

**Bank of Ireland Group**  
**Preliminary Results**  
**Script for results presentation 31 March 2010**

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Good morning everyone – welcome to our preliminary results presentation and thank-you to those of you who have joined us here in Dublin and who are joining us by way of conference call.

We previously announced the change in our year end to December, and our results today cover our financial performance for the 9 months ended 31 December 2009 with comparatives for our Income Statement covering the 9 months to 31 December 2008; and our Balance Sheet at 31 March 2009.

Today's presentation of our preliminary results is set against a backdrop of announcements yesterday from the Financial Regulator and the Minister for Finance on the future capital regime for Irish banks and Bank of Ireland, and the announcement yesterday on the prices which NAMA will pay for the first tranche of assets moving to NAMA. We will comment on these during the course of this presentation.

**Slide 5: Presentation of preliminary results**

I will open today's presentation with a review of our progress against our key priorities over the last nine months and then hand-over to John O'Donovan to take you through the detail of our financial performance.

**Slide 6: Preliminary highlights – Group**

In the 9 months to December 2009 we recorded a significant loss before tax of €1.8 billion representing an EPS of minus 168.6 cent. Excluding the impact of non-core items – the most significant being the gain of €1 billion we made on the re-purchase of tier 1 debt securities in June 2009, we recorded a loss of almost €3 billion and an EPS of minus 268.7 cent.

Our €1 billion operating profit is 28% lower – driven by a 19% fall in total income. Operating expenses are 11% lower reflecting continued tight cost management – in particular staff costs – where the number employed is down by circa 2200 since March 2008. The impairment charge on customer loans increased significantly over the period to €4 billion - of which €2.2 billion relates to assets expected to transfer to NAMA and €1.8 billion to non-NAMA assets.

We have made progress in reducing the size and strengthening the profile of our balance sheet.

We supplemented our equity capital by €1 billion through the repurchase of tier 1 securities in June last year – and we added a further €405 million to our Equity capital from the debt exchange we completed in February this year. However the significant increase in loan losses resulted in our

equity tier 1 ratio reducing to 5.3% at the end of December 2009 or 5.8% on a proforma basis taking into account the positive impact of February's debt exchange.

We continue to improve our funding profile. Our loan to deposit ratio at the end of December was 152% down from 161% last March. Excluding those assets held for sale to NAMA – the ratio is 141%. We have also reduced the quantum and extended the maturity profile of our wholesale funding – with 32% of our wholesale funding at December now with a maturity of one year or greater.

**Slide 7: Preliminary highlights – divisional performance**

Even with the deterioration in asset quality, the recessionary conditions in our main markets, elevated funding costs and some specific one-off type issues either in this period or as comparator in the previous period which have negatively impacted the Group's performance – we have generated €1 billion in operating profit pre impairment across our divisions at this low point in the recessionary cycle.

**Slide 8: Delivering Group Stability**

Our operating environment has been very difficult – and with hindsight, it is clear that our growth ambitions were framed against an overly optimistic view of the outlook for the Irish economy. We were too exposed to the property sector and too reliant on wholesale funding.

Consequently we were particularly affected by the severe economic downturn of the last two years in the Irish market compounded by the worst turmoil global financial markets had experienced since the 1930s.

The Irish Government acted decisively in support of the Irish banks during this time to underpin their systemic contribution to economic recovery. Their priority was to enhance the availability of liquidity and ensure the continued access to funding for the Irish banking system.

This Government support necessitated our submitting a Restructuring Plan to the European Commission. Our discussions with the EU on our plan are well advanced.

We also implemented a strategy during this time to stabilise the Group, strengthen our capital position, enhance our funding and reduce our costs, while continuing to support our customers.

With respect to capital and funding:

- In November 2008 we cancelled dividends on ordinary stock;
- In January 2009 we announced our withdrawal from the intermediary sourced mortgage market in the UK and we commenced the process of winding down a series of non-core international lending portfolios in Capital Markets – together these initiatives comprise €34 billion in loan assets;
- In June 2009 we completed a debt re-purchase programme generating a gain to equity capital of €1 billion;

- In February 2010 we completed a debt-for-debt exchange generating an equity tier 1 gain of €405 million;
- In February 2010, we issued 184 million units of Ordinary Stock to the NPRFC in lieu of the cash dividend otherwise due on the 2009 Preference Stock; and
- Between January 2009 and March 2010 we have raised approximately €14 billion of term funding.

**Slide 9: Delivering Group Stability - NAMA**

Turning to NAMA. Our original estimates of assets transferring to NAMA were based upon the disclosure made by the Minister for Finance in his speech last September where he indicated that circa €6 billion of both performing and non-performing assets would transfer to the Agency from Bank of Ireland. Since that date, we have had ongoing interaction with NAMA and have conducted a comprehensive internal review to identify all loans falling within the revised eligibility criteria set out in the regulations formulated by NAMA. In addition a number of those loans identified for transfer have been re-paid, sold to third parties, or have re-financed to other institutions.

