaired’ – and we have applied this classification.

97% of all our customer loans are performing at or above an acceptable standard. ‘Impaired’, at 0.8% of the book, increased from 0.5% in the prior year increasing from €679 million in March 07 (54bps) to €1062 million in March 08 (78bps).

Our level of ‘impaired’ loans in March 07 was significantly below the 10-year average of 96bps and the increase to 78bps in March 08 year sees a reversion towards trend.

Looking at each of the Divisions:

- The rise in the level of impaired loans in Retail Ireland from 79bps to 119bps of Divisional lending – which is well below the 10-year average of 153 bps - is due to the impact of higher interest rates, softening in the property sector and the overall slowdown in the level of economic activity. An emerging trend which we highlighted in our results last November is that the sharper than expected slowdown in residential property development activity has created challenges for a small number of mid-tier participants in this sector.
- In Capital Markets – the level of impaired loans reduced year-on-year from 74bps of the book to 69bps or to 40bps excluding SIVs, reflecting a significant improvement in the quality of the book.
- Finally – in the UK the level of impaired loans has risen from 22bps to 40bps of Divisional lending – this increase from a very low and unsustainable base reflects the slowing level of activity in the UK economy overall and the softening trend in the property sector in particular.

In overall terms asset quality remains very strong – from historically low levels in March 07, the increase in both the impairment charge and the level of ‘impaired loans’ is as we would expect in this changing economic environment.

Our approach to the management of balances in arrears and identification of problem accounts is rigorous with early intervention and proactive portfolio management being key risk mitigants in the overall management of our loan portfolios. As we look forward – while we expect the level of impairment to revert to a more normalised level for the Group – the positive factors of continued low unemployment, relatively low interest rates and the credit underwriting standards applied to the book provide us with the confidence that we will not see a longer term more significant deterioration in our asset quality.

#### **Slide 20: Strong Balance Sheet**

Turning now to our balance sheet – over the next couple of slides I will provide you with an overview of those assets most impacted by the dislocation in financial markets.

As previously disclosed:

- We have no direct exposure to US sub-prime mortgages
- Our exposure to structured investment vehicles is modest at €31 million with a prudent level of provisioning
- Our CDO exposure of €43 million is largely in our own vehicle, Parthalon, and with this level of visibility to the underlying assets we remain confident of the asset quality.
- Our exposure to mono-lines which is largely through wrapped products – is not material at Group level.

Collectively these assets amount to less than €300 million – minimal in the context of our Group balance sheet of circa €185 billion (excluding Bank of Ireland Life assets).

#### **Slide 21: Profile of Available for Sale Assets (AFS) and Trading Book**

Bank of Ireland holds a portfolio of available-for sale assets amounting to €29 billion. €29bn is a portfolio of asset-backed securities – comprising mainly highly rated RMBS and CMBS securities. In addition we hold a Liquid Asset portfolio which is held primarily for liquidity purposes of €26bn invested in government and senior bank debt. We expect to hold these securities to maturity and under IFRS we mark to market through reserves. These assets have incurred a minimal impairment during the year to March 08 of €5 million and the mark-to-market through AFS reserves is €419 million. We also hold a Trading Book which at March 2008 was €19 million. There was a negligible loss of €1m on this portfolio during the year which was taken through our Income Statement.

#### **Slide 22: Balance Sheet Funding**

Turning now to our funding and capital position.

We have successfully maintained a strong funding position through-out this extended period of market dislocation since August 2007. Over the next few slides I will take you through the key strategic moves which we have made during the year to strengthen our balance sheet and our key funding metrics.

Our primary focus has been and continues to be on customer deposit gathering and here we successfully increased deposits by 19% to €86 billion. Customer deposits now fund 47% of the Group Balance Sheet up from 41% in March 2007. This has enabled us to reduce the quantum of wholesale funding from €80 billion or 46% of balance sheet in March 07 to €75 billion or 41% of balance sheet in March 08. This was achieved while still growing our loans and advances to customers which increased by 9% year on year.

#### **Slide 23: Profile of Customer Deposits**

Our deposit strategy has been successful – increasing deposits by 19% to €86 billion.

In Retail Ireland – we have €33 billion of customer deposits and with the leading retail distribution franchise in Ireland (1.3m customers and 276 branches) we are well placed to protect and grow the deposits.

In the UK – our Business Banking teams have been successful in growing their deposit book to £13.5 billion - this is primarily a relationship led customer approach and capitalises on the very successful investment made by the Group in its UK business banking operations.

Our joint venture with the UK Post Office provides us with access to over 14,000 branches and we now have over £3 billion in customer deposits through 329,000 savings accounts with an average balance of £10k.

