Bank of Ireland Group

Interim Management Statement 15 February 2008

Presenter

- John O'Donovan

Operator: Thank you for standing by and welcome to the Bank of Ireland Interim Management Statement conference call. At this time all participants are in listen only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press *1 on your telephone. I would like to advise you this conference is being recorded today, on Friday, February 15th 2008. I would now like to hand over to your first speaker today, Mr John O'Donovan. Please go ahead Mr O'Donovan.

John O'Donovan: Thank you very much. Good morning ladies and gentlemen and welcome to the Bank of Ireland Interim Management Statement conference call. I'm joined here today by Liam McLaughlin our Director of Group Finance, and Geraldine Deighan our head of Investor Relations.

This morning I'd like to take the statement as read if I could and like to make a few points before handing over to Q&A. If I may first refer to our trading; it's broadly in line with our expectations, loan and resource brought up 10% and 15 % respectively and strong cost performance delivering a 4% cost/income JAWS. However, as I know is in the statement, financial markets including currency, debt and equity markets have been extremely volatile since we last formally spoke to the market in mid November and this is having an impact on the financial performance of the group. As we stand today, the financial impact of the current markets volatility is material, and as outlined in the statement would impact our expected outcome by circa 4% EPS, resulting in EPS outcome from March'08 of circa 3 to 5% growth over March '07. The volatility in the market is impacting us primarily through the mark-to-market impact of a number of assets and liabilities on our balance sheet.

Firstly, the downward movement of the stock markets in September is generating a negative investment variance in our Life business as we note of about €40 million. In late October/early November when we last spoke, the negative investment variance was circa €5million, and so we've seen a significant deterioration since then driven by lower equity markets. Secondly, the recent weakness in the Euro/Sterling exchange rate is having a negative impact on the translation of our UK profits. This impact will be about €15 million. Our policy is not to hedge the translation risk associated with our UK profits as we do not see it as an economic risk due to our UK profits being reinvested in our UK business, and not repatriated to Ireland. Sterling has weakened from 69p to nearly 75p per Euro since September of '07. A further factor has been a significant development in the valuation of structured investment vehicle or as they're commonly know, SIVs. In November we disclosed our modest SIV exposure and we've increased by €15 million to provision against this portfolio of 85 million, to circa 50% of the portfolio. For clarity - and I think this is very important to know – Bank of Ireland treats its SIVs as loans and advances to customers and so the charge hits our loan lost charge directly. This contributes about 3 basis points of our expected loan loss charge for the year and this treatment is different from any other institutions who treat their SIVs as available for sale assets and take the movements on them through reserves.

Looking at our group performance overall, our business fundamentals remain strong. Door business momentum has slowed as expected in the second half of our financial year against the more moderate economic backdrop in our main markets and this is what we'd have shared with you when we spoke in mid November. [Whereas funding] is difficult and has been very challenging, particularly over the turn of the year we've continued to fund successful and the Bank of Ireland name continues to be well received in the markets. Our funding and capital positions remain strong.

I would now like to thank you for your attention and hand over to questions and answers. May we have the first question please?

Operator: At this time ladies and gentlemen we will take questions. If you would like to ask a question, please press *1 on your telephone and wait for your name to be announced. If you wish to cancel your request please press *2; once again *1 on your telephone to ask a question. Your first question comes from the line of Sebastian Orsi. Please ask your question.

Sebastian Orsi: Morning John, it is Sebastian.

John O'Donovan: How are you doing?

Sebastian Orsi: Good thanks. Just a couple of follow up questions; in terms of the impairment provisions within the retail ROI division, would we expect to see those turning up from the first half level? And then also you mentioned the CDO exposure, could you give us a bit of background colour in terms of the assets backing those and how they are classified and if there are any provisions against those at present?

John O'Donovan: The senior exposure is about €45 million [unclear] assets and they are all performing assets.

Sebastian Orsi: There are no provisions against those at this point then?

John O'Donovan: Well, let's say Sebastian is they are performing assets and won't comment on any individual assets on the balance sheet.

Sebastian Orsi: Okay, thanks.

