



# Bank of Ireland Group

*Pre Close Statement*

Six months to 30 September 2002

## **Highlights**

- Strong earnings growth against a background of difficult market conditions
- High single digit growth in alternative EPS
- Buoyant trading performance in key businesses
- Asset Quality remains strong
- Double digit earnings growth delivered in UKFS
- Income/cost growth broadly similar
- High capital ratios maintained
- Strong business inflows in Asset Management are expected to reduce the negative impact of falling equity markets.



# Bank of Ireland Group

24 September 2002

## **Pre Close Briefings with analysts**

Bank of Ireland Group will meet market analysts ahead of its close period for the half year ended 30 September 2002. This statement is issued in advance of these meetings.

### ***Bank of Ireland Group***

The Group expects to report high single digit growth in alternative earnings per share and in profit before tax for the six months to 30 September 2002. The results are expected to reflect strong trading in the Retail businesses in Ireland, continued excellent performances in the Wholesale businesses and double digit profit growth in UK Financial Services. Strong business inflows in Asset Management are expected to reduce the effect of sustained weakness in world equity markets.

Group net interest income is expected to increase by a low double digit percentage, with good volume growth in Ireland. Non interest income is expected to increase by a mid single digit percentage.

Cost and income growth is expected to be broadly similar, despite the adverse impact on income of current stock market volatility.

Strong capital ratios have been maintained.

The Group has commenced a business review in line with its portfolio management approach, and it is expected that there will be an exceptional charge for the first half of c. €25m with the exit from two peripheral businesses.

Trading is strong, good progress is being achieved in managing costs and the Group's risk management processes and procedures have proved robust in the face of a deteriorating economic environment. The economic fundamentals in the Group's principal markets remain relatively healthy. Forecasting is difficult against the background of continuing market volatility and economic uncertainty.

### ***Asset Quality***

The quality of the Group's loan book remains strong and has not been materially affected by recent adverse corporate or economic developments. The loan loss charge and arrears balances as a percentage of the overall loan book are expected to be virtually unchanged from the March 2002 position.

The present satisfactory credit grade profile of the loan book is further supported by the Non – Designated Specific Provision, which was €174m at year-end.

### **Operating Performance by Business Divisions**

#### ***Retail Republic of Ireland***

Profits are expected to grow by a low double digit percentage, with good income growth, satisfactory asset quality and moderate cost growth for the half year to September 2002 compared to the same period in 2001.

Lending volumes are expected to record a low double digit percentage increase. Mortgage lending has been buoyant but other lending will show modest growth as a consequence of the economic slowdown. Resources volumes have performed well and are expected to show a low double digit percentage increase. The low interest rate environment and the more rapid growth in lower margin assets have contributed to some contraction in net interest margin, nevertheless mid to high single digit growth is expected in net interest income. Non interest income is expected to show a mid teens increase.

Cost growth is expected to be mid to high single digit with the national wage round being a major element.

Loan losses as a percentage of average advances are expected to be slightly higher than in the same period last year, but remain satisfactory.

### ***Bank of Ireland Life***

Reported operating profits for the first half are expected to be ahead of the same period last year by low single digit percentage. Annual Premium Equivalent Sales are performing strongly and are ahead of the comparable period last year. Sales in the six months were boosted by a very good response, in April, to the new Government Special Savings contract although margins remain under pressure. Non-operating profits will include the benefit of a 1% reduction in the discount rate to 10% which is in line with current market levels.

World stock markets continue to be extremely volatile and the current market downturn is likely to lead to an investment variance similar to that which was experienced in September last year.

The solvency position of the life assurance business remains very strong and has not been affected by stock market volatility in the period under review.

### ***Wholesale Financial Services***

Profit before tax for the half year to September 2002 in Wholesale Financial Services is expected to increase by a high single digit percentage, compared with the same period last year which included exceptional Treasury profits of €20m. The increase in profit before tax includes income arising from a number of significant transactions in Corporate Banking and IBI Corporate Finance, in addition to the successful Joint Venture between First Rate Enterprises and the UK Post Office.

Lending volumes in Corporate Banking are expected to increase by a mid single percentage over September 2001, with all of the growth coming from international lending. While lending volumes are up on the comparable period last year, the rate of growth in the current year has slowed in both domestic and international loan books, reflecting current market conditions.

Costs are expected to increase by a low to mid single digit percentage.

Asset quality is satisfactory with loan losses as a percentage of average loans expected to be close to the average level of last year.

### ***UK Financial Services***

Profit before tax is expected to grow by a mid-teen percentage, compared to the first half of last year.

Total income for the half year is expected to increase by a low double digit percentage. Net interest income is expected to improve in the half-year through strong lending income and a stabilisation of resource margins. The growth in income is accounted for by the stronger net interest income performance offsetting lower investment income in the advice-based businesses, resulting from weak stock market conditions.

Resources are expected to decline by low double digit percentage over September 2001 reflecting a continued strategy of not pursuing volume from price-led recruitment.

Strong growth in non-standard residential mortgage volumes is expected, especially within our targeted sector of the buy-to-let market, but not sufficient to counter a decline in the standard residential book, due primarily to competitive pressures in the market. Asset quality remains strong.

Cost growth is expected to be high single digit, more than half of which is due to the development of our advice-based businesses.

### ***Asset Management and Securities Services***

Profit before tax is expected to be slightly below the level for the same period in 2001. The financial performance has been adversely affected by the sharp falls in global equity markets during the period but this impact was mitigated by revenues arising from the high levels of new business generated in Bank of Ireland Asset Management during the second half of last year and tight control on costs.

Despite the challenge of a difficult equity market environment, assets under management in Bank of Ireland Asset Management are expected to be in line with the same time last year due to new business inflows in the half to September 2002, which are running at very satisfactory levels.

Relative investment performance remains good.

Profit before tax in Bank of Ireland Securities Services is expected to be similar to last year and the level of new client take-on is very satisfactory.

The Group completed the acquisition of its initial 61% interest in Iridian on 6 September 2002 giving BIAM a presence in the biggest product segment of the US investment market and the Group's share of the results of this business have been consolidated since this date.

Ends

24 September 2002

*Interim results for the half year to 30 September 2002 will be published on Thursday 14 November 2002.*

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