

# Bank of Ireland

## Interim Results Announcement

For the 6 months ended 30 June 2010



11 August 2010

# Forward-looking statement

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the "Group") plans and its current goals and expectations relating to its future financial condition and performance and the markets in which it operates. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as "may," "could," "should," "will," "expect," "intend," "estimate," "anticipate," "assume," "believe," "plan," "seek," "continue," "target," "goal," "would", or their negative variations or similar expressions identify forward looking statements. Examples of forward looking statements include among others, statements regarding the Group's future financial position, income growth, business strategy, projected costs, projected impairment losses, capital ratios, margins, future payments of dividends, the outcome of the current review of the Group's defined benefit pension schemes, estimates of capital expenditure, discussions with the Irish, European and other regulators and plans and objectives for future operations. Forward looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict, that may cause the actual results, performance, achievements or developments of the Group or the businesses in which it operates to differ materially from any future results, performance, achievements or developments expressed or implied from the forward looking statements. A number of material factors could cause actual results to differ materially from those contemplated by the forward looking statements, including, among other factors, the following:

- general economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;
- declining property values in Ireland and the United Kingdom;
- the potential exposure of the Group to various types of market risks, such as interest rate risk, foreign exchange rate risk, credit risk and commodity price risk;
- financial uncertainties in the EU and in member countries and the potential effects of those uncertainties on the Group;
- the ability of the Group to access sufficient funding to meet its liquidity needs;
- the outcome of the Group's participation in the Credit Institution (Financial Support) Scheme 2008 ("the CIFS Scheme") and the Credit Institutions (Eligible Liabilities Guarantee) Scheme ("the ELG Scheme");
- the implementation of the final European Commission restructuring plan;
- changes in the Group's credit ratings;
- the effects of the Irish Government's stockholding in the Group (through the National Pension Reserve Fund Commission ("NPRFC"));
- the outcome of the Group's participation in National Asset Management Agency ("NAMA");
- changes in the Irish banking system;
- the making of further contributions to the Group's pension schemes;
- changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates;
- the effects of competition and consolidation in the markets in which the Group operates; and
- the success of the Group in managing the risks involved in the foregoing.

See page 66 to 70 for more information on factors that could cause actual results to differ materially from those contemplated by the forward looking statements in this document.

Any forward looking statements speak only as at the date they are made. The Group does not undertake to release publicly any revision to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the Group may make in documents that it may file or submit to the US Securities and Exchange Commission ("SEC").

## Basis of presentation

- Bank of Ireland change of financial year end to 31 December
- Published financial information comprises:
  - Income Statement comparatives for 6 months to 30 June 2010 versus 6 months to 30 June 2009
  - Balance Sheet comparatives as at 30 June 2010 and 31 December 2009

# Richie Boucher

## Group Chief Executive

# Presentation of Interim results

<b>Section 1:</b> Group Chief Executive's Review	<b>Slides 6 to 16</b>
<b>Section 2:</b> Asset quality <small>Loans and advances to customers (excluding loans held for sale to NAMA)</small>	<b>Slides 18 to 27</b>
<b>Section 3:</b> NAMA	<b>Slides 28 to 30</b>
<b>Section 4:</b> Funding and capital	<b>Slides 31 to 39</b>
<b>Section 5:</b> Group Income Statement	<b>Slides 40 to 44</b>
<b>Section 6:</b> Divisional performance	<b>Slides 45 to 49</b>

# Significant progress

- Results in line with expectations
- Significant progress made in first half of 2010
- Successfully addressed a range of issues necessary to bring further stability to the Group
- Bank of Ireland emerging a changed, more focussed and strengthened bank
- While challenges not to be underestimated, investment case remains intact – continued focus on delivery



# Challenging environment – though economic backdrop stabilising

## Ireland

- Scale of contraction has been significant
- Domestic demand remains weak – as unemployment remains elevated
- Improving trends across most key economic indicators
- Retail sales, consumer confidence and exports indicating nascent signs of recovery
- Enhanced labour competitiveness
- Export led economic growth – consensus GDP forecasts for 2010 upgraded to marginally positive
- Irish Government making progress in stabilising public finances
- Favourable demographics and positive attitude to business underpin longer term growth prospects

## UK

- Leading economic indicators generally positive
- Pace of economic recovery marginally higher than Eurozone
- Economy returning to modest growth in 2010
- Recovery supported by monetary stimulus including low interest rates
- Unemployment rate appears to have peaked
- Risk of significant house price deflation abated
- Fiscal tightening announced in June 2010 Budget – may negatively impact growth in immediate term – supportive of longer term growth outlook

# Interim results

## Group Profitability

6 Months to	June 2009	June 2010
Profit before tax	€273m	€116m
Underlying <sup>1</sup> loss before tax	(€668m)	(€1,246m)
EPS	21.3c	1.3c
Underlying EPS	(37.6c)	(51.8c)

## Income Statement<sup>1</sup>

6 Months to	June 2009	June 2010	%
Total income	€1760m	€1469m	(17%)
Operating expenses	(€949m)	(€916m)	(3%)
Net interest margin annualised	1.70%	1.41%	
Operating profit before impairment on financial assets	€811m	€553m	(32%)
Impairment charge on loans and advances to customers excluding loans to banks and loans held for sale to NAMA <sup>2</sup>	(€926m)	(€893m)	(4%)

## Capital

	Dec 09	June 10
RWAs (€bn)	98	93
Equity tier ratio 1	5.3%	8.2%
Core tier ratio 1	8.9%	10.2%
Tier 1 ratio	9.8%	9.9%
Total capital ratio	13.4%	12.5%

## Funding

	Dec 09	June 10
Loans (incl NAMA assets) / deposits	152%	152%
Loans (excl NAMA assets) / deposits	141%	143%
<b>Term funding</b> (funding with a remaining term to maturity of greater than 1 year) <b>as a % of total wholesale funding</b>	32%	41%

<sup>1</sup> Underlying excluding non-core items

<sup>2</sup> This figure excludes the impairment charge against assets held for sale to NAMA and the loss arising on sale of assets to NAMA. During the period ended 30 June 2010 the impairment charge on assets held for sale to NAMA was €466 million together with loss on sale of assets to NAMA of €466m; in the nine month period ended 31 December 2009 the impairment charge on assets held for sale to NAMA was €2,231 million (no loss on sale of assets to NAMA).

# Progress made to stabilise the Group

Capital and stress testing	✓
EU Restructuring plan / UK incorporation / Future shape of the Group	✓
Asset quality	✓
NAMA	✓
Funding	✓
Pension scheme(s) IAS 19 deficits	✓
Cost initiatives	✓
Focus on net interest margin	Impacted by deposit spreads and cost of wholesale funding

# Progress made to stabilise the Group

## Capital and stress testing

Prudential Capital Assessment Review (PCAR) (March 2010) – Bank of Ireland capital requirement of €2.66bn to meet base case requirement of 8% core tier 1 ratio (equity tier 1 ratio of 7%) and stressed capital requirement of 4% core tier 1 ratio scenarios

Capital raise plans announced April 2010, approved by shareholders May 2010 and successfully completed June 2010 – net €2.9bn equity capital generated - in excess of PCAR

Equity capital of €2.9bn was net of fees and €0.5bn purchase and cancellation of warrants held by the State

July 2010 - Bank of Ireland successfully passes CEBS capital stress tests

## Significantly strengthened capital ratios

At 30 June 2010

Equity tier 1 8.2%

Core tier 1 10.2%

Tier 1 9.9%

Total capital 12.5%

# Progress made to stabilise the Group

EU  
Restructuring

UK  
incorporation

Future shape  
of Group

July 2010 - EU gave final approval for Bank of Ireland Restructuring Plan  
Viability endorsed, ability to repay state investment affirmed, future shape of the Group confirmed  
Commitments as anticipated and previously announced in April 2010  
Will update market as we make progress on implementation  
Plans to form a UK authorised bank are progressing well

Asset  
quality

March 2010 - re-affirmed market guidance of €4.7bn impairment charge for 3 year period to 31 March 2011 on non-NAMA element of loan book  
Impairment charge peaked in 2009 – expected to progressively reduce in 2010, 2011 and 2012  
Experience in H1 2010 and expectation for remainder of 2010 continues to support this view

NAMA

Stockholder approval in January 2010 for NAMA participation  
Total assets eligible for sale to NAMA c. €12.2 billion  
April 2010 - Tranche 1 €1.9bn<sup>1</sup> transferred. 36% discount to gross loan value  
July 2010 - Tranche 2 €2.3bn<sup>1</sup> due diligence completed. Transfer on phased basis. Expect 35% discount to gross loan value.  
No material difference to previous guidance of 26 April 2010

<sup>1</sup> Gross of impairment provisions

# Progress made to stabilise the Group

## Funding

Key funding metrics remain acceptable despite difficult market conditions

Committed to disengage in safe and prudent manner from Government guarantees as market conditions allow

A stronger re-capitalised bank together with a large contingent collateral pool significantly eases refinancing risk

### Key funding metrics

June 10 vs Dec 09

Customer deposits €84bn

Loan to deposit ratio stable 143%  
(excluding assets held for sale to NAMA)

Wholesale funding down €3bn to €58bn

Raised €4.6bn term funding<sup>1</sup> in H1 2010

Term funding<sup>2</sup> as a % of total wholesale funding increased from 32% to 41%

Significant pool of contingent liquidity collateral with a cash value of €41bn at June 2010 – net Monetary Authority drawings €8bn – similar to Dec 09

<sup>1</sup> Wholesale funding with a term to maturity of greater than 1 year at time of issuance

<sup>2</sup> Wholesale funding with a remaining term to maturity of greater than 1 year

# Progress made to stabilise the Group

## Pension scheme(s) IAS 19 deficits

Review of company sponsored defined benefit pension schemes completed in April 2010 – changes to pension benefits to eliminate 50% of Dec 09 IAS 19 deficit of €1.6bn

Group to increase cash contributions to eliminate 50% balance of Dec 09 IAS 19 deficit over 6 year time frame

Changes overwhelmingly accepted by 97% of staff of largest pension scheme - Group pension deficit reduced by €676m as a result

Plans to deal with deficits in other Group schemes progressing well

Will lead to reduced pension charge on income statement going forward

## Cost initiatives

Range of initiatives to reduce cost base underway

Pension re-alignment, continued pay restraint and 750 voluntary redundancies over next 2 years

Re-negotiation of major outsourcing contracts will lead to future cost savings

## Net interest margin

Improving net interest margin remains a major priority

Continue to re-price back-books

Margins improving on new lending – new business levels in Ireland remain muted

As anticipated, downward pressure on margins from competition for deposits and cost of wholesale funding

# Good strategic positions in well defined core markets

- Capital and resources dedicated to core businesses where we have
  - competitive strengths and capabilities
  - strong positions
  - in markets with attractive growth opportunities
- Funding of core portfolios largely by customer deposits
- Ongoing focus on credit quality and cost efficiency

## Retail Ireland

- #1 retail bank
- Leading market positions – #1 or 2 across principal product segments
- Extensive distribution capability
- Committed to continued improvement of customer service

## UK Financial Services (Retail UK)

- Maximise opportunity in retail and commercial banking activities through branch network in Northern Ireland
- Continue to develop consumer banking franchise – partnership with UK Post Office
- Further develop our Business Banking activities across 8 sales hubs in Great Britain

## Capital Markets (Ireland, UK and International)







- Corporate banking and customer driven treasury management activities in Ireland, the UK and in selected niche segments internationally
- Securities Services (fund administration) and Corporate Finance

# Supporting our customers

- We are committed to supporting our retail and commercial customers through these challenging times
- We have increased dedicated resources to support customers in financial difficulty
- We are 'open for business'
  - New lending commitment of €3bn to SME sector in each of 2010 and 2011
  - €1.5bn in mortgage funds available for first time buyers and mover mortgage applicants
  - Environmental, Seed Capital and EIB funds also in place



# Financial targets – 2013

Measure	9 months ended 31 Dec 2009	6 months ended 30 June 2010		2013 Target
Net interest margin	1.59% <i>annualised</i>	1.41% <i>annualised</i>		In excess of 1.75%
Cost / income ratio	56%	61%		Less than 50%
Impairment charge <sup>1</sup>	€1,824m	€893m		Normalised <sup>4</sup>
Equity Tier 1 capital	5.3%	8.2%		Greater than 7%
Group loan / deposit ratio <sup>2</sup>	141%	143%		Less than 125%
Return on equity <sup>3</sup>	Negative	Negative		Low teens to mid teens %

<sup>1</sup>This figure excludes the impairment charge against those assets held for sale to NAMA. At 30 June 2010 the impairment charge on assets held for sale to NAMA was €466m; at 31 December 2009 the impairment charge on assets held for sale to NAMA was €2,231m

<sup>2</sup> Loans exclude assets held for sale to NAMA

<sup>3</sup> Equity excluding 2009 Preference Stock

<sup>4</sup> Expected that impairment charges on non-NAMA loans peaked in 2009 and to reduce progressively in 2010, 2011 and 2012

**John O'Donovan**  
Group Chief Financial Officer

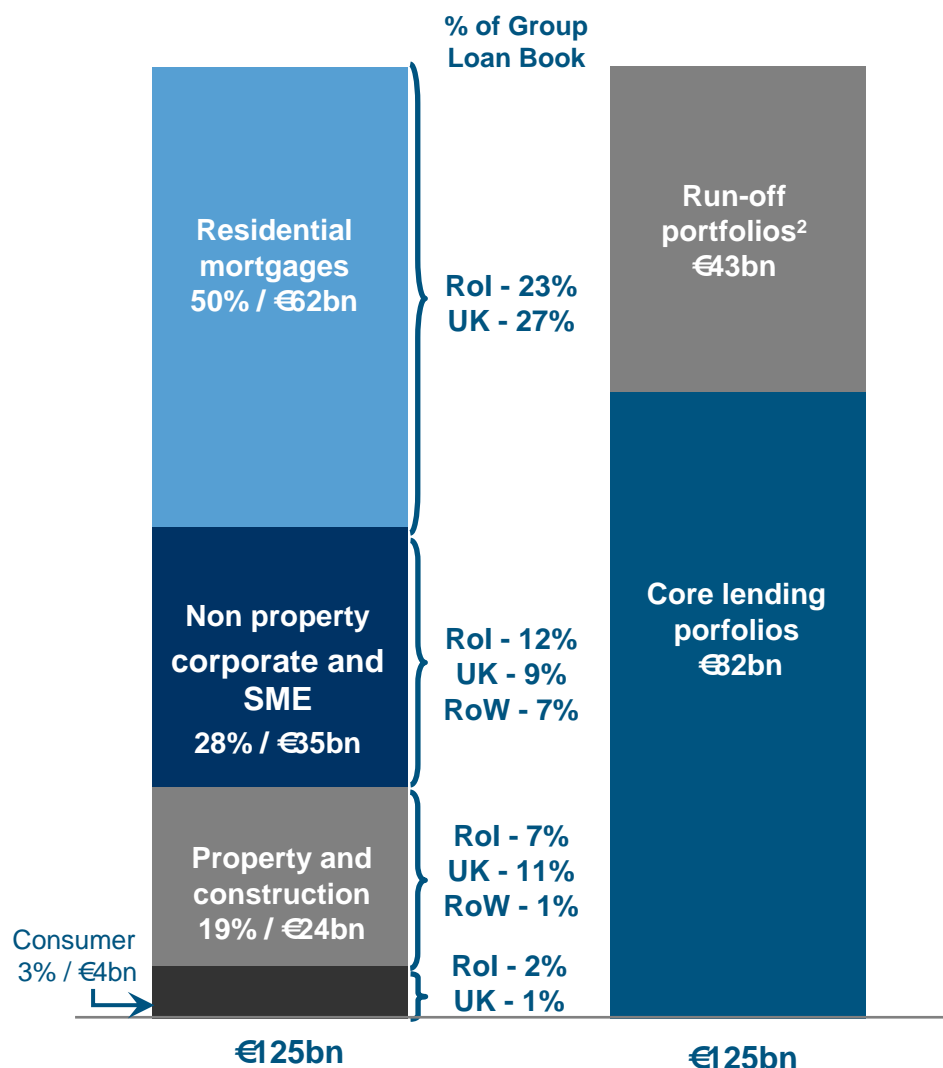
## Section 2

### Asset quality

Loans and advances to customers (excluding loans held for sale to NAMA)

# Profile of total loans<sup>1</sup> - €125bn at June 2010

Excluding loans held for sale to NAMA



## Group loan book<sup>1</sup>

- Group loan book €125bn at 30 June 2010
  - Core loan portfolio of €82bn
  - Run-off portfolio of €43bn<sup>2</sup>
- €119bn on a constant currency basis at 30 June 2010, down 2% on 31 Dec 2009.
  - Subdued demand for new loans given economic conditions and borrowers seeking to reduce debt levels
  - Non-core portfolios reduced by €1.4bn (3%) in the six months to 30 June 2010 (UK intermediary mortgage book €1.1bn lower, non-core International corporate book €0.3bn lower)
  - Pace of deleverage of UK Intermediary sourced mortgages slower than anticipated – 9% rundown in £Stg balances from peak since loan book placed in run-off.

<sup>1</sup> Before balance sheet impairment provisions of €3.7bn at 30 June 2010

<sup>2</sup> Run-off portfolio consists of UK intermediary sourced mortgages - €32bn, ICS Building Society mortgages - €7bn and Non core international lending portfolios - €4bn. See slide 33 for further details

# Group loan book asset quality profile

Excluding loans held for sale to NAMA

Asset Quality	Dec 2009		June 2010	
	€bn	%	€bn	%
High quality	68.7	56%	70.5	56%
Satisfactory quality	27.7	23%	23.4	19%
Acceptable quality	11.3	9%	11.0	9%
Lower quality but not past due nor impaired	2.8	2%	5.4	4%
Neither past due nor impaired	110.5	90%	110.3	88%
Past due but not impaired <sup>1</sup>	5.2	4%	5.7	5%
Impaired <sup>2</sup>	6.8	6%	8.9	7%
<b>Total loans<sup>3</sup></b>	<b>122.4</b>	<b>100%</b>	<b>124.9</b>	<b>100%</b>

- Continued impact of current economic environment, higher unemployment and higher business insolvencies on asset quality across loan book
- Impaired loans increased from €6.8bn at Dec 09 to €8.9bn at June 10. 58% of the increase relates to Property and construction, 28% to Non-property corporate and SME, 13% to Residential mortgages and 1% to Consumer Loans

<sup>1</sup> 'Past due but not impaired' defined as loans where repayment of interest and/or principal are overdue by at least one day but are not impaired

<sup>2</sup> 'Impaired loans' defined as loans with a specific impairment provision attaching to them together with loans (excluding residential mortgages) which are more than 90 days in arrears. All assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale are impaired.

<sup>3</sup> Before balance sheet impairment provisions (Dec 09: €3bn; June 10 €3.7bn)

# Stock of Balance Sheet provisions and coverage ratios

Excluding loans held for sale to NAMA

30 June 2010	Total loans and advances to customers	Impaired loans <sup>1</sup>	Impaired loans as % of advances	Impairment provisions	Impairment provisions as % of impaired loans
	€bn	€bn		€bn	
Residential mortgages	62.3	0.8	1.2%	0.5	65% <sup>1</sup>
Non property corporate and SME	34.4	3.3	9.5%	1.3	42%
Property and construction	24.1	4.4	18.2%	1.5	34%
Consumer	4.1	0.4	10.7%	0.4	90%
<b>Total loans</b>	<b>124.9</b>	<b>8.9</b>	<b>7.1%</b>	<b>3.7</b>	<b>42%</b>

31 Dec 2009	Total loans and advances to customers	Impaired loans <sup>1</sup>	Impaired loans as % of advances	Impairment provisions	Impairment provisions as % of impaired loans
	€bn	€bn		€bn	
Residential mortgages	60.4	0.5	0.8%	0.4	76% <sup>2</sup>
Non property corporate and SME	34.1	2.7	7.9%	1.1	42%
Property and construction	23.6	3.2	13.6%	1.1	35%
Consumer	4.3	0.4	9.8%	0.4	89%
<b>Total loans</b>	<b>122.4</b>	<b>6.8</b>	<b>5.5%</b>	<b>3.0</b>	<b>44%</b>

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

<sup>2</sup> Coverage ratio on Residential mortgages including Residential mortgages with arrears greater than 90 days past due – June 10: 22%; Dec 09: 20%

# Impairment charge by portfolio

Excluding loans held for sale to NAMA

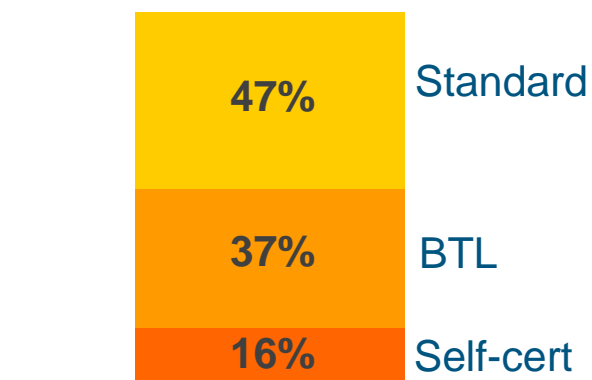
		Total Loans	Impairment charge on loans and advances to customers by portfolio		
		At June 10	6 mths to June 09	6 mths to Dec 09	6 mths to June 10
		€bn	€m	€m	€m
Residential mortgages		€62bn	€107m	€195m	€132m
	- Republic of Ireland - UK	€28bn €34bn	€57m €50m	€145m €50m	€98m €34m
Non property corporate and SME		€35bn	€447m	€446m	€356m
Property and Construction		€24bn	€241m	€675m	€325m
	- Investment - Land and development	€21bn €3bn	€85m €156m	€259m €416m	€203m €122m
Consumer		€4bn	€131m	€101m	€80m
<b>Total</b>		<b>€125bn<sup>1</sup></b>	<b>€926m</b>	<b>€1,417m</b>	<b>€893m</b>

<sup>1</sup> Before balance sheet impairment provisions of €3.7bn at June 2010

# UK Residential mortgages

- £28bn / €34bn June 2010<sup>1</sup>

## Book - segment split



## Asset quality - arrears

### Arrears – greater than 3 mths in arrears<sup>2</sup>

	June 09	Dec 09	Mar 10	June 10
<b>Book - Bol</b>	162bps	171bps	178bps	189bps
<b>CML</b>	243bps	238bps	222bps	Not available
<b>Buy to let - Bol</b>	187bps	185bps	181bps	181bps
<b>CML</b>	249bps	200bps	181bps	Not available
<b>Self Cert - Bol</b>	404bps	454bps	495bps	520bps
<b>Standard- Bol</b>	88bps	97bps	106bps	121bps

<sup>1</sup> Before balance sheet impairment provisions of £118m / €145m

<sup>2</sup> Cases > 3 months excluding possessions

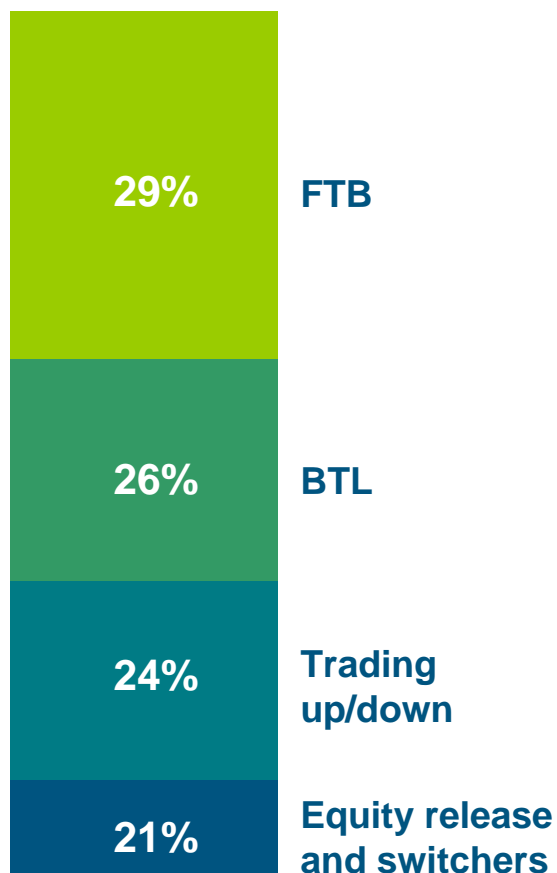
- UK mortgages 55% of total Group mortgages (27% of Group loans and advances to customers)
- Bank of Ireland has c. 256k residential mortgages in the UK
- Modest decline in book
  - June 10 vs June 09: (2.6%)
  - June 10 vs Dec 09: (1.3%)
- Strategic decision to de-leverage Group balance sheet - withdrawal from UK intermediary sourced mortgage business (Jan 09)
- Decline in Intermediary sourced Mortgage book below anticipated levels
  - June 10 vs June 09: (6.5%)
  - June 10 vs Dec 09: (3.3%)
- House prices up 6.6% year on year July 2010; down 9% from peak in Oct 2007 to July 2010 (*Nationwide*)
- Asset quality:
  - Impairment charge
    - Annualised 6 mth impairment charge to 30 June 10 – 21bps
    - Annualised 6 mth impairment charge to 31 Dec 09 – 31bps
    - Annualised 6 mth impairment charge to 30 June 09 – 31bps
  - Negative equity
    - Quantum of net negative equity at 30 June 2010 £165m (Dec 2009: £260m)
  - Possessions
    - 301 properties in possession or 0.12% of book at 30 June 10
    - 305 properties in possession or 0.12% of book at 31 Dec 09
    - 307 properties in possession or 0.12% of book at 30 June 09
    - 371 new possessions in 6 mths to 30 June 10 (191 in 3 mths to 30 June 10, 180 in 3 mths to 31 Mar 10)
    - 385 new possessions in 6 mths to 31 Dec 09 (163 in 3 mths to 31 Dec 09, 222 in 3 mths to 30 Sept 09)
    - 442 new possessions in 6 mths to 30 June 09 (185 in 3 mths to 30 June 09, 257 in 3 mths to 31 Mar 09)

# Irish Residential mortgages

- €28bn June 2010<sup>1</sup>

Excluding loans held for sale to NAMA

## Book - segment split



- Irish mortgages 45% of total Group mortgages (23% of total Group loans and advances to customers)
- Bank of Ireland has c.199k residential mortgage accounts in Ireland
- Book growth:
  - June 10 v June 09: 1.7%
  - June 10 v Dec 09: flat
- New business product split:
  - 6 mths to 30 June 10:
    - FTB 40%; BTL 4%; Trade up/down 31%; Equity release/switch 25%
  - 6 mths to 31 Dec 09:
    - FTB 32%; BTL 8%; Trade up/down 30%; Equity release/switch 30%
- House prices down 6.4% in first six months of 2010; down 35% from peak in Q4 2006 to Q2 2010 (*PTSB/ESRI*) – official statistics trailing actual markets
- Asset quality
  - Arrears – 3 months or more past due<sup>2</sup>
    - Book 439bps June 2010 (346bps Dec 09; 248bps June 09)
  - Impairment charge
    - Annualised 6 mth impairment charge to 30 June 2010 – 70bps
    - Annualised 6 mth impairment charge to 31 Dec 2009 – 103 bps
    - Annualised 6 mth impairment charge to 30 June 2009 – 41bps
  - Negative equity
    - Quantum of net negative equity at 30 June 2010 €2.2bn (Dec 2009 €1.4bn)
  - Possessions:
    - 59 properties in possession at 30 June 10 (28 at 31 Dec 09)
    - 33 new possessions in 6 mths to 30 June 10 (14 in 3 mths to 30 June 10; 19 in 3 mths to 31 Mar 10)
    - 25 new possessions in 6 mths to 31 Dec 09 (16 in 3 mths to 31 Dec 09, 9 in 3 mths to 30 Sept 09)
    - 4 new possessions in 6 mths to 30 June 09 (2 in 3 mths to 30 June 09, 2 in 3 mths to 31 Mar 09)

<sup>1</sup> Before balance sheet impairment provisions of €344m at 30 June 2010

<sup>2</sup> Based on value of mortgages in arrears

# Property and construction loans

## - €24bn June 2010<sup>1</sup>

Excluding loans held for sale to NAMA

	Dec 2009			June 2010		
	Investment €bn	Land and development €bn	Total €bn	Investment €bn	Land and development €bn	Total €bn
<b>Ireland</b>						
Land	-	0.6	0.6	-	0.8	0.8
Development	-	0.5	0.5	-	0.7	0.7
Investment	7.6	-	7.6	7.2	-	7.2
<b>Total Ireland</b>	<b>7.6</b>	<b>1.1</b>	<b>8.7</b>	<b>7.2</b>	<b>1.5</b>	<b>8.7</b>
<b>UK (GB/NI)</b>						
Land	-	0.7	0.7	-	0.7	0.7
Development	-	0.8	0.8	-	0.8	0.8
Investment	11.7	-	11.7	12.1	-	12.1
<b>Total UK (GB/NI)</b>	<b>11.7</b>	<b>1.5</b>	<b>13.2</b>	<b>12.1</b>	<b>1.5</b>	<b>13.6</b>
<b>Total Other</b>	<b>1.5</b>	<b>0.2</b>	<b>1.7</b>	<b>1.6</b>	<b>0.2</b>	<b>1.8</b>
<b>Total</b>	<b>20.8</b>	<b>2.8</b>	<b>23.6</b>	<b>20.9</b>	<b>3.2</b>	<b>24.1</b>

### Investment

- Investment loans €20.9bn – 87% of retained Property & construction loans
- Book weighted to UK - Geographic profile
  - 58% in the UK, 34% in Ireland and 8% US/Europe
- Key risk is tenant default mitigated by:
  - Portfolio well diversified – lack of tenant concentrations
  - Sector profile; c.51% Retail, 24% Office, 9% Industry, 16% mixed use
- Low transaction levels in Irish commercial property sector due to:
  - Uncertainties as the NAMA process evolves
  - Lack of demand from investors / potential borrowers
- Impairment provision on the retained investment portfolio at 30 June 10 of €0.6bn on impaired loans of €2.4bn

### Land and development

- Land and development loans €3.2bn – 13% of retained Property & construction loans
  - Land – €1.5bn (RoI €0.8bn and UK €0.7bn)
  - Development – €1.7bn (RoI €0.7bn / UK €0.8bn / RoW €0.2bn)
- Profile of land and development portfolio
  - 47% in Ireland, 47% in the UK and 6% US/Europe
  - 47% in land and 53% in development
- Ireland land and development increase from €1.1bn at Dec 2009 to €1.5bn at June 2010 due to certain assets deemed ineligible for transfer to NAMA and currency impact
- Impairment provision on retained land and development portfolio at 30 June 10 of €0.9bn on impaired loans of €2bn

<sup>1</sup> Before balance sheet impairment provisions of €1.5bn

# Asset quality June 2010

## Non-property corporate and SME loans & Consumer loans

Excluding loans held for sale to NAMA

### Non-property corporate and SME loans - €34bn<sup>1</sup>

- Corporate and SME loan portfolio of €34bn - portfolio diversified across a range of sectors and geographies
  - c.44% Ireland, 31% UK and 25% RoW
- 6 months impairment charge of €356m (6 months to Dec 09 €446m; 6 months to June 09 €447m)
- Impairment charge remains elevated due to:
  - Impact of the slowdown in economic activity
  - Heightened level of business insolvencies
- Impairment provision on the portfolio at 30 June 2010 of €1,375m on impaired loans of €3,277m
- Loans to internationally focused customers performing relatively better given the improving global economic environment

### Consumer loans - €4bn<sup>2</sup>

- Consumer loan portfolio of €4bn at 30 June 10 (€4bn June 09)
  - 63% Ireland and 37% UK
- Includes personal loans, overdrafts, motor loans and credit cards
- Enhanced management of arrears
- 6 months impairment charge of €80m or 385bps (6 months to Dec 09 €101m or 420bps; 6 months to June 09 €131m or 455bps)
- Impairment charge down from peak
- Impairment provision on the portfolio at 30 June 2010 of €397m on impaired loans of €442m

<sup>1</sup> Before balance sheet impairment provisions of €1.4bn

<sup>2</sup> Before balance sheet impairment provisions of €0.4bn

# Visibility on non-NAMA impairments

- Extensive Group loan loss forecast re-fresh exercise undertaken in January/February 2010
  - Assessment grounded in consensus base-case macro economic forecasts
  - Combination of modelled and granular bottom-up analysis
- Outcome validated by Oliver Wyman through an independent review and challenge of the Group's loan loss forecast
- Previous market guidance re-affirmed on 31 March 2010 for impairment charges of €4.7bn<sup>1</sup> for the 3 year period to 31 March 2011 for the non-NAMA element of the loan book
- Impairment charge on non-NAMA loans and advances to customers expected to have peaked in 2009 – with progressive reductions expected in each of 2010, 2011 and 2012
- Experience in H1 2010 and expectation for remainder of 2010 continues to support that view

## Economic assumptions underpinning 3 year impairment forecast to March 2011

### Ireland

House price falls peak to trough – 45%

Unemployment

2010 14%

2011 13%

GDP – growth not expected before 2011

### United Kingdom

House price falls peak to trough – 20%

Unemployment

2010 9%

2011 9%

GDP – low growth expected in 2010

<sup>1</sup> Cumulative impairments of €3.6bn from 1 April 2008 to 30 June 2010

# Section 3

NAMA

# Loans held for sale to NAMA – €10bn<sup>1</sup> June 2010

## Profile of assets held for sale to NAMA at 30 June 2010

	Total loans and advances to customers	Impaired loans <sup>2</sup>	Impaired loans as % of advances	Impairment provisions	Impairment provisions as % of impaired loans
	€bn	€bn	%	€bn	%
Property and construction loans	9.7	6.8	70%	2.8	42%
Other loans	0.3	0.2	64%	0.1	25%
<b>Total</b>	<b>10.0</b>	<b>7.0</b>	<b>69%</b>	<b>2.9</b>	<b>42%</b>
<b>Transferred in six months to 30 June 2010</b>	<b>2.2</b>				

- Portfolio of circa €10bn remains to be transferred to NAMA
  - 72% land and development loans and 28% associated loans
- €2.2bn of assets transferred to NAMA in 6 month period to 30 June 2010
  - Discount on gross loan value of €0.7bn
  - Additional loss of €0.1bn relating to write-down of subordinated and senior debt together with onerous contract recognition
- Stock of Balance Sheet Provisions of €2.9bn at 30 June 10 of which:
  - €2.7bn relates to land and development
  - €0.2bn relates to associated loans

<sup>1</sup> Before balance sheet impairment provisions of €2.9bn

<sup>2</sup> 'Impaired loans' defined as loans with a specific impairment provision attaching to them together with loans (excluding residential mortgages) which are more than 90 days in arrears. All assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale are impaired.

# Loans held for sale to NAMA – €10bn<sup>1</sup> June 2010

Movement in assets held for sale to NAMA	Total Assets	Impairment Provisions	Carrying Value
	€bn	€bn	€bn
Balance at 31 December 2009 (excl derivatives of €0.2bn)	12.2	(2.8)	9.4
Sale of assets to NAMA in the six months to 30 June 2010	(2.2)	0.3	(1.9)
New impairment provisions in the six months to 30 June 2010	-	(0.5)	(0.5)
Change in eligible assets (net)	(0.3)	0.1	(0.2)
Foreign Exchange	0.3		0.3
<b>Balance at 30 June 2010 (excl derivatives of €0.1bn)</b>	<b>10.0</b>	<b>(2.9)</b>	<b>7.1</b>

- Guidance on gross loss of €4.8bn<sup>2</sup> at EGC on 12 January 2010 re-affirmed on 26 April 2010
- Do not expect the discount on gross loan value to materially differ to the guidance provided on 26 April 2010
- However, discount on gross loan value will ultimately be a function of:
  - Quantum of loans transferring
  - Mix of those loans between land and development and associated loans
  - Geographic location of those loans transferring
  - Discount that would apply to those loans

<sup>1</sup> Before balance sheet impairments of €2.9bn

<sup>2</sup> Prior to (i) the impact of any impairment provisions previously recognised by the Group, (ii) any fair value adjustments in respect of any consideration received, (iii) any provision that may be required under accounting standards due to the ongoing cost of servicing these assets on behalf of NAMA, and (iv) taking account of any transfer costs.

# Section 4

## Funding and capital

# Balance Sheet funding strategy

Dec 2009

**Total liabilities**  
€169bn<sup>1</sup>



June 2010

**Total liabilities**  
€169bn<sup>1</sup>



## Funding Strategy

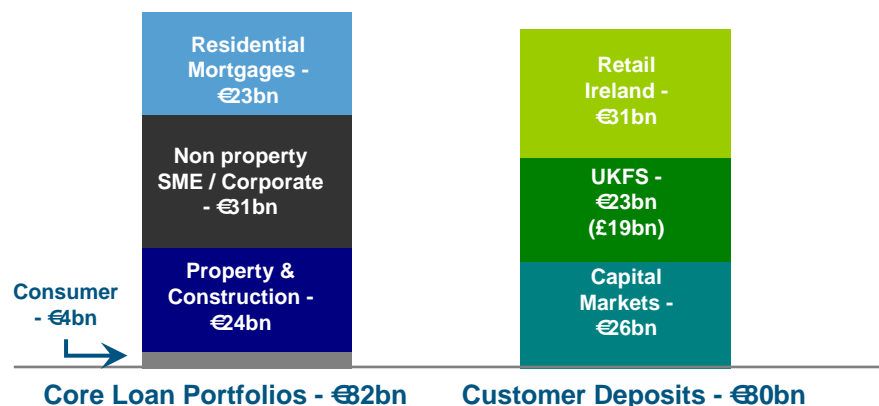
- **Revert to traditional banking model**
  - Fund core lending portfolios substantially through deposits
  - Asset growth largely supported by ability to attract deposits
- **Customer Deposits**
  - Drive growth through strength of franchise and scale of distribution
- **Wholesale Funding**
  - Continue to extend maturities in term markets
  - As funding markets continue to normalise extend maturity profile of short term programmes
- **Contingent Liquidity**
  - Maintain a robust, efficient and flexible buffer of contingent liquid assets - €41bn of liquidity potential (cash value) at 30 June 2010
  - Ensuring access to BOE, ECB & Federal Reserve
- **Government Guarantee**
  - Disengage from the Government guarantees, in a prudent and safe manner, over time as market conditions allow. Supported by:
    - Completion of recapitalisation in June 2010
    - EU Restructuring Plan agreed
    - Additional confidence following publication of PCAR in March 2010 and CEBS stress tests in July 2010
- **Target**
  - Group loan to deposit ratio of <125% in 2013

<sup>1</sup> Excludes Life funds held on behalf of policyholders: Dec 09 €11.7bn, June 10 €12.1bn

# Pursue sustainable funding strategy

## Core Portfolios

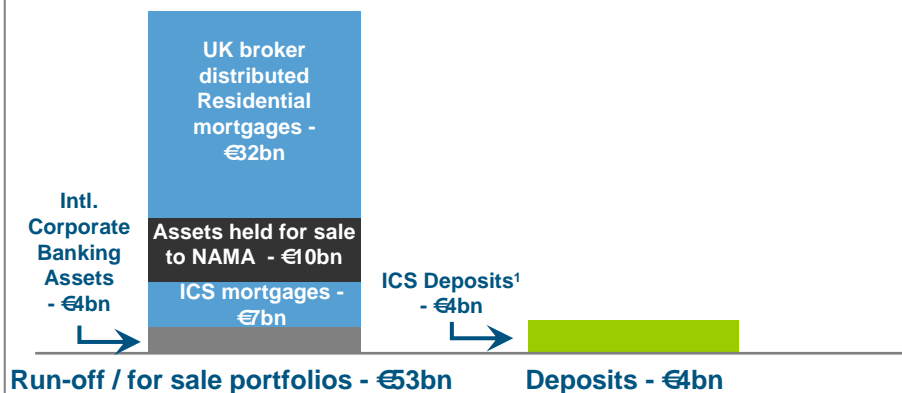
30 June 2010



- Core portfolio defined as portfolios where Bol has competitive strengths and capabilities with strong market positions and attractive growth opportunities
- Funding of core portfolio expected to be largely through customer deposits
- Future growth largely supported by the Group's ability to attract customer deposits

## Run-off / for sale Portfolios

30 June 2010



- Run-off portfolio reduced by €3.6bn (7%) in 6 months to 30 June 2010
  - Sale of assets to NAMA of €2.2bn
  - UK residential mortgage portfolio deleverage of £0.9bn, although pace of deleverage is slower than originally expected
  - Run-off of non-core International Corporate Banking of €0.3bn
- De-leveraging initiatives on portfolios will result in reduced wholesale funding requirements

<sup>1</sup> ICS deposits for divestment under approved EU Restructuring Plan

# Group deposits

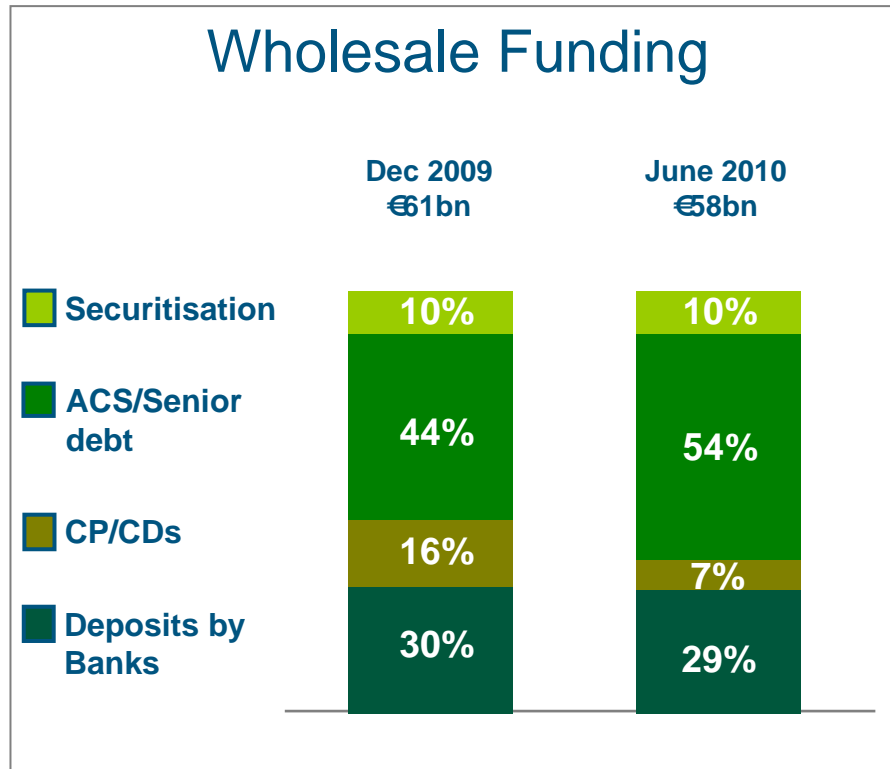
## Divisional profile of deposits

	Dec 09	June 10	% growth June 10 Vs Dec 09
<b>Group Total</b>	<b>€5bn</b>	<b>€4bn</b>	<b>(1%)</b>
<b>Retail Ireland</b>	<b>€5bn</b>	<b>€5bn</b>	<b>-</b>
- Deposits	€24bn	€24bn	2%
- Current accounts credit balances	€11bn	€11bn	(3%)
<b>UK Financial Services (UKFS)</b>	<b>€1bn</b> <i>£19bn</i>	<b>€3bn</b> <i>£19bn</i>	<b>12%</b> <b>3%</b>
- BBUK	<i>£10bn</i>	<i>£9bn</i>	<i>(7%)</i>
- POFS	<i>£9bn</i>	<i>£10bn</i>	<i>12%</i>
<b>Capital Markets</b>	<b>€9bn</b>	<b>€6bn</b>	<b>(10%)</b>

## Competitive market

- Deposits decreased by 1% June 10 vs Dec 09, on a constant currency basis deposits down 5%
- Joint number one share of total resources in Ireland - extensive distribution capability with leading and trusted franchise
- Retail Ireland – customer resources flat at €35bn (June 10 vs Dec 09)
  - Deposits increased 2%
  - Current account credit balances down 3%
- UKFS customer deposits up 3% (June 10 vs Dec 09)
  - POFS source of quality deposits
- S&P downgrade in January 2010 led to an outflow of some rating sensitive international deposits in BBUK (down 7%) and Capital Markets (down 10%)

# Wholesale funding profile



### Wholesale funding maturity profile

	31 December 2009		30 June 2010	
	€bn	%	€bn	%
< 1 year	41	68%	34	59%
> 1 year <sup>1</sup>	20	32%	24	41%
<b>Total</b>	<b>61</b>	<b>100%</b>	<b>58</b>	<b>100%</b>

- Quantum of wholesale funding at June 2010 reduced to €58bn from €61bn at Dec 2009
  - Reduction driven by sale of first tranche of assets to NAMA, completion of capital raising in June 10 together with a reduced need to hold less liquid assets
- €4.6bn of term funding issued during 6 months to June 2010 (€9bn in the 9 months to Dec 09)
  - Average maturity of 3.8yrs with an average spread of 150bps over 3 month Euribor
- Maturity profile of wholesale funding lengthened with term funding (funding greater than 1 year remaining to maturity) increasing from 32% of wholesale funding at Dec 2009 to 41% at June 2010 and the quantum of funding less than 1 year has reduced by €7bn
- At June 2010 45% of wholesale funding and subordinated liabilities have a maturity of greater than 1 year (35% at Dec 2009)
- Disciplined approach to the use of funding from Monetary Authorities. Net Monetary Authority drawings at 30 June 2010 of €8bn in line with 31 Dec 2009 of €8bn
- The completion of the Group's capital raise, additional market confidence in the Group arising from PCAR and CEBS stress test together with the Group's contingent liquidity collateral of €41bn (cash value) positions the Group well to meet its financing requirements

<sup>1</sup> Wholesale funding with a remaining term to maturity of greater than 1 year at 30 June 2010 (and 31 December 2009)

# Funding position

Funding Metrics	Dec 2009	June 2010
Customer deposits	€85bn	€84bn
Group Loan (incl. NAMA Assets) / deposit ratio	152%	152%
Group Loan (excl. NAMA Assets) / deposit ratio	141%	143%
Core loan portfolio <sup>1</sup> deposit ratio	101%	104%
Wholesale Funding	€61bn	€58bn
Wholesale Funding Ratio	36%	35%
Term funding ( <i>wholesale funding with a maturity of greater than 1 year</i> ) as a % of overall wholesale funding	32%	41%
Wholesale funding and subordinated liabilities with a maturity of greater than 1 year as a % of overall wholesale funding and subordinated liabilities	36%	45%

- Strong retail deposit franchise
  - Retail Ireland Network
  - POFS Network in the UK
  - Relationship driven corporate deposits
  
- €53bn of loans and advances to customers are in 'run-off'/disposal:
  - Will reduce quantum of wholesale funding
  - Will position loan to deposit ratio at a more sustainable level
  
- Wholesale funding
  - Reducing wholesale funding
  - Improving term profile
  
- Contingent Liquidity
  - Maintaining a robust, efficient and flexible buffer of contingent liquid assets - €41bn of liquidity potential (cash value) at 30 June 2010
  - Ensuring access to BOE, ECB & Federal Reserve

<sup>1</sup> Core loan portfolio excludes loan portfolios placed in run-off of €43bn and loans held for sale NAMA of c.€10bn

# Capital position and capital raising

Capital – Basel II				
	Dec 2009 <sup>1</sup>		June 2010	
Equity tier 1 capital	€5.3bn	5.3%	€7.6bn	8.2%
Core tier 1 capital	€8.8bn	8.9%	€9.5bn	10.2%
Tier 1 capital	€9.7bn	9.8%	€9.2bn	9.9%
Total capital	€13.2bn	13.4%	€11.6bn	12.5%
RWA	€98bn		€93bn	

Capital Raising		€m
Private Placement		500
Irish Government Placement		1,036
Debt for equity exchange		300
Rights Issue		<u>1,726</u>
<b>Gross equity raised</b>		<b>3,562</b>
Repurchase of Government Warrants		(491)
Costs		<u>(130)</u>
<b>Net equity raised</b>		<b>2,941</b>

- Increase in ratios primarily as a result of:
  - Completion of capital raising in June 2010
  - February 2010 debt for debt exchange gain of €405m
  - Offset by impairment provisions and impact of loss on sale of loans to NAMA
- Decrease in risk weighted assets due to
  - higher quantum of impaired loans,
  - increased impairment provisions and
  - sale of loans to NAMA
  - Partially offset by increase in foreign exchange rates
- Successful capital raising completed in June 2010
  - Market based solution to Bank of Ireland's capital needs
  - Exceeded PCAR capital raising requirements
  - Irish Government shareholding - 36%

<sup>1</sup> December 2009 ratios reflect the payment, in Feb 2010, in shares (in lieu of cash) of the coupon on the 2009 Preference Stock

# Stress Testing

## Prudential Capital Assessment Review (PCAR) March 2010

- Financial Regulator completes PCAR review in order to assess capital requirements
- Base case target core tier 1 ratio of 8% (with equity tier 1 of 7%) with core tier 1 capital of 4% under stress scenario
- Capital raising requirements of PCAR exceeded by the Group's successful capital raise in June 2010

PCAR	€bn
PCAR requirement – capital to be raised by 31 Dec 10	€2.66bn
Net equity raised – completed in <b>June 2010</b>	<b>€2.94bn</b>

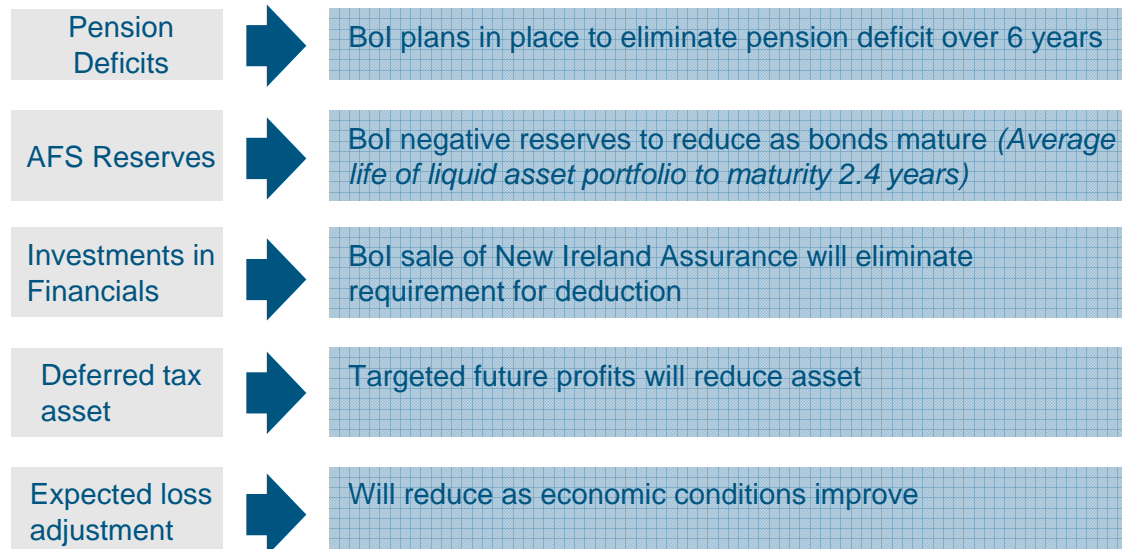
## CEBS Stress Test July 2010

- Stressed banks' ability to absorb further possible shocks from credit and market risk including sovereign risks
- Threshold set at tier 1 ratio of 6% as at 31 December 2011
- Bank of Ireland was one of the 84 institutions who passed the Stress Test
- Improving market sentiment towards Eurozone area with CDS spreads tightening for Ireland and Bol since publication of results of the Stress Test

CEBS Stress Test	%	
Bol tier 1 ratio arising under adverse scenario including sovereign shock	7.1%	
In excess of threshold tier 1	€m	€933m
	%	1.1%

## Capital

- Final package expected December 2010
- Capital Leverage Ratio
  - Pillar I requirement from 2018
- Regulatory Capital buffers
  - Clarity expected by end 2010
- Tightening of Capital definitions impacting equity tier 1 (of relevance to Bank of Ireland)



## Liquidity

- Net Stable Funding Ratio (NSFR) / Liquidity Coverage Ratio (LCR)
  - Application of NSFR deferred until 2018 and criteria eased
  - Criteria eased on LCR compared to initial announcement in December 2009

# Section 5

## Group Income Statement

# Group Income Statement

## 6 months to June 2010

Group Income Statement (excluding non-core items)			
	June 09 <sup>2</sup> €m	June 10 €m	% Change
Total income <sup>1</sup>	1,760	1,469	(17%)
Operating expenses	(949)	(916)	(4%)
<b>Operating profit pre-impairment of financial assets</b>	<b>811</b>	<b>553</b>	<b>(32%)</b>
Impairment charge – loans and advances to customers	(926)	(893)	(4%)
Impairment charge – loans and advances to banks	(2)		
Impairment charge – assets held for sale to NAMA	(551)	(466)	(15%)
Loss on sale of assets to NAMA	-	(466)	
Share of results of associates/JVs ( <i>post-tax</i> )	:	<u>26</u>	
<b>Underlying<sup>2</sup> loss before tax</b>	<b>(668)</b>	<b>(1246)</b>	<b>(87%)</b>
Total non-core items	941	1362	
<b>Profit before tax</b>	<b>273</b>	<b>116</b>	<b>(58%)</b>

Non-core items		
Income	June 09 €m	June 10 €m
Gain on liability management exercises	1,037	699
Impact of – ‘Coupon Stopper’	-	(36)
Gross-up for policyholder tax in the Life business	5	17
Impact of changes in pension benefits	-	676
Investment return on treasury stock held for policyholders in BoI Life	(8)	6
<b>Non-core items in income</b>	<b>1,034</b>	<b>1,362</b>

Operating expenses	June 09 €m	June 10 €m
Cost of Restructuring Programme	(83)	-

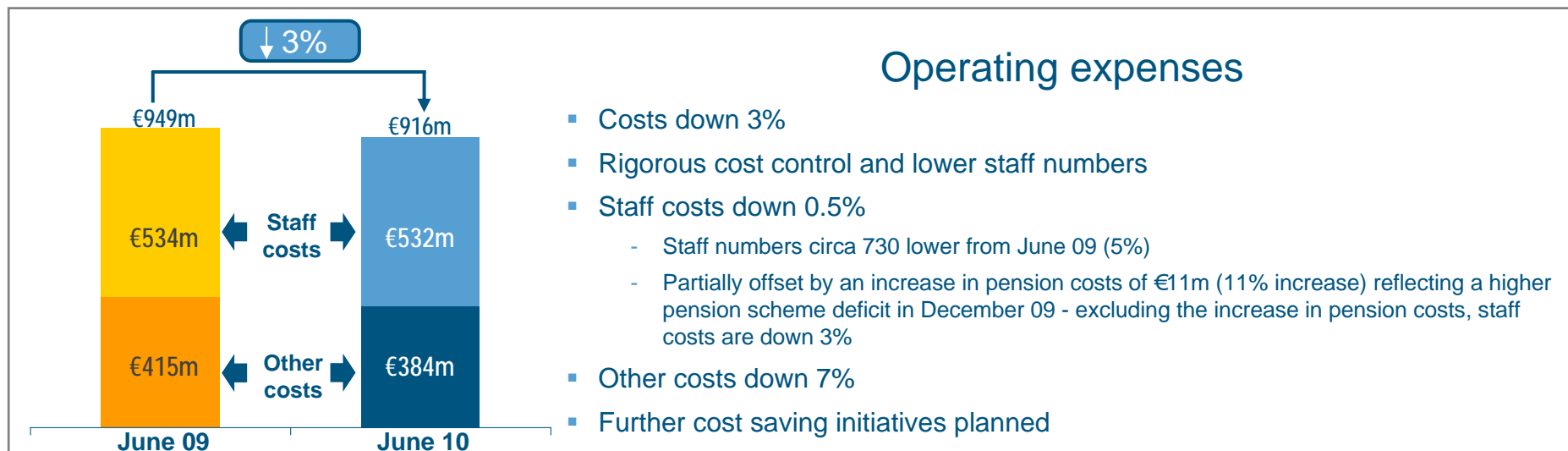
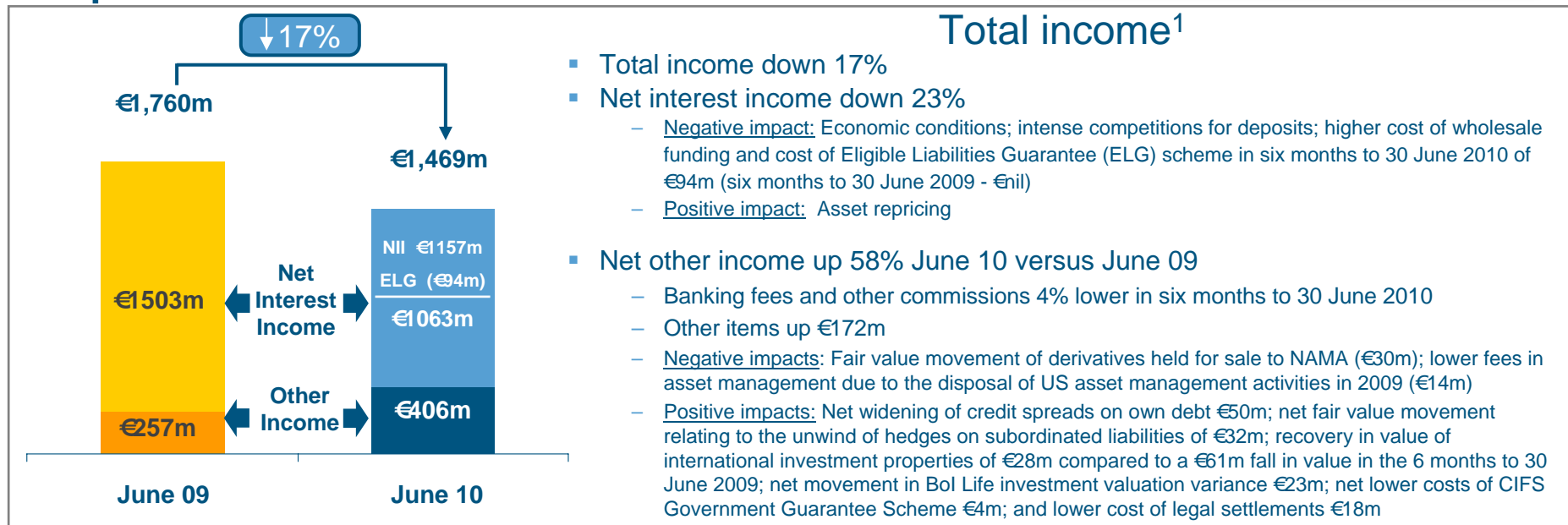
<b>Loss on disposal of business activities</b>	<b>(10)</b>	<b>-</b>
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<b>Total non-core items</b>	<b>941</b>	<b>1362</b>
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<sup>1</sup> Total income (net of insurance claims)

<sup>2</sup> Underlying excluding non-core items. See page 11 of Interim Report for details

# Total income & operating expenses - 6 months to June 2010



<sup>1</sup> Excluding non-core items and after impact of IFRS income classifications

# Net interest margin

## 6 months to June 2010

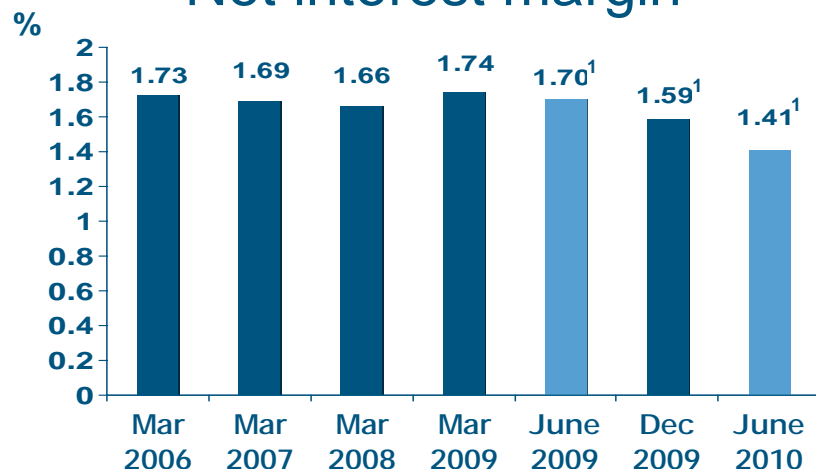
### Net interest margin

	June 2009	June 2010
6 months net interest income	€1,555m	€1,110m
Addback cost of ELG	-	€94m
IFRS Income Classifications	<u>(€52m)</u>	<u>(€47m)</u>
Net Interest Income	€1,503m	€1,157m
Average interest earning assets	€177bn	€164bn
<b>Net interest margin (Annualised)</b>	<b>1.70%</b>	<b>1.41%</b>

### Margin attrition - drivers

	June 10 vs June 09 (bps)
Margin attrition on deposits	(30bps)
Higher cost of term funding	(15bps)
Lower earnings on capital	(3bps)
Higher lending margins	19bps
<b>Net interest margin attrition</b>	<b>(29bps)</b>

### Net interest margin



<sup>1</sup> Annualised Net Interest Margin for the 6 months to June 2009, 9 months to Dec 2009 and 6 months to June 2010

# Margin expansion a key management priority

- Actions to re-align asset and liability pricing
  - Re-pricing of new business taking place to reflect higher cost of funding
  - Improvement in market liquidity including NAMA bonds should enable further deposit re-pricing
  - Back-book re-pricing of consumer, mortgage, business and corporate banking loans being actioned
  - Maximisation of asset re-pricing in run-off portfolio being actioned
- Experiencing short term negative due to intense competition for deposits and terming out of wholesale funding in preparation for prudent disengagement from Government Guarantees as market conditions allow together with muted demand for new lending

Target Group net interest margin in excess of 1.75% in 2013

Drivers of net interest margin 2010 - 2013

Higher new lending and deposit margins

Higher new business volumes

Back-book re-pricing

Higher official interest rates

Wholesale funding costs

# Section 6

## Divisional performance

# Retail Ireland

## 6 months to June 2010

Income Statement			
	June 09 €m	June 10 €m	% Change
Net interest income	639	491	(23%)
Net other income	<u>76</u>	<u>180</u>	137%
Total income	715	671	(6%)
Operating expenses	(460)	(467)	2%
<b>Operating profit before impairment of financial assets</b>	<b>255</b>	<b>204</b>	<b>(20%)</b>
Impairment charge – loans and advances	(480)	(499)	4%
Impairment charge – assets held for sale to NAMA	(283)	(228)	
Loss on sale of assets to NAMA	-	(33)	
Share of Associates/JVs (after tax)	<u>(10)</u>	<u>8</u>	
<b>Underlying<sup>1</sup> loss before tax</b>	<b>(518)</b>	<b>(548)</b>	<b>6%</b>
<b>Asset quality</b> (excluding assets held for sale to NAMA)			
<b>Retail Ireland loan impairment charge by portfolio - €m</b>			
	6 mths to June 09	6 mths to Dec 09	6 mths to June 10
Residential mortgages	57	145	98
Non property SME	234	234	147
Property and construction	96	276	191
Consumer	93	97	63
<b>Total</b>	<b>(480)</b>	<b>(752)</b>	<b>(499)</b>

<sup>1</sup> Underlying excludes non-core items

- **Operating Profit before impairment 20% lower**
- **Net Interest Income 23% lower**
  - Significant narrowing of liability spreads due to intense competition for customer deposits, low interest rate environment, higher wholesale funding costs, together with muted demand for new lending
- **Net other Income 137% higher**
  - Repeatable other income flat half year on half year
  - Recovery in value of international property investments €33m (negative €51m in prior period); prior period impacted by €19m charge in connection with a European investment property
- **Operating Expenses 2% higher**
  - Due to higher pension costs partially offset by lower staff numbers and tight control of other costs
- **Impairment charges on retained loan portfolio reducing from peak**
- **Early signs of stabilisation in Irish economy**
  - GDP growth in Q1 led by export sector
  - Domestic economy remains weak – some signs of stabilisation

# Bank of Ireland Life

## 6 months to June 2010

### Income Statement (IFRS Performance)

	June 09 €m	June 10 €m	% Change
Operating income	87	89	2%
Operating expenses	<u>(55)</u>	<u>(53)</u>	<u>(4%)</u>
Operating profit	32	36	13%
Investment valuation variance	(21)	2	110%
Discount & other rate changes	<u>(16)</u>	<u>(8)</u>	
<b>Underlying<sup>1</sup> (loss) / profit before tax</b>	<b>(5)</b>	<b>30</b>	

- Operating profit up 13% to €36m
  - Operating income up 2%
    - Volumes of new business (APE sales) up 12%
  - Operating expenses down 4%
- Market share of 20%
- Discount rate increased from 8.25% to 8.75% in line with long term bond yields, unit growth assumptions increased from 6.5% to 7.0%
- Positive movement in investment valuation variance driving profit recovery in 6 months to 30 June 2010, compared to prior year
- Strong capital position maintained - continue to be significantly in excess of the statutory solvency margin.

<sup>1</sup> Underlying excludes non-core items

# UK Financial Services (Sterling)

## 6 months to June 2010

### Income Statement

	June 09 £m	June 10 £m	% Change
Net Interest Income	317	260	(18%)
Net Other Income	64	12	(81%)
<b>Operating Income</b>	<b>381</b>	<b>272</b>	<b>(29%)</b>
Operating Expenses	(181)	(165)	(9%)
<b>Underlying operating profit before impairment of financial assets</b>	<b>200</b>	<b>107</b>	<b>(47%)</b>
Impairment charges on loans and advances	(218)	(221)	(1%)
Impairment charge on assets held for sale to NAMA	(132)	(68)	(48%)
Loss on sale of assets to NAMA	-	-	
Share of associates and joint ventures (after tax)	9	14	56%
<b>Underlying<sup>1</sup> loss before tax</b>	<b>(141)</b>	<b>(168)</b>	<b>(19%)</b>
<b>Business Unit: Underlying operating profit before impairment charges</b>			
Residential mortgages	102	91	(11%)
Business Banking	104	48	(54%)
Consumer Financial Services <sup>2</sup>	36	33	(8%)
Division centre	(33)	(51)	-
<b>Underlying operating profit before impairment charges</b>	<b>209</b>	<b>121</b>	<b>(42%)</b>

### Residential mortgages

- Operating profit 11% lower reflecting higher costs of wholesale funding costs partly compensated by improved product margins and a reduction in operating costs resulting from closure of the intermediary channel and other initiatives
- Reduction in impairment charge to £30m (21bps) in 6 months to June 2010 (June 09: £44m (31bps) Dec 09: £44m (31bps))

### Business Banking

- Operating profit 54% lower driven by intense competition for deposits and higher wholesale funding costs partially offset by asset re-pricing
- Impairment on property and construction of £87m in 6 months to June 2010 (June 09: £123m). Impairment on Non-property SME and corporate of £89m (June 09: £17m) due to a small number of large individual cases

### Consumer Financial Services

- Operating profit before tax of £33m; 8% lower 6 months to 30 June 09
- Continue to invest in new products and services in joint venture with UK Post Office

<sup>1</sup> Underlying excludes non-core items

<sup>2</sup> Consumer Financial Services includes share of associates and joint ventures (after tax) of £14m in 6 months to June 2010 (£9m in 6 months to June 2009)

# Capital Markets

## 6 months to June 2010

### Income Statement

	June 09 €m	June 10 €m	% Change
Net Interest Income	537	400	(26%)
Net Other Income	73	49	(33%)
<b>Operating Income</b>	<b>610</b>	<b>449</b>	<b>(26%)</b>
Operating Expenses	(163)	(146)	(10%)
<b>Underlying operating profit before impairment of financial assets</b>	<b>447</b>	<b>303</b>	<b>(32%)</b>
Impairment charges on loans and advances to customers	(202)	(135)	(33%)
Impairment charge on loans and advances to banks	(2)	-	
Impairment charge on assets held for sale to NAMA	(118)	(156)	
Loss on sale of assets to NAMA	-	(414)	
Share of associates and joint ventures (after tax)	=	<u>1</u>	
<b>Underlying<sup>1</sup> profit/ (loss) before tax</b>	<b>125</b>	<b>(401)</b>	
<b>Business Unit: Underlying operating profit before impairment charges</b>			
Corporate Banking	289	243	(16%)
Global Markets	148	38	(74%)
Asset Management Services <sup>2</sup>	20	17	(15%)
Division Centre	(10)	<u>6</u>	
<b>Underlying<sup>1</sup> operating profit before impairment charges</b>	<b>447</b>	<b>304</b>	<b>(32%)</b>

<sup>1</sup> Underlying excludes non-core items

<sup>2</sup> Asset Management Services includes share of associates (after tax) of €1m in 6 months to June 10 (€nil in 6 months to June 09)

### Corporate Banking

- Operating profit 16% lower reflecting higher wholesale funding costs, lower deposit margins and muted demand for new lending
- Impairment charge on loans and advances to customers of €135m in 6 months to 30 June 10 is down 33% compared to 6 months to 30 June 09
  - Loans to larger internationally focused corporate customers are performing relatively better given improved global economic conditions

### Global Markets

- Operating profit down from €148m for 6 months to 30 June 09 to €38m for 6 months to 30 June 10
- Total income down 57%
  - driven by gains as a result of good positioning in a falling interest rate environment in early 2009 and higher cost of wholesale funding in the 6 months June 2010
  - Partly offset by higher income from 3<sup>rd</sup> party customer business due to increased foreign exchange hedging in a more volatile market environment
- Operating expenses lower by 11% due to lower staff numbers and tight control of costs

### Asset Management Services

- Lower operating profit as a result of lower fee income due to the disposal of the US asset management businesses in the prior year
- Partly offset by higher profit due to higher AUM in BIAM

# Outlook

- Outlook for remainder of 2010 financial year remains challenging
- Confident that steps taken in H1 2010 to strengthen the Group will enable us successfully meet these challenges
- Bank of Ireland is well capitalised and refocused – with good strategic positions in well defined core markets
- Well positioned to capitalise on opportunities with economic recovery



# Questions & Answers

# Supplementary information

# Supplementary

- EPS calculation
- Stockholders' equity & Tangible net asset value
- Profile of available for sale financial assets
- EU Restructuring plan
- Core Businesses
  - Retail Ireland
  - UK Financial Services
  - Capital Markets
- Portfolios in run-off / for disposal
- Contact details

# EPS calculation

	9 months to Dec 2009 €m	6 months to June 2010 €m
Profit attributable to ordinary stockholders	(1,460)	140
Dividends to other equity interests	(4)	-
Gain on repurchase of \$150m FRN	-	24
Dividend required on 2009 preference stock	<u>(210)</u>	<u>(134)</u>
<b>A</b> Profit / (loss) attributable to ordinary stockholders	(1,674)	30
After tax impact of non-core items	<u>(1,022)</u>	<u>(1,228)</u>
<b>B</b> Loss attributable to ordinary stockholders excluding non-core items	(2,696)	(1,198)
<b>C</b> Weighted average number of shares	1,592 <sup>1</sup>	2,313
<b>D</b> Weighted average number of shares in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	1,575 <sup>1</sup>	2,291
Basic EPS (A/D)	(106.3c)	1.3c
Underlying EPS (B/C)	(169.3c)	(51.8c)

<sup>1</sup> Restated to reflect the bonus element of the Rights Issue which took place in June 2010

# Stockholders' equity and Tangible net asset value

Stockholders' equity	9 mths ended 31 Dec 09 €m	6 mths ended 30 June 10 €m
Stockholders' equity at beginning of period	6,852	6,387
Movements:		
Profit / (loss) attributable to stockholders	(1,460)	140
Net new equity raised from public capital markets	-	957
Foreign exchange movements on net assets in foreign subsidiaries	117	399
Cash flow hedge reserve movement	82	125
Pension fund obligations	(74)	(215)
Available for sale (AFS) reserve movements	924	(48)
Reissue of stock / treasury stock	(7)	(15)
Other movements	<u>(47)</u>	<u>6</u>
Stockholders' equity at end of period	6,387	7,736
<b>Tangible net asset value</b>		<b>30 June 2010</b>
Stockholders' equity at end of period		€7,736m
Deductions		
2009 Preference Stock		(€1,817m)
1992 Preference Stock		(€61m)
US\$150m capital note		(€61m)
Intangible assets		(€496m)
Own stock held for benefit of life assurance policy holders		<u>€88m</u>
Tangible net asset value (TNAV)		<b>€5,389m</b>
Number of Shares		5,227m
TNAV per share (€ cent)		<b>103c</b>

# Profile of available for sale financial assets (AFS) at 30 June 2010

## Profile of AFS Assets

- Portfolio of Available for sale (AFS) financial assets: €19.7bn (Dec 2009 €20.9bn)
- Liquid asset portfolio at 30 June 2010: €18.4bn (Dec 2009 €19.5bn)
- Average life of liquid asset portfolio to maturity – 2.4 years
- ABS portfolio at 30 June 2010: €1.3bn (Dec 2009 €1.5bn)
- Closing negative AFS reserve balance of €656m<sup>1 2</sup> (Dec 09: €608m); €48m negative movement in the 6 months to 30 June 2010

## Government securities €3.3bn

- €3.3bn government bonds (Dec 2009 €1.1bn) (including €1.5bn of NAMA Senior bonds)
- 99% AA rated, 1% AAA rated - 98% Irish Bonds
- Closing negative AFS reserve balance of €54m<sup>1</sup> (Dec 09 positive €21m); €75m negative movement in the 6 months to 30 June 2010
- 'Mark-to-market' on portfolio 98.9% (Dec 09: 104%)

## Covered bonds/ Senior bank debt €15.1bn

- €10.1bn senior bank debt; €4.8bn Covered bonds; and €0.2bn other (Dec 09: €13.2bn senior bank debt; €4.9bn Covered bonds; and €0.2bn other)
- Average rating AA-
- Closing negative AFS reserve of €325m<sup>1</sup> (Dec 09: negative €251m); €74m negative movement in the 6 months to 30 June 2010
- 'Mark-to-market' on portfolio 100.4% (Dec 09: 100%)

## ABS portfolio €1.3bn

- €1.3bn ABS portfolio (Dec 2009 €1.5bn)
- Closing negative AFS reserve balance of negative €114m<sup>1</sup> (Dec 09: negative €188m); €74m positive movement in the 6 months to 30 June 2010
- 'Mark-to-market' on portfolio 89% (Dec 09: 87%)
- No impairment in the 6 months to 30 June 2010 (Dec 09: €1.6m charge)

<sup>1</sup> Reserve balances inclusive of Deferred Tax

<sup>2</sup> Includes negative AFS Reserve balances of €163m relating to debt securities re-classified to loans and advances to customers at 30 June 2010 (31 Dec 2009 - negative €190m)

# EU Restructuring Plan

- Formal approval by EU on 15 July 2010
- EU Restructuring Plan not expected to be materially detrimental to long term interests of the Group
- Key elements comprise the following which are to be implemented before December 2014:

## ➔ Principal business disposals

New Ireland Assurance	ICS Building Society	Bank of Ireland Asset Management
<ul style="list-style-type: none"> <li>• Manufacturer of pension, life assurance &amp; related products</li> <li>• c. €12bn life assets (primarily unit linked) (Dec 09)</li> <li>• Distributes through brokers, direct &amp; Bol network - c. 19% share of new business through these distribution channels in Rol</li> </ul>	<ul style="list-style-type: none"> <li>• Irish intermediary sourced mortgage business</li> <li>• At 31 Dec 09: Mortgage loans of €7bn (incl. securitisation of €1.9bn) and deposits of €4bn.</li> <li>• Commitment to sell min. €2bn mortgages</li> </ul>	<ul style="list-style-type: none"> <li>• Dublin-based investment manager</li> <li>• Institutional balanced / specialist fund manager</li> <li>• €25bn FUM 31 Dec 09</li> </ul>

## ➔ Loan portfolios in wind-down

- As previously announced in Jan 2009 - **UK intermediary sourced mortgage portfolio** (€32bn) and certain discontinued **international corporate lending portfolios** (€4bn)
- Wholesale funding term-out commitments if wind-down of UK mortgage portfolio not below target level by June 2013 - consistent with Group targets

## ➔ Dividend / coupon payments

- No payment of dividends on Ordinary Stock until the earlier of 30 Sept 2012 or the date by which the 2009 Preference Stock is redeemed or no longer owned by the State.
- No discretionary coupon payments / exercise of voluntary call options on hybrid capital until 31 Jan 2011 (one year following dividend stopper).

## ➔ Behavioural commitments

# Core businesses

## Retail Ireland

Consumer Banking

Business Banking

Savings, pension and investment distribution

### Leading market position

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

### Extensive distribution capability

251 branches; circa 1,300 ATMs; broker distribution capability

### Broadest product offering

Consumer, Business, Private Banking and savings / pension / life assurance distribution

Product	Market <sup>1</sup> Shares	Market position
Personal Current Accounts	38%	No. 1
Mortgages	20%	No. 1
Credit Cards	34%	No. 1
Business Current Accounts	36%	No. 2
Business Loan Accounts	26%	No.2

<sup>1</sup> Latest data available

# Core businesses

## UK Financial Services

### Business Banking – Great Britain

- Long established
- Eight regional hubs
- Focused on niche segments: leisure, healthcare, professional services

### Branch network Northern Ireland

- 44-strong branch network
- Full service retail and commercial bank offering
- Particularly strong position in mid-corporate/SME segment

### Post Office Financial Services JV

- Main Joint Venture commenced in 2004 – contract to 2020
- Distribution rights for consumer financial services throughout the UK Post Office's 11,500 strong branch network
- Over 2 million financial services customers
- 900,000 Savings customers – balances of £10bn (June 10)
- 700,000 Insurance customers - insure 1 in 50 cars and 1 in 100 homes in UK
- 700,000 credit and travel money cards in issue
- Foreign Exchange - serve 1 in 4 customers in the UK with £3bn in foreign currency annually
- ATMs – 2,000 ATMs, 88m transactions annually



# Core businesses

## Capital Markets

- Capital Markets comprises Corporate Banking, Treasury Management, Securities Services (fund administration) and Corporate Finance businesses
- Building on the strength of our leading position in Ireland, the Group has developed its activities in the UK, the US and continental Europe where we have competitive strengths and capabilities
- Activities are principally corporate banking specialist lending businesses in the areas of global project finance, mid-market acquisition finance, comprehensive asset based lending together with customer driven treasury management services

Capital Markets – a relationship driven business				
Corporate Banking				
	ROI / NI	GB	US	RoW
Universal Corporate Banking	✓	x	x	x
Mid Market Leverage Acquisition Finance	✓	✓	✓	✓
Mid Market Project Finance	✓	✓	✓	✓
Burdale – comprehensive asset based lending	✓	✓	✓	x
Property	✓	✓	✓	x
Global Markets				
Customer deposits	✓	✓	✓	✓
Risk management – currency and interest rate hedging instruments	✓	✓	✓	x
Trade Finance and Carbon Emission Hedging	✓	✓	✓	✓
Foreign exchange	✓	✓	✓	✓
Corporate Finance				
Corporate finance advisory	✓	x	x	x
Asset Management Services				
Bank of Ireland Securities Services (fund administration)	✓	✓	✓	✓

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# Interim Results Announcement

For the 6 months ended 30 June 2010