

Bank of Ireland Group

**Year End Results to
31 March 2002**



Today's Agenda

- ✍ The results in detail *John O'Donovan*
- ✍ Our strategy in the UK *Jeff Warren*
- ✍ An overview of Group Strategy *Mike Soden*





Superior Performance

- ✍ A new record profit figure in each of the last ten years
- ✍ Average return on equity of 25% for each of the last nine years
- ✍ Top quartile shareholder returns for one, five and ten years





A Financial Services Company

- ✍ Diversified earnings and good geographic spread of profit sources
- ✍ RoI and UK retail businesses equal in size
- ✍ Substantial earnings from Wholesale, Funds Management, Life Assurance and Pensions





Strong Domestic Franchise

- ✍ **Continuing focus on Ireland**
- ✍ **Undisputed No.1 Financial Services Provider**
- ✍ **Good economic backdrop**
- ✍ **3.5% growth this year, 5% plus next year**





Features of the 01/02 Results

- ✍ Strong volume growth in Ireland
- ✍ Modest margin erosion in Ireland and UK
- ✍ Intense competition and business transition in GB
- ✍ Buoyancy in Life and Pensions
- ✍ Strong Funds inflow in Asset Management
- ✍ Continuing very low bad debts
- ✍ Top quartile return on equity





Costs in Focus

- ✍ Adverse costs trend will be reversed
- ✍ Problem areas identified and remedial action underway
- ✍ €85 million annual savings from Group Transformation Programme
- ✍ Gap between cost and income growth reduced from 10% at the half year to 3% for the full year





Clear Growth Strategy

- ✍ Organic growth where we have room to grow
- ✍ Tactical acquisitions where we can get and add value
- ✍ New business development to exploit gaps in the market





Iridian

- ✍ **\$177 - 198 million for 61% stake**
- ✍ **\$11 billion manager of US equities**
- ✍ **Excellent fit for BIAM**
- ✍ **Staged purchase incorporating performance incentives**
- ✍ **Quality earnings and good business synergies**
- ✍ **Matches the Group's acquisition criteria**





Bank of Ireland



Financial Review



Financial Highlights

	Mar 02	Mar 01	%
	€m	€m	Change
Profit on Ordinary Activities			
before Exceptional Item(s)*	1,122	1,085	3
Alternative EPS** (Cent)	93.4	84.5	11
Dividend (Cent)	33.0	29.0	14
Shareholder Value Added	551	510	8
Return on Equity	23.5%	24.5%	

* Excluding transformation programme costs €37m (€30m post tax), (€93m (€72m post tax) in March 01) ;
March 01 restated on the adoption of UITF 33 (€3m)

** Excluding Goodwill Amortisation €15m (€7m in Mar 01) and Exceptional Item above (plus Deposit Interest
Retention Tax €35m in March 01) ; March 01 restated on the adoption of FRS 19 Deferred Tax (€6m).



Strong Capital Base

Preference Share Buyback €261m September 2001

<i>Sept 01</i>		<i>Mar 02</i>	<i>Mar 01</i>
<i>%</i>		<i>%</i>	<i>%</i>
1.1	Return on Average Assets*	1.1	1.1
4.2	Equity / Assets	4.4	4.3
7.4	Tier 1 Capital	7.6	7.8
11.5	Total Capital	11.5	12.4
81	Equity Element of Tier 1	81	77
* Pre Exceptional Item(s)& Goodwill Amortisation			
	<i>€bn</i>	<i>%</i>	
		<i>Growth</i>	
Total Assets	87	11	
Risk Weighted Assets	53	13	



Group Balance Sheet

Sept 01

€bn

7.5

54.8

9.7

6.8

78.8

4.9

83.7

Assets

Bank Loans

Customer Loans

Debt Securities

Other

Life Assurance

Liabilities

11.2

50.0

5.0

8.7

3.9

78.8

4.9

83.7

Bank Deposits

Customer Deposits

Debt Securities In Issue

Other*

Stockholders Funds

Life Assurance

Mar 02

€bn

8.4

56.6

10.9

5.8

81.7

5.6

87.3

Mar 01

€bn

8.1

51.1

8.5

6.2

73.9

5.0

78.9

11.7

45.6

5.0

7.8

3.8

73.9

5.0

78.9

* Includes subordinated liabilities €2.5bn (Mar 01 €2.5bn)



Group Profit & Loss a/c

6 months

Sept 01

€m

746

592

1,338

752

43

6

549

Net Interest Income

Other Income

Total Income

Costs

Loan Losses

Associates

PBT Pre Exceptional

Mar 02

€m

1,595

1,210

2,805

1,582

102

1

1,122

Mar 01

€m

1,423

1,114

2,537

1,387

72

7

1,085

%

Change

12

9

11

14

42

-

3

Effective Tax Rate

17.4%

19.9%



Net Interest Income +12%

✍ Volume (+€195m) 13%

✍ Margin (-€23m) -1%





Margin Effect

	<i>Mar 02</i>	<i>Mar 01</i>	<i>Basis Points Change</i>
Group Margin	2.27	2.30	-3
Main Influencers			
UK Financial Services			-3
Retail Republic of Ireland			-2
Mix Element			+2



Other Income +9%

43% of Total Income

- ✍ Life Businesses Sales (APE +34%)
- ✍ Fees
- ✍ First Rate
- ✍ Davy
- ✍ Impact of volatility in Equity Markets
- ✍ UK Acquisitions



Group Costs

6 months

Sept 01

Mar 02

Mar 01

%

€m

€m

€m

Change

434

Staff

908

773

17

243

Administrative

519

484

7

68

Depreciation

140

123

14

7

Goodwill

15

7

-

752

1,582

1,387

14



Cost / Income Ratios

Group & Divisional Trends






	<i>Mar 02</i>	<i>Mar 01</i>
	<i>%</i>	<i>%</i>
Group*	55.8	54.2
Retail Republic of Ireland	63.6	64.4
Asset & Wealth Management	44.7	41.4
Wholesale Financial Serv.	39.1	41.8
UK Financial Services*	56.7	54.7
UK Fin. Servs. excl. Acqs*	49.6	50.9
Bristol & West excl. Acqs*	43.0	46.3

* Excluding Goodwill Amortisation



Group Credit Risk

8TH consecutive year \leq 20 basis points (bps)

	Mar 02		Mar 01	
	€m*	bps**	€m*	bps**
 Group Total	102	19	72	15
 Specific	89	16	59	12
 General	7	1	22	4
 Non Designated Specific Provision	25	5	8	2
 Recoveries	(19)	(3)	(17)	(3)

* Loan Loss Charge (€m)

** Charge/Average Loans (bps)



Group Credit Risk

Excellent Credit Quality

Sept 01		Mar 02	Mar 01	% Change
€302m	Balances under Provisions (BUP's)	€331m	€315m	5
€453m	Loan Loss Provisions (LLP's)*	€500m	€430m	16
150%	Coverage Ratio (LLP/BUP)	151%	137%	
0.8%	LLP's as a % of Loans	0.9%	0.8%	

* Includes non designated specific provision (NDSP) €174m (€147m 01)



Bank of Ireland



Business Review



Profit Before Tax by Division

6 months

Sept 01

Mar 02

Mar 01

%

Constant

€m

€m

€m

Change Currency %

168 Retail Republic of Ireland

321

290

11

11

44 Bank of Ireland Life

122

131

(7)

(7)

146 UK Financial Services

318

324

(2)

1

178 Wholesale Financial Services

355

283

25

25

60 Asset & Wealth Mgmt.

126

133

(5)

(5)

(25) Group & Central Costs

(64)

(30)

-

-

571

1,178

1,131

4

5

(22) Grossing up

(56)

(46)

-

-

549 Pre Exceptional Profit before
Tax

1,122

1,085

3

4



Retail Republic of Ireland

27% of Group Profits

6 months

Sept 01

Mar 02

Mar 01

%

€m

€m

€m

Change

387

Net Interest Income

787

704

12

108

Other Income

228

206

11

495

Total Income

1,015

910

12

307

Operating Costs

646

586

10

20

Loan Loss Provision

48

34

41

168

Profit before Tax

321

290

11



Retail Republic of Ireland

Strong Growth in Net Interest Income +12%

Good Volume Growth

 Resources +16%

 Mortgages +23%

 Other Lending +8%

Market Share Gains

 273K SSIA/SSIPs to 30 April 02; €3.5bn Maturity Value

 Relationship Management Advanced



Retail Republic of Ireland

Solid Growth in Other Income +11%

Key Drivers

 Credit Card Turnover

 Branch Transaction Volumes

 General Insurance

 FX Income Lower



Retail Republic of Ireland

Good Cost Management

✍ Costs Growth +10%

Key Drivers:

✍ Euro Implementation +3%

✍ Higher Pay & Employer Taxes +5%

✍ Usage of Direct Channels

✍ Banking 365 Telephone +60% to 8m calls

✍ Banking 365 Online +75% to 4m TX

✍ ATMs +15% to 59m TX





Retail Republic of Ireland

Satisfactory Asset Quality

- ✍ Increase in Loan Loss Charge of €14m to €48m;
mainly Consumer Lending
- ✍ Loan Loss of 30 Basis Points (25bps Mar 01)
- ✍ Strong Quality Profile



Bank of Ireland Life

11% of Group Profits

6 months

Sept 01

Mar 02

*Mar 01**

%

€m

€m

€m

Change

28	New Business	57	49	16
30	Existing Business	60	54	11
<u>6</u>	Return on Shareholder Funds	<u>10</u>	<u>13</u>	(23)
64	Operating Profit	127	116	9
(26)	Investment Variance	(8)	9	-
20	Change in Tax Rate	20	33	-
-	Other Profit Items	13	6	-
<u>(14)</u>	Intra Group Items	<u>(30)</u>	<u>(33)</u>	-
<u>44</u>	Profit before Tax	<u>122</u>	<u>131</u>	(7)

* Restated to reflect the change to an unsmoothed basis of embedded value



Bank of Ireland Life

New Business Market Share 19%

- ✍ Annual Premium Equivalent Sales **+34%**
- ✍ Equity Related Special Savings Incentive Accounts
(71,000 SSIP accounts opened by 30 April 2002)
- ✍ Embedded Value Impact (-€26m Sept 01) **-€8m**
- ✍ Successful Amalgamation of Lifetime and New Ireland
- ✍ Free Asset / Solvency Ratio **337%**





UK Financial Services (Sterling)

27% of Group Profits

6 months

Sept 01

Stg£m

Mar 02

Stg£m

Mar 01

Stg£m

%

Change

161	Net Interest Income	350	327	7
<u>90</u>	Other Income	<u>179</u>	<u>151</u>	19
251	Total Income	529	478	11
146	Costs*	300	262	15
<u>9</u>	Loan Losses	<u>19</u>	<u>13</u>	46
<u>96</u>	Profit before Tax	<u>210</u>	<u>203</u>	3

* Pre Goodwill Amortisation of Stg£9m Mar 02, Stg£4m Mar 01 & Stg£4m Sept 01



UK Financial Services (Sterling)

54% of Group Loans & Advances to Customers (€30bn)

<i>Sept 01</i>		<i>Mar 02</i>	<i>Mar 01</i>	<i>%</i>
<i>Stg£bn</i>		<i>Stg£bn</i>	<i>Stg£bn</i>	<i>Change</i>
	B&W Residential Mortgages			
12.1	- Standard	11.5	12.0	-4
1.6	- Specialised	2.2	0.8	175
1.2	B&W Commercial Mortgages	1.3	1.1	18
<u>3.5</u>	Bank of Ireland GB & NI	<u>3.7</u>	<u>3.3</u>	12
<u>18.4</u>	Loan Book	<u>18.7</u>	<u>17.2</u>	9
<u>13.1</u>	Resources	<u>12.2</u>	<u>11.8</u>	3



UK Financial Services

Business Trends

- ✍ Income +11%
 - ✍ 44% of Income from Specialised Lending & Advice Based Businesses (from 25% in 1999)
 - ✍ Fee Income % Total Income 34%
- ✍ Costs +15%
- Key Driver:*
 - ✍ Full Year Costs of Acquisitions 11%
- ✍ Asset Quality
 - ✍ Loan Loss of 10 basis points (8 bps Mar 01)



Wholesale Financial Services

30% of Group Profits

6 months

Sept 01

Mar 02

Mar 01

%

€m

€m

€m

Change

135 Net Interest Income*

306

216

42

37 Dealing Profits*

64

95

(32)

132 Other Income

253

204

24

304 Operating Income

623

515

21

118 Operating Costs

243

215

13

8 Loan Loss Provision

25

17

47

178 Profit before Tax

355

283

25

* €50m exceptional trading gains (€25m Mar 01)



Wholesale Financial Services

Profit Before Tax Analysis

*6 months
Sept 01*

€m

51

Corporate Banking

84

Treasury & Intl

43

Other*

178

Mar 02

€m

113

170

72

355

Mar 01

€m

93

133

57

283

%

Change

22

28

26

25

* Includes Davy, Private Banking, IBI Corporate Finance and First Rate Enterprises





Wholesale Financial Services

Income +21%

- ✍ Strong Growth in International Lending
- ✍ Exceptional performance in Treasury & International Banking
- ✍ Excellent performance in Institutional Bonds and Equities by Davy
- ✍ Expansion of First Rate's UK Operations

Costs +13%

- ✍ Includes expansion costs for International Finance & First Rate
- ✍ Successful integration of Treasury and International Banking
- ✍ Full Merger of Banking Operations in Isle of Man and Jersey



Wholesale Financial Services

16% of Group Loan & Advances to Customers (€9bn)

Risk Management

- ✍ **Strong Asset Quality**
 - ✍ **Loan Loss of 20 basis points (16 bps Mar 01)**
- ✍ **Modest Proprietary Trading**
- ✍ **Sound Governance, Controls & Risk Culture**



Asset & Wealth Management*

11% of Group Profits

6 months

Sept 01

Mar 02

Mar 01

%

€m

€m

€m

Change

2	Net Interest Income	4	7	(43)
<u>108</u>	Fee Income	<u>224</u>	<u>220</u>	2
110	Operating Income	228	227	-
50	Operating Costs	102	94	9
<u>-</u>	Loan Loss Provision	<u>-</u>	<u>-</u>	-
<u>60</u>	Profit before Tax	<u>126</u>	<u>133</u>	(5)

* Includes Asset Management and Securities Services



Asset & Wealth Management

Income Impacted by Equity Markets

Asset Management

- ✍ Assets under Management €49.8bn to €57.1bn +15%
- ✍ Record New Business €8bn
- ✍ Relative Investment Performance has been strong

Securities Services

Assets under Custody & Administration €121bn to €137bn



Asset & Wealth Management

Assets Under Management

	<i>6 months Sept 01 €bn</i>	<i>6 months Mar 02 €bn</i>	<i>12 months Mar 02 €bn</i>
Opening AUM	49.8	46.8	49.8
Net Cashflow	3.6	4.6	8.2
Performance	<u>(6.6)</u>	<u>5.7</u>	<u>(0.9)</u>
Closing AUM	<u>46.8</u>	<u>57.1</u>	<u>57.1</u>





Bank of Ireland



Strategy



What is UK FS?

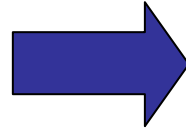
- ✍ A financial services organisation operating in 4 defined market sectors
- ✍ Based on segmentation, not brand
- ✍ Businesses based on skill not scale
- ✍ An Organisation with PBT Stg £210m*

* Pre Goodwill



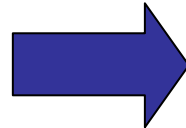
UKFS Targets 4 Market Segments

1. Business Financial Services



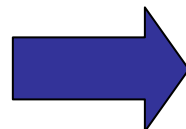
Targeting selected niches of the business banking and SME business market in GB

2. Bank of Ireland Personal Lending



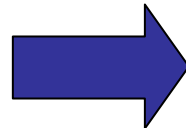
A product manufacturing business producing loans for the intermediary market

3. Bank of Ireland (Northern Ireland)



An integrated business and personal bank within Northern Ireland

4. Financial Advice & Savings



Distribution of investment and other products, supported by advice and a targeted savings business



Key Business Characteristics

- ✍ **Business Financial Services**
 - ✍ Medium Cost Income ratio, mix of balance sheet and fee generating activities
 - ✍ A strategic opportunity and challenge
- ✍ **Lending**
 - ✍ Low Cost Income ratio, high capital requirement
 - ✍ Re-positioning now in 3rd year
- ✍ **Northern Ireland**
 - ✍ Medium Cost Income ratio, integrated retail banking
 - ✍ Strong market share and proposition, attractive market
- ✍ **Financial Advice & Savings**
 - ✍ High Cost Income ratio, high ROE
 - ✍ High level of regulatory and market change



UK Priorities

- ✍ Market leadership in non standard, higher margin/return, residential mortgage lending
- ✍ Develop niches of the business banking market
- ✍ Realise the potential in financial advice and savings propositions
- ✍ Growth
- ✍ Active management to improve corporate flexibility and increase strategic options



Group Strategy - Summary

- ✍ Growth in Britain - organically and through selective acquisition
- ✍ Exploit further strong growth potential in Ireland
- ✍ Continuing diversification of income streams
- ✍ Growing internationalisation of profit sources
- ✍ Active capital management
- ✍ Highest standards in risk management
- ✍ Strong focus on costs



And Finally.....

- ✍ A new profits record
- ✍ Growth in volumes and market share
- ✍ Good start to the current year
- ✍ Encouraging prospects for 02/03



Bank of Ireland



Supplementary Information



Index - Supplementary

- ✍ Economic Outlook
- ✍ New Accounting Issues
- ✍ Volume Growth
- ✍ Group Loan Composition
- ✍ Asset Quality
- ✍ Group Transformation Programme
- ✍ UK Financial Services (Euro)
- ✍ Bristol & West (Stg/Euro)



Economic Outlook - Ireland

Ireland likely to Exceed European Average

Actual

Forecast

<i>% Growth</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>
GDP	5.9	3.5	5.0
Consumption	4.8	4.2	4.5
Exports	8.4	4.5	8.0
Inflation	4.9	4.2	3.5
Unemployment	3.8	4.4	4.4

Source: Consensus





New Accounting Issues

FRS 19 - Deferred Tax

March 2001 Restated	- Tax	-€6m
	- Profit Attributable	+€6m
	- Alternative EPS	+0.6c

UITF 33 - Obligations in Capital Instruments

Interest on Preferred Securities now included in Interest Payable

March 2001 Restated	- Interest Payable	-€3m
	- Profit Attributable	No change

FRS 17 - Pensions

Phased Transitional Basis





Volume Growth: Constant Currency

	Lending		Resources	
	<i>P.I.T.</i> % <i>Increase</i>	<i>Average</i> % <i>Increase</i>	<i>P.I.T.</i> % <i>Increase</i>	<i>Average</i> % <i>Increase</i>
Group	10	14	11	18
Republic of Ireland	11	14	15	14
UK	7	12	4	15



Group Loan Composition at March 2002 - €57bn

	<i>Group</i>	<i>R.O.I.</i>	<i>UK</i>	<i>International</i>
	%	%	%	%
Residential Mortgages	53	13	40	-
Business & Other Services	10	6	2	2
Personal Lending	9	7	2	-
Construction & Property	7	2	4	1
Manufacturing	6	3	1	2
Other Lending	6	3	1	2
Commercial Mortgages	4	-	4	-
TMT	3	2	-	1
Agriculture	2	2	-	-
Total	100	38	54	8



Asset Quality

	Residential Mortgages		Other Lending		Total	
	Mar 02	Mar 01	Mar 02	Mar 01	Mar 02	Mar 01
Balances under Provision	€m	€m	€m	€m	€m	€m
✍ Ireland	2	3	209	137	211	140
✍ UK	58	95	57	66	115	161
✍ International	-	-	5	14	5	14
	60	98	271	217	331	315
Loan Loss Provision						
✍ Ireland	8	5	241	185	249	190
✍ UK	113	104	114	107	227	211
✍ International	-	-	24	29	24	29
	121	109	379	321	500	430
As % of BUPs	200%	111%	140%	148%	151%	137%
As % of Loans	0.4%	0.4%	1.3%	1.2%	0.9%	0.8%
P&L Annual Charge/Ave Loans	0.03%	0.00%	0.35%	0.26%	0.19%	0.15%



Asset Quality

Loan to Value

Residential Mortgages: Republic of Ireland

Average Loan to Value

✍ Owner Occupied 61%

✍ Investors 63%

Mark to Market Loan to Value 33%

Residential Mortgages: Bristol & West

Average Loan to Value

✍ Standard 69%

✍ Specialised 71%





Republic of Ireland Residential Mortgages

Arrears Balance Profile	<i>1-6 mths</i>	<i>6-12 mths</i>	<i>12+ mths</i>	<i>Total</i>
2002 (%)	1.2	0.3	0.2	1.7
2001 (%)	1.0	0.2	0.2	1.4

New Business LTV's	<i><75%</i>	<i>75-90%</i>	<i>>90%</i>
2002 (%)	59	33	9
2001 (%)	62	32	6

Book LTV's	<i><75%</i>	<i>75-90%</i>	<i>>90%</i>
2002 (%)	69	27	4
2001 (%)	69	27	4

<i>% Growth</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
House prices	17	9	5	5	8



UK Residential Mortgages

Arrears Balance Profile	<i>1-6 mths</i>	<i>6-12 mths</i>	<i>12+ mths</i>	<i>Total</i>
2002 (%)	1.5	0.2	0.2	1.9
2001 (%)	1.8	0.3	0.2	2.3

New Business LTV's	<i><75%</i>	<i>75-90%</i>	<i>>90%</i>
2002 (%)	58	34	8
2001 (%)	54	28	17

Book LTV's	<i><75%</i>	<i>75-90%</i>	<i>>90%</i>
2002 (%)	49	30	20
2001 (%)	47	28	25



Group Transformation Programme

Annual Savings €85m from April 2003

	<i>Mar 01</i>	<i>Mar 02</i>	<i>Mar 03</i>
	<i>Achieved</i>	<i>Achieved</i>	<i>Forecast</i>
Savings (€m)	22	55	75
Staff Reductions (cumulative)	440	790	1,000
Branch Closures (cumulative)	15	28	35

Total Exceptional Costs

€130m



UK Financial Services (Euro)

6 months

Sept 01

€m

Mar 02

€m

Mar 01

€m

*%
Change*

255 Net Interest Income

554

532

4

144 Other Income

284

247

15

399 Total Income

838

779

8

231 Costs*

475

427

11

15 Loan Losses

30

21

43

153 Profit before Tax

333

331

1

* Excludes Goodwill €15m Mar 02, €7m Mar 01 & €7m Sept 01



Bristol & West (Sterling)

6 months

Sept 01

Mar 02

Mar 01

%

Stg£m

Stg£m

Stg£m

Change

92	Net Interest Income	211	199	6
<u>69</u>	Other Income	<u>133</u>	<u>108</u>	23
161	Total Income	344	307	12
91	Costs*	188	161	17
<u>3</u>	Loan Losses	<u>6</u>	<u>2</u>	-
<u>67</u>	Profit before Tax	<u>150</u>	<u>144</u>	4

* Excludes Goodwill of Stg£9m Mar 02, Stg£4m Mar 01 & Stg£4m Sept 01



Bristol & West (Euro)

6 months

Sept 01

€m

Mar 02

€m

Mar 01

€m

*%
Change*

146 Net Interest Income

333

325

2

109 Other Income

212

175

21

255 Total Income

545

500

9

143 Costs*

298

263

13

5 Loan Losses

9

2

-

107 Profit before Tax

238

235

1

* Excludes Goodwill of €15m Mar 02, €7m Mar 01 & €7m Sept 01



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