Annual results - 12 months ended 31 December 2011

Presentation 14 April 2011

CEO & CFO speeches

Slide 1: Title slide

Slide 2: Forward-looking statement

Slide 3: Title slide – Richie Boucher

Good morning everyone – welcome to our Annual results presentation for the 12 months ended 31 December 2010 and thank-you to those of you who have joined us here in Dublin and who are joining us by way of conference call and webcast.

Slide 4: Presentation of 2010 annual results

I will open today's presentation with an overview of 2010 and the actions that we are undertaking to build a sustainable future for Bank of Ireland – I will then hand-over to John O'Donovan to take you through the details of our financial performance.

Slide 5: Overview

2010 was a difficult year for Bank of Ireland. In the early part of 2010, financial markets were positive, enabling us to pursue our strategy of improving the quality and tenure of our funding, and also facilitating our capital raising which we completed in June 2010. However, the second half of 2010 was dominated by concerns regarding sovereign debt levels in peripheral Eurozone countries driven by large fiscal deficits and rapidly rising levels of sovereign debt and the impact of these debt levels on their economies.

Trading conditions in our core market remain difficult. Although quarterly economic statistics have been somewhat mixed throughout 2010, it appears that the Irish economy has stabilised. Although economic recovery is being led by the export sector, the domestic economy remains sluggish, with very modest growth forecast for both GDP and GNP for 2011. Despite the difficulties in the Irish economy, there remain key fundamental strengths that positions Ireland to avail of the continuing global economic recovery.

Notwithstanding this environment, 2010 has also been a period of continuing progress for the Bank.

We have taken decisive steps to stabilise the Group and achieved progress on a range of critical strategic issues. Following the outcome of the 2010 PCAR exercise, we undertook complex capital raising programme to generate the required capital to meet the 2010 PCAR standard. This capital raising was complete successfully in June 2010 which improved our capital position.

However, in the announcement of the IMF / EU programme of support for the Irish State, the Central Bank of Ireland introduced higher target capital ratios, and required Irish Banks to complete another PCAR stress test, details of which were published on 31 March 2011. Arising from the 2011 PCAR, Bank of Ireland is required to generate an additional 4.2 billion euro in new equity capital and a further 1.0 billion in contingent capital.

Over the past two years, we have focused on key a range of key strategic issues that would support the stabilisation of the Group and position it for economic recovery and a more focused, and much strengthened bank. We have continued to make progress including: strengthening the Group's capital position, rigorously managing asset quality, reducing our costs and dealing with a number of very large legacy issues such as our pension deficit and infrastructure arrangements.

We have had our Restructuring and Viability Plan approved by the European Commission and we have preserved the core structures of the Group including our

important strategic presence in the UK. We have strongly supported our customers particularly in Ireland, deepening our relationships with consumers and businesses in Ireland is fundamental to our future and is an area of absolute focus.

Due to the systemic issues arising from the sovereign debt crisis which led to a number of credit ratings downgrades for both the Irish Sovereign and Irish banks, we were unable to achieve our funding objectives from the second half of 2010. Market sentiment deteriorated from May 2010 resulting in wholesale funding markets being effectively closed to the Irish Sovereign and Irish banks, including the Group. Notwithstanding some term issuance in the third quarter. The uncertainties regarding an extension of the government guarantee and leading up to the announcement of the EU / IMF programme of support impacted on customer deposits and significant outflows of ratings sensitive deposits, primarily from our Capital Markets Division were experienced. Consequently, the Group's reliance on Monetary Authority support increased.

Throughout 2010, we remained focused on our key priorities, and the results that we report this morning are in line with expectations.

Slide 6: Macro-economic outlook

The scale of the contraction in the Irish economy has been very significant with GDP contracting by 1% in 2010, having declined by 7.6% in 2009 and 3.5% in 2008. GDP is expected to recover gradually in 2011 driven by the export sector.

A significant fiscal correction within a broadly agreed framework is underway and this is impacting on consumer income and domestic investment.

Consumer sentiment remains cautious and the savings ratio has increased to 12%. Unemployment remains elevated and job creation on a meaningful scale is likely to lag general economic recovery.

In the UK, leading economic indicators have been generally a little more positive. However, concerns remain that the impact of austerity measures introduced in the UK

national budget may dampen the economic recovery. Despite recent uncertainty, unemployment appears to have stabilised and the risk of significant house price deflation appears to have abated giving us further confidence in our significant mortgage portfolio in the UK.

Slide 7: Irish economy – Underlying Fundamentals

Despite the Irish economy's current difficulties, we believe that Ireland's core strengths of a strong export sector, favourable demographics, with a well educated skilled workforce, and its pro-business environment will underpin a return to economic growth.

In 2010, the IMD world competitiveness yearbook ranked Ireland favourably on important key dimensions affecting national competitiveness.

There have been significant adjustments within the Irish economy which are also contributing to improved competitiveness, including significant wage restraint with the EU forecasting that Ireland's labour cost will improve by 13% versus the EU average over the period 2008 to 2012. In addition, reduced infrastructure costs for business are also improving cost competitiveness, together with significant fiscal adjustment to re-align the State's finances.