As a result of this, we now currently anticipate transferring to NAMA total loans – both performing and non-performing – of circa €2.2 billion gross before impairment provisions of €2.8 billion at 31 December 2009 - a net transfer of €0.6 billion. These assets are expected to comprise 70% land and development loans and 30% of associated loans. We expect that the assets will be transferred to NAMA on a phased basis in 2010, with the largest systemic exposures being acquired first.

The formal process of selling loans to NAMA has commenced and we expect to complete the transfer of the first tranche of gross loans of €1.9 billion in the coming days. This first tranche comprises €900 million of land and development loans and €1 billion of associated loans. The consideration for these first tranche assets will amount to €1.2 billion.

While the limited number and nature of loans involved in this first tranche may not be representative of the total portfolio, applying this level of discount to the total portfolio would result in a gross loss of €4.4 billion – or a net loss of €1.6 billion after taking the December balance sheet provisions of €2.8 billion into account. We have developed a model which we believe replicates the NAMA valuation methodology and have put through that model a sample of €6 billion – approximately 50% - of the loans we expect to go to NAMA, including the first tranche. This model indicates that on this sample the level of discount would be similar to that pertaining to the first tranche. This level of discount is within the guidance we provided for our Extraordinary General Court meeting in January 2010. However we must re-iterate the actual loss will only be known on completion of the relevant due diligence and valuation exercises on a loan by loan basis.

**Slide 10: Delivering Group Stability – continuing progress on key priorities**

We continue to supplement the Group's capital which is a key priority for us. Liability management initiatives have generated some €1.4 billion of additional Equity tier 1 capital. However the losses recorded in the year, largely as a result of the sharp increase in impairment charges, resulted in an

overall reduction in our capital ratios. On a proforma basis at 31 December 2009, reflecting the February 2010 Lower Tier 2 exchange, our Equity tier 1, Core tier 1, Tier 1 and Total capital ratios were 5.8%, 9.3%, 10.2% and 13.4% respectively which compares to 6.2%, 9.5%, 12.0% and 15.2% respectively at March 2009.

Yesterday the Financial Regulator publicly advised the markets that he has set specific targets of a minimum Equity tier 1 ratio of 7% and a core tier 1 target ratio of 8% by the end of 2010 for Bank of Ireland. These targets are aligned to our previously held views and we have plans to achieve these. These plans are in accordance with the Financial Regulator's requirements and have the support of the Irish Government.

We have conducted an extensive internal review of our impairment estimates on our non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on our non-NAMA bound loans remains as expected and therefore, there are no material changes necessary to be made to previous guidance of not more than an impairment charge of €4.7 billion over the 3 years ending 31 March 2011. We engaged Oliver Wyman, a leading international management consulting firm, to review independently our non-NAMA impairment estimates and they have confirmed that our non-NAMA impairment estimates are reasonable.

We have made good progress in improving our funding profile and our core loan portfolio is now substantially matched by an equivalent amount of customer deposits.

A key focus for us is to reduce our reliance on the Government Guarantee Schemes which are due to expire on 29 September 2010 and we are positioning ourselves to disengage from these schemes in a prudent and safe manner. We have prioritised the gathering of customer deposits whilst seeking, in so far as possible, to protect deposit income. In the nine months ended 31 December 2009 customer deposits increased slightly to €5bn. In addition we have reduced the quantum of our wholesale funding to €1bn at December 2009, down from €74bn last March. We also extended the maturity profile of this wholesale funding. At December 2009 wholesale funding with a maturity profile of one year or greater stood at 32% compared to 27% last March. Taking account of our deleveraging initiatives we are targeting a Group loan / deposit ratio of less than 125% by December 2012.

**Slide 11: Delivering Group Stability – Continuing progress on key priorities**

Intense competition and interest rates at historically low levels have resulted in an unsustainable mismatch in the pricing of our assets and liabilities. Re-pricing of loan assets and deposits is a priority and while we have made some progress, further steps are necessary in order for us to achieve a more appropriate net interest margin. While we aim to achieve a normalised net interest margin in excess of 175bps by our 2013 financial year albeit that the higher cost of wholesale funding in the short term, as we position ourselves to disengage in a prudent manner from the Government guarantee schemes, will have a negative impact on our net interest margin.

Costs remain a key strategic focus for the Group and our objective remains to reduce our cost base to align it better to meet the needs of the Group for the future. In this regard we are aiming for a cost income ratio of below 50% by our 2013 financial year.