John O'Donovan: On the secondary question the retail Republic of Ireland loan losses; I guess it's worth noting that for the year to March of '07 the loan loss charge was 14 basis points. That is and was, and I think we shared with the market at the time, any loans sustainable or the number. For instance it had a 1 one basis point loan loss charge from mortgages and a 10 basis points loan loss charge for business banking within it. We will see, I guess, a significant increase in that loan loss charge from 14 in our year to March '08.

Mortgages haven't budged at all and probably will be a little lower in charge for March '08 with business banking which we shared with the market as non-performing loans increased in the six months to September

’07. A significant chunk of that was in business banking and are now seeing a more normalized charge for business banking. Also I would have shared at the half year that our consumer book in retail, which is quite small, it’s about €4 billion. That is the loan loss charge for us since ’07 was about 100 basis points, which again was…will be the be-all number and that number is heading towards about 150 basis points, really where it was in September ’07.

I think it’s important to note that if I look at our Irish mortgage book that the ninety days only arrears really didn’t change much between September ‘07/December ’07 and really back to even September ’06. So the major proportion of our books in Ireland have performed well, other than business banking where the balances under provision and expected loan loss would be ticking out towards a more normalized number.

Sebastian Orsi: Okay, thanks. Can I just follow up with a question on the funding side? Could you give us a bit of colour on the maturity profile of the wholesale funding and then also just what's driving the deposit growth; the acceleration in the second half?

John O’Donovan: Well, the acceleration of the deposit world is driven by our desire to fund lending growth from deposit as much as possible. We have seen very strong…on a constant currency basis our lending growth is up 14% year-on-year broad numbers. Our deposit growth would be up about 17% and that is driven by really modest growth in Ireland in both credit balances and indeed cost of loans, but very strong growth in our corporate deposits and our deposits in the UK. If you look at our wholesale funding, although I said funding was…I’ll just go back in time just to put it in context was 80 billion at March ’07. Our term…the quantum of term funding within that was 42% and term funding is funding with a maturity greater than one year. At September of ’07 wholesale funding was 85 billion and the term funding component of it was 36%. As I said today our wholesale funding hasn’t changed at all, in other words it’s 85/86 billion. The profile of that is that if I raised no term funding between now and then end of March the quantum of term funding within the 85/86 billion in March ’08 would be slightly north of 30%. I think it’s important to note that the number in March of ’07 was heavily impacted by the securitizations we gave in March ’07 for capital management purposes. So the 32% was I think an extreme number on the high side. It is worth noting that whilst we have done no public issuances since September of ’07 in terms of the term funding market. We have done nearly 3 billion under private placement market, which is a very important statistic in terms of our ability to fund long term funding into private placement market when the markets were extremely dislocated. The markets still remain dislocated in terms of the cost of term funding. Shorter term funding has become much more available post the turn of the year, and pricing in terms of three in one EURIBORs have come closer albeit just till about 20%, 20 basis points further than the pre 8 August number, but I must stress that the longer term markets, the securitisation market is unlikely to open in the foreseeable future and the current bond market has proved exceptionally difficult and the unsecured market itself is very expensive.

Sebastian Orsi: Thank you.

Operator: Your next question comes from the line of Scott Rankin. Please go ahead.

John O' Donovan: Morning, Scott.

Scott Rankin: Hi John just a couple of questions, on the bad debts and the deterioration in Ireland on the business side, can you comment on which sectors – honestly I am thinking maybe it is construction? And then just on the margin including your IFRS, can I take it its still going to be North of 170?

John O' Donovan: I will deal with the margins to start with, and I can't include the IFRS because I know what the IFRS number will be at the end of March, but if I look at the margin excluding the impact of IFRS and for clarity of purposes excluding the impact of IFRS, our margins for March '07 for the year to March '07 was 169 basis points. My expectations for March '08 is that that number will be a couple of basis points lower, e.g. low to mid single digit. It is lower margin attrition than I had expected and what I shared with the market in terms of our guidance in November, and the reason for that is that I was including three basis points in respect of market dislocation, in respect of the year to March '08. I think that number will be closer to two basis points, because we haven't accessed the [term] market and by definition the costs of the dislocation is a little lower. I will also say that the basis point has really been lower in addition to that dislocation and that we've made some trading profits in global markets which is impacting positively to a couple basis points in respect of net interest margin.

Scott Rankin: Just one follow up as well, just the – it's kind of hard to get a handle on the impact that Sterling had on the P&L, I mean would you have a constant currency revenue in cost growth.

John O' Donovan: I think the impact of Sterling weakness is that it is impacted into them by about 1% and cost by about 1%.

Scott Rankin: Thanks.

John O' Donovan: And the business banking question you had, Scott, it isn't what any of our people think that there might be a time bomb going off e.g. construction lending within our retail operation. Reality here is that we have got about 20, 22 billion on a business banking book in retail Ireland, about 10% of that book is in, what I would call construction development lending in the medium and corporate side. That is the small corporate side in Ireland and at that book in relative terms is performing well. But it is going to fray at the edges in terms of a significantly slowing construction sector, but I'm not unduly worried and my views on the quality of the book haven't changed since we spoke to the market in mid November.

Scott Rankin: That's great.

Operator: Thank you your next question comes from the line of Rohith Chanda-Rajan.

Rohith Chandra-Rajan: Morning it is Rohith Chandra-Rajan from Citi here thanks for the disclosure on the lending, 13% I think you said, constant currency which I think is down from 17% at the half year stage, implying sort of 9%, so a sort of slow down to 9% in the second half. Is that primarily in the Republic of Ireland Division or is it spread across – is it spread more broadly across, so in the Bristol & West business for example?

John O' Donovan: I think it is important that I clarify that the lending growth numbers we quote, is on the basis of loans, to advances, to customers which is shown on the fate of the balance sheet, plus about 3 billion of asset backed securities which is in our AFS assets, within our corporate banking. So there's been no growth at all in terms of that 3 billion in terms of those AFS assets over the year between March '08 and March'08. So the core number on which I calculate the 10% or the 13% in constant currency, is 129 billion of which 126 is loan and advances to customers and 3 billion [AFS]. On the slow down the Irish mortgage book has slowed significantly; the growth in the book in the – on September would have been level at 16% whereas the expected growth March '08 over '07 would be between 8% and 9%. We have also seen as a result of the liquidity crunch that international lending business that our corporate banking within capital markets has that there are segments within that book which aren't growing because of the crunch itself, but also because of the poor economic sentiment and if I look really across the portfolios other than business banking in the UK and indeed the mortgage book in the UK which is done relatively well in the six months to March '08, our business banking book in Ireland would slow from its extremely heavy [proven] strong growth that we saw in both March '07 and indeed September '07.

Rohith Chandra-Rajan: Thank you that's very helpful. Just on the constant currency costs and the revenue numbers, I think in terms of the 1% addition on costs implies cost growth, constant currency of 2% to 3% and again that's quite a significance and slow down of their particular new initiatives that have being putting in place or is this a base that we should expect going forward? How sustainable is that?

John O' Donovan: I think most banks in this current environment are looking down here, and anything that moves in terms of cost income is more difficult to come by, and we have aggressively attempted to manage our cost base in what has been a slower environment. There are no one off special initiatives, the STP Programme which we had is practically complete. It is complete in fact and we would expect that programme to close completely in March of '08, but it is really just minding the penny's I guess.

Rohith Chandra-Rajan: Okay and if the revenue environment continues to be difficult as it looks it might be – it is a level of cost growth that you feel comfortable you are able to maintain going forward?

John O' Donovan: No I think one can put your heel in something for so long, but I done think it's maintainable into March '09.

Rohith Chandra-Rajan: Thank you very much

Operator: Thank you your next question comes from the line of David Odlum. Please go ahead.

David Odlum: Hi John, I think most of my questions have been answered but I was just wondering about the residential mortgage market in Ireland. Just seeing how trends have been there in the past few weeks, or past month or two, are you seeing any improvements or pipeline or anything like that that would give you rise to think that maybe the worst is over in the market?

John O' Donovan: David I didn't catch the start to your question.

David Odlum: Oh sorry, I was just wondering about the residential mortgage market in Ireland. Have you seen any improvement there in recent weeks in the pipeline?

John O' Donovan: Yes, we think that there is some thought of green shoots but they are more in queries now rather than applications, so I think it's too early to call in terms of saying that we have reached the bottom. Our view is that as those prices continue to fall – and I think that they do in Ireland – if they sell somewhere between 5% and 7% in calendar '07 and our view that we may face a similar size of reduction, size reduction, in '08. I think it'll be well into 2008 before we see a pick up in that particular area. Can I just – the second last question, when we spoke about the very low cost growth in March '08, one must be cognisant that on a like-for-like basis you should add about 3 percentage points onto the cost base because Davy was in for seven months of the fiscal year to March '07 and it isn't there at all in the fiscal year to March '08, just for clarity.

Operator: Your next question comes from the line of Raul Sinha, please go ahead.

Raul Sinha: Morning, John, morning everyone.

John O'Donovan: How are you doing?

Raul Sinha: Great. Could I have a few questions please? Firstly a clarification on the loan loss charge, you mentioned that the impairment on the SIV actually goes through the Group loan loss charge and the registry basis points; could I ask if there was any impact in the first half of the year?

John O'Donovan: No, it was all in the second half.

Raul Sinha: Right. Secondly, you mentioned about your Ireland property book; could I ask about your UK commercial property lending book, especially the part related to development property lending? I do understand it's just 14% of your property lending book, that have indications of this steep fall in capital values on the loan covenants and the market in general?

John O'Donovan: At the end of December we had a total property loan book in the UK of about 11 billion Sterling, about one third of that 11 billion was development property lending and about 50% of that one third was residential and about 50% commercial. The loan to values on it is about 80% of our development portfolio in the UK, it has a loan to gross development value of less than 75%. And where there are excesses, and they're not very much in terms of excesses over 75%, it invariably has a pre let and pre sales as features of lending. We have seen, I guess, a significant reduction in secondary property values in the UK over the six month period, but I think our loan to values have proved resilient, because if I look – I've spoken to you about the one third, which is development, but if I look at the two thirds that's investment of the 11 billion … about 70% of that two thirds of investment has a loan to value of less than 75% and only 3% of it is above 85%. So we've been conservative in terms of our lending practices. My guess is that there's been a significant change in what's happened in what we've seen in our lending into that market and the market in general since September/October of last year where we've now reduced loan to values, we've widened margins but we are matching principals who actually manage their portfolios actively, because many people believe that value is now beginning to appear in the UK commercial property market.

I think we've got a broad spread in terms of that loan book as well in that about 30% of it is in Northern Ireland, about a quarter of it is in Greater London, or the South East and the balance is spread across the UK and sector profile, I guess, is also important in that about one third of it is retail, about 30% residential and we've about 10 to 15% office space with the balance of 30% being mixed use, covering industrial, leisure, etcetera. So we're very comfortable and the positioning vis-à-vis the loan book in general is that there's been absolutely no movement in our business bank in the UK loan book in general in terms of impaired loans between September '07 onto December '07 and again onto our expectation for

March ’08. And it’s actually lower, the balances under provision are actually – the impaired loans – are lower in the UK than they were in March ’07.

Raul Sinha: Thanks very much. Finally if I could just ask a question on the sustainable growth of deposits that you think – obviously the run rate of deposit growth has picked up quite significantly since the half year stage, could you tell us what is the margin impact on that?

John O’Donovan: The margin impact on the resources, generally for the year to March ’08 over March ’07, is slightly positive and the reason for that – it being slightly positive – is that we had an ECB interest rate increase, I think it was in June of ’07, which would impact positively the deposit and resource margins in our retail Irish operations. The ramp up in terms of deposits hasn’t had a significant margin impact to date, but my guess is that the deposit market in general both in Ireland and in the UK and internationally is, if this dislocation in markets is going to become more and more competitive so it’s going to have an impact in terms of pricing for deposits as I look forward over the next 12 to 18 months. As to volume, I don’t think I could expect to see the same sort of volume growth on a constant currency basis for deposits as I’ve seen – that’s for March ’09 – as I’ve seen for March ’08, that’s the 17%, but I still expect to see – I would hope for some sort of a rebound in Ireland because the reality is, the resource growth in Ireland March ’08 over ’07 is going to be low to mid single digit, which has been the lowest number we’ve had for years. And this is isn’t a case of us losing market share, it’s really a case of that’s the general market positioning and that’s an exceptionally low number. We’ve got a 25% market share of the resources market in Ireland and if there’s a bounce in terms of that market we should benefit from it, but I don’t think the 17% in constant currency should be taken as a repeatable number into March ’09 and ’10.

Raul Sinha: Thanks very much.

Operator: Your next request comes from the line of Jason Napier, please go ahead.

Jason Napier: Good morning, John.

John O’Donovan: Morning, Jason.

Jason Napier: Morning. Three questions if I may. The first one to do with the disclosures on CDOs and your comments earlier that you have about 3 billion of asset-backed that are included within the loan book; can you just confirm please, the only impairment in the P&L will be that you highlighted in relation to SIVs?

John O'Donovan: Yes.

Jason Napier: And in terms of mark to market changes, will those all be via the balance sheet?

John O'Donovan: Yes, [audio] we foresee in assets. And can I just – as you mentioned, I meant to mention it a little earlier because it's an item of some interest to most of you, is that the mark-to-market for the available for sale assets - and I really emphasise here that there's no impairment involved here - was as the accounting treatment of the mark-to-market. In the six months to September '07 the net changes in fair value, net of deferred tax, as per our six month numbers, as you're aware, would have been 142 million. In the three months to December of '07 there's an additive effect of 73 million onto that 142, so accumulative in the nine months to December the changes in fair value, net of deferred tax, is minus 215 million, but I need to really emphasise that there's no impairment in-

Jason Napier: So that 215 million is to the end of December of last year?

John O'Donovan: Of December '07, corrrect.

Jason Napier: Secondly, I wanted to make sure that I understood your earlier comments regarding your wholesale funding base. So it's 85 billion of wholesale funding, 60 billion of this is within one year refinancing, is that right, 70% of that number?

John O'Donovan: Well I have I said that I expect wholesale funding to be about 85, 86 billion from March '08 and that if I did no term fund raising between now and the end of March that that – the proportion of that 85 billion, greater than one year, would be just North of 30%.

Jason Napier: So that's right, 60 billion then.

John O'Donovan: Yes. Can I say that that 60 billion then is placed into buckets of 3 months, 6 months, 9 months and 12 months, so it isn't as if I'm like a duck under water in terms of trying to get funding on a very rapid basis, if there is a spread then within zero and one year.

Jason Napier: Right. Just in terms of the cost of funding in the market, obviously it remains dislocated at the moment, sort of as we speak to you on the lending side within the industry suggests that the spread between very large gatherers might be raising money at sort of 30, 40 basis points over and perhaps smaller monoline UK mortgage banks might be at 250 basis points over, can you give a sense as to where Bank of Ireland sits on that continuum in terms of fresh wholesale money.

John O'Donovan: I think now if you could point me to the guy who's raising it at 30 to 40 basis points for unsecured debt; I'd snap his hand off. I don't think anybody's doing it at that sort of number, Jason, because if you look at five year unsecured wholesale debt at the moment. What generally happens is that you take the particular company's CDS spread and add 15 to 20 basis points on top of it. So I think the numbers are frightening in the context of before CDS spread is 100 to 120 basis points, add 20 basis points on it to go raising funds at about 140 basis points for five year unsecured is a phenomenal mountain to swallow. And I think the market generally is standing off in terms of paying that sort of money for funding. So at the end of the day if that's the price, that's the price and eventually people will pay. The fear and greed – what I call the fear and greed paradigm is going to be well played out over the next number of months, because banks like Bank of Ireland, like other banks will need term funding and those who have it will price it accordingly, but there is a very significant, I guess, backlog in terms of term funding that needs to be done, but the issues with securitisation, covered bonds and indeed long term unsecured is very difficult.

Jason Napier: Has that fed into lending plans just yet, or is the change in loan growth purely down to demand led change?

John O'Donovan: No, it's for I think one, we've very strict, strong guidelines to all our businesses in terms of pricing for that kind of lending, because we think that the short term funding gap, e.g. the three month LIBORs and EURIBORs over base, won't come back in fully to where they were prior to the end of August and that there is going to be a medium term premium, perhaps, on say three month LIBORs, on EURIBORs of 15 to 20 basis points over where they were and we are reflecting on our lending habits in expectation that funding costs are going to be higher in terms of a stronger liquidity premium as we look forward in terms of growing our books in the future.

Jason Napier: Okay, thank you. And then sort of finally, I wondered whether you might be willing to offer some comments on the use of ECB repo funding by European banks in general and whether this is a suitable stop gap source of funding while markets remain as dislocated as they are? You know often-

John O'Donovan: Yes, Jason their [unclear]. The reality is that there are three funding avenues available from the ECB. The first one is the emergency or overnight channel, where if you have a problem you pay base plus 100 basis points. The second one is a weekly option, which is running at about 18 to 20 basis points over base and thirdly, what's known as the three month operation where there's an option at the end of each month in respect of three month money. That pricing of that generally is 10 to 15 basis points below three EURIBOR. All I can say is we participate in the second and third one on an ongoing basis as business as usual. We haven't participated in the emergency window, but I think [unclear] there was, I guess, significant difficulties for lots of banks over the turn of the year and that's the end of December. We were fortunate, we weren't in that position because of the private placements we had done in term funding and also because the bank's name is well got in terms of our funding needs.

Jason Napier: Sure, okay. And last one I promise, dividend policy, will you exclude the non core items, as you've highlighted, in terms of setting the dividend, is that the way the Board looks at the distribution?

John O'Donovan: No, I think if I look at…there are three issues here and I just need to refer you to what's non-core. Non-core is a definition of issue and it's shown at the bottom of page one of the income management statement that came out this morning. The are three items I refer to, we will be treating them as parts of our profit before tax and part of our EPS in terms of setting our dividend and applying the dividend policy in respect of the year 2008.

Question: Okay, so I don't add them back.

John O'Donovan: Correct.

Question: Okay, thank you.

Operator: Thank you. Your next question comes from the line of Aaron Ibbotson. Please go ahead.

Aaron Ibbotson: Yes, hi there, most of my questions have been answered but I've got one question left. Your funding costs are clearly going up on the margin, as for most banks. I was just thinking what sort of expectations do you have of a possibility to pass this to particularly your business banking customers? And specifically I wondered if you could give an idea of sort of what percentage maybe both in Ireland and the UK of which has variable margins and what type of duration you're looking at if you would try to sort re-price them upwards, as the price has clearly gone up for liquidity and risk? Thank you.

John O'Donovan: No problem. The reality is that those loan books and the large corporate lending and large business banking would be based on your EURIBOR or LIBOR rather than base. So the reality is that the increase in both EURIBOR and LIBOR as far as our corporate lending has already passed through the loan books. And that will be shown in that when we talk to the market again in May where there is very little margin attrition in our corporate banking books because it takes about 45 days to pass an increase through to the book because that's when…there are varying points of re-pricing but the reality is that it's actually passed through, but of course particularly as you're passing through in smaller businesses it could have an impact in terms of economic growth and economic expectations. And I guess one of the issues associated with passing through the increases is its impact on business activity and economic growth.

Aaron Ibbotson: Okay, so you're not planning or expecting any sort of expansion on top of what's being automatic through the sort of elevated level of the EURIBOR?

John O'Donovan: Absolutely we are because as I said a little earlier when I was speaking about UK commercial property books, the reality here is that, and indeed the mortgage book in the UK, margins have widened to reflect, my guess is, a change in the credit risk appetite of the industry as the Bank of Ireland within that industry. So I guess every business tries to improve its margins. In a volatile situation it either…it provides opportunities but it also has negatives because you don't know exactly when these risk factors come to play. Well in general I think we will manage to pass it through pretty straight through in terms of large corporate and large business lending.

Aaron Ibbotson: Okay, thank you.

Operator: Thank you. Your next request comes from the line of Eamonn Hughes. Please go ahead.

Eamonn Hughes: John, how you're doing?

John O'Donovan: I'm fine Eamonn, thank you.

Eamonn Hughes: Just a couple of points at this stage, I'm just kind of filling in some of the gaps from earlier. Is there any sort of perspective on the core equity levels at Group in terms of tangible equity – I think the number was just over 5% at the half year – whether you have any picture on in December or a kind of guidance towards the end of March '08, the first point. Secondly just in terms of the deposit growth that we're seeing which seem to be very strong. I think you mentioned earlier on commercial in Ireland has been particularly good. Is that an inverse a reflection of the slow momentum we're seeing in business banking to some extent? But also just on that slow momentum on business banking any sort of sense as to commercial in terms of real estate and genuine SME banking, maybe if we could try and spit that out. And just in terms of the credit number on business banking...

John O'Donovan: Can I take the question one by one now because that's five questions from you already and I can't…I won't remember them. Can I start with the capital?

Eamonn Hughes: Yes, fire away.

John O'Donovan: The equity tier one ratio at the end of September was, I think, including the [BIV] transaction which we did on the 22nd October was about 5.3%. My guess is that for March '08 after dividend it will broadly be the same number. I think it's worth noting because of the diversity of the geographic locations of the people on the call the Irish regulator stated that when quoting the equity tier one or indeed any of the ratios that it's after the dividend, even though the dividend isn't proposed to the AGM or paid until four months later and that has been traditionally about 30 basis points. So on a like-for-like basis when one is looking across the European banks or indeed the UK banks all for equity tier one would be closer to maybe 5.5, 5.6% pre-dividend.

Eamonn Hughes: Okay.

John O'Donovan: Second question Eamonn?

Eamonn Hughes: Just the…you kind of showed two contracts and Trans in the business banking in Ireland. One was the deposit growth was picking up on the commercial side and lending growth was slowing and can we take it that's clearly lower investment projects on hold, but maybe get a sense on the lending side is it mostly on the commercial real estate?

John O'Donovan: On the deposit side Eamonn what I was talking about when I spoke about very low deposit growth in Ireland, that's really in our retail network. Our corporate deposit approval has been very strong in Ireland and also very strong in both the Post Office in the UK and indeed corporate in the UK on the back of our business banking business in the UK.

Eamonn Hughes: Okay.

John O'Donovan: So no retail deposits in retail Ireland. There is very strong growth in both our corporate deposits and business banking deposits in the UK.

Eamonn Hughes: Okay and just in terms of the slowdown in business banking volume remit and on lending in Ireland, any sort of sense as to…is that a bit more on the real estate side or a bit more on the underlying SME side?

John O'Donovan: Well, I guess the construction one has already slowed in the six months to September of '07 and I don't think I could…it's really not materially different between what you would call general SMEs and/or construction.

Eamonn Hughes: Okay and just finally John, just as a last point, you kind of gratefully actually gave a few bits and pieces, a breakdown in terms of the underlying credit charge, kind of in terms of mix in Ireland. As you mentioned just we're moving more towards a normalized level in business banking, any sort of sense or clues you can maybe gives, particularly on the work where about to your view on what is that normalized level in business banking?

John O'Donovan: In fact you did [unclear] payments is on a like-for-like [value one] [unclear] that depends I guess in terms of whether you do it on a point in time in terms of the loan loss expectation or through the cycle. But the reality is that if I look at it on a [value one] basis or balances under provision in terms of basis points and business banking. This number has been exceptionally low, like on business banking the impaired loans which for definition purposes is balances under provision plus those which are more than ninety days in arrears. If I go back say a year and a half it was less than 115 basis points in terms of impaired loans. That has come back to a more normal level but I think it will probably [unclear] because I think if I look back two, two and a half years that number in business banking in Ireland would have been in excess of 150 basis points. So I think we're something here in terms of an unbelievably low number, and I shared with you that the last charge of business banking was about 10 basis points from March '07. That is obviously non-sustainable but I think in a general sense it's only trending back to where I would expect it to.

Eamonn Hughes: Okay, thank you.

John O'Donovan: No problem. Thank you very much.

Operator: Your next question comes from the line of Abigail Webb. Please go ahead.

Abigail Webb: I just had a question on revenue growth actually. You've guided towards bottom line revenue growth mid single digits and if you stepped from the guidance you've given on net interest income, which looks like kind of 14, 15% odd, it looks as non-interest income is down significantly H2 on H1. And other than the investment variance is there anything-

John O'Donovan: Well that is a very big chunk of it Abby. The investment variance-

Abigail Webb: Is that the whole thing within there or is there anything else?

John O'Donovan: Oh yes and I guess, you twigged something in my mind here now, that just for clarity as you look through the group numbers and the divisional numbers, going through the comments we make, it's taking into account the three items in the overview. In other words when I am talking about our life business, it has taken the income here is associated with the investment variance of 40 million. And I think also it is worth noting that on a year for year basis, that the income is negatively impacted by Davy because again income would be about 3% higher if Davy out of the base year; it being there for seven months up to the end of October of '06.

Abigail Webb: But outside those two there is no significant slow down we should know anywhere else?

John O'Donovan: Well I couldn't say that generally because in terms of Dennis Donovan's business in capital markets, corporate banking – if corporate banking slows fee income often also slows. In terms of those fees which are taken into other income like syndication fees, arrangement fees etcetera. So they are being impacted by the slow down in terms of some portfolios.

Abigail Webb: Okay great, thank you.

John O'Donovan: Not at all.

Operator: Again ladies and gentlemen if you would like to ask a question please press *1 on your telephone and wait for your name to be announced. You have a question on the line of Tanya Gold. Please go ahead.

Tanya Gold: Hi just a couple of quick questions. Firstly you use the word moderate quite a lot in the statement. You say you've got continued moderate growth in retail in Ireland. You expect moderate level of activity. You say that at the bottom on the outlook and then-

John O'Donovan: Well one is a verb and one is an adjective, so that's very important.

Tanya Gold: Okay, sorry you said?

John O'Donovan: One is a variable and one is an adjective; I said modest growth in Retail Ireland and activity has moderated generally. They are two completely different things. I could have moderated growth, but I could have great profits for whatever reason. The difference here is that the modest growth in Retail Ireland is being impacted by very low resource growth, particularly on credit balance and current accounts but also by a chunk of – in terms of loan losses associated with what we've spoken about earlier.

Tanya Gold: Okay also a couple of other questions, if I remember correctly you have a conduit of – I think about six months ago there was about US $581 million.

John O'Donovan: We had that conduit for economic reasons because it was uneconomic at such a low level, wasn't closed or disbanded in October.

Tanya Gold: Okay thank you. And also one final quick – this one is an easy one. You have talked that you are going to come back to market in early April for a trading statement. Usually it is a pre-close before the end of March-

John O'Donovan: Well you can't have a pre-close that is why [unclear] Bank of Ireland will issue a short trading statement in early April. You see the reality here is that the statement we're doing today being – and I have to look again to the intra-management statement is because of the EU directive. Normally I wouldn't be doing a pre-close call with the market in normal situations other than in the last week in March. But under EU rules you will have to provide an interim update to the market in a period within ten weeks from the end of September last and six weeks prior to 31st March. And the drop date for that is next Monday. So that is why we're going with the statement today. Right, if there is anything that I need to share with the market in terms of further update we will do it in that trading update or trading statement in early April, first couple of days of April.

Tanya Gold: Thank you.

John O'Donovan: No problem.

Operator: Thank you. There are no further questions at this time, Sir; back to you.

John O'Donovan: Thank you very much. Can I thank you all for taking the time today on our conference call. As always we will be available today to take any calls or any further questions from you in terms of the numbers or in terms of any other issues you may wish to raise. Thank you very much.

Operator: That does conclude our conference for today. For those of you wishing to review this conference, the replay facility may be accessed by dialling the UK on country code 44 1452 55 0000 using the reservation number of 3303716. Thank you for participating, you may all disconnect.

Duration: 00:50:43