Ireland remains an attractive location from which to do business and many of the World's leading multinationals continue to actively invest in Ireland, and Ireland is well positioned to capitalise across diverse growing global markets in a range of industries including: Pharmaceuticals, Medical Devices and Technology, IT, Financial Services, Food and Drink, Telecoms, and Industrial products and services. Ireland's indigenous Irish manufacturing companies are also showing signs of a return to growth.

Slide 8: Prudential Capital Assessment Review

The Group met the capital requirements from the March 2010 PCAR. In tandem with the announcement of the EU/IMF Programme, the CBI announced on 28 November 2010 that it had set a new minimum Core tier 1 ratio target for the Irish banking

system of 10.5% on an ongoing basis compared to the previously 8% Core tier 1 target. In addition, Irish banks were required to complete a Prudential Capital Assessment Review (PCAR) to assess prudential capital requirements arising under a base case and aggressively conservative adverse stressed loan loss scenario, over a three year (2011-2013) time horizon, together with deleveraging plans to reduce reliance on short term wholesale funding and liquidity support from Monetary Authorities.

The results of the PCAR were announced by the Central Bank on 31 March 2011, requiring the Group to generate additional equity capital of €4.2 billion including a regulatory buffer of €0.5 billion. In addition, €1.0 billion contingent capital is also required comprising a convertible debt instrument.

The equity and contingent capital requirement has been set to meet:

- the higher minimum target capital ratios set by the Central Bank of a minimum Core tier 1 ratio of 10.5% on an ongoing basis (up from 8% previously)
- a Core tier 1 ratio of 6% under the adverse stress scenario;
- an additional regulatory buffer of €0.5 billion for additional conservatism;
- the impact of aggressively conservative adverse stress scenario loan loss estimates based on BlackRock Solutions ("BlackRock") methodology; and
- a conservative estimate of losses arising from deleveraging.

This PCAR review also included a deleveraging plan (PLAR) which anticipates a loan to deposit ratio of less than 122.5% for the Group by 31 December 2013 whereby circa 30 billion euro of non-core loan portfolios will be wound-down or sold, of which circa 10 billion will be through disposals. This augments the asset reductions and liquidity initiatives contained in the Group's approved EU Restructuring and Viability Plan.

Slide 9: Prudential Capital Assessment Review

The outcome of the 2011 PCAR is based on future loan loss estimates undertaken by BlackRock on behalf of the Central Bank with aggressively conservative assumptions on the performance of the Group's loan books under such modelled potential stress conditions.

For Bank of Ireland, the resulting incremental capital requirement was primarily driven by the methodology applied by BlackRock to our residential and commercial mortgage books in both the base case and adverse stress scenario.

This methodology applies, in our view, a "repossess and sale" approach under scenarios with conservative residential and commercial property values as the primary driver of loan losses in both mortgage and investment property portfolios and places less emphasis on customers' repayment capacity including contracted income streams.

This approach is materially different to the methodology used in previous reviews of potential future loan losses by Bank of Ireland and other leading international risk consultants including Oliver Wyman.

Under the base case the aggregate three year losses under the BlackRock methodology are broadly in line with Bank of Ireland's estimated losses for our residential mortgage, consumer, and SME and corporate loan portfolios with the 1.4 billion difference arising almost exclusively in relation to loan loss forecasts on the Group's investment property portfolio, driven by the above factors.

As with any stress test, the adverse stress scenario is designed to cover unlikely but potential "what-if" situations reflecting even more stressed macroeconomic conditions than might reasonably be expected to prevail. If the actual loan losses and loss on disposal over the three year period 2011 to 2013 equate to the Group's estimates, the Group should significantly exceed the 10.5% minimum Core tier 1 capital ratio as required by the Central Bank.

In advance of the 2011 PCAR, the Group commissioned Oliver Wyman, leading international risk consultants, to provide an independent review and challenge of the Group's future loan loss estimates through a detailed review of its customer loan books excluding Land and Development assets and assets potentially held for sale to NAMA. Oliver Wyman has confirmed, that on the basis of work it has performed, it believes the Group's base case loan loss estimates for the three year period 2011 - 2013 to be reasonable. The results of this review are consistent with previous guidance to the market that loan losses (excluding assets sold or held for sale to NAMA) peaked in 2009, and reduced in 2010 with anticipated further reductions in subsequent years.

Slide 10: Bank or Ireland – Core Bank

Following strategic decisions taken and implemented over the past 2 years, the approval in 2010 of our EU Restructuring and Viability Plan and the approval of our deleveraging plan as part of the 2011 PCAR, we have even further clarity on the future shape of the group and on our strategy. Going forward we will continue to focus our capital, funding and resources on our core businesses where we have competitive strengths and capabilities, and healthy sustainable market positions.

Our core portfolios will be largely funded by customer deposits and our future growth largely driven by our ability to attract customer deposits.

In Ireland our objective remains to be the leading retail and commercial bank with strong market positions across our principal product segments where we currently hold the number 1 or 2 position. We have retained our extensive distribution capability through the Group's branch network throughout Ireland and we are committed to continued improvements in customer service.