And in Capital Markets – we delivered deposit growth of 56% from €21 billion in March 07 to €32 billion in March 08, through our high quality customer franchise in Ireland and our network of international treasury offices in the UK and the US.

#### **Slide 24: Group Balance Sheet – Wholesale Funding Profile**

Looking more closely at our wholesale funding, which amounted to €75 bn at March 08 compared to €85 bn at September 07 and €80bn at March 07, we continued to access our broad range of funding programmes across geographies and products through both public and private issuance.

During the year we raised over €7 billion of term funding, i.e. funding with a maturity greater than one year at the time of issue, €4 billion of which was through private placement across 48 transactions since August 2007. We are particularly gratified by this latter achievement - a vote of confidence by counterparties and buyers of our paper in the fundamental strength of the Group.

This strengthened funding position is evidenced through the following funding metrics:

- Our loan to deposit ratio has improved from 173% in March 07 to 157% at March 2008
- Our customer deposits as a % of the balance sheet have increased from 41% in March 07 to 47% at March 08

#### **Slide 25: Balance Sheet Funding**

Throughout this continuing period of volatility in the debt markets we have controlled our balance sheet growth and funding activities. By successfully raising funds through both deposits and utilising the broad spectrum of our funding programmes we have not relied on Central Bank facilities as a source of funding. As a financial institution, we operate within the robust Irish regulatory liquidity regime, one of the most exacting in Europe, and continue to maintain a significant liquidity buffer in excess of the regime's requirements. As part of our contingent liquidity strategy Bank of Ireland maintains a pool of collateral of circa €40 billion euro of which circa €26 billion is ECB eligible, but I again reiterate that this is contingent liquidity and has not been utilised.

#### **Slide 26: Strong Capital Base**

The rate of growth in our Risk Weighted Assets moderated year-on-year as expected with an increase of 11% or 20% on a constant currency basis. Through a range of capital management initiatives and this lower level of risk-weighted asset growth during the year we strengthened our capital position, increasing our equity tier 1 ratio from 4.9% to 5.3%. The Irish Financial Regulator applies a prudential filter which requires Banks to deduct their proposed dividend from equity before calculating capital ratios – this has the effect of reducing our ratios by circa 0.3 percentage points at both March 07 and March 08. Therefore on a like-for-like basis with our UK peers our equity tier 1 ratio is 30 basis points higher at 5.6% on a Basel 1 basis or 6% on a Basel 2 basis at 31 March 2008.

Total capital and Tier 1 capital ratios at March 08 are slightly down on March 07 as a consequence of the boost to our capital following the two securitisation transaction in March 07 – though both ratios remain in line with our target

range of 10.5% to 11% for Total capital and 7.5% to 8.0% for Tier 1. We have revised upwards our target range for equity tier 1 capital to a range of 5.5% to 6.5% to reflect the changing economic environment in which we operate.

The Irish Financial Regulator has given the Group approval to use the Foundation Internal Ratings Based Approach under Basel II – and I share our capital ratios as at 31 March 2008 under this new regime.

**Slide 27: Profit Before Tax by Division**

Turning now to review in more detail our Divisional performance.

**Slide 28: Retail Republic of Ireland**

Retail Republic of Ireland which generated 36% of Group Divisional profitability delivered pre-tax profit growth of 3% in a more challenging environment. The strength of our customer franchise and scale of our distribution network enabled us to maximise the opportunities for new business in an environment of moderating growth and we delivered robust income growth of 9%. Our firm control on costs was a particular feature with a positive cost / income jaws of 3% and a 2% reduction in our cost / income ratio to 53% for the Division.

Our focus on strengthening our position in Business Banking was reflected in book growth of 16%. The weaker residential property market resulted in a lower level of mortgage growth with 9% book growth year on year. Our moves regarding reduced broker commissions, together with changes to product pricing and structure reinforce our business strategy to focus on maximising profit growth from this sector.

As described earlier in my presentation – the level of impaired loans and the loan loss charge has increased in this Division – driven by the sharper than expected slowdown in the economy and softness in the property sector.

Going forward we expect the slowdown in the level of business activity which marked the second half of our financial year to March 2008 to continue into the current financial year.

**Slide 29: Bank of Ireland Life**

Turning to our Life business – the slide shows the results of the business under IFRS whilst the more traditional embedded value methodology is shown on Slide 39 in the back of your pack.

Sales in our Life business were impacted by the significant weakness and volatility in equity markets – particularly in the second half of our financial year. APE sales in the six months to September 2007 grew by 27% but declined by 13% in the six months to March 2008. Our last quarter, to March 2008 in line with the market, was especially weak recording a 22% decline in APE sales. Operating profit growth of 12% for the year was impacted by a negative investment variance of €50 million resulting in profit before tax being down 27% for the year. Tight cost control delivered further efficiencies with a 4% positive cost / income jaws and a further 2% reduction in cost income ratio to 40%.

The ongoing weakness in equity markets continues to impact investor sentiment and appetite for equity based products as we progress into our current financial year.

**Slide 30: Capital Markets**

Capital Markets Division which generates 33% of Group Divisional profitability delivered profit growth of 14% or 21% excluding the trading impact of the Davy disposal in October 2006 – an excellent performance for the year.

In Corporate Banking we have maintained our strong momentum in lending with loan book growth of 22%. We are achieving improved product margins and better risk structures and our impairment charge excluding the provision for

the SIVs remains at historically low levels. Going forward we expect to see continuing good volume growth as we continue to invest in the development of our international business. The quality of our corporate banking loan book remains excellent, however we will see an increase in impairment, from the historically low 3 basis points in the year to March 2008.

Global Markets delivered an excellent performance – both in delivering very strong profit growth of 54% in volatile markets and in successfully managing the Groups funding position in a challenging year. Profit for the year was positively impacted by above normal levels of trading profits and widening credit spreads. Excluding these impacts, PBT increased by 15%.

Our Asset Management businesses performed as expected delivering profits in line with the prior year.

### **Slide 31: UK Financial Services (Sterling)**

UK Financial Services, which generated 25% of Group Divisional profitability, delivered a strong performance with profit growth of 18%. Business Banking and Consumer Financial Services performed particularly well.

Strong lending and deposit growth and continuing low levels of impairment were the key drivers of performance in Business Banking where our teams of business bankers continue to drive a high level of organic growth from our 11 business hubs across the UK including Northern Ireland.

Profits in our Mortgage business were broadly in line with last year. A number of factors contributed to this outcome including the impact of competitor activity on volumes and margin in the six months to September 2007 and higher funding costs since August 2007. However, the mortgage market did change significantly in the second half of our fiscal year to March 2008 with a number of lenders exiting the market due to funding constraints. As a consequence we experienced greater demand for our mortgages in the six months to March 2008 and we achieved higher pricing which more than offset the higher funding costs we faced as a result of the market dislocation. Our Mortgage book increased by 14% year on year with growth of 10% and 28% in our standard and buy-to-let portfolios respectively.

Turning finally to our Consumer Financial Services business – this delivered a very good performance. In POFS strong sales of savings and insurance products together with very good customer retention levels contributed to this performance. We now have over 1.4 million customers in this joint venture and are confident in our ability to maintain this business momentum. First Rate Exchange Services (FRES) also performed well as a result of some margin improvement and good sales growth.

### **Slide 32: Title slide**

Following the strong performance in the first half of our financial year, our second half performance was impacted by market dislocation and the general slow-down in the pace of economic growth in our main markets. Our focus on capitalising on revenue growth opportunities while maintaining a firm control on costs resulted in the delivery of very good operating efficiency metrics; our vigilance to emerging impairment trends and policy of early intervention has contributed to the continuing strong performance in asset quality – though the trend to more normalised levels of impairment charge is expected; and the progress we made during the year in strengthening our capital and balance sheet funding metrics will continue. The financial position of the Group remains strong.

Thank-you everyone - I will now hand you back to Brian who will provide you with some closing comments.

### **Slide 9: Outlook**

To conclude I want to set out very clearly how we see the Bank of Ireland Group in the current market environment, to underline the fundamental strengths that give us confidence for the future and to outline our priorities and outlook for the year ahead.

The Group is in very good shape:

- our capital structure and funding profile strongly support our business;
- our asset quality is resilient in this changing economic environment;
- our deep customer relationships and strong competitive positioning across our markets will enable us capitalise on business opportunities.

In the year ahead we expect slower economic growth in our main markets and recent market dislocation to remain a feature throughout 2008 and into 2009. As a consequence we face an environment of lower income growth. Our management priorities will remain focused on:

- Managing our costs tightly while continuing to invest for the future;
- Managing our credit risk – while expecting our impairment charge to trend towards more normalized levels;
- And strengthening further our funding and capital positions – where we will allocate this funding and capital to maximize return on assets within appropriate risk parameters.

Looking at our Divisions:

- Our Retail businesses in Ireland will find the market challenging and the slowdown seen in the second half of the last financial year will continue into this year;
- We expect to see further growth in both our Capital Markets and UK Financial Services Divisions driven by our continuing investment in the development of these businesses. However, currency will likely impact on the translation of our sterling and dollar profits into euro.

Independent commentators are predicting a pick-up in economic activity towards the end of 2009 and a return to trend growth rates in our main economies from 2010 onwards – and so we remain committed to our strategy - to be the number one bank in Ireland with dynamic businesses growing internationally.

Thank-you everyone - 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.