



Joint Oireachtas Committee on Finance, Expenditure and Reform

1 November 2012

Forward-looking statement

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

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

- ▶ concerns on sovereign debt and financial uncertainties in the EU and in member countries and the potential effects of those uncertainties on the Group;
- ▶ general economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;
- ▶ changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and UK Government together with any changes arising on foot of the Euro Area Summit Statement on 29 June 2012;
- ▶ the impact of further downgrades in the Group's and the Irish Government's credit rating;
- ▶ the availability of customer deposits at sustainable pricing levels to fund the Group's loan portfolio and the outcome of the Group's disengagement from the ELG scheme;
- ▶ development and implementation of the Group's strategy, including the Group's deleveraging plan and the Group's ability to achieve estimated net interest margin increases and cost reductions;
- ▶ property market conditions in Ireland and the UK;
- ▶ the performance and volatility of international capital markets;
- ▶ the potential exposure of the Group to various types of market risks, such as interest rate risk, foreign exchange rate risk, credit risk and commodity price risk;
- ▶ the effects of the Irish Government's stockholding in the Group (through the NPRFC) and possible increases in the level of such stockholding;
- ▶ the outcome of any legal claims brought against the Group by third parties or legal or regulatory proceedings more generally that may have implications for the Group;
- ▶ the Group's ability to address information technology issues;
- ▶ potential deterioration in the credit quality of the Group's borrowers and counterparties; and
- ▶ implications of the Personal Insolvency Bill 2012 for distressed debt recovery and impairment provisions.

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward looking statements speak only as at the date they are made. The Group does not undertake to release publicly any revision to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.

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Bank of Ireland Group 

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Our Strategic Goals

Bank of Ireland Group 

Bank of Ireland raised and generated significant equity capital in 2011 almost entirely from the Private Sector. The capital was provided by investors who believe that the Irish economy is recovering and that the Bank of Ireland can support and benefit from this recovery. The investors support Bank of Ireland's goal to be the pre-eminent Bank in Ireland and have provided the capital and endorsed the use of the Bank's funding and infrastructure in support of that goal.

The strategic objectives for the Group are:

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

Restructuring the Balance Sheet

- ▶ Deleveraging ahead of schedule and below assumed cost
 - ▶ Deposit franchises resilient
 - ▶ Loan to deposit ratio reducing
 - ▶ Capital ratios robust
-

Enhancing our Core Franchises

- ▶ Market positions in Ireland and UK strengthening - investments being made in core franchises
 - ▶ Using capital and funding to actively seek revenue generating opportunities
 - ▶ Rolling out new products and services
 - ▶ Supporting customers with financial challenges
 - ▶ Investing in payment systems
-

Delivering Sustainable Operational Efficiencies off a Lower Cost Base

- ▶ Redundancy programmes recommenced
- ▶ Centralising support functions
- ▶ Leveraging lower cost channels
- ▶ Consolidating premises
- ▶ Investing in systems including payment systems

Rebuilding Profitability

- ▶ Reducing the cost of deposits and other funding
 - ▶ Disengagement from ELG
 - ▶ Repricing of loans
 - ▶ Seeking new business opportunities in our core franchises
 - ▶ Improving the risk profile of our loan portfolios
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Focused on Medium Term Targets

Bank of Ireland Group 

Measure		2011	Jun 2012		Target	Progress
Financial Stability	Loans and advances to customers ¹	€102bn	€98bn	▶	c.€90bn	On track for 2014 delivery
	Group loan / deposit ratio	144%	136%	▶	120%	
	Capital					
	▶ Core tier 1 ratio	15.1%	14.9%		Buffer maintained over regulatory minimum	
	▶ Core tier 1 ratio (PCAR / EBA basis)	14.3%	14.0%	▶		
	ELG covered liabilities	€42bn	€36bn	▶	Fully disengaged	
	ELG fees	€449m	€212m			
Rebuilding Profitability	Net interest margin	1.33%	1.20%	▶	>2.0%	Timing will reflect interest rates and pace of economic recovery
	Cost / income ratio	79%	92%	▶	<50%	
	Impairment charges	€1.9bn	€0.9bn	▶	55bps - 65bps	

¹ Loans and advances to customers are stated net of impairment provisions

Financials Overview

Balance Sheet Strengthened

	Dec 11	Jun 12
Loans / deposits ratio	144%	136%
Term funding ratio (private market)	70%	69%
RWAs	€67bn	€62bn
Core tier 1 ratio	15.1%	14.9%
Core tier 1 ratio (PCAR / EBA basis)	14.3%	14.0%

External Context

- ▶ Economic backdrop and interest rate environment remain challenging
- ▶ Progress being achieved by Ireland on adjustments to support sustainable economic recovery

2012 Interim Results

- ▶ Asset disposal target of €10bn exceeded (all ex Ireland) ahead of schedule
- ▶ Balance Sheet restructuring on target
- ▶ Robust capital ratios and improving liquidity metrics
 - ▶ Core tier 1 ratio of 14.9%
 - ▶ Loan to deposit ratio further improved to 136%

Operating Performance

6 months to	Jun 11	Jun 12
Operating profit Pre-impairment	€164m	€58m
Net interest margin (annualised)	1.33%	1.20%
Impairment charges on loans and advances to customers	€842m	€941m
Underlying loss before tax	(€722m)	(€907m)