Our position in the UK market has been enhanced by the establishment of our UK licensed banking subsidiary, through which we will maximise the opportunity in retail and commercial banking activities through our branch network in Northern Ireland and continue to develop our consumer banking franchise through our partnership with the UK Post Office.

Our Capital Markets division comprises our corporate banking and customer driven treasury management activities in Ireland and the UK and in selected niche segments internationally where we have clear strengths and capabilities.

Our core business is centred on strong customer relationship franchises where Bank of Ireland can compete from a position of strength. We remain committed to our strategy to de-lever our balance sheet outside Ireland and continue to support economic recovery for the benefit of all of our stakeholders.

Slide 11: Bank or Ireland – Non-Core Assets

Our deleveraging plan incorporated into the 2011 PCAR augments the deleveraging initiatives included in our EU Restructuring and Viability Plan which was approved by the European Commission in July 2010.

The fundamental characteristics of our non-core portfolios are loan portfolios outside Ireland with limited cross-selling opportunities and primarily wholesale funded, thereby reducing the franchise value of the portfolio. The non-core loan portfolios represent circa 39 billion euro and risk weighted assets of 22 billion euro at December 2010. The non-core portfolios include:

- Portfolios of UK Intermediary sourced Residential Mortgages
- Selected international niche businesses such as project finance, asset based lending, and certain previously identified international corporate banking portfolios
- Certain international commercial investment property portfolios; and
- Land & Development loans less than 20 million euro

Over the three years to December 2013, we expect to wind down circa 30 billion euro of these portfolios through organic deleveraging and selective asset disposals. Disposals will be made on a basis that balances stronger liquidity ratios whilst avoiding “fire-sales”. The geographic profile, together with the asset mix and diversification of these portfolios provides optionality in respect of any disposals.

Slide 12: Building a Sustainable Future

Our key objective is to continue the progress and momentum in delivering a sustainable future for Bank of Ireland, so that it emerges from this crisis strong, capable of supporting economic growth and benefitting all of our stakeholders.

The recessionary environment together with the systemic issues impacting on the Irish banking system makes these objectives challenging. However, we have faced up to a number of challenges over the past two years and have been steadily dealing with them in a structured, focussed, comprehensive and disciplined manner. Bank of Ireland has a strong belief in the potential for the Irish economy to recover and has a substantial responsibility to the Irish taxpayers from whom it has had very significant support and investment.

Looking forward, our key strategic goals are:

- To be the clear leading Irish bank, in a consolidating sector, well positioned with strong customer franchises and supporting economic recovery
- Being strongly capitalised with no reliance on Monetary Authority support or government guarantees
- Having a sustainable funding base with lower reliance on wholesale funding
- Delivering sustainable reduced cost structures capable of servicing the Group efficiently
- Generating returns on products and services so that costs are covered, that risk is appropriately priced and that capital is remunerated and rewarded.

In pursuit of these goals, we continue to make progress on our key priorities

Slide 13: Continuing progress on our key priorities

Slide 14: Continuing progress on our key priorities

Based on our experience, and the detailed review that we have undertaken together with the independent reviews undertaken by Oliver Wyman, we believe that the Group's loan impairments peaked in 2009, and reduced in 2010 with further reductions anticipated in future years. In addition, our loan portfolios are diverse geographically with circa 55% of the Group's loan assets outside the Republic of Ireland.

The Group re-engaged Oliver Wyman to independently review and challenge the Group's non-NAMA impairment estimates. This review confirmed that Bank of Ireland's impairment estimates to be reasonable.

The Group's deleveraging plan confirms the future shape of the Group and augments the Group's EU Restructuring and Viability plan. The EU plan is subject to ongoing independent review and asset deleveraging and business sales are ahead of plan.

An updated EU plan may be required post 2011 PCAR in relation to any state aid provided to Bank of Ireland.

Slide 15: Continuing progress on deleveraging and derisking the Balance Sheet

Since the height of the Global financial crisis, September 2008, the Group's has implemented a range of deleveraging initiatives. Arising from these initiatives together with the transfer of assets to NAMA, the Group's total loan book (including assets held for sale to NAMA) have reduced by 20% with risk weighted assets reducing by 32%.

The Group's strategy is to continue to make a meaningful impact of our deleveraging initiatives and revert to a more traditional retail banking funding structure with loan portfolios substantially funded by deposits.

Slide 16: Continuing progress on Strengthening out Capital Ratios

Our capital ratios have been significantly strengthened since September 2008.

The Group's capital raise in June 2010 generated gross capital of 3.6 billion euro, 2.9 billion euro net after fees and buying back the warrants held by the Irish Government. In addition, ongoing liability management exercises have been undertaken to swap / purchase subordinated bonds in order to generate additional equity. In aggregate, we have swapped c 5.8 billion euro to generate equity of 2.6 billion euro.

With the additional 4.2 billion euro in equity required, the Group's Core tier 1 ratio was 15% at 31 December 2010 on a proforma basis.

Slide 17: Continuing progress on Reducing Operating Costs

Since the commencement of the crisis, the Group has implemented robust cost disciplines in order to drive cost savings across the organisation, achieving cost reductions of 17% over this period. Through our restructuring initiatives together with restraints on hiring staff, we have reduced staff numbers by circa 2,400 or 14% since 2008. Further redundancy programmes are underway in order to streamline operations and drive efficiencies. We also addressed the structural deficit in our Group defined benefit pension schemes at December 2009. Our proposals to address the deficit of 1.6 billion euro at December 2009 were accepted by over 99 percent of relevant staff resulting in a material reduction in the net pension deficit which at December 2010 was 0.4 billion euro.

We continue to drive efficiencies in non-staff costs and expect to generate sustainable savings from the renegotiation of our major outsourcing contracts completed over the past 2 years. In addition, the investments that we are making in processes and systems to enhance efficiencies and the reconfiguration of our premises arrangements has also begun to yield benefits which will be increasingly realised over the next few years.

The Group's cost base is being actively re-aligned to reflect our revised structure and strategy, with benefits arising from the actions that we have taken over the last two years and further consolidation initiatives, resulting in a sustainable reduced cost structure.

Slide 18: Key Challenges

There are however key challenges that we face as we build a sustainable future for Bank of Ireland. The timing and pace of recovery in the Irish economy is a factor impacting on the Group's ability to return to sustainable earnings. Despite the difficulties facing the Irish economy, we believe that the economy has the potential to return to sustainable growth based on its core strengths. GDP is expected to recover gradually in 2011 driven by the export sector, which is performing well.

The key factors that underpin a return the economic growth include exports, improved competitiveness following the substantial cost reductions in the economy, and a rebalancing of the Governments fiscal position.

The systemic issues facing the Irish sovereign and the Irish banking system have adversely impacted on the Group's funding position, resulting in significant outflows of ratings sensitive deposits and reduced access to unsecured term funding as wholesale markets closed to Irish banks. This has meant that we have increased our reliance on Monetary Authority funding. In addition, the systemic guarantees have been extended until June 2011. Since 28 November 2010, the Group's customer deposit base has remained broadly stable supported by the resilience of our retail deposit franchises in Ireland and the UK.

The implementation of our deleveraging plan, together with our deposit gathering initiatives will result in an elimination of Monetary Authority support and materially reduced reliance on wholesale funding requirements.

Slide 19: Key Challenges

The scale of restructuring has represented a significant and complex challenge. We have been making good demonstrable progress. Further initiatives will be implemented to deleverage the Group’s balance sheet and realign the organisation to reflect the reduced size and scope of operations.

The capital requirement under the 2011 PCAR incorporates conservative loss on disposal assumptions and the geographical diversification and asset class mix provide us with optionality to achieve our objectives in a manner that balances the liquidity benefit whilst avoiding fire sale of assets.

All Group operations are subject to ongoing cost reviews. Actions taken over the past 2 years have already made considerable progress in embedding a lower sustainable cost structure.

Improving our net interest margin continues to be a major priority. Our net interest margin has been adversely impacted by the low interest rate environment, intense competition for deposits and higher costs of wholesale funding. We have continued to re-price back books where possible and have seen improved margins on new lending although demand for new lending in Ireland is muted.

In order to further improve the Group’s net interest margin, we will continue to implement actions to re-price new business to reflect the cost of funds and that risk is appropriately priced. Although demand is now muted, future growth in lending will contribute positively to the Group’s net interest margin.

The Group’s net interest margin will also be positively impacted by a return to more sustainable deposit pricing, together with anticipated general rises in Euro and Sterling interest rates.

Slide 20: John O'Donovan

Thank-you for your attention, John O'Donovan our CFO will now bring you through our financials in more detail.

Slide 20: John O'Donovan - Group Chief Financial Officer

Thank-you Richie. Good morning everyone.

My presentation today will focus on the key areas of continuing focus for investors – asset quality, funding and capital. In addition for your information, we've also included more detailed supplementary information and analysis at the back of the presentation pack.

Slide 21: Section 2 – Asset quality

Turning first to the profile of total Loans and Advances to Customers (excluding loans held for sale to NAMA which at December 2010 amounted to 900 million euro).

Slide 22: Profile of total loans and advances to customers (excluding loans held for sale to NAMA)

Arising from the new Government's statement in its programme for government that it would end further assets transfers to NAMA, the Group has classified Land and Development loans of less than 20 million euro as loan and advances to customers as at December 2010 rather than assets held for sale to NAMA. Throughout this presentation we have presented the December 2009 comparators on a proforma basis to reflect this change.

Total loans and advances to customers before balance sheet impairment provisions at December '10 were 119 billion euro.

The largest element of the Group's loan book continues to be residential mortgages in Ireland and the UK which comprise 51% of total loans. The corporate and SME portfolios represent 26%, lending to the property and construction sectors comprises 20%, whilst our portfolio of consumer loans is relatively modest at 3%.

The Group's loan book is diversified geographically with 45% of the Group's lending in the Republic of Ireland, 46% in the UK, and the remaining 9% primarily in Western Europe and the US.

Our deleveraging plans which were incorporated in the 2011 PCAR exercise augment the deleveraging initiatives included in the Group's EU Restructuring and Viability Plan which was approved by the European Commission in July 2010.

The non-core loan portfolios and lending businesses that are being run down or disposed of over time, have already been outlined by Richie.

Slide 23: Impaired Loans and Impairment Charges (excluding loans held for sale to NAMA)

We have seen deterioration in the quality profile of the Group's loan book reflecting the continued impact of the difficult economic conditions, which have resulted in high levels of unemployment, lower disposable incomes and poor consumer sentiment, falling asset values and illiquidity in property markets. As a result we have experienced an increase in the quantum of impaired loans which have risen from 8 billion euro or 7% of customer loans at December '09 to 11 billion euro or 9 % of loans at December '10. Circa 50% of the increase is related to the property and construction loan book which has seen the most significant deterioration in asset quality. This deterioration has been primarily related to the continuing difficult

economic conditions, reduced assets values and illiquidity in property markets, particularly in Ireland. Circa 30% of the increase related to the corporate and SME loan book, with circa 20% related to residential mortgages. The increase in impaired loans was most significant in the first half of 2010 whilst the rate of increase has moderated in the second half of the year.

We have increased the quantum of provisions against impaired loans from 3.8 billion euro at December '09 to 5.0 billion euro at December '10 with an overall coverage ratio on the Group's impaired loans at December '10 of 45%.

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 these assets and therefore vary across each loan category. Coverage ratios on the Group's individual portfolios are included in the supplementary information to this presentation.

The Group impairment charge for 2010 amounted to 1,887 million euro – compared to 2,851 million euro in 2009, when in line with our expectations loan losses peaked.

The Residential mortgages impairment charge of 407 million euro compares to a charge of 296 million euro in 2009, primarily driven by the increase in our peak to trough assumption for house prices in Ireland from 45% to 55%. This change in assumption resulted in an increase in impairment charges on our Irish mortgage book of circa 100 million euro in 2010. In addition, the continued difficult economic environment and the high unemployment levels contributed to a further 51 million euro increase in impairment charges on Irish mortgages. The charge on our UK book decreased from 103 million euro to 63 million euro reflecting more stable house prices and employment levels.

The impairment charge on the corporate and SME loan book has decreased in 2010 reflecting the more favourable global economic outlook which has positively impacted our larger corporate customers who are focused internationally. However,

the difficult economic conditions in Ireland, together with poor consumer sentiment continue to put pressure on SMEs with impairments remaining elevated in that sector.

The impairment charge for the property and construction loan book has also decreased in 2010. Whilst we have seen a significant reduction in the charge year on year, the 2010 charge reflects, reduced assets values and illiquidity in property markets, which have continued to reduce rental flows and delay recovery prospects.

Impairment charges on Consumer loans peaked at 234 million euro in 2009 falling to 127 million euro in 2010.

Slide 24: Group Residential Mortgages - €60 bn December 2010

In total, residential mortgages represent 51% of the Group's total loan book.

The UK mortgage book has declined by 3% December '10 compared to December '09 – with our 'run-down' intermediary mortgage book down 7% year on year. The pace of 'run-down' in this book is relatively slow with a 14% reduction since the book was put into run-down in January 2009, this is due to the low levels of mortgage re-financing in the UK market. There continues to be signs of stabilization in the UK housing market with house prices rising marginally in the 12 months to December '10, and down 12.5% from the peak in October 2007 although mortgage demand remains muted given the uncertainties on the impact of Government austerity measures on personal finances. Some negative equity remains in our portfolio – amounting to circa 111 million pounds sterling at December '10, down from 260 million pounds sterling at December '09.

Arrears in the overall UK mortgage book continue to be lower than the industry average as evidenced by the most recently published CML data despite our intermediary sourced mortgages being a closed book in run-down.

The impairment charge on the UK mortgage book was 19bps for 2010, compared to a charge of 31bps in the prior year. Our experience in possessions remains relatively benign.

Turning to our Irish residential mortgage book.

The Irish residential mortgage portfolio is flat December '10 compared to December '09 with mortgage repayments offsetting new business volumes which were significantly down on 2009 levels.

House prices remain weak although the pace of decline in Irish residential property prices continues to moderate with house prices falling by 10.8% in 2010.

Net negative equity in our portfolio at December '10 was approximately 2.3 billion euro, up from 1.4 billion euro at December '09.

The asset quality of the Irish mortgage portfolio has deteriorated, with an impairment charge of 122bps in 2010 compared to 72bps in the prior year, primarily driven by the increase in our peak to trough reduction assumption for house prices in Ireland from 45% to 55%. Unemployment remains the key risk driver of impairment in our mortgage portfolio and the charge reflects higher unemployment levels and lower disposable incomes, partly mitigated by the low interest rate environment.

Arrears levels have increased in the book with the number of mortgages, 90 days or more in arrears, at 417bps in December '10 compared to 276bps in December '09, and 349bps in June '10. The number of Owner Occupier cases in arrears for greater than 90 days was 376bps in December '10 compared to 261bps in December '09.

This rate of arrears on Owner Occupier compares to the level of arrears published by the Central Bank which reported arrears of 566bps for Owner Occupier mortgages at December '10. The arrears rate on the buy-to-let portfolio continue to be significantly higher than the level of owner occupier arrears with cases 90 days or more in arrears at 591bps at December '10. We work closely with those of our customers who face financial difficulties and we operate the Central Bank's code of conduct on mortgage arrears.

In relation to our overall Irish mortgage book, we have modified terms for 5.6% of owner occupiers, and of these 74% are not in arrears. This compares to the market wide statistics published by the Central Bank which report 7.5% of owner occupier mortgages restructured with 59% not in arrears. The primary type of modification provided by the Group is interest only repayments which represents two-thirds of modifications. Such arrangements are reviewed periodically to determine whether the customer can revert to their normal terms. We do not capitalize arrears; if a customer goes into arrears, any outstanding arrears remain recognized as such until fully repaid. The level of possessions in our total Irish portfolio remains low with 85 properties currently in possession; however the trend of new possessions in 2010 has shown a significant increase over 2009.

Slide 25: Corporate and SME loans and Consumer Loans

The Group's corporate and SME portfolio reduced by 9% in 2010. This reduction has been driven by muted demand for new lending, customer repayments and the deleveraging initiatives implemented by the Group.

The portfolio is diversified across a range of business lines, sectors and geographies. We have experienced some divergence in performance between our Corporate and SME portfolios, with loans to internationally focussed customers performing relatively better given the improving global economic environment compared to the continued pressure being experienced in the domestic SME sector.

The impairment charge on the corporate and SME portfolio of 609 million euro in 2010 remains elevated and reflects the impact of the continued slowdown in economic activity particularly in the domestic SME sector.

Our Consumer loan portfolio is 3.7 billion euro at December '10 down 15% from December '09 reflecting muted demand for new lending and customer repayments. Impairment charges for this portfolio are down from their peak, with a charge of 127 million euro in 2010 compared to 234 million euro in the prior year. This reduction in impairment charges has been driven by the reduction in the overall portfolio, enhanced management of arrears and the impact of revised underwriting standards implemented during 2008.

Slide 26: Property & Construction

Our investment property portfolio totals 20 billion euro and is 17% of the Group's loan book. Total volume decreased by 1.0 billion euro December '10 compared to December '09, primarily driven by customer repayments.

Of the Investment property portfolio, 34% is in Ireland and 57% in the UK, with the balance in the US and Europe. This portfolio is broadly diversified with a bias towards the retail sector.

The impairment charge on the investment portfolio in 2010 was 445 million euro, compared to 375 millions in the prior year. The increase in the impairment charge was driven by the continuing difficult economic conditions, reduced assets values and illiquidity in property markets, which have continued to reduce rental flows and delay recovery prospects.

The balance sheet impairment provision on the portfolio at December '10 is 1 billion euro or 34% coverage on impaired loans of 2.8 billion euro.

Arising from the new Government's statement in its programme for government that it would end further assets transfers to NAMA, the Group, at December 2010, has classified Land and Development loans of less than 20 million euro as loans and advances to customers rather than assets held for sale to NAMA. Arising from this change, the Group has 4.6 billion euro of Land and Development loans at the end of 2010.

These Land and Development loans are geographically spread with 54% in Ireland, 39% in the UK and the remaining 7% primarily in the US and Western Europe. The impairment charge on this portfolio was 0.3 billion euro in 2010 compared to 1.1 billion euro in the prior year. The balance sheet impairment provision on the Land and Development portfolio in December '10 is 1.5 billion euro or 48% coverage on impaired loans of 3.1 billion euro.

Slide 27: Loans held for sale to NAMA

The Group transferred 9.4 billion euro of assets to NAMA in 2010. In return we received 5.2 billion euro of Government guaranteed NAMA bonds and NAMA subordinated debt which equates to a gross haircut of 44 percent on the transfer.

The Group has 900 million euro of loans remaining on its balance sheet, in December 2010, awaiting transfer to NAMA. Due to the preponderance of investment property loans in this sub-portfolio, we expect the gross discount to be less than the average gross discount incurred on NAMA transfers to date.

Slide 28: Funding and Capital

Turning now to the third section of today's presentation – Funding and Capital

Slide 29: Balance Sheet Funding

Our strategy envisages that future lending in our Core portfolios will be substantially funded through customer deposits. We have taken action to deleverage the balance sheet by running down non-core loan portfolios and focusing on our core relationship businesses in order to eventually enable the Group to fund its lending portfolios substantially through deposits. These initiatives will be supplemented by additional deleveraging included in our PLAR deleveraging plan which sets a target loan to deposit ratio for the Group of 122.5% by December '13.

Despite the positive actions that we had taken in the first half of 2010, where we sought to term out our wholesale funding and sought to improve our funding position through deleveraging initiatives and deposit gathering, the Group's funding position was adversely impacted by the credit rating downgrades for the sovereign and the Group, in the latter part of 2010 leading up to the EU / IMF programme of support in November 2010.

This resulted in a significant shortening of the maturity profile of wholesale funding due to limited access to term funding, outflows of ratings sensitive deposits in our capital markets business, and an increased reliance on secured borrowing primarily from Monetary Authorities. The Group's loan to deposit ratio at December 10 increased to 175% from 141% at December 2009.

We continue to focus on deleveraging as a means of reverting to a more traditional banking model that is primarily deposit funded and our business plan incorporates initiatives to achieve this.

Slide 30: Group deposits and wholesale funding

Customer deposits were 65 billion euro at 31 December 2010, a decrease of 19 billion euro from December ’09. This substantial reduction was driven by outflows of ratings sensitive deposits in out Capital Markets business and Business Banking UK following the ratings downgrades of the Sovereign and the Group in the latter half of 2010. The outflows experienced were concentrated firstly in the period from the end of August 2010, to September 2010 due to uncertainty relating to the extension of the Government Guarantee where large institutional depositors withdrew money in the weeks leading up to the extension.

Secondly, we experienced additional outflows in the weeks leading up to the announcement of the EU/IMF programme of support. Since 28 November 2010, customer deposits have been broadly stable.

Throughout 2010 and indeed throughout the global financial crisis, our core retail customer deposits in Ireland have been stable, despite intense competition. Our share of the total resources market in Ireland is 27% - supported by the strength of our brand, distribution and franchise.

The establishment of a UK licensed banking subsidiary in November 2010 greatly enhances our deposit gathering positioning within the UK market and strengthens our relationship with the UK Post Office.

Our joint venture with the Post Office continues to be a valuable source of granular retail deposits – since its launch in March ’06, we have grown this deposit book to 11 billion pounds sterling, with growth of 33% in 2010. A particular positive feature of this book continues to be the high levels of retentions on the rollover of deposits.

Despite the reduction in loans and advances to customers reflecting the Group's deleveraging initiatives and loan transfers to NAMA, the impact of the outflow of ratings sensitive deposits has resulted in an increase in the Group's loan to deposit ratio to 175% at 31 December 2010 compared to 141% in December '09. However, we have seen an improvement to 169% at March 2011 on the back of higher deposit levels in the first quarter of 2011.

Turning to Wholesale funding

The Group's funding position was negatively impacted by the heightened concerns regarding Irish sovereign debt, particularly in the 3 months leading up to the announcement of the Government of the EU/IMF programme on 28 November 2010. Arising from the ratings downgrades for the Sovereign and the Group, funding conditions deteriorated resulting in a shortening of the maturity profile of wholesale funding due to limited access to unsecured term funding and increased reliance on secured borrowing primarily from Monetary Authorities, together with significant outflows of ratings sensitive deposits primarily from the Group's capital markets businesses.

The quantum of wholesale funding increased to 70 billion euro at December '10 from 61 billion euro in December '09. This increase was driven by the reduction in customer deposits partially offset by a decrease in customer lending and liquid assets.

The total quantum of term funding increased to 22 billion euro at December '10 from 20 billion euro at December '09, however due to the overall increase in wholesale funding, the proportion of term funding with a remaining term to maturity of greater than one year remained at 32% of total wholesale funding in December '10, in line with December '09. The reduced access to funding markets meant that it was not possible for the Group to term out a greater portion of its wholesale funding.

Our short term, wholesale funding has increased to 48 billion euro at December ’10 from 41 billion at December ’09. The difficult market conditions and limited access to wholesale funding has resulted in extended usage of liquidity facilities provided by Monetary Authorities and the additional liquidity facilities provided by the Central Bank, which together total to net drawings of 31 billion euro at December ’10, compared to 8 billion at December ’09.

Slide 31: Capital position and capital raising

Turning to capital.

Risk Weighted Assets decreased from 98 billion euro to 79 billion euro, December ’10 versus December ‘09, due to the sale of assets to NAMA, higher quantum of impaired loans, increased impairment provisions, and the impact of the Group’s deleveraging initiatives.

The Group’s Equity and Core tier 1 ratios increased from 5.3% and 8.9% at December ’09 to 7.3% and 9.7% respectively at December ’10. The increase in these ratios was driven by the completion of debt for debt exchanges in February and December ’10, our capital raising in June ’10, operating profits in 2010 partly offset by impairment provisions and the impact of the loss on sale of assets to NAMA.

The additional capital required as a result of the 2011 PCAR review is required to cover the higher target capital ratios that have been set by the Central Bank of Ireland, a minimum Core tier 1 ratio of 10.5% on an ongoing basis and a Core tier 1 ratio of 6% under an adverse stress scenario; an additional 0.5 billion euro equity buffer built in for additional conservatism; the adverse stress scenario loan loss estimates based on the BlackRock methodology; and very importantly further deleveraging, using conservative loss assumptions.

With this additional capital, the Group's Core tier 1 ratio at 31 December 2010 was 15% on a proforma basis.

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 excluding non-core items which are itemised on slide 47. In 2010 non-core items amounted to 2.5 billion euro compared to 1.1 billion euro in 2009 – both positive to the income statement.

2010 has been a difficult trading period for the Group. Our total income for the year is down 16% reflecting the impact of the continuing intense competition for deposits, higher cost of wholesale funding, higher costs of the Government guarantee schemes, partially offset by higher asset pricing and the comparison impact of negative fair value movements in 2009.

However, the systemic guarantee fees significantly impact on this and excluding these costs, total income is down 9%. On an underlying basis, i.e. excluding non-core items, operating profit pre-impairment charges for 2010 was down 29% to 1,017 million euro. Impairment charges on loans and advances to customers, excluding assets held for sale to NAMA, totalled 1,887 million euro, a reduction of 34% on 2009. The Group incurred impairment charges of 168 million euro on available for sale financial assets, this included a charge of 98 million euro on a holding of subordinated debt, in addition to which the Group incurred an impairment charge of 70 million euro on NAMA subordinated bonds following the decision by NAMA not to pay the discretionary coupon due on 1 March 2011. The loss from the sale of 9.4 billion of assets to NAMA in 2010 totalled 2.2 billion euro, resulting in an underlying

loss before tax of 3.5 billion euro in 2010, compared to a loss of 3.3 billion euro in 2009.

Slide 34: Net Interest Margin

Net interest income, excluding the cost of the ELG scheme and IFRS income reclassifications, at 2.3 billion euro is 17% lower in 2010 compared to 2009. The Group's net interest margin reduced by 18 basis points to 1.46% on average interest earning assets of 160 billion euro, down from 173 billion euro in the prior year.

In 2010, Net interest income reduced by 494 million euro, 207 million euro of which is attributable to the reduction in the volume of average earning assets due to the Group's deleveraging initiatives and transfers to NAMA.

The most significant factor contributing to margin attrition is deposit pricing which reduced the Group's net interest margin by 24 basis points. The higher cost of wholesale funding reduced net interest margin by a further 11 basis points, with lower treasury income and balance sheet structure contributing, 3 basis points and 2 basis points respectively, to the margin attrition. These negative impacts were partially offset by the Group's re-pricing initiatives on its loan books which contributed 22 basis points positive to net interest margin.

Margin expansion remains a key management priority. Our net interest margin has been adversely impacted by the low interest rate environment, intense competition for deposits and in addition, we have been increasing our quantum of term wholesale funding at higher costs than heretofore.

Whilst we continue to reprice our back books, where appropriate, as facilities are renewed and expand new lending margins, we have not seen enough new loan

demand, due to economic conditions, to have a significant impact on net interest margin.

The Group's net interest margin should be also be positively impacted, over time, by a return to more sustainable deposit pricing, together with increases in interest rates.

Slide 35: Net Other Income

Net Other Income for 2010 is 741 million, an increase of 50 % over 2009. This substantial increase is driven by a number of items both in the prior year and 2010.

Most significantly, there was no recurrence in 2010 of the significant property related charges in 2009 relating to negative property valuations. In addition, the recovery in investment markets relative to 2009 contributed to a positive investment valuation variance in Bank of Ireland Life which was 17 million higher than the prior year. Government guarantee fees on the CIFS scheme were lower as it expired in September 2010, together with a reduction in the liabilities covered under the scheme as they would have been covered by the ELG scheme, whose fees are accounted for under net interest income. There were also a number of non-recurring other items which in aggregate increased net other income by 33 million euro. Underlying core banking fees and commission income reduced by 97 million, 13% down on the prior year due to the recessionary environment resulting in lower levels of new business.

Slide 36: Operating Expenses

We continue to tightly manage our operating expenses across all cost categories. Overall, operating expenses were down 6% in 2010 compared to the prior year. Staff costs are down 4% as a result of a 4% reduction in average staff numbers, while pension costs are down 11% reflecting changes to pension benefits to address pension

scheme deficits. Non-staff costs are also tightly managed down 6% on 2009. The Group maintains a very tight discipline on managing its cost base and continues to drive efficiencies though improved work practices, consolidation and streamlining of activities and through the renegotiation of key contracts with our suppliers. The actions that we have taken have reduced the Group's cost base by 17% since the peak in the 12 months to 31 March 2008.

As costs are a key item that management can directly influence, we will continue to drive efficiencies and re-align the Group's cost base to reflect the revised structure and strategy in order to achieve a sustainable reduced cost structure.

Slide 37: Conclusion

Trading conditions in the first few months of 2011 remain challenging. We believe that the Irish economy has the potential to recover and return to sustainable growth and that Bank of Ireland can support this recovery.

Funding costs remain elevated. Operating costs remain under strict control and we maintain our expectation that the impairment charges on our non-NAMA loans peaked in 2009, reduced in 2010, with anticipated further reductions in subsequent years.

We continue to face key challenges as we seek to build a sustainable future for Bank of Ireland. Clearly, economic recovery in Ireland is critically important and Bank of Ireland will support this recovery and future growth, thereby benefitting all of our stakeholders. We will remain focused on our priorities with a significant emphasis in the coming months on our capital plans and on making further meaningful progress on our deleveraging initiatives, whilst serving our customers through a more efficient focused business.

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

Slide 38: Questions and Answers

Slides 39 to 51: Supplementary Information