

# Group Overview

## Bank of Ireland - building a sustainable future

### Progress on key priorities through pro-active engagement

■ Asset quality - losses peaked and reducing	✓
■ Strategic shape of the Group confirmed - EU Restructuring & Viability Plan	✓
■ Deleveraging & de-risking the balance sheet	✓
■ Strengthening capital ratios	2010 PCAR ✓ 2011 PCAR tbc
■ Reducing operating costs on a sustainable basis	✓
■ Pension scheme(s) IAS 19 deficits - structural deficit dealt with	✓

### Key challenges

■ Economic environment	Impacts of 2011 PCAR being assessed
■ Systemic issues in funding markets	
■ Significant restructuring & asset disposals	
■ Income and net interest margin	

### Key strategic goals

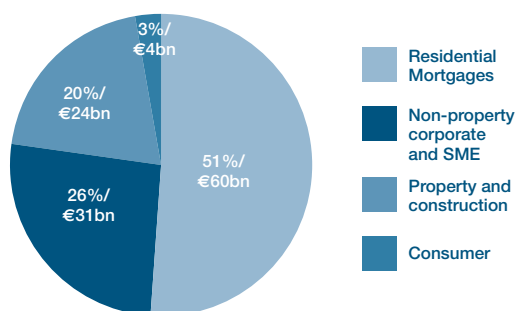
- To be the clear leading Irish bank in a consolidating sector, well positioned in our core markets with strong customer franchises and market positions, capable of supporting future economic growth
- Strongly capitalised with no reliance on exceptional Monetary Authority support or Government Guarantees
- A sustainable funding base with lower reliance on wholesale funding
- Efficient sustainable reduced cost structures
- Appropriate returns on services and products to ensure costs are covered, risk is appropriately priced and capital is remunerated and rewarded

### Annual results - key financials

12 months to	Dec 2009	Dec 2010
Loss before tax	(€2,207m)	(€950m)
Underlying loss before tax (excluding non-core items)	(€3,287m)	(€3,459m)
Net interest margin	1.64%	1.46%
Operating profit pre-impairment of financial assets	€1,432m	€1,017m
Impairment charge on loans and advances to customers excluding loans to banks/AFS and loans held for sale to NAMA	(€2,851m)	(€1,887m)

## Group loan book

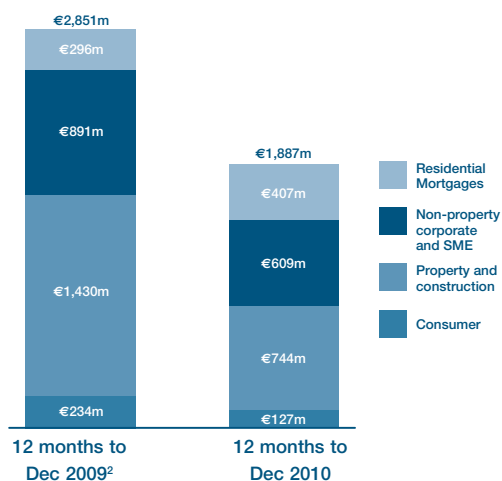
### Profile of total loans<sup>1</sup> - excluding loans held for sale to NAMA % of Group loan book €119bn



### Geographic profile of loans and advances to customers

31 Dec 2010	RoI €bn	UK €bn	RoW €bn	Total €bn
Mortgages	28	32	-	60
Non-property corporate and SME	14	9	8	31
Property and construction	9	13	2	24
Consumer	3	1	-	4
<b>Total</b>	<b>54</b>	<b>55</b>	<b>10</b>	<b>119</b>
<b>Total</b>	<b>45%</b>	<b>46%</b>	<b>9%</b>	<b>100%</b>

### Impairment charges by portfolio - excluding loans held for sale to NAMA



### Impairment charge

- Impairment charge on non-NAMA loans and advances to customers expected to have peaked in 2009 - with further anticipated reductions expected in subsequent years

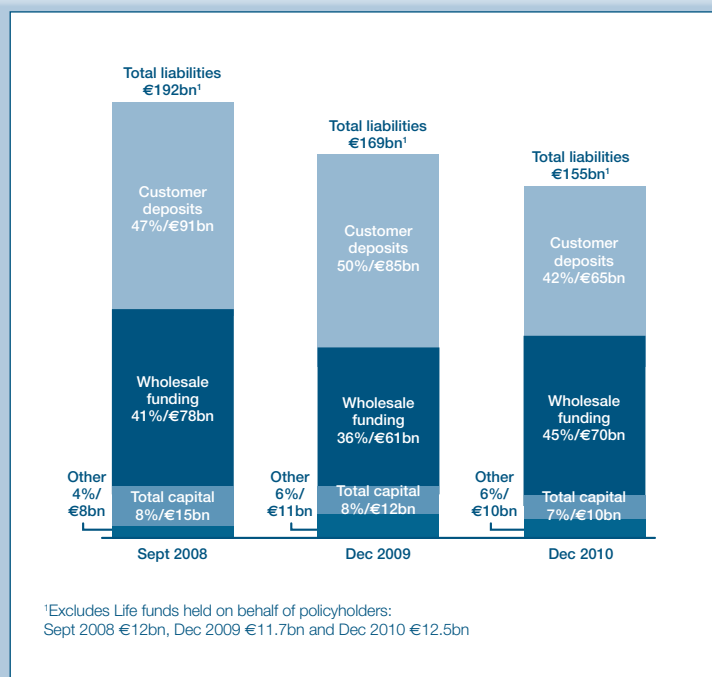
Loss on sale of assets to NAMA	12 months ended 31 Dec 2010 €m
Total assets transferred to NAMA	(9,401)
Gross discount on loans sold to NAMA (44%)	(4,169)
Loss on sale of assets to NAMA	(2,241)

- Portfolio of €868m of assets held for sale to NAMA at 31 Dec 2010

<sup>1</sup> Before balance sheet impairment provisions of €5.0bn at Dec 2010

<sup>2</sup> The impairment charge on loans and advances to customers and assets held for sale to NAMA have been restated for the 12 months to Dec 2009 to reflect changes in the eligibility criteria for potential transfers of assets to NAMA during 2010

## Balance sheet funding



### Strategy to revert to traditional banking model

- Fund core lending portfolios substantially through deposits
- Asset growth dependent on ability to attract deposits
- PLAR mandated loan to deposit ratio of 122.5% by Dec 2013

### Systemic issues have impacted on the implementation of our strategy

#### Wholesale Funding

- Difficult funding markets - limited access to term unsecured funding particularly in the last quarter of 2010

- Increased use of secured funding

- Maturity profile shortened

#### Customer Deposits

- Drive growth through strength of franchise and scale of distribution

- Retail deposits continue to be a stable source and POFS continues to exceed expectations

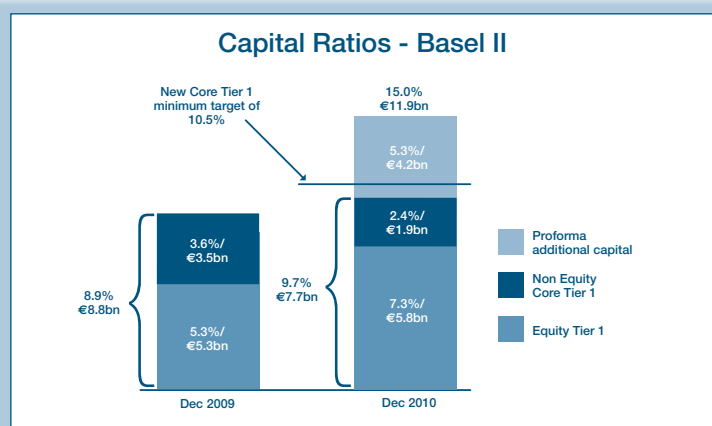
- Loan to deposit ratio 175% at Dec 10 (Dec 09 141%)

### Deleveraging

- Central Bank of Ireland PLAR mandated loan to deposit ratio target of 122.5%. €39bn of loans classified as non core. Deleveraging of €30bn to be completed by Dec 2013 to achieve target

Funding Metrics	Dec 2009	Dec 2010
Customer deposits	€85bn	€65bn
Group loan/deposit ratio	141%	175%
Wholesale funding	€61bn	€70bn
Wholesale funding ratio	36%	45%
Term funding (wholesale funding with a maturity of greater than 1 year) as a % of overall wholesale funding	32%	32%
Wholesale funding and subordinated liabilities with a maturity of greater than 1 year as a % of overall wholesale funding and subordinated liabilities	35%	34%

## Capital position and capital raising



### 20% decrease in risk weighted assets due to

- Sale of loans to NAMA
- Higher quantum of impaired loans
- Increased impairment provisions
- Deleveraging initiatives

### Increase in capital ratios primarily as a result of

- Feb 2010 debt-for-debt exchange gain of €405m
- Capital raising in June 2010
- Dec 2010 debt-for-debt exchange gain of €680m
- Offset by operating profit less impairment provisions and impact of loss on sale of loans to NAMA

- The Group is working actively, with its advisors, on initiatives with a view to meeting the €4.2bn equity capital requirement through a combination of capital management initiatives, other capital markets sources, and support from existing shareholders

2011 PCAR requirements	€bn
Capital requirement	3.7
Regulator buffer	0.5
<b>Total equity capital requirement</b>	<b>4.2</b>
Additional capital requirement (contingent)	1.0
<b>Total requirement</b>	<b>5.2</b>

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