- ▶ Operating profit impacted in H1 2012 by the interest rate environment, deposit competition and ELG costs
- ▶ Actions taken and further plans being implemented to strengthen net interest margin
- ▶ Lower staff costs offset by investments in efficiencies and in our core franchises
- ▶ Cost reduction benefits expected to flow through in subsequent periods (H1 provision of €66m for recommenced redundancy programmes)
- ▶ Impairment charges below the level incurred in H2 2011 but remain elevated

Loans and Advances to Customers

Bank of Ireland Group 

Profile at 30 Jun 12 ¹	ROI €bn	UK €bn	ROW €bn	Total €bn	Total %
Mortgages	28	29	-	57	54%
Non-property SME and corporate	13	7	5	25	24%
Property and construction	9	11	-	20	19%
Consumer	2	1	-	3	3%
Loans and advances to customers²	52	48		105	100%
	50%	45%		100%	

Asset Profile

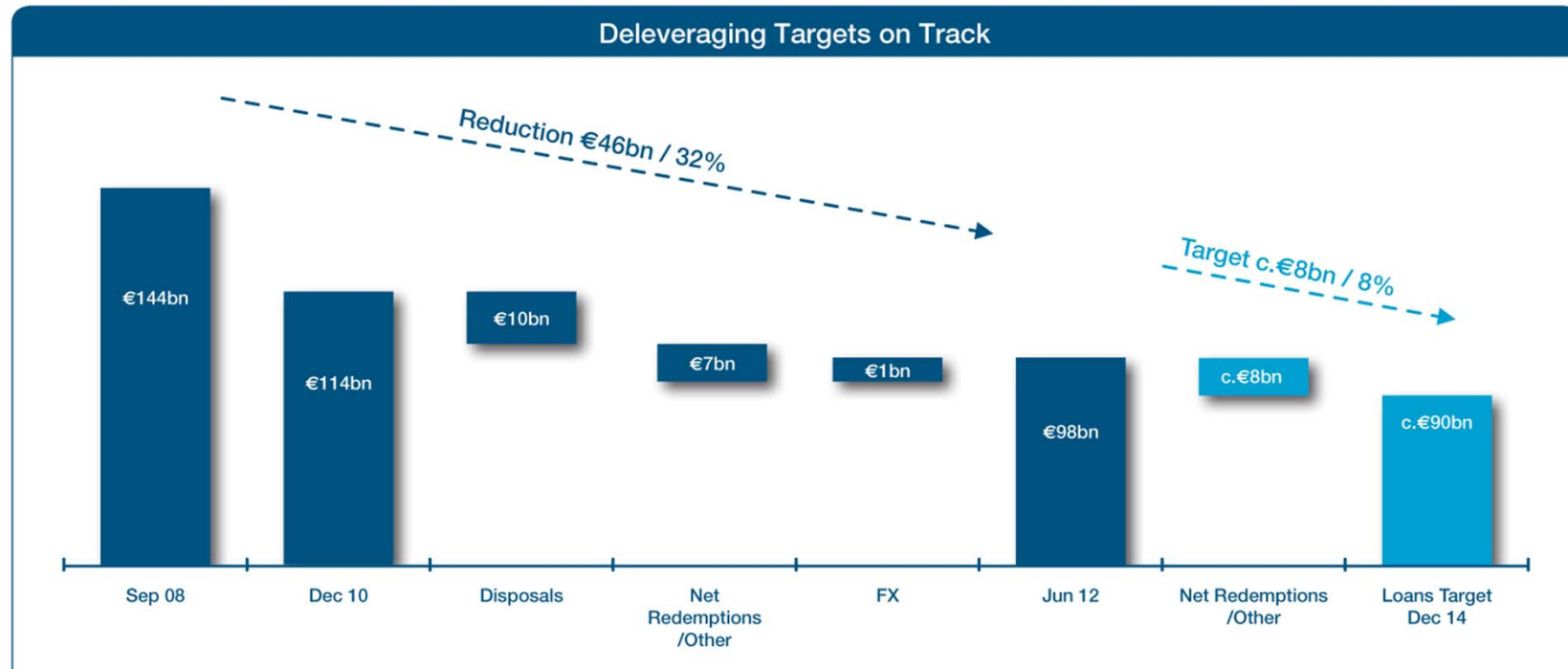
- Mortgages represent 54% of total loans - €57bn
- split evenly in ROI and UK

Geographic Profile

- ROI loans account for 50% of total loans - €52bn

¹ Based on geographic location of customer

² Loans and advances to customers of €105bn at 30 June 12 are before impairment provisions of €7bn