In the nine months to December 2009 we reduced our costs by 11% largely due to a further reduction in staff numbers together with continued rigorous management of all cost categories across the Group. Since March 2008, staff numbers are down by approximately 2,200. While our overall costs have reduced, our pension costs have increased. The deficit on the Group's pension schemes in December was circa €1.6 billion. There is recognition between all relevant parties that this situation is not sustainable and that we must have a shared solution to address the issue. We are making good progress in this matter.

We continue to support our customers during this period of significant challenge and we have appropriate support processes in place for challenged consumer and SME customers. We remain open for business and 80% of our loan applications for SMEs in Ireland are approved. In Ireland we have lent €2.3 billion to SMEs and €1.7 billion in mortgages in the 9 months to December 2009.

At December 31 2009 overdraft commitments in Ireland to core SME customers were €2.4 billion of which utilisation was just over 40% while at that date undrawn loan commitments to core SME customers were approximately €0.9 billion.

**Slide 12: Delivering Group Stability – core portfolio and risk appetite defined**

Bank of Ireland is emerging from this crisis a changed and more focussed bank. We are now directing our capital and resources to our core business portfolios where we have clear competitive strengths and capabilities, and strong positions in markets with attractive growth opportunities.

Our core portfolio represents circa €89 billion in customer loans – and is substantially funded by customer deposits.

In **Ireland**, our objective is to be the number one retail and commercial bank. We believe that Ireland is an attractive banking marketplace with favourable demographics, a pro-business environment, and a changing competitive landscape. Today we have leading market positions in our main business segments holding the number one or two market positions for our principal product and market segments across each of our business units.

In the **UK**, we continue to grow our consumer banking franchise through our joint ventures with the UK Post Office. Today this franchise has in excess of two million customers accessing our comprehensive range of products through over 11,500 Post Office branches. In addition to our consumer banking activities we will maximise the opportunities offered by our network of branches in Northern Ireland and continue to develop our Business Banking, Corporate Banking and Treasury activities focused on specific customer segments in the UK.

**Internationally through our capital markets activities**, we will continue to develop those activities where we believe we have clear competitive strengths and capabilities, namely: our corporate banking specialist lending businesses in the areas of global project finance, mid-market leveraged acquisition finance, comprehensive asset based lending, together with our treasury management services.

In line with our continuing objective to de-lever our balance sheet we are reducing the assets in our non-core portfolios through a disciplined process of run-off and / or disposals as market opportunities allow. This reduction of assets will continue to be managed for value.

**Slide 13: Title slide John O'Donovan**

The last 9 months have been very challenging – however, I believe we have made good progress in bringing stability to the Group – we have supplemented our capital, enhanced our funding, reduced our costs, our losses arising from our NAMA bound loans should be within previous guidance, and we believe our non-NAMA impairment charge has peaked and will reduce progressively in each of the next 3 years. We know that we must strengthen our capital – and we have specific plans to do so which are in accordance with the Financial Regulators requirements and have the support of the Irish Government. Should our plans come to fruition the Government will be a welcome minority investor in Bank of Ireland along with our existing shareholders and new private shareholders.

Thank-you for your attention – I will now hand you over to John to take you through our financial performance in more detail.

Thank-you Richie. Good morning everyone.

My presentation today will focus on the 3 areas of continuing focus for investors – asset quality, funding and capital – these topics I will cover in some detail in sections two and three of today's presentation. Section four of the presentation will cover the Group Income Statement, and the Divisional financial performance for the 9 months ended December '09 I will cover in Section five.

**Slide 14: Section 1 – Asset quality**

Turning first to asset quality.

**Slide 15: Profile of loans and advances to customers**

Total loans and advances to customers before balance sheet impairment provisions at December '09 were 135 billion euro – little changed since March '09. The largest element of the Group's loan book continues to be residential mortgages in Ireland and the UK which comprise 45% of loans and advances to customers.

Lending to the property and construction sectors comprises 27% of total loans, a third of which will transfer to NAMA. The non-property corporate and SME portfolios represent 25%, whilst our portfolio of consumer loans remains relatively modest at 3%.

**Slide 16: Group loan book asset quality profile**

There has been a significant deterioration in the quality profile of the Group's loan book reflecting the severe downturn in economic conditions, weaker consumer demand and the sharp slow down in the Property and construction sector, particularly in the land and development sub-portfolio. As a result we have experienced a significant increase in the quantum of impaired loans which have risen from 5.3 billion euro or 3.9% of total customer loans at March 09 to 13.4 billion euro or 9.9 percent of customer loans at December 09. 76% of the increase is related to the property and construction loan book which has seen the most significant deterioration in asset quality with a further 20% of the increase related to the Non-property corporate and SME loan book. 6.6 billion

euro of the Group's total impaired loans relate to assets held for sale to NAMA with the remaining 6.8 billion euro relating to what will be the Group's retained loan book post NAMA. Challenged loans, include impaired loans, together with elements of past due but not impaired loans, lower quality but not past due nor impaired and loans at the lower end of acceptable quality, which are subject to increased scrutiny. These challenged loans increased from 15.7 billion euro at March 09 to 26.3 billion euro at December 09 - 60% of this increase relates to the Property and construction portfolio with 26% related to the Non-property corporate and SME portfolios.

**Slide 17: Stock of Balance Sheet provisions and coverage ratios**

We have increased the quantum of provisions against impaired loans from 1.8 billion euro at March 09 to 5.8 billion euro with the overall coverage ratio on the Group's impaired loans increasing from 33 percent to 43 percent. The required increase in provisions reflects the impact of the deterioration in general economic conditions, consequent loan grade degradation and weakening in the property and construction sectors, both in Ireland and the UK.

Coverage ratios are influenced by the nature of the loan assets and the extent and quality of collateral held by the Group in support of the loan and therefore vary across each loan category.

Consumer loans have an 89 percent coverage, up from 82 percent in March '09. Coverage levels are high because recovery prospects are limited in the absence of supporting collateral.

The Property and construction portfolio coverage at 40 percent has increased from 24 percent at March 09. The Non-property corporate and SME portfolio coverage ratio at 41 percent is broadly unchanged from March 09 whilst the coverage ratio for Residential mortgage loans increased from 63 percent at March 09 to 76 percent at December 09. If Residential mortgages with arrears greater than 90 days past due are included, the coverage ratio increased from 12 percent at March 09 to 20 percent at December 09.

Excluding loans held for sale to NAMA, impaired loans account for 5.5% of retained loans and advances to customers. At end December 09 the quantum of provisions was 3 billion euro with a coverage ratio of 44 per cent

**Slide 18: Impairment charge – by portfolio**

The Group impairment charge for the 9 months to December '09 amounted to 4.1 billion euro – compared to 747 million euro in the 9 months to December '08.

The Residential mortgages impairment charge of 237 million euro or 52 basis points on an annualised basis in the nine months ended December '09 compares to a charge of 60 million euro or 13 basis points for the nine months to December '08, driven by the economic downturn impacting unemployment levels and house prices both in Ireland and the UK.

The impairment charge on the Non-property corporate and SME loan book has increased to 659 million euro in the nine months ended December '09 from 108 million euro in the nine months ended December '08 reflecting the deepened recessionary environment in the reporting period.

The impairment charge for the property and construction loan book increased to 3 billion euro in the nine months ended December '09 from 449 million euro for the nine months ended December '08 and represents 74% of the Group's impairment charge in the period.

The land and development portfolio within this loan book is most significantly impacted with falling house prices and an over supply of residential units particularly in Ireland together with more negative views on asset values being the key drivers. Impairment charges on Consumer loans have increased from 244 basis points in the nine months to December 08 to 421 basis points in the nine months to December 09 reflecting the higher unemployment, high levels of personal indebtedness and lower disposable income.

Of the total impairment charge of 4.1 billion euro for the nine months to December 2009, 2.2 billion euro relates to assets held for sale to NAMA while 1.8 billion euro relates to what will be the Group's retained portfolio post NAMA. Turning now to each of the portfolios in more detail.

**Slide 19: UK residential mortgages - £29bn/€32bn December 2009**

The UK mortgage book has declined by 1.2% at December '09 compared to March '09 – and whilst we have closed our intermediary distribution channel to new business the pace of 'run-down' in the book is slow due to the low levels of mortgage re-financing in the UK market. There are some signs of stabilization in the UK housing market with house prices rising by 5.9% in the 12 months to December '09. However, with house prices still 13 percent lower than their peak in October '07 – there is some negative equity in our portfolio – this amounts to circa 260 million pounds sterling in December '09, down from 685 million pounds sterling at March '09.

Arrears in the book continue to be lower than the industry average as evidenced by the most recently published CML data -

- Total arrears for the Bank of Ireland UK Mortgage book are 171bps at December'09 compared to a CML figure of 238bps;
- Buy to let arrears of 185bps at December 09 for Bank of Ireland compare to a CML figure of 200bps; and
- The arrears on our self cert and standard books are 454bps and 97bps respectively - against which there are no comparable figures published by the CML.

The impairment charge on the overall mortgage book was 30bps for the 9 months to December '09, compared to a charge of 14bps in the 9 months to December 08.

Our experience in possessions remains relatively benign – with over 262,000 mortgages in total, we had 305 properties in possession at December '09 representing 12 basis points of the portfolio compared to 388 properties in March '09. The CML data indicates that possessions in December '09 represent 14 basis points of all mortgages across the industry.

Turning to our Irish residential mortgage book.

**Slide 20: Irish Residential Mortgages - €29bn December 2009**

The Irish residential mortgage portfolio grew by 2% December 09 over March 09. Whilst ahead of the market, this reflects the continuing weakness in new business activity. House prices remain weak with the house prices index down 18.5% in the year to December '09 – whilst this is the most recent pricing data published – the official statistics are trailing the actual market performance.

Based on the official statistics at December 09 house prices are down 31.5% from their peak in February '07 – net negative equity in our portfolio at December 09 was approximately 1.4 billion euro, an increase from 355 million euro in March '09.

The asset quality of the mortgage portfolio has deteriorated with an annualised impairment charge of 79bps in the 9 months to December '09 compared to 12bps in the 9 months to December '08. Unemployment is the key risk driver of impairment in our mortgage portfolio and this higher charge reflects the general deterioration in the economy and increased unemployment. Arrears levels have also increased with mortgages, 3 months or more in arrears, at 346bps in December '09 compared to 192bps in March '09. The deteriorating trend, which we highlighted in both our May and November '09 results presentations, in the professional segment of the buy-to-let book which represents circa one third of our overall Irish buy-to-let portfolio – continues. The level of possessions in our total Irish portfolio remains low with 28 properties currently in possession, however the quarterly trend of new possessions has shown a significant increase since March '09.

**Slide 21: Property & construction loans - €35.5 billion December 2009**

On a pre NAMA basis our Property and construction portfolio totals 35.5 billion euro and represents 27% of the Group's loan book. Our current expectation is that circa 11.9 billion euro of property and construction loans will transfer to NAMA, 8.5 billion euro of land and development loans and 3.4 billion euro of investment loans. The transfer of these assets to NAMA will significantly de-risk the Group's Property and construction exposure and results in a retained Property and construction portfolio of 23.6 billion euro, 20.8 billion euro of investment loans and 2.8 billion euro of land and development loans.

**Slide 22: Property and construction loans**

Looking at the Group's retained property and construction portfolio which totals 23.6 billion euro - 88% is investment lending of which 37% is in Ireland and 56% in the UK. This is a broadly diversified portfolio with a bias towards the retail sector. The balance sheet impairment provision on the portfolio at December 09 totalled 0.4 billion euro or 27% coverage over impaired loans.

The land and development loan book post NAMA will be 2.8 billion euro largely comprised of smaller loan amounts, less than 5 million euro with full recourse, of which nearly 40% will be in Ireland and 54% in the UK. The impairment provision on the retained land and development portfolio in Dec 09 totalled 0.8 billion euro or 27% of the portfolio with a 41 percent coverage ratio on impaired loans.

**Slide 23: Loans transferring to NAMA**

Turning to the part of the portfolio expected to transfer to NAMA. The vast majority of the circa 12.2 billion euro transferring is Property and construction loans of circa 11.9 billion euro. 54% of the loans transferring are currently classified as impaired and at December '09 there is 2.8 billion euro of impairment provisions on the portfolio of which 2.6 billion euro relates to the land and development portfolio of 8.5 billion euro and 0.2 billion euro relates to associated loans.

As you will know by now the transfer of the first tranche of assets to NAMA will take place on Friday. The quantum transferring is 1.9 billion euro and comprises 0.9 billion euro of land and development loans and 1 billion of associated loans. In return we will receive 1.2 billion euro of

Government guaranteed bonds and NAMA subordinated debt which equates to a gross haircut of 36 percent on the transfer.

Applying such a gross haircut to the entire portfolio would result in a gross loss of 4.4 billion euro before factoring in the impairment provisions of 2.8 billion euro in our Balance Sheet at 31 December 2009. It is important to note that the first tranche, due to the size and nature of loans transferring, may not be representative of the total portfolio and the actual loss on the total portfolio of assets which will transfer to NAMA will only be known on completion of the relevant due diligence and valuation exercises on a loan by loan basis.

I think it is worth repeating that post the expected asset transfers to NAMA land and development loans will be just 12 percent of retained property and construction loans.

**Slide 24: Asset quality of non-property corporate and SME loans & Consumer Loans**

Asset quality across our remaining portfolios is as expected, at the current point in the recessionary cycle.

The asset quality of the SME portfolios in the UK and Ireland which are reasonably well diversified across a range of business sectors is being impacted by the general downturn in levels of economic activity.

Our lending to larger businesses, focuses on Corporate Ireland as well as a range of international specialist portfolios including acquisition finance, global project finance, and comprehensive asset backed lending.

The impairment charge on the Non-property corporate and SME portfolio of 659 million euro in the nine months ended December '09 reflects the impact of the slowdown in economic activity, poor consumer sentiment and the higher level of business insolvencies currently being experienced.

Our Consumer loan portfolio is 4 billion euro with impairment charges of 166 million euro or 421 bps in the nine months to December '09 compared to 130 million euro or 244 basis points in the nine months to December '08.

**Slide 25: Outlook for asset quality**

Looking towards 31 March 2011 - the end of our three year forecast horizon for loan impairment. The Group has undertaken an extensive loan loss forecast re-fresh exercise during January and February 2010 the output of which has been validated by Oliver Wyman, the leading firm of financial services risk consultants. On the left hand side of this slide I set out the economic assumptions which underpin the outlook for our expectations of impairment charges in the period to March 2011.

The outcome of this exercise enables us to re-affirm the impairment charge guidance of 4.7 billion euro for the three year period to March 2011 for the loan portfolios which will remain on the Group's balance sheet post our loan disposals to NAMA.

It is our expectation that the impairment charge on the non-NAMA loans and advances to customers has peaked in 2009 with progressive reductions expected in each of 2010, 2011 and 2012.

**Slide 26: Funding and Capital**

Turning now to the second section of my presentation today – Funding and Capital

**Slide 27: Balance Sheet Funding Strategy**

Strengthening our balance sheet funding remains a key priority for the Group – and in this regard we have continued to prioritise the gathering of customer deposits, the lengthening of our wholesale funding maturity profile, the reduction in our net outstandings with Monetary Authorities and to position the Group to disengage from the Government Liability Guarantee Schemes in a prudent and safe manner.

As funding conditions across international money markets have improved from the more stressed levels experienced earlier in 2009 we have been able to make progress on each of these objectives.

**Slide 28: Group deposits**

We have increased customer deposits from 83 billion euro in March '09 to 85 billion euro in December 09 – this 2 percent increase has been achieved in an intensely competitive market.

Our share of the total resource market in Ireland is 28% - supported by the strength of our brand, distribution and franchise. We increased the level of deposits in Retail Ireland by 4% to 35 billion euro.

In the UK we have experienced some deposit outflows – in particular in Business Banking – where the negative sentiment caused by ratings downgrades earlier in 2009 was more pronounced. The Post Office continues to be a valuable source of deposits – since its launch in March '06, we have grown this deposit book to almost 9 billion pounds sterling. A particularly positive feature of this book continues to be the high levels of retentions on the rollover of deposits.

We have experienced some deposit outflows in Capital Markets with deposits down 1% at December '09 from March '09

**Slide 29: Wholesale funding profile**

We have reduced our quantum of wholesale funding from 74 billion euro in March '09 to 61 billion euro in December '09. This significant reduction was achieved as a result of increased customer deposits and the improved maturity profile of our wholesale funding which together with the quantum of our portfolio of franchise assets available for contingent liquidity purposes, resulted in a reduced requirement for liquid assets of 7 billion euro.

Wholesale funding conditions have improved since the middle of last year with an increased appetite for Irish debt. This trend is reflected in the narrowing of CDS spreads for both the Irish Sovereign and Bank of Ireland.

Against this improving backdrop – we issued almost 9 billion euro in term funding in the 9 months to December '09 – that is funding with a maturity of one year or greater at time of issue.

These funding activities in the 9 months to December '09 improved the maturity profile of our wholesale funding – term funding increased from 27% of total wholesale funding in March '09 to 32% in December '09. In addition we also reduced the quantum of net drawings from Monetary Authorities from 17 billion euro in March '09 to 8 billion at December '09.

In January 2010 we were accepted as a Participating Institution in the Eligible Liabilities Guarantee Scheme. Since the start of 2010 we have issued 4.3 billion euro of term funding –

including issuances through the ELG Scheme. It is our intention to continue to term out our funding to ensure that we are prepared to disengage from the Government Guarantee schemes in a prudent and safe manner.

**Slide 30: Funding position**

Our strengthened funding position is reflected in the improvement in our key balance sheet funding metrics:

- Increased customer deposits to 85 billion euro albeit lower than our September 09 level;
- An improved loan to deposit ratio of 152% or 141% when assets held for sale to NAMA are excluded;
- And our term funding as a percentage of total wholesale funding increasing to 32%.

Looking forward, our objective is to further strengthen these key metrics – we are achieving this through our focus on the gathering of customer deposits and the reduction in non-core customer loans through balance sheet de-leverage, both in our UK mortgage book and certain international corporate loan books.

**Slide 31: Capital position**

Turning to capital.

Our equity and core tier 1 ratios decreased from 6.2 percent and 9.5 percent respectively in March '09 to 5.3 percent and 8.9 percent in December '09. Whilst liability management initiatives have supplemented Equity tier 1 capital, the sharp increase in impairment charges has resulted in an overall reduction in capital. This is partially offset by a reduction in Risk Weighted Assets from 105 billion euro to 98 billion euro which is primarily due to higher impaired loans and increased impairment provisions together with a decrease in market risk and the reduction in the liquid asset portfolio. On a pro-forma basis including the gain of 405 million euro associated with the debt for debt exchange completed in February 2010, the Equity and Core tier one ratios for the Group would have been 5.8% and 9.3% respectively.

As Richie outlined earlier in his statement, the Financial Regulator yesterday publicly advised the markets that he has set specific targets of a minimum Equity tier 1 ratio of 7% and a core tier 1 ratio of 8%, which will require an additional 2.7 billion of equity capital by the end of 2010 for Bank of Ireland. These targets are aligned to our previously held views and we have plans to achieve them.

**Slide 32: Group Income Statement**

Turning now to the Group Income Statement.

**Slide 33: Group Income Statement**

Commentary on financial performance is on an underlying basis and this slide shows how we strip out the impact of non-core items to derive this underlying performance – in the current reporting period non-core items included in total income amount to 1.2 billion euro – largely reflecting the positive impact from the gain on the repurchase of Tier 1 securities in June 09.

2009 has been a difficult trading period for the Group. On an underlying basis, i.e. excluding non-core items, operating profit pre-impairment charges for the nine months ended December '09 was

down 28% to 1.1 billion euro reflecting the impact of the reduced levels of economic activity across our businesses in Ireland and overseas. Impairment charges on our loans and advances to customers totalled 4.1 billion euro resulting in an underlying loss before tax of almost 3 billion euro.

**Slide 34: Total income and operating expenses**

Total income is down 19% in the nine months to December '09 compared to the comparable prior period to December '08

Net interest income has been impacted by margin attrition and is down 11% nine months on nine months.

Net Other Income is down 45 %, and includes:

- A reduction of 131 million euro in banking fees and other commissions;
- the Government Guarantee cost which was only a feature for one quarter of the prior comparable reporting period;
- a reduction of 55 million euro due to the narrowing of credit spreads on the Group's issued notes designated at 'fair value through profit or loss' – representing a partial reversal of gains recognised in prior periods;
- an increase in investment property impairments of 62 million euro; and
- a court ruling associated with a European property investments which resulted in a net charge to the Group of 74 million euro.

These reductions to Net Other Income were partly offset by:

- the positive investment valuation variance movement of 109 million euro in our Life business due to improved global investment markets and ,
- a charge of 39 million euro in the nine months ended December '08 arising from the collapse of Lehmans,

We continue to tightly manage our operating expenses across all cost categories. Staff costs are down 11% - largely as a result of the reduction in staff numbers with employee numbers down by 1300 or 8 percent, December '09 versus December '08. Due to a higher IAS 39 pension scheme deficit, we have experienced an increase in pension costs of 11% and staff costs are down 14% excluding the impact of this higher pension cost. Other operating expenses are down 11%.

**Slide 35: Net Interest Margin**

The Group net interest margin, annualised, decreased by 14bps from 173 basis points to 159bps in the nine months to December '09 compared to the comparable period to December 08. The key drivers of this decrease were:

- a 31 basis point reduction due to margin attrition on deposits, as a result of the low interest rate environment together with intense price competition for deposits particularly in Ireland;
- together with a 7 basis point reduction due to the higher cost of term funding.

This attrition was partially offset by:

- a 17 basis points margin increase, due to higher lending margins, particularly in Corporate banking and in the UK Business Banking and Residential Mortgage business; and

- a further 7 basis points improvement due to the lower cost of market dislocation and earnings on the proceeds of the 2009 Preference Shares issue together with lower interest costs as a result of the repurchase of Tier 1 securities.

Looking forward we expect lending margins on new business to remain strong but in the near term higher funding costs, as we continue to extend the maturity profile of our wholesale funding, and tighter liability spreads, are likely to continue to negatively impact the net interest margin.

**Slide 36: Divisional performance**

Turning now to review Divisional performance, I would like to make some brief comments on each Division.

**Slide 37: Retail Ireland**

The nine months to December '09 have been particularly difficult for our Retail businesses in Ireland. Net interest income decreased by 20 percent predominantly driven by the tighter liability spreads due to the intense price competition for deposits and the low interest rate environment

Net other income was lower by 54 % reflecting a net charge of 74 million euro as a result of a court ruling associated with a European property investment, a 52 million euro impairment on the value of some investment properties and lower fee income in business banking, Private Banking and credit cards. Other income performance was also impacted by a distribution by Visa International following its IPO, which was recorded in the prior comparable period.

Operating expenses were tightly managed and reduced by 3%

The sharp contraction in economic activity, with continuing low levels of transactions in both the commercial and residential property markets, have impacted credit quality and resulted in a substantial increase in the loan impairment charge. In the nine months to December '09, the impairment charge was 1.8 billion euro compared to 360 million euro in the nine months to December '08. Of the 1.4 billion euro increase in the impairment charge, 70% relates to property and construction loans; 20% to non-property SME loans; 10% to residential mortgages.

**Slide 38: Bank of Ireland Life**

Operating profit in our Life business has been significantly impacted by poorer investor sentiment. Sales of new business were down significantly with APE sales lower by 32% in the 9 months to December '09 compared to the comparable prior period, which together with policy lapses, due to lower disposable income, and lower fees due to lower assets under management led to a significant reduction of 25 percent in operating income.

We continue to manage costs tightly.

A significant positive movement in the investment valuation variance of 109 million euro has resulted in a significant profit improvement from a loss before tax of 1 million euro in the nine months to December '08 to a profit before tax of 69 million in the nine months to December '09.

**Slide 39: UK Financial Services (Sterling)**

Operating profit pre impairment including the contribution from associates and joint ventures in UKFS is 13 percent lower in the 9 months to December '09 compared to the comparable prior period. Income has contracted due to the impact of the intense competition for deposits on liability spreads which is somewhat offset by the improvement in margins in both the mortgage and Business Banking loan

books together with the cost benefits derived from the downsizing initiatives in the Division. The impairment charge in the Division increased significantly from 193 million pounds sterling in the nine months to December '08 to 948 million pounds sterling in the nine months to December '09. The increased impairment charge arises primarily in the land and development portfolio in Business Banking.

Turning to the business units within the Division. The Mortgage Business operating profit pre-impairment increased by 5% in the reporting period, reflecting improved product margins and a material reduction in costs due to the closure of the intermediary channel to new business. However, profit before tax is 39 % lower in the reporting period, following an increase in the impairment charge from 14 bps to 30 bps.

Business Banking operating profit pre-impairment decreased by 14% largely as a result of intense competition for deposits and higher wholesale funding costs with some improvement in back-book lending margins and lower costs due to downsizing. The significant Business Banking loss before tax, results from the material increase in impairment charges from 147 million pounds sterling in the nine months to December '08 to 860 million sterling in the nine months to December '09 – practically all of this increase relates to the property and construction element of the loan book.

Profit before tax in our Consumer Financial Services business is 29 percent lower reflecting deposit margin attrition and reduced revenues in our foreign exchange business, largely as a result of the impact on foreign travel of both the UK recession and sterling weakness.

**Slide 40: Capital Markets**

Operating profit, pre-impairment, in Capital markets is 13 percent lower in the reporting period driven by lower income across business units and higher cost of funding, partly offset by an 18 percent reduction in costs due to downsizing initiatives and business disposals.

Corporate Banking pre impairment provision operating profit was 2 percent lower reflecting a 3 percent reduction in operating income and a 6 percent reduction in costs. There was a significant increase in impairment charges to 1.2 billion euro - an increase of 1 billion euro which particularly reflects the deterioration in asset quality in the Property and construction book, along with challenging conditions for certain mid-tier Irish corporate customers and some specific debt restructuring activity in the leveraged acquisition finance business.

Profit before tax in Global Markets is down 26 percent driven by a significant decrease in income due to higher funding costs, being well positioned in a falling interest rate environment in 2008 and lower levels of third party business due to reduced economic activity. An impairment charge of one million euro was incurred compared to 61 million euro in the comparable prior period on the Group's exposure to Washington Mutual and some Icelandic banks.

**Slide 41: Conclusion**

In conclusion – the operating environment in 2009 was very difficult. Trading conditions in the first quarter of our 2010 financial year remain challenging, albeit with some signs of stabilisation. Over the nine month period to December 09 we have improved our funding profile and managed our costs well.

The first tranche of assets to transfer to NAMA will occur at the end of this week and we believe that loan losses on our retained loan book have peaked in 2009. Furthermore, we also believe that, post NAMA, the Group's loan book will be much more balanced

As we have stated this morning we are actively exploring options to strengthen our capital position to meet market expectations and to this end we have been working with a syndicate of major international investment banks with a view to maximising the private capital element of any capital raise. Having received clarity from the Financial Regulator, and data relating to the first tranche of assets transferring to NAMA, we expect to be in a position to make a further announcement when clarity regarding the final outcome of our discussions with the EU regarding our restructuring plan has been received.

Thank you and I will now hand you back to Richie.

Ends.