

# Bank of Ireland

## November 2011

# Forward-looking statement

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the Group) plans and its current goals and expectations relating to its future financial condition and performance, the markets in which it operates, and its future capital requirements. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as "may," "could," "should," "will," "expect," "intend," "estimate," "anticipate," "assume," "believe," "plan," "seek," "continue," "target," "goal," "would", or their negative variations or similar expressions identify forward looking statements. Examples of forward looking statements include among others, statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership of the Irish Government, loan to deposit ratios, expected Impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, estimated discounts on transfers of assets to NAMA, margins, future payment of dividends, the implementation of proposed changes in respect of certain of the Group's defined benefit pension schemes, estimates of capital expenditures, discussions with Irish, UK, European and other regulators and plans and objectives for future operations.

Such forward looking statements are inherently subject to risks and uncertainties, and hence actual results may differ materially from those expressed or implied by such forward looking statements. Such risks and uncertainties include, but are not limited to, the following:

- general economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;
- the ability of the Group to generate additional capital in accordance with the 2011 PCAR requirements announced on 31 March 2011;
- the effects of the 2011 PCAR, the 2011 PLAR and the deleveraging reviews conducted by the Central Bank;
- property market conditions in Ireland and the UK;
- the potential exposure of the Group to various types of market risks, such as interest rate risk, foreign exchange rate risk, credit risk and commodity price risk;
- the implementation of the Irish Government's austerity measures relating to the financial support package from the EU / IMF;
- the availability of customer deposits to fund the Group's loan portfolio;
- the outcome of the Group's participation in the ELG Scheme;
- financial uncertainties in the EU and in member countries and the potential effects of those uncertainties on the Group;
- the performance and volatility of international capital markets;
- the effects of the Irish Government's stockholding in the Group (through the NPRFC) and possible increases in the level of such stockholding;
- the impact of further downgrades in credit ratings of the Group's and the Irish national debt;
- changes in the Irish banking system;
- the impact of transfers of assets to NAMA including the level of such asset transfers;
- changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates;
- the outcome of any legal claims brought against the Group by third parties; development and implementation of the Group's strategy, including the Group's deleveraging plan, competition for customer deposits and the Group's ability to achieve estimated net interest margins and cost reductions; and
- the Group's ability to address information technology issues.

Analyses of asset quality and impairment in addition to liquidity and funding is set out in the Risk Management Report. Investors should read 'Principal Risks and Uncertainties' in the Interim Report for the six months ended 30 June 2011 beginning on page 58. Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward looking statements speak only as at the date they are made.

The Group does not undertake to release publicly any revision to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.

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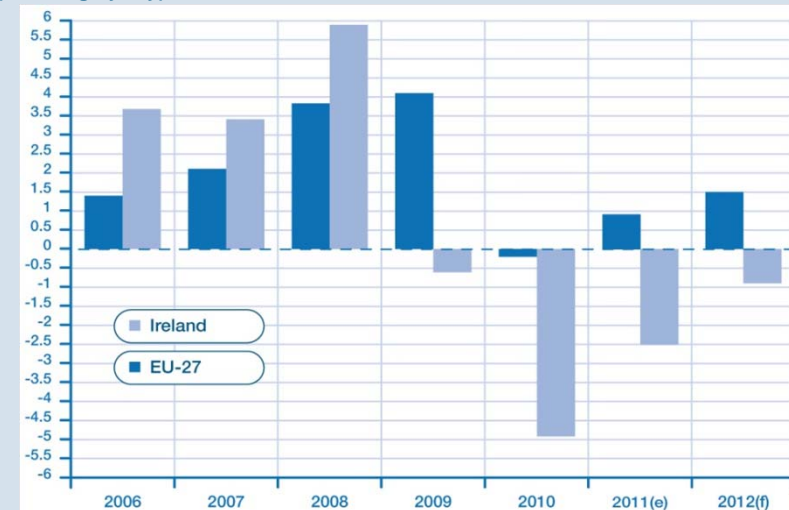
# Irish Economy Overview

# Ireland's underlying strengths remain

Irish economy is “*prosperous and open with flexible product and labour markets*” and “*the most open economy in the Euro area*” S&P 5<sup>th</sup> August 2011

- **Exceptionally open economy** – exports equate to c.100% of GDP (compared to EU 27 average of c.40% ) <sup>1</sup>
- **Substantial gains in competitiveness**
  - Unit labour costs falling vis-à-vis the EU average
  - Prime office rents fallen sharply
  - IMD world competitiveness rankings 2011
    - 4<sup>th</sup> availability of skilled labour
    - 4<sup>th</sup> Labour productivity
    - 7<sup>th</sup> Flexibility of workforce
    - 9<sup>th</sup> Education system that meets the needs of a competitive economy
- **Favourable demographics by international standards** – youngest population in EU – average age 33.8 (compared to EU average of 40.6) <sup>2</sup>
- **Pro-enterprise environment** – ranked 9<sup>th</sup> in the World Bank's recent Ease of Doing Business Index, (highest ranked Euro Area country)

**Substantial gains in Irish Unit Labour Costs**  
(% change y-o-y)



Graphs shows: Nominal unit labour cost, for Ireland & EU 27 countries, whole economy Source: EU Commission, Spring Forecasts

<sup>1</sup> Eurostat 2010

<sup>2</sup> Eurostat 2009

# FDI a key driver of Ireland's economic strategy

- Almost 1,000 multinational companies located in Ireland:
  - 8 of the top 10 in ICT
  - 8 of the top 10 pharmaceuticals
  - 15 of the top 25 in medical devices
  - Social media, Gaming, Bioscience
  - More than 50% of the world's leading financial services firms
  - €110 billion exports
- Continuing to attract inward FDI
  - announced investments by 75 companies H1 2011, with 28 investing in Ireland for first time

# Ireland's economic recovery

- Real GDP rose by 1.6% in Q2 2011 following a 1.9% increase in Q1. Annual GDP was 2.3% in Q2 2011
- Real GDP is expected to expand in 2011 driven by strong performance in exports
- Meanwhile, domestic demand remains subdued with further falls in government spending although consumer spending rose for the first time since Q1 2010
- Employment still falling albeit at a much slower pace than in recent quarters
- Unemployment now appears to be stabilising at over 14%
- Property prices do not appear to have bottomed falling 4.4% in Q2 (q-on-q), further falls expected. However there are some positives that may act as a support to the market:
  - Private rents have stabilised of late
  - Affordability has improved substantially

**Irish Economy Stops Contracting**



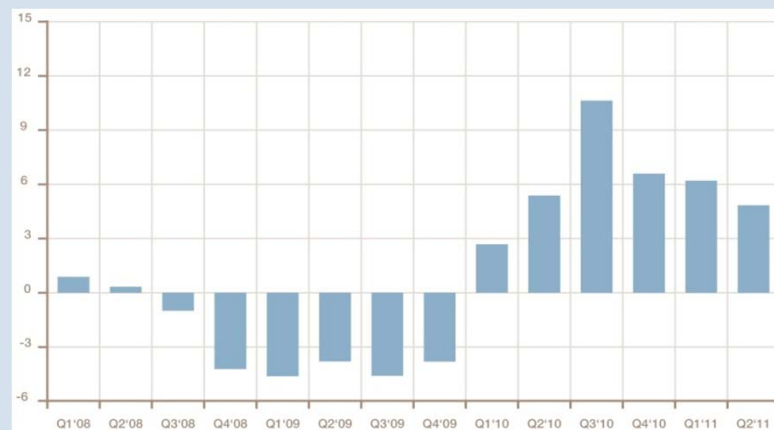
Graph shows: Seasonally adjusted quarterly GDP growth and annual GDP growth  
Source: CSO

# External demand driving growth... Government finances on track

- Exports (of goods and services) are the main driver of GDP growth in Q2 2011, rising by 1.0% (s.a q-on-q)
- Value of goods exports increased by 6% for first six months of 2011 compared with same period 2010. However there are risks to export growth outlook due to the uncertainties in the global economy
- Ireland has a strong mix of high value merchandise and service exports, which should prove resilient as global growth slows
- Traditionally, Ireland's largest export partners are the US and UK

- Fiscal position being addressed
- Government finances on track to meet deficit target for 2011
- Troika Q2 2011 report concluded EU/IMF Programme on track – with strongly supportive commentary
- Significant austerity measures yielding c.€21bn (€6bn from new tax measures) implemented since July 2008

## Exports key driver of recovery



Graphs shows: Export growth year-on-year (volume terms)  
Source: CSO

Hard Decisions taken since 2008	
Average public service pay cut	6%
Average working age social welfare payment cut	10%
Capital expenditure cut*	28%

\* Significant infrastructure enhancements completed in the last 10 years

# Bank of Ireland Group

## Strategy overview

# Key Strategic Goals

- To be the leading Irish retail and commercial bank in a consolidating sector with a strongly developing retail orientated business in GB and niche corporate activities in the US.
- To be well positioned in our core markets with strong customer franchises and market positions capable of supporting economic recovery.
- To be strongly capitalised without reliance on exceptional Monetary Authority support and government guarantees.
- To have a sustainable funding base with our core loan portfolios substantially funded by customer deposits and term wholesale funding.
- To be operationally efficient with sustainable, lower cost structures.
- To grow our revenues through increasing the numbers of customers we have in our core businesses and selling more products and services to our customers, within an acceptable risk profile, whilst getting paid a competitive, fair price for efficiently and empathetically delivering these products and services, covering our costs, providing a reward for the risks we take and a return for the capital we deploy.
- To reduce the risk to the Irish Taxpayer from any support provided to Bank of Ireland, to reward any Taxpayer's investment in Bank of Ireland and to repay any Taxpayer's investment in Bank of Ireland.
- To achieve attractive returns for stockholders through strong operational performance and return of surplus capital.

# Core businesses

## Ireland

**Consumer  
Banking**

**Corporate &  
Business  
Banking**

**Treasury  
Services**

**Savings,  
pension and  
investment  
distribution**

**Leading market position**  
Bank of Ireland is no. 1 or no. 2 in all  
our principal product and market  
segments

**Extensive distribution  
capability**  
c. 250 branches; circa 1,300 ATMs;  
eBanking and Telebanking

**Broad product offering**  
Consumer, Private Banking,  
Business, Corporate Banking,  
Treasury , Savings / Pension / Life  
assurance distribution

Product	Market <sup>1</sup> Shares
Personal Current Accounts	35%
Mortgages	20%
Credit Cards	34%
MNC Current Account	>50%
Business Current Accounts	36%
Business Loan Accounts	35%
Life and Pension	21%

<sup>1</sup> Latest data available

# Core businesses

## International

### Post Office Financial Services JV

- Main Joint Venture commenced in 2004
- Distribution rights for consumer financial services throughout the UK Post Office's 11,500 strong branch network
- Circa. 1.3 million Depositors
- 500,000 Insurance customers - insure 1 in 75 cars and 1 in 150 homes in UK
- 700,000 credit and travel money cards in issue
- Foreign Exchange - serve 1 in 4 customers in the UK with £2.5bn in foreign currency annually
- ATMs – 2,200 ATMs, 110m transactions annually
- Mortgages and unsecured customer loans

### Other - International

- Acquisition Finance and certain other niche Lending activities in UK, US and Europe
- Deposits & Treasury Services in UK and US








### Northern Ireland

- 44-strong branch network, 300 ATMs
- Full service retail and commercial bank offering

# Strategy

Strategic shape of the Group	EU plan 2010 approved and being adhered to. EU Plan 2011 finalised – no issues. UK Incorporated. Post Office relationship good. Irish business – market position strong. International deleveraging on track – no hiccups.	✓
Capital	On track – Substantially provided by private sector	✓
Balance Sheet Reduction	On track – Losses on disposal to date capital ratio neutral	✓
Term Funding	On track - €4bn raised in difficult markets at lower than projected prices	✓
Deposits	On track despite euro turmoil and dysfunctional Irish market.	✓
Costs	On track – New cost structures being embedded. Contingent liabilities (e.g. pension funds) materially reduced. Material re-negotiation of major contracts completed and re-organised Operational risks reduced. Industrial relations being managed with material reductions in numbers employed. Infrastructure and customer experience investments being made	✓
Loan losses	Broadly in line with expectations. Some pressure in Irish mortgages and Irish business banking. Corporate, consumer and UK mortgages slightly better than expected	✓
Trading	In line with expectations. Cost of ELG guarantee a significant issue	✓

# Financial targets – 2014

Measure	Dec 2010	June 2011		Dec 2014 Target
Loans and advances to customers (net of provisions)	€114bn	€107bn		c.€90bn
Group loan / deposit ratio	175%	164%		< 120%
Government Guarantee	ELG scheme in place	ELG scheme in place		Fully disengaged from ELG guarantee scheme for new issuance / rollovers
Net interest margin <sup>1</sup>	1.46%	1.33%		> 2.0%
Cost / income ratio	63%	83%		< 50%
Impairment Charge	€1.8bn (12 months)	€842m (6 months)		55bps – 65bps <sup>2</sup>
Core Tier 1 capital	9.7% <sup>3</sup> / 15.4% <sup>4</sup>	9.5% <sup>3</sup> / 15.4% <sup>4</sup>		Margin maintained over regulatory minimum

***The achievement of each of the above targets would result in the Group achieving a Core Tier 1 ratio in excess of 15% calculated on a Basel III transitional basis, by December 2014, prior to any distribution of any surplus capital then available. It is envisaged that the €1.8bn Government Preference Shares (included as Core Tier 1) will be repaid before March 2014.***

<sup>1</sup> Before the cost of the ELG Government Guarantee

<sup>2</sup> Impairment charge as a % of average annual loans and advances to customers

<sup>3</sup> Actual

<sup>4</sup> Proforma including required €4.2bn equity raise (net of costs)

## March 2009 – September 2011

- €9.3bn net equity capital raised / generated (net of fees and warrants repurchased)
  - €4.6bn Sub debt - LME and sub debt debt / equity
  - €3.2bn Private shareholders - placings and rights issues
  - €1.5bn State (net of warrant repurchased)
- Ownership 85% Private shareholders (including Capital, Fairfax, Fidelity, Harris, W.L. Ross) and 15 % State
- €1.8bn 10.25% Coupon preference shares held by the State
- €1.0bn 10% Coupon contingent capital instrument held by the State

# Capital Raising – 2011

	TROIKA/CBI REQUIREMENT (€'bn)	ACTUAL (€'bn)									
CAPITAL ASSESSED	3.7	4.0	<p>€3.8bn raised from private sources:</p> <table border="1"> <tr> <td>Bondholder Burden Sharing</td> <td>2.0</td> </tr> <tr> <td>Existing Shareholders</td> <td>0.7</td> </tr> <tr> <td>New Shareholders</td> <td>1.1</td> </tr> <tr> <td><b>Total</b></td> <td><b>3.8</b></td> </tr> </table>	Bondholder Burden Sharing	2.0	Existing Shareholders	0.7	New Shareholders	1.1	<b>Total</b>	<b>3.8</b>
Bondholder Burden Sharing	2.0										
Existing Shareholders	0.7										
New Shareholders	1.1										
<b>Total</b>	<b>3.8</b>										
COSTS		(0.15)									
BUFFER	0.5	0.35	To be generated by year end								
	4.2	4.2									
CONTINGENT CAPITAL	1.0	1.0	Invested by State: 10% coupon with remarketing option. Irish Government bonds purchased at discount to par.								
<b>TOTAL CAPITAL</b>	<b>5.2</b>	<b>5.2</b>									

## Key Ratios at 30 June 2011

Pro-forma (assuming the  
€4.2bn Capital Raise was  
completed)

RWA's €bn	71
Core Tier 1 %	15.4%
Total Capital %	16.9%

# Balance Sheet Reduction

	<u>Sept 2008</u>	<u>Dec 2010</u>	<u>June 2011</u>	<u>Dec 2013</u>
Customer Loans (net of Impairment provisions)	144	114	107	90
Liquid Assets	38	30	26	24
	<u>182</u>	<u>144</u>	<u>133</u>	<u>114</u>

- NAMA – virtually complete
- Non Core Redemptions and Amortisations (net) – Dec 10 to Dec 13: €20bn
- Asset Sales – Dec 10 to Dec 13: €10bn
- Net New Lending Core portfolios – Dec 10 to Dec 13: €6bn

# Deleveraging

- Industry wide deleveraging and funding / equity market turmoil presents major challenge
- Notwithstanding current heightened market turmoil, BOI's expedient launch of a number of significant asset disposal processes in H1 2011 has resulted in significant progress
- March 2011 – Bank of Ireland formulated a highly granular, well researched, executable deleveraging plan
  - Range of International assets providing flexibility
  - International non - core portfolios assessed in terms of liquidity, credit profile and expected discounts
  - Bias to performing but potentially yield impaired loans to minimise discounts
  - Formal sales processes for c. €7bn asset/ business disposals launched H1 2011
- Proven Approach : BOI's success to date has hinged upon - Intense qualification of bidders in terms of - strategic appetite , ability to execute , integrity and proven ability to fund
- Discounts : sales to date have delivered target deleveraging within PCAR base case.
- Other key deleveraging metrics in line with plan

**The Governor and Company of the Bank of Ireland (the "Bank")  
Deleveraging Plan Update**

**BOI divests of circa €5.0 billion of loans with no adverse impact on the Group's  
Core Tier 1 capital ratio**

**14 October 2011**

At the announcement of our interim results on 10 August 2011, the Bank outlined that the Group proposed to divest of circa €10 billion of its non-core loan portfolios by 31 December 2013 and that initiatives were on track with sales processes underway in respect of a number of these non-core loan portfolios. Today we can update the market in relation to divestments totalling circa. €5.0 billion of these non-core loan portfolios.

#### US Commercial Real Estate Loan Portfolio

The Bank has recently completed the sale of a portfolio of its loans secured on commercial real estate assets in the US to Wells Fargo Bank N.A. The par value of these assets is circa. US\$1.13 billion and the price received reflected the high quality of the portfolio.

#### UK Commercial Real Estate Loan Portfolio

The Bank has agreed to sell circa. Stg£1.33 billion of loans secured on commercial property in the UK to Kennedy Wilson and institutional partners. The consideration for these loans is circa. Stg£1.07 billion.

#### UK Mortgage Loan Portfolio

The Bank has agreed to sell circa. Stg£1.23 billion of mortgages secured on residential property assets in the UK to The Mortgage Works (UK) plc, a wholly owned subsidiary of Nationwide Building Society. The consideration for these loans is circa. Stg£1.13 billion.

#### Project Finance

The Bank has agreed to sell a portfolio of Project Finance loans with total drawn and undrawn commitments of circa €0.67 billion to GE Energy Financial Services for a price of circa. 92% of these commitments. Based on total drawings on these loans of circa €0.57 billion at 30 September 2011, the consideration represents circa 89% of the drawn amount. These loans relate to a portfolio of conventional and renewable energy assets across North America, UK, Continental Europe and the Middle East.

#### UK Corporate Banking

Proactive management by the Bank has resulted in a reduction of circa €0.7 billion at or close to par in the non-core element of its UK Corporate Banking portfolio since 31 December 2010.

#### Use of Proceeds and Capital Implications

The total proceeds from these divestments of circa €4.54 billion (before taking account of transaction and related costs) will reduce the Bank's funding from Monetary Authorities in line with the Bank's deleveraging plan.

The Bank's incremental capital requirement arising from the 2011 PCAR of €4.2 billion (including a regulatory buffer of €0.5 billion) was set to cover, inter alia, a conservative estimate of losses arising from deleveraging under an adverse stress scenario. The capital impacts of the divestments set out above are lower than those assumed by the Bank in preparing its own financial targets and are also within those base case discounts assumed as part of the 2011 Prudential Capital Assessment Review ("PCAR") and Prudential Liquidity Assessment Review ("PLAR") processes.

The combined impact of these disposals will be neutral to the Group's Core Tier 1 ratio.

The Group continues to make good progress in relation to the sales processes in respect of other non-core loan portfolios including being in advanced discussions with potential purchasers in relation to its Burdale assets and other loan assets within its project finance loan portfolio.

#### Note 1:

*Some of these divestments are conditional on receipt of certain regulatory clearances and consents and are expected to close in the coming months.*

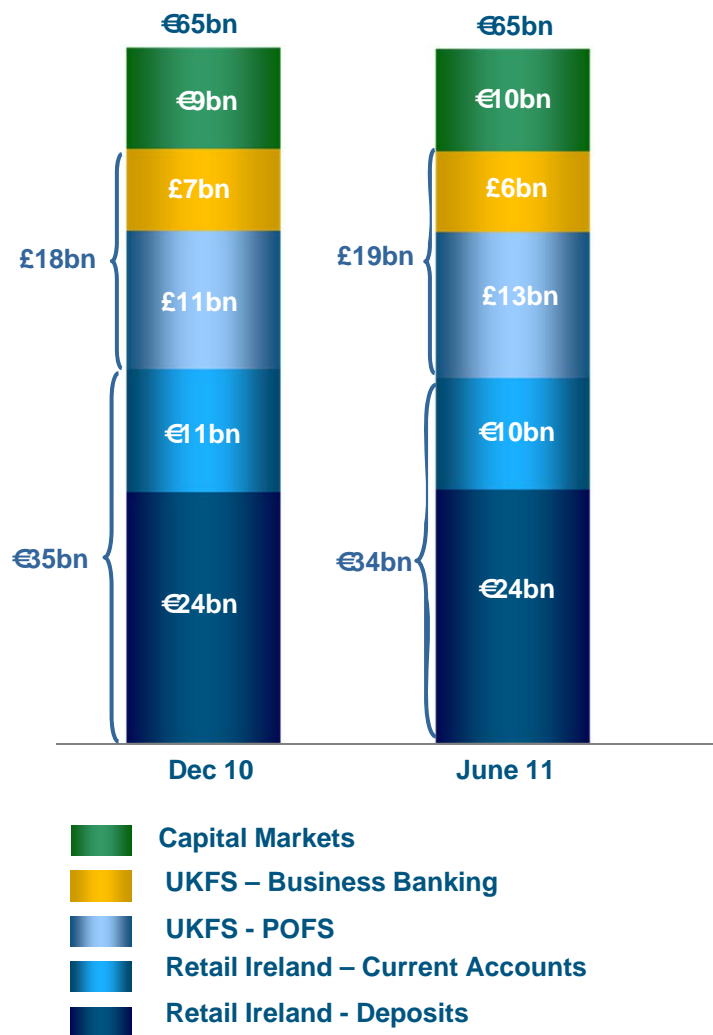
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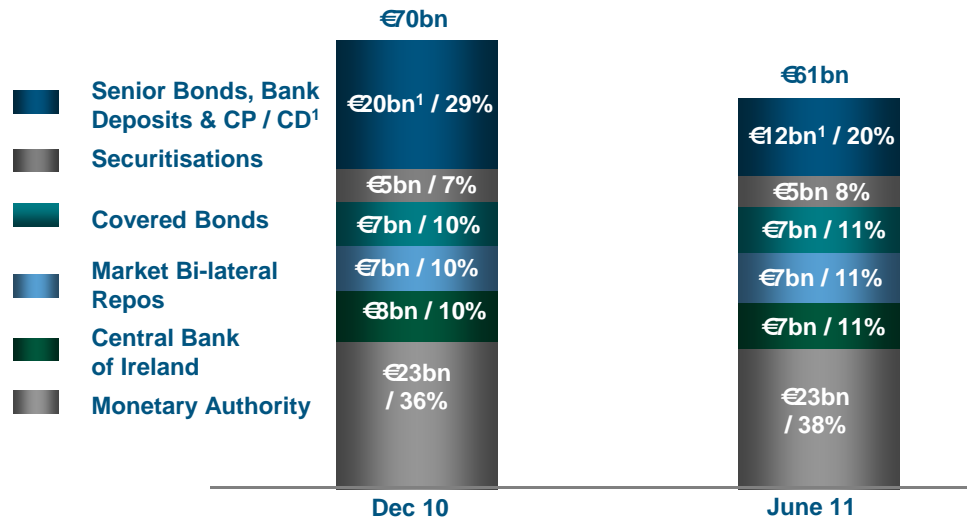
Dan Loughrey Head of Group Corporate Communications: +353 (0)766 23 4770

# Group Customer Deposits



- Deposits on target
- Despite intense competition the Group's retail deposit base in Ireland remained stable in H1 2011
- Our joint venture with the UK Post Office continued to grow and exceeded expectations with growth of £2.2bn in H1 2011
- Capital Markets performed in line with expectation in H1
- Strategy to grow deposits to > €75bn and revert to traditional banking model
  - Fund core loan portfolios substantially through deposits
  - Asset growth dependent on the ability to attract deposits
  - Target loan to deposit ratio of <120% by Dec 2014

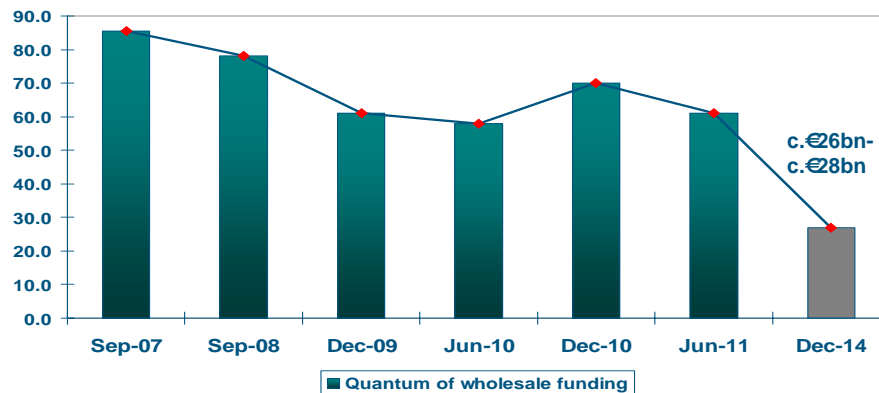
# Wholesale funding



- Wholesale funding requirement has decreased from €70bn at Dec 10 to €61bn at June 11 and is expected to further decrease to c.€26bn-c.€28bn by Dec 2014

- Term issuance
  - Total c.€4bn of unguaranteed secured term funding issued YTD with average maturity of 2.4yrs and an average spread of 250bps over 3 month Euribor

## Significantly lower wholesale funding requirement to Dec 2014

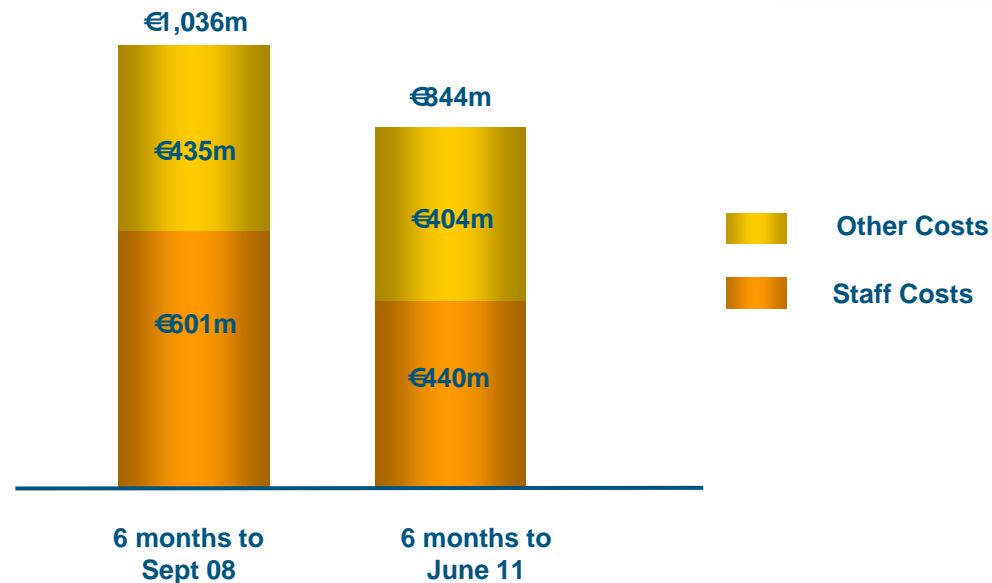


- Deleveraging plan to deliver a more conservative funding structure, enable the repayment of Monetary Authority and Central Bank funding and achieve a significantly lower wholesale funding requirement

<sup>1</sup> June 11 includes €2bn of unsecured deposits by banks (€3bn unsecured deposits by banks and €1bn CP / CD at Dec 10)

<sup>2</sup> Wholesale funding with a remaining term to maturity of greater than 1 year at June 11 (Dec 10 and June 10) noting €2.1bn in term secured issued since 30 June 11

# Rigorous Cost Management



Total costs down 19%

Staff costs down 27%

- Staff numbers (FTE) down circa 3,000 since March 2008. There will be further reductions.
- Shared solution with members of defined pension schemes to address structural pension scheme deficits - deficit reduced from €1.6bn at 31 Dec 09 to €0.2bn at 30 June 11. More than 11,000 staff individually signed up to future benefit reductions of 15% – 20%.
- Ongoing remuneration restraint

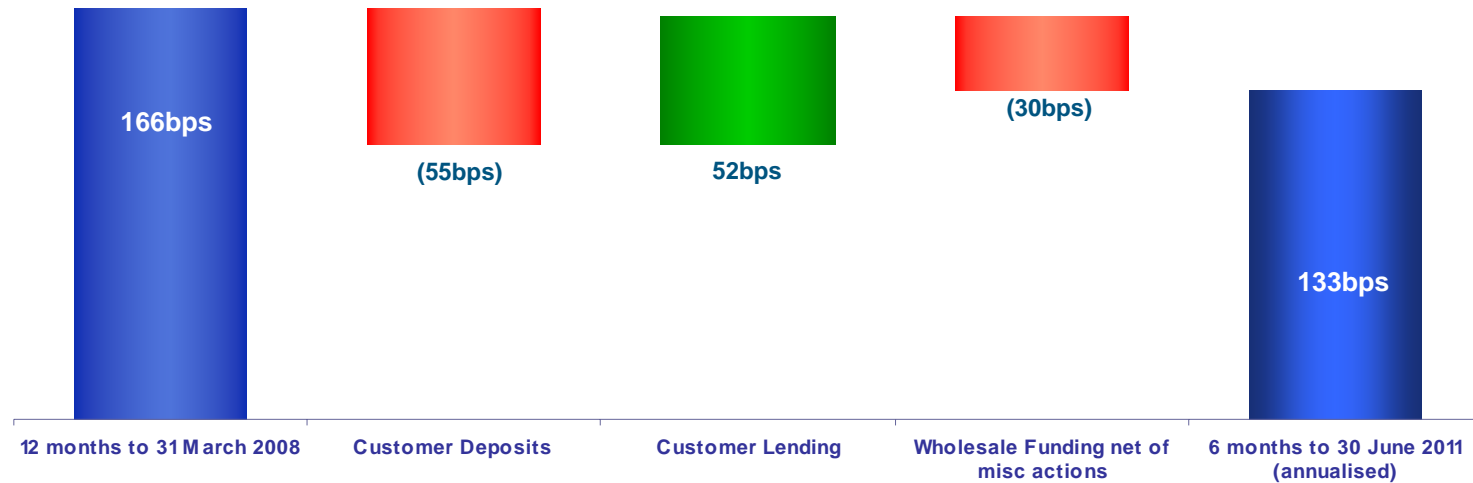
Other costs down 7%

- Renegotiation of key outsourcing contracts in 2010. All major contracts re-negotiated/changed, average 15% cost reductions. Significant measurable service enhancements. Operational risks carefully managed. Results to flow through in 2011 and beyond.
- Reduction in premises occupied from 2009 – 2011 – results to flow through 2012 and beyond
- Continuing consolidation of operations
- Necessary investments in Payments systems, eBanking and process enhancements being absorbed

**TARGET COST INCOME RATIO <50% IN 2014**

# Net Interest Margin

Including the cost of Government Guarantee Schemes



Recovery depends on the following factors

- interest rate normalisation
- reduction in deposit competition as the industry deleverages
- normalising lending margins
- reduced wholesale funding at acceptable pricing

# Profile of loans & advances to customers: €112bn<sup>1</sup> at June 2011

Excluding loans held for sale to NAMA

## Key points

- 48% of Loan Book inside Ireland, 52% in UK/ROW
- c.50% of Loan Book in Residential mortgages
- Low single name concentration
- Senior lender to SME & corporate sectors
- Relative performance of the book

Portfolio at June 11	Loan Book €bn	% of Portfolio	ROI	UK & RoW
Residential mortgages	€58	52%	48%	52%
Consumer	€3	3%	66%	34%
SME & corporate	€28	25%	49%	51%
Land & development	€4	3%	59%	41%
Investment property	€19	17%	43%	57%
<b>Total</b>	<b>€112bn</b>	<b>100%</b>	<b>48%</b>	<b>52%</b>

<sup>1</sup>Before balance sheet impairment provisions of €5.4bn at June 2011

# 2011 PCAR Blackrock Methodology

## BlackRock methodology includes:

- Future loan loss estimate over the 2011 – 2013 period under stress scenarios based on aggressively conservative assumptions on the performance of BOI's loan portfolios
- An element of crystallised losses in the years following 2013 brought into the 2011 – 2013 period

## BlackRock assumptions:

- Repossess and sale approach adopted by BlackRock
- Conservative residential and commercial property values as primary driver of both default and loan losses
- Limited emphasis on customers' repayment capacity including contracted income streams

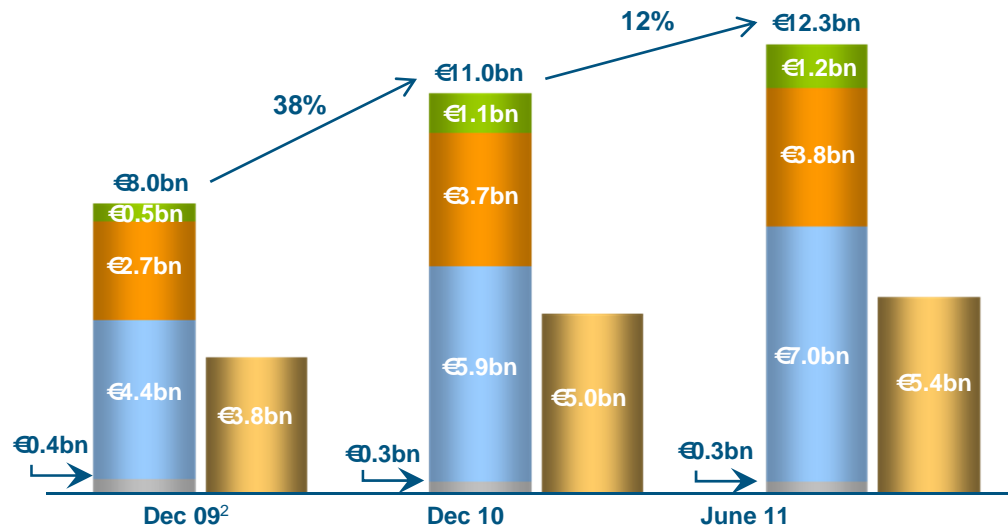
	Loan Portfolio Volumes 31/12/2010 <sup>1</sup>	BlackRock methodology including stock of provisions	BOI including stock of provisions	Variance BlackRock Vs. BoI Loan Loss Estimates 2011- 2013
	€bn	€bn	€bn	€bn
<b>Base Case Loan Loss Estimates 2011- 2013</b>				
Mortgages	60	1.4	1.4	-
Consumer / Other	4	0.6	0.6	-
SME& Corporate	31	2.2	2.3	(0.1)
Property	20	3.2	1.7	1.5
Total	115	7.4	6.0	1.4
Stock of Provisions		(3.5)	(3.5)	-
Adverse Stress Scenario Loan Loss Estimates 2011 – 2013		<b>3.9</b>	<b>2.5</b>	<b>1.4</b>
<b>Adverse Stress Scenario Loan Loss Estimates 2011- 2013</b>				
Mortgages	60	2.4	2.0	0.4
Consumer / Other	4	0.9	0.7	0.2
SME& Corporate	31	3.0	3.0	-
Property	20	3.8	2.2	1.6
Total	115	10.1	7.9	2.2
Stock of Provisions		(3.5)	(3.5)	-
Adverse Stress Scenario Loan Loss Estimates 2011 – 2013		<b>6.6</b>	<b>4.4</b>	<b>2.2</b>

<sup>1</sup> Gross before balance sheet impairment provisions of €3.5bn at 31 Dec 2010 and excluding those assets potentially held for sale to NAMA.

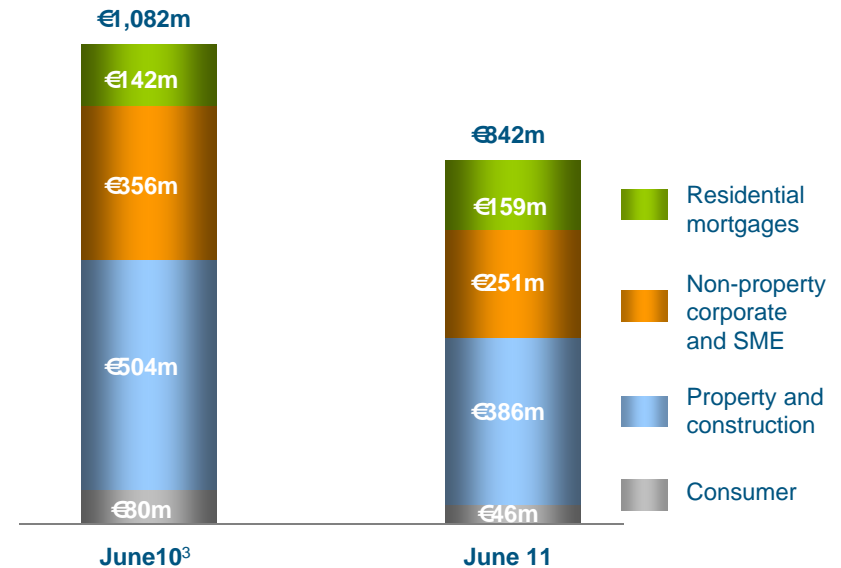
# Impaired Loans, Impairment Provisions & Impairment Charges – June 2011

Excluding loans held for sale to NAMA

## Impaired Loans<sup>1</sup> & Impairment Provisions



## 6 month impairment charges by portfolio



## Impairment Charges

- Impairment charges on loans and advances to customers (non-NAMA) expected to have peaked in 2009, reduced in 2010 with anticipated reductions expected in subsequent years

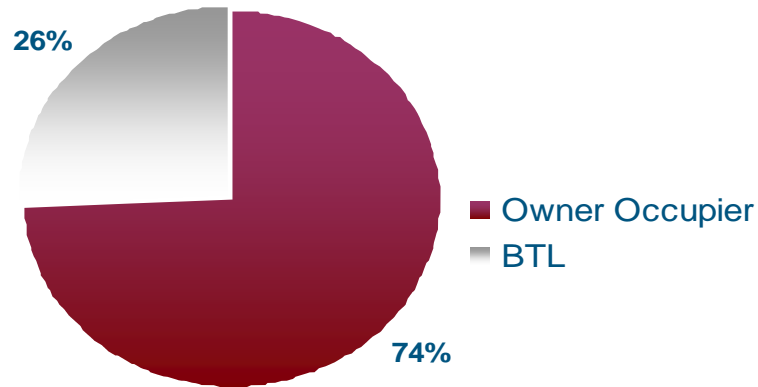
<sup>1</sup> 'Impaired loans' defined as loans with a specific impairment provision attaching to them together with loans which are more than 90 days in arrears (excluding residential mortgages). All assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale are impaired.

<sup>2</sup> Dec 09 presented on a proforma basis to reflect the changes to NAMA eligibility resulting from the decision not to transfer land and development loans of less than €20m to NAMA. Dec 09 includes €1.9bn of loans (of which €1.2bn was impaired with impairment provisions of €0.8bn) which were previously classified as assets held for sale to NAMA

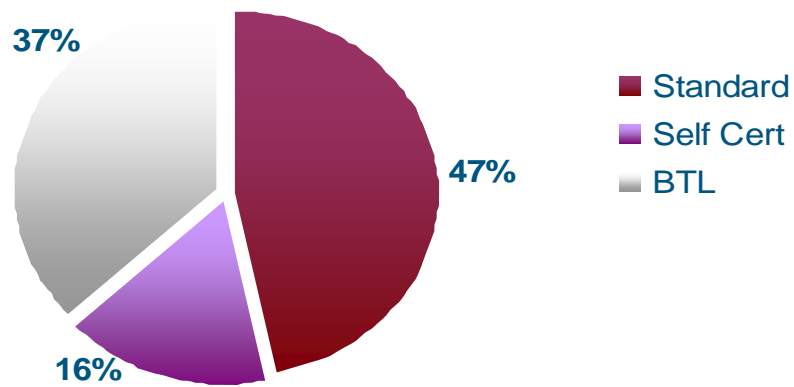
<sup>3</sup> The impairment charge on loans and advances to customers and assets held for sale to NAMA have been restated for the 6 months to June 10 to reflect changes in the eligibility criteria for loans sold to NAMA during 2010 and held for sale to NAMA at 30 June 2011 with no change to the total impairment charge.

# Mortgages June 2011 (€57.6bn)

Irish Mortgage Book €27.8bn at June 11



UK Mortgage Book €29.8bn (£26.9bn) at June 11



## ROI

- Arrears > 90 days 518bps at June 2011 although under further pressure
- Good geographic distribution of assets
- No sub-prime – clean credit record a prerequisite
- 130 properties in possession at June 2011

## UK

- Portfolio in line with market – CML benchmarking.
- Good geographic distribution of assets
- No sub-prime – clean credit record a prerequisite
- Withdrawal from UK broker market, focus on Post Office and NI Branches
- 313 properties in possession at June 2011

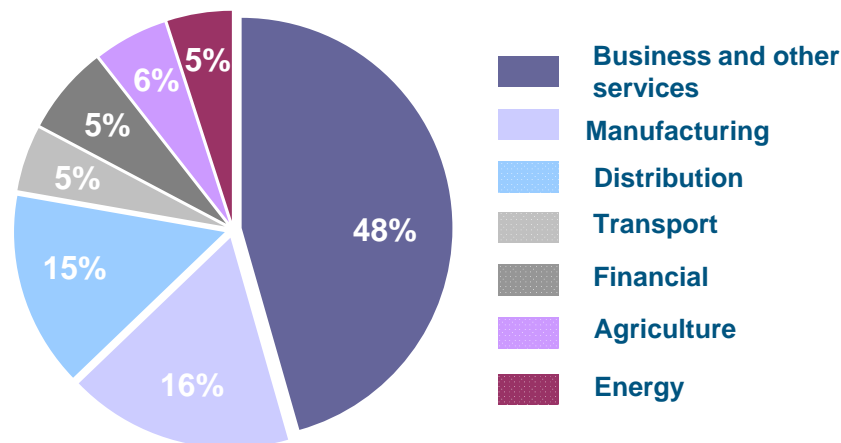
## Policy

- ROI – Lending to First Time Buyers & Movers has increased as a proportion of new mortgage lending, represents c. 80% of new lending (48% in '08).
- Comprehensive Collections Operations model in place with substantial gearing up in systems, resources, infrastructure & operating processes.
- Comprehensive support in place for customers encountering financial difficulties with increased regulatory framework & programme implemented via Code of Conduct on Mortgage Arrears

# Non-Property Corporate & SME Loans

June 2011 – €28bn<sup>1</sup>

## Sectoral analysis of Non-property corporate & SME



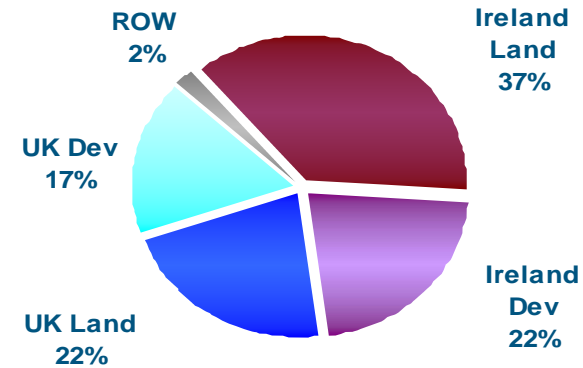
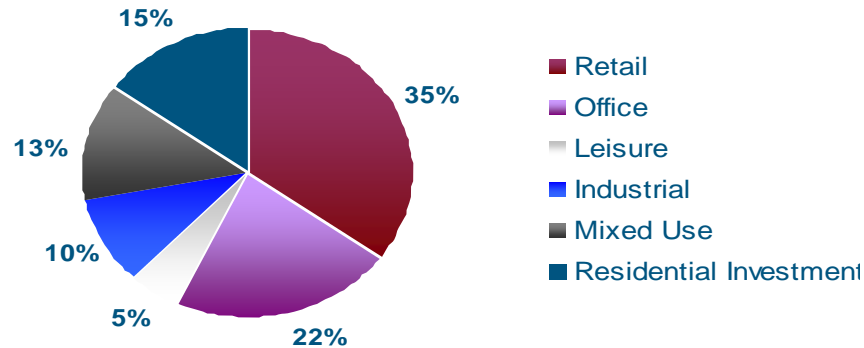
### Non-property corporate and SME - €28bn<sup>1</sup>

- 25% of Group loans and advances to customers
  - 10% reduction in portfolio YTD in 2011
  - Reduction primarily driven by loan repayments/redemptions and FX together with some loan sales
- Portfolio diversified across a range of sectors and geographies
  - 49% Ireland, 29% UK and 22% RoW
- Divergence in performance between Corporate & SME portfolios
- Quantum of impaired loans at June 11 broadly similar to Dec 10
- Impairment charge of €251m in 6 months to 30 June 11 (€356m in 6 months to 30 June 10)
- Impairment provision on portfolio at 30 June 11 of €1.6bn on impaired loans of €3.8bn

<sup>1</sup> Before impairment provisions of €1.6bn

# Property Profile – June 2011

Excluding loans held for sale to NAMA



## Investment Property €18.6bn<sup>1</sup> June 11

- Comprises 82% of retained Property & construction loans
- Bias towards major cities and key regional centres. (57% UK; 38% Irl, 5% US/Europe)
- Key risk of tenant default mitigated by a well diversified portfolio and lack of tenant concentrations. Limited experience of tenant default to date & impact softened by multi-tenant bias
- Low transaction levels in Irish commercial property sector
- Impairment provision on the retained investment portfolio at 30 June 2011 of €1.2bn on impaired loans of €4.0bn

## Land and development loans €4.1bn<sup>1</sup> June 11

- 3% of Group loans and advances to customers
- Impaired loans continue to be impacted by an over supply of residential houses, falling house prices and an illiquid property market
- Impairment provision on retained land and development portfolio at 30 June 2011 of €1.5bn on impaired loans of €3bn

<sup>1</sup> Before impairment provisions of €1.2bn on Investment Property and €1.5bn on Land and Development

# Available for Sale Assets

## Profile of available for sale financial assets (AFS) at 30 June 2011

31 Dec 10	Portfolio fair value €bn	MTM Reserve Balance €bn	Average Rating	30 June 11	Portfolio fair value €bn	MTM Reserve Balance €bn	Average Rating
- Irish Government Bonds <sup>1</sup>	3.2	(0.3)	BBB+	- Irish Government Bonds <sup>1</sup>	3.2	(0.6)	BBB+
- Other Government Bonds	0.5	-	AAA	- Other Government Bonds	2.7	-	AAA
Total Government Securities	3.7	(0.3)		Total Government Securities	5.9	(0.6)	
Bank Debt & Covered Bonds	10.7	(0.3)	A+	Bank Debt & Covered Bonds	7.3	(0.2)	A
<b>Liquid Asset Portfolio</b>	<b>14.4</b>	<b>(0.6)</b>		<b>Liquid Asset Portfolio</b>	<b>13.2</b>	<b>(0.8)</b>	
Asset Backed Securities	1.2	(0.2)		Asset Backed Securities	1.0	(0.2)	
<b>Total AFS Assets</b>	<b>15.6</b>	<b>(0.8)</b>		<b>Total AFS Assets</b>	<b>14.2</b>	<b>(1.0)</b>	

Geographic Profile of Available for Sale Financial Assets at 30 June 2011 - €bn																			
	IRE <sup>1</sup>	ITA	ESP	POR	GER	FRA	FIN	BEL	AUS	NED	NOR	SWE	DEN	UK	US	CAD	AUT	Other	Total
Sovereign	3.2	-	-	-	-	-	-	-	-	-	-	-	-	2.7	-	-	-	-	5.9
Bank & Covered Bonds	0.3	0.5	1.3	0.1	0.2	1.0	0.1	0.2	0.1	0.5	0.2	0.3	0.2	1.3	0.6	0.3	0.1	-	7.3
<b>Liquid Assets</b>	<b>3.5</b>	<b>0.5</b>	<b>1.3</b>	<b>0.1</b>	<b>0.2</b>	<b>1.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.5</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>4.0</b>	<b>0.6</b>	<b>0.3</b>	<b>0.1</b>	<b>-</b>	<b>13.2</b>
ABS	0.1	-	0.1	-	-	-	-	-	-	0.2	-	-	-	0.4	0.1	-	-	0.1	1.0
<b>Total</b>	<b>3.6</b>	<b>0.5</b>	<b>1.4</b>	<b>0.1</b>	<b>0.2</b>	<b>1.0</b>	<b>0.1</b>	<b>0.2</b>	<b>0.1</b>	<b>0.7</b>	<b>0.2</b>	<b>0.3</b>	<b>0.2</b>	<b>4.4</b>	<b>0.7</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>14.2</b>

<sup>1</sup> Excludes €4.9bn of NAMA Senior Bonds at June 11 (€5.1bn at Dec 10). Since 30 June 2011, the Group's holdings of Irish Government Gilts has increased by €1bn

# Strategy

Strategic shape of the Group	EU plan 2010 approved and being adhered to. EU Plan 2011 finalised – no issues. UK Incorporated. Post Office relationship good. Irish business – market position strong. International deleveraging on track – no hiccups.	✓
Capital	On track – Substantially provided by private sector	✓
Balance Sheet Reduction	On track – Losses on disposal to date capital ratio neutral	✓
Term Funding	On track - €4bn raised in difficult markets at lower than projected prices	✓
Deposits	On track despite euro turmoil and dysfunctional Irish market.	✓
Costs	On track – New cost structures being embedded. Contingent liabilities (e.g. pension funds) materially reduced. Material re-negotiation of major contracts completed and re-organised Operational risks reduced. Industrial relations being managed with material reductions in numbers employed. Infrastructure and customer experience investments being made	✓
Loan losses	Broadly in line with expectations. Some pressure in Irish mortgages and Irish business banking. Corporate, consumer and UK mortgages slightly better than expected	✓
Trading	In line with expectations. Cost of ELG guarantee a significant issue	✓

# Bank of Ireland

## November 2011