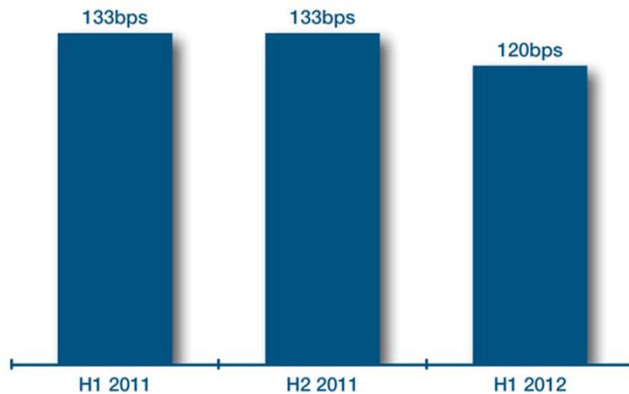


Deleveraging actions focused ex Ireland

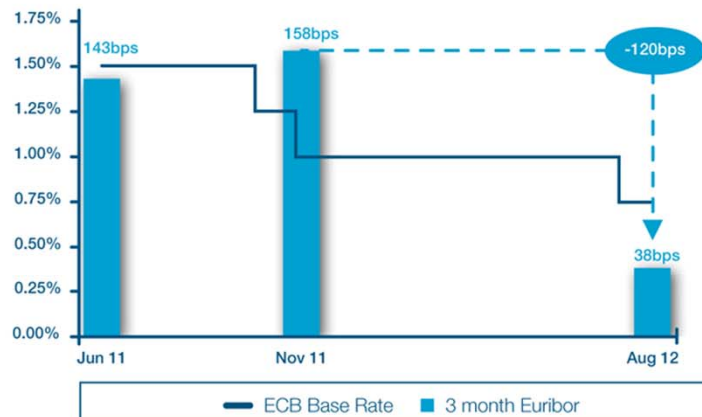
- ▶ Asset disposal target of €10bn exceeded - ahead of schedule
- ▶ Average discount of 7.9% incurred - below 2011 PCAR base case assumptions
- ▶ Net redemptions continue in line with expectations
- ▶ Deleveraging targets on track

Net Interest Margin

Net Interest Margin Trend



Market Interest Rate Trend



Interest Rate Environment

- ▶ Outlook is for lower official interest rates for longer
- ▶ Sharp reduction since Q4 2011
- ▶ ECB rate has fallen from 1.5% to 0.75%
- ▶ 3-month Euribor has fallen from c.1.6% to c.0.4%
- ▶ Impacts earnings from certain assets, capital and credit balances
- ▶ Cost of deposits not impacted – driven by competition rather than by official rates
- ▶ Wholesale funding whilst reducing remains expensive.

Actions to Rebuild Margin

- ▶ Wholesale funding reducing
- ▶ Pay rates on ROI deposits reducing
- ▶ ROI SME loan pricing reset to reference actual cost of funds
- ▶ UK Mortgages - standard variable rate increased by 100bps in Jun 12; further 50bps in Sep 12
- ▶ Higher margins on new lending albeit demand is muted
- ▶ Structural transactions - IBRC / LTRO will also support
- ▶ Actions taken and further plans being implemented to strengthen net interest margin



Operating Expenses

- ▶ Costs in line with H1 2011. Down over 20% on H1 2008
- ▶ Lower staff costs H1 2012 vs. H1 2011 offset by investments

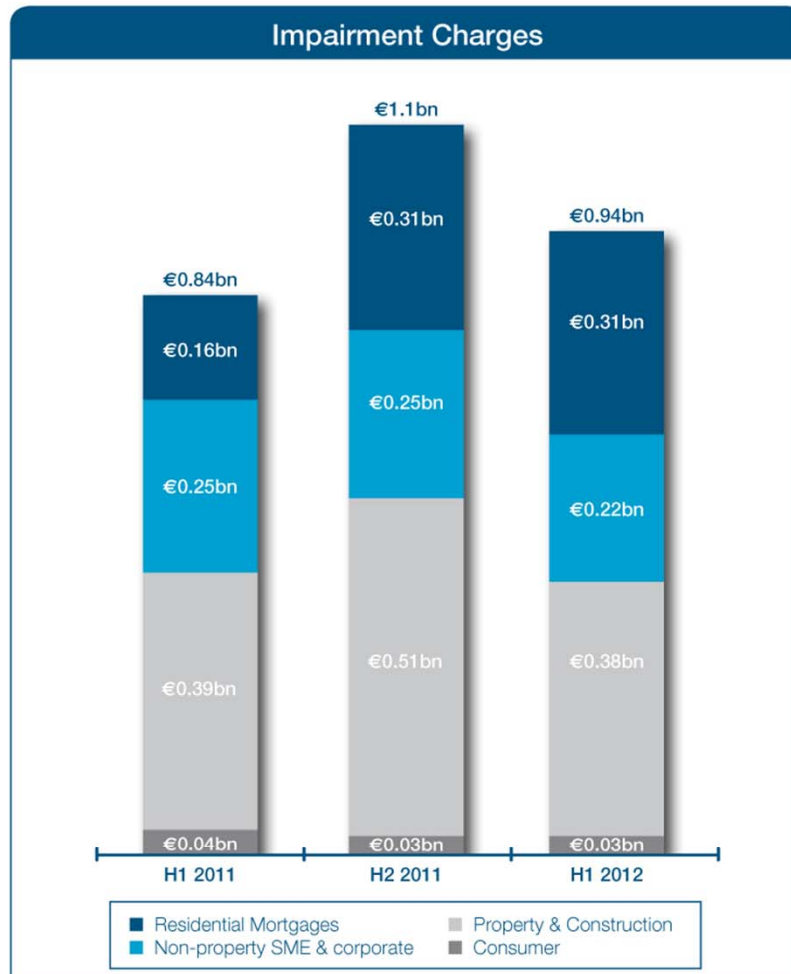
Ongoing Actions to Reduce Cost

- ▶ Reduction in staff numbers
 - ▶ Redundancy programmes have recommenced
 - ▶ Restructuring charge of €66m at Jun 12 – Payback < 12 months
- ▶ Pension levy to be recovered from BSPF scheme members
- ▶ Outsourcing contracts delivering expected benefits

Ongoing investments

- ▶ Branch, mobile and online channels
- ▶ UK Post Office
- ▶ Customer service and experience
- ▶ Efficiency measures - procedures and systems

Impairment Charges

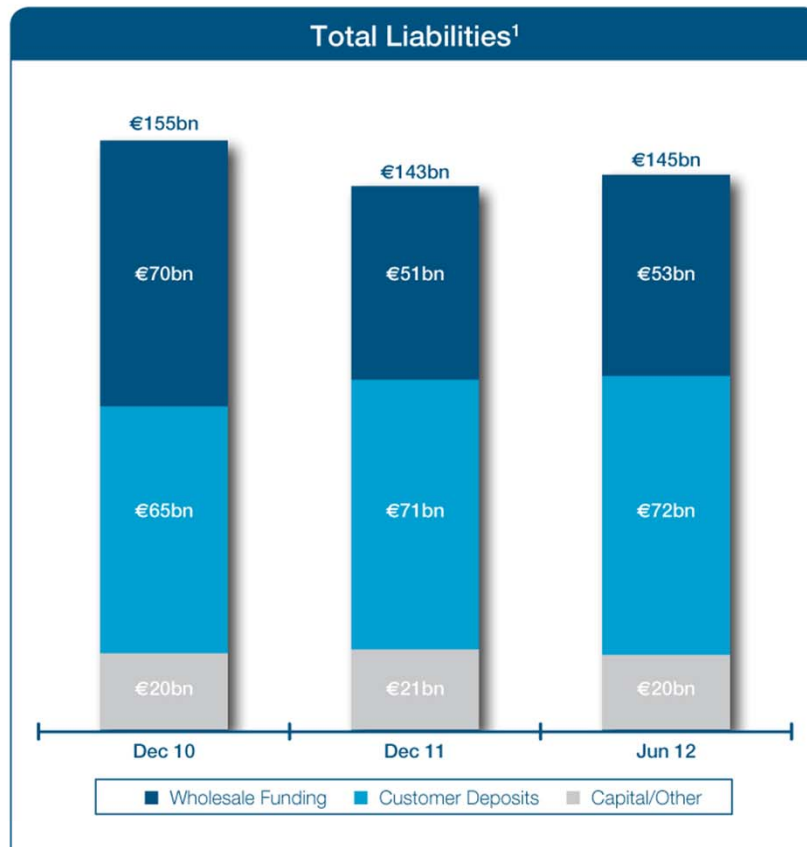


Overview

- ▶ Impairment charges remain elevated but have reduced from the level in H2 2011
- ▶ The charge for residential mortgages reflects the economic environment in Ireland and affordability issues. House prices appear to be stabilising. BOI arrears materially below sector average and pace of arrears formation in BOI portfolio reducing.
- ▶ Impairment charges in the SME sectors remain elevated but stable
- ▶ Impairment charges on property and construction loans reflect the economic environment.
- ▶ Impairment charges on consumer loans remain within expectations

Outlook

- ▶ Expect impairment charges to reduce from current elevated levels
- ▶ Trending over time to a more normalised impairment charge as the economy recovers
- ▶ Pace of reduction will depend on the future performance of Irish mortgages and commercial property markets

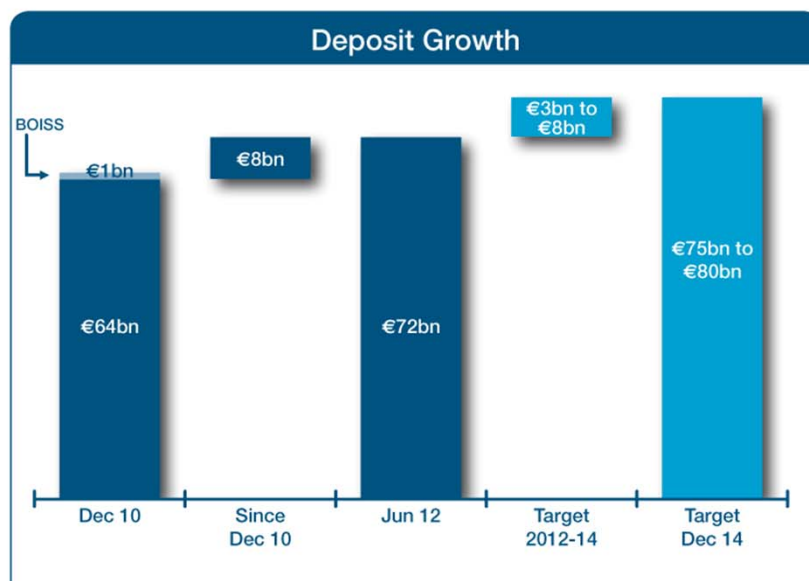


Funding Strategy

- ▶ The Group's aim is to fund its loan portfolios substantially through deposits and term funding while maintaining prudent capital and liquidity ratios
- ▶ Target a loan to deposit ratio of <120% by Dec 2014
- ▶ Drive deposit strategies through the strength of our franchises and the scale of our distribution
- ▶ Deleveraging is reducing the reliance on wholesale funding
- ▶ Balance between reducing ELG covered deposits and pay rates whilst maintaining volumes

¹ Excludes Bank of Ireland Life funds held on behalf of policyholders: Dec 10 €12.5bn, Dec 11 €12.0bn and Jun 12 €12.7bn

Customer Deposits



Profile	Dec 10	Dec 11	Jun 12
Retail Ireland	€35bn	€36bn	€35bn
Retail UK	€21bn	€27bn	€29bn
Corporate	€8bn	€8bn	8bn
BOISS related	€1bn	-	-
Total	€65bn	€71bn	€72bn
Loan to deposit ratio	175%	144%	136%

Group

- ▶ Deposits increased since Dec 11
- ▶ Loan to deposit ratio of 136% at Jun 12
- ▶ Profile is retail oriented
- ▶ Less than 30% of deposits covered by ELG
- ▶ Access arrangements being revised
- ▶ Key focus:
 - ▶ further reduce the cost of deposits
 - ▶ further reduce the volume of deposits covered by ELG

Retail Ireland

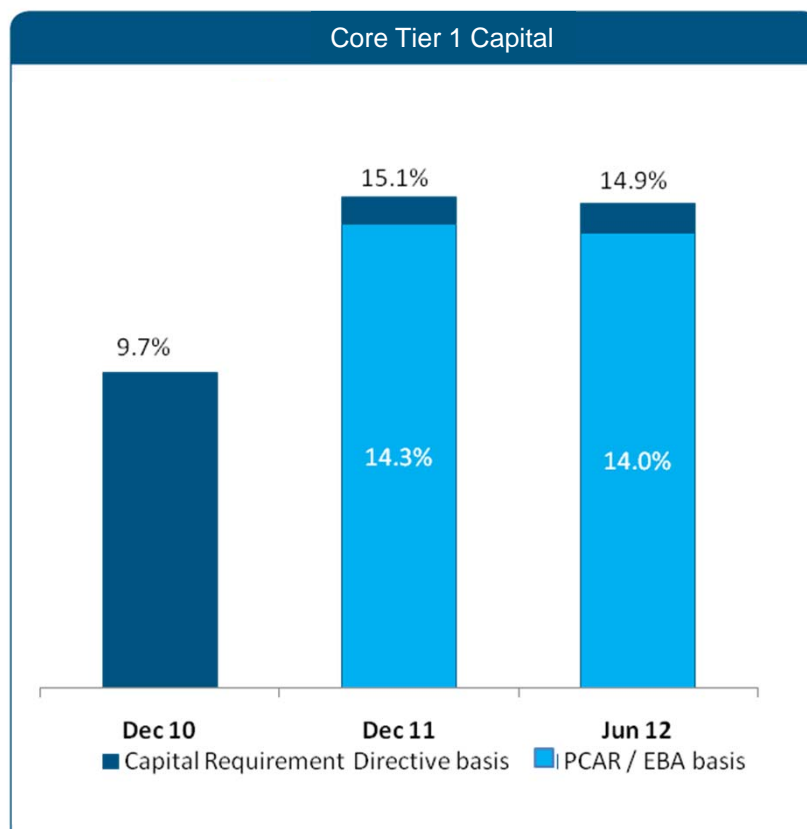
- ▶ Significant repricing implemented during H1 2012; further action underway/planned
- ▶ Volume in line with expectations

Retail UK

- ▶ Post Office deposits have increased since Dec 11
- ▶ Average deposit size is less than £20k
- ▶ Enhanced Post Office relationship demonstrates further endorsement and commitment

Corporate & Treasury

- ▶ Significant repricing implemented during H1 2012; further action underway/planned
- ▶ Volume in line with expectations



Core Tier 1 Ratio

- ▶ Core tier 1 ratio of 14.9% at Jun 12 reflects:
 - ▶ Loss in the period
 - ▶ Partly offset by lower RWAs

Core Tier 1 Ratio (PCAR / EBA basis)

- ▶ Core tier 1 ratio of 14.0% compared to a PCAR requirement of 10.5%¹

¹ As stated in the Financial Measures Programme the Central Bank has moved to a super equivalent definition of Core tier 1 "the Central Bank applied capital requirement rules and a definition of Core Tier 1 capital as prescribed by the Capital Requirement Directive, which is the prevailing regulatory standard in the EU. To increase conservatism the Central Bank has included all supervisory deductions, including 50:50 deductions"

Mortgages – BOI delivering significant support

Bank of Ireland – adopting the leadership position in the Irish Mortgage Market

- Housing market showing early signs of stabilisation and BOI is strongly supporting this – in H1 2012 BOI responsible for circa 40% of total new mortgage lending
- €1.5bn fund announced in December 2011 oversubscribed for applications – new €2bn fund announced in October 2012
- Successful ‘Home Buyers Week’ in October 2012 promoting availability of mortgage finance – circa 200 key mortgage influencers in Dublin engaged
- BOI only bank to be present at Ideal Homes Show, RDS Dublin (Oct)
- Mortgage advisor in every Branch capable of supporting customers.
- Strong pick up in demand in Q3 2012
- Range of resolution options for unsustainable mortgages in place e.g. Assisted Sale, Voluntary Sale, Trade Down
- Mortgage to Rent scheme in pilot with Housing Agency
- Industry leadership on new Personal Insolvency legislation and preparedness e.g. development of new Protocols
- Restructure of unsecured debt in order to return the mortgage to sustainability.



- Negative Equity mortgage available since April 2012
- Mobile 24/7 Mortgage service available in greater Dublin area proving very successful
- BOI supporting NAMA Deferred Payment Initiative and providing mortgage finance under this scheme.
- Over 700 staff supporting customers in financial difficulty
- MARP Customer Engagement well established
- Pre-Emptive Budgeting Review (arrears avoidance)
- CCMA Code obligations met
- Suite of short term forbearance options deployed:
 - Interest only (IO)
 - Fixed repayment (IO +)
 - Moratorium.
- Comprehensive suite of medium and long term solutions for sustainable mortgages in place
- DIS solution since 2011
- Over 3,000 Term Extensions in place
- Arrears Capitalisation underway
- Negative Equity Trade up/Trade Down
- Split Mortgage June 2012
- Long Term I/O and I/O+ July 2012
- Forbearance Negative Equity Trade Down
- Fully supportive in establishment and financial contribution towards range of new Mortgage Information Advisory Services.

Pace of decline in industry new mortgage lending easing and signs of increased housing market stability...

- In H1 2012 circa €1.0bn was advanced in new mortgage lending across the industry and a total of 5,855 new mortgages were issued. Lending to first time buyers and movers represented 46% and 40% of total new mortgage lending respectively.
- In Q2 2012 the number of new mortgages advanced to first time buyers and movers was up 10% and 6% yoy respectively. This was the first quarter since Q1 2006 that lending to these two segments showed a yoy increase.
- The incremental improvement in the year on year trend in mortgage lending is mirrored by publicly available house price and rental market data – increasing evidence that house prices and rents have begun to stabilise.
- In the year to September 2012 national house prices have declined by 9.6%. However, in four of the past five months prices have risen and in September rose by 0.9% nationally and by 2.4% in Dublin.
- Notwithstanding the challenging environment, there is evidence of the emergence of some recovery factors, including house price stabilisation, an increase in mortgage activity as well as improving consumer sentiment.
- BOI has noted a marked pick up in demand and activity in the last couple of months.

BOI delivering significant support to stimulate economy through its mortgage lending capacity...

- In December 2011 BOI launched a €1.5bn Mortgage Fund – the fund was oversubscribed for applications and in October 2012 a new €2bn fund to support home purchase was announced.
- In April 2012 BOI was the first Bank to announce a range of product features to enable customers with negative equity to move home. Very proactive media stance taken to support this launch and we wrote to prospective customers to improve awareness. In May 2012 BOI announced support for the NAMA DPI scheme with BOI staff at a number of open house weekends to promote availability of finance. BOI will support the recent rollout of phase 2 of this scheme.
- We have dedicated mortgage advisers in every branch across the Network to assist customers through each step of the mortgage application process. Our innovative Mobile Mortgage service, launched in 2011, continues to be well regarded by customers given the “outside standard working hours” nature of the service suiting the needs of our customers.
- BOI held a Homebuyer’s Week in October 2012 featuring a number of guest presenters and home related businesses across our branch network in Dublin. The events were promoted in the media and significant numbers of customers attended and met our mortgage advisors. BOI attended the Ideal Home Show, RDS Dublin in October 2012. Nationally and locally we continue to advertise extensively the fact that we both wish to and need to make mortgage finance available to our customers.
- Our commitment to stimulating and supporting recovery in the Irish mortgage market is evidenced by our market share of new mortgage lending – in H1 2012 BOI achieved a circa 40% market share of total new mortgage lending (from 17% as recently as 2008). We have seen a 39% increase in applications for mortgage finance in Q3 2012 over Q1 2012 which is further evidence of customers deciding to select BOI.
- In H1 2012 BOI provided 2,300 new mortgages. In excess of 50% of all new BOI mortgages were to first time buyers. The number of mortgages provided to first time buyers in Q2 2012 represented an almost 20% increase on the previous quarter – a very strong performance in the context of the external market environment.
- We continue to approve a high proportion of applications from customers (80% of fully processed applications receive approval) and our focus continues to be on communicating that we wish to provide finance and demonstrating with action that we mean it.

...Supporting customers in Mortgage arrears is a key priority...

- At end June 2012 circa 7% of owner occupier BOI mortgage accounts were > 90 days in arrears and / or impaired.
- The proportion of owner occupier BOI accounts >90 days in arrears is trending significantly lower than the market (Central Bank data – June 2012: c. 11% of accounts were >90 days in arrears excluding BOI the market would be circa 12 %).
- We now have over 700 people across our organisation supporting customers who are experiencing difficulty in repaying their mortgage.
- We have invested heavily in training with c. 1,900 trainee days over the past few months including MARP Customer Engagement and ‘Firm and Effective ‘ collections training for frontline staff.
- We have a comprehensive customer engagement model in place to support customers in arrears. Our regionally based Network Account Managers are meeting with customers and supporting them through our Mortgage Arrears Resolution Process (MARP), including completion of the Standard Financial Statement (SFS), household expenditure review and prioritisation of debt repayments.
- We have added incremental capacity through an outsource arrangement with a UK market leading arrears management service provider, particularly for our Buy to Let customers.
- We have contracted with a range of third party mortgage arrears specialists across a number of areas to enhance capability and add incremental capacity e.g. training, collections process design, risk model development.
- We have over 16k active restructures in place and 86% of these are performing since restructure.
- We have restructured over 35k unsecured debt accounts. For many of our customers, restructure of their unsecured debt resolves their repayment difficulty on their mortgage.
- The Pilot phase for our new additional Long Term restructure options has completed and we have rolled out our comprehensive suite of long term forbearance solutions.
- Our Mortgage Arrears Resolution Strategy (MARS) and Implementation Plan is a comprehensive response to the mortgage arrears repayment challenges facing many of our customers.



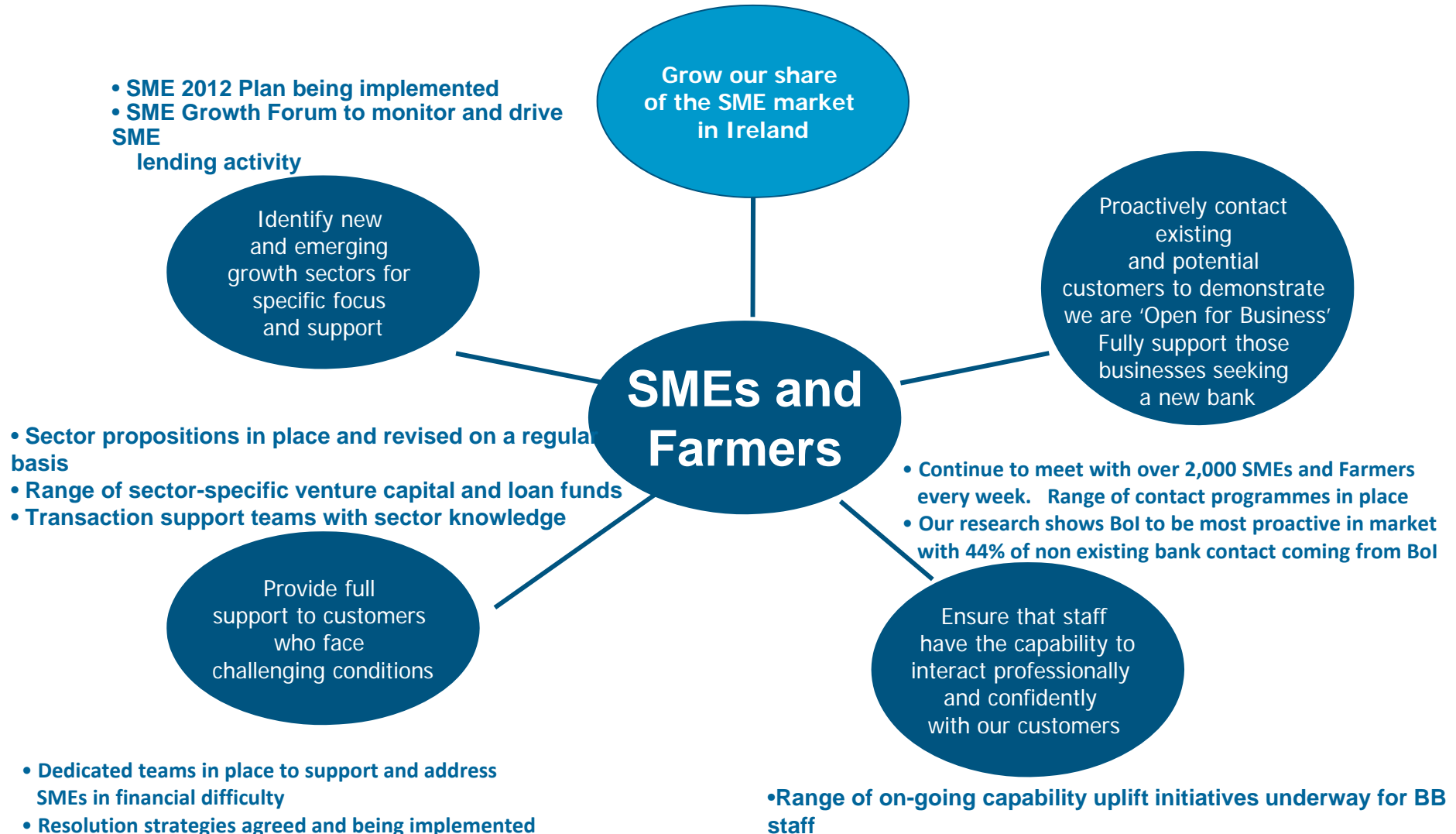
SME Banking

Bank of Ireland has a core focus on the SME sector

Bank of Ireland
Business Banking



- Relationship with one in three Irish businesses and farmers
- Approved over 35,000 applications for credit in the first 9 months of 2012
- On track to approve €3.5 billion in new and increased facilities for 2012
- Opened in excess of 20,000 Business Current Accounts since January – up 12% on 2011



Bol is supporting economic recovery through the SME sector...

- In 2012, Bank of Ireland is targeting to approve €3.5bn in lending to SMEs and farmers. This represents new / increased lending into the economy and excludes restructures.
- c. 42,000 credit applications were received for the 9 months to September 2012. c. 35,000 were approved representing an approval rate of c. 84%.
- Aggressive customer contact and opportunity pipeline targets set for frontline staff which are actively monitored.
- Credit demand remains a key issue on the back of fragile business confidence with application numbers down 4% on 2011 levels. The pace of slowdown is reducing - 2011 applications were down 11% on 2010 numbers.
- Significant investment in online capabilities, including standard form online applications and cashflow forecasting tools for customers.
- Strong support and investment in SME mentoring programmes, business plan preparation advice etc. Deployment of credit enquiry template to aid customer engagement and ensure all enquiries are followed up on.
- Agri sector is strongly supported – fund of €250m fully allocated and additional €275m earmarked. Recruitment of expertise undertaken and active programme of training in agri-sector and agri-lending skills underway.
- Bank of Ireland to the forefront of replacing competitors who are exiting the market e.g. refinancing viable customers seeking support. Bol are also the primary financier in the Motor sector as other providers have withdrawn.
- Enterprise Ireland and IDA collaboration programmes expanded upon and an internationalisation agenda focus. Bol are the banking partner for over 60% of the FDI companies based in Ireland.
- Significant provider of Seed and Venture capital finance through chosen partners.
- Actively supporting Government sponsored Microfinance and credit guarantee initiatives.
- Significant Enterprise Programme with twice yearly National Enterprise Week events. Over 5,000 participants each year with c. 2,000 business owners showcasing their business in our branches.

...and we are supporting viable enterprises who are in financial difficulty



- Dedicated Teams dealing with SME customers in financial difficulty
 - 9 regionally based teams supported by central specialist unit (> 500 people)
 - Sectoral experts recruited for a range of sectors e.g. Motor, Hospitality, Healthcare etc.
 - Capability uplift ongoing in challenged SME resolution skills
- Three broad resolution strategies for challenged SMEs (Return to Growth, Restructure and Debt recovery)
 - Viable SMEs are being supported to every extent possible
 - SMEs who require a restructure of their debts are supported by an extensive range of short term forbearance and medium term resolution options for SMEs.
 - Unfortunately in some cases unsustainable companies will cease trading. However in a number of instances we have financed and can finance a purchaser of the underlying business.

Divisional Performance

H1 2012	Retail ROI €m	BIL €m	Retail UK €m	Corporate & Treasury €m	Group Centre €m	Total €m
Total income	486	82	203	346	(217)	900
Operating expenses	(429)	(46)	(194)	(96)	(77)	(842)
Operating profit pre-impairment	57	36	9	250	(294)	58
Impairment charges	(654)	-	(198)	(86)	(40)	(978)
Share of associates / JVs	(3)	-	16	-	-	13
Underlying ¹ loss / profit before tax	(600)	36	(173)	164	(334)	(907)
H1 2011	Retail ROI €m	BIL €m	Retail UK €m	Corporate & Treasury €m	Group Centre €m	Total €m
Total income	592	22	280	390	(277)	1,007
Operating expenses	(431)	(50)	(185)	(113)	(64)	(843)
Operating profit pre-impairment	161	(28)	95	277	(341)	164
Impairment charges	(534)	-	(224)	(143)	-	(901)
Share of associates / JVs	-	-	15	-	-	15
Underlying ¹ loss / profit before tax	(373)	(28)	(114)	134	(341)	(722)

¹ Underlying excludes non-core items

Ireland - a 15% Stockholder in Bank of Ireland

Bank of Ireland Group 

1 January 2009 - 30 June 2012

Cash Invested by the State

Cash invested by the State	€4.8bn
▶ Preference shares (€1.7bn converted to ordinary shares in 2010)	€3.5bn
▶ Ordinary stock 2011	€0.3bn
▶ Contingent capital instrument	€1.0bn

Repay and Reward State Support

Cash paid by BOI to the State	€2.5bn
▶ Guarantee fees	€1.2bn
▶ Repurchase of warrants (2010) and recapitalisation fees	€0.8bn
▶ Coupons ¹	€0.5bn

Current State investments in BOI	€2.8bn	+15% stockholding
▶ Preference shares (10.25% p.a. coupon)	€1.8bn	
▶ Contingent capital instrument (10% p.a. coupon)	€1.0bn	
▶ 15% stockholding		

Reduce the Risk to the State

- ▶ €136bn of liabilities guaranteed in Sep 08
- ▶ Reduced by 74% to €36bn at Jun 12
- ▶ Taking actions to fully disengage from ELG

Support the State

- IBRC promissory note payment
- ▶ €3bn due in Mar 12
- ▶ IBRC repo transaction executed during H1 2012

Supporting the Economy

- ▶ Investing in Irish franchise
- ▶ Actively seeking new customers and opportunities
- ▶ Meeting SME and Mortgage targets

€8.3billion in Equity generated / raised from the Private Sector

¹ Includes the dividends on the Preference shares paid in cash in 2011 and 2012 and the coupon paid on the Contingent capital instrument in July 2012. Excludes Preference Share coupon of €0.2billion paid in Shares in 2010 due to EU requirements

Summary

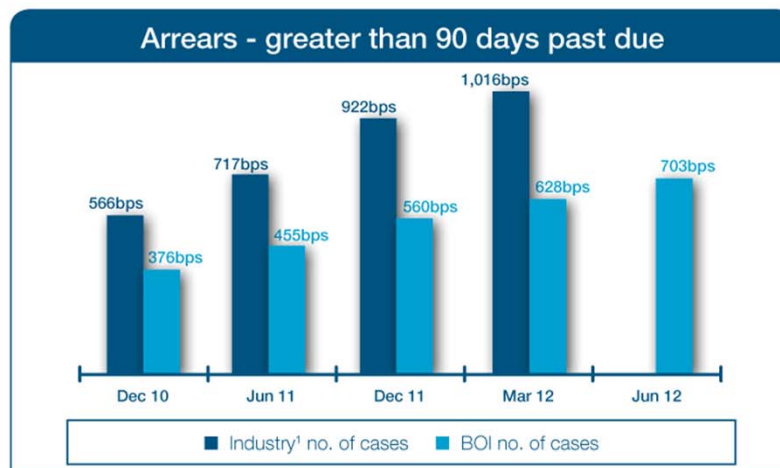
- ▶ Bank of Ireland is making progress on its priorities against a continuing challenging environment that is impacting on the Group's financial performance.
- ▶ Continuing to build businesses in Ireland.
 - Focused on meeting objective of approvals for new or increased lending of €3.5 billion for viable SME's in 2012.
 - €1.5billion Mortgage fund launched in late 2011 fully committed. New fund launched.
 - Support for customers facing financial challenges e.g. > 16,000 ROI mortgages in formal restructure. 86% fully meeting new arrangements.
- ▶ Exceeded asset disposal target of €10bn ahead of schedule and below assumed cost – deleveraging all ex Ireland.
- ▶ Level of funding covered by ELG reduced by €6bn - less than 30% of deposits now covered by ELG.
- ▶ Actively reducing the cost of funding.
- ▶ Investing strategically in our branch, mobile and online channels, our UK Post Office relationship and in customer service and efficiency initiatives.
- ▶ Significant enhancement of Post Office Franchise in the UK.
- ▶ Robust Core tier 1 ratio of 14.9% (14% PCAR/EBA).
- ▶ Good franchises and good businesses at different stages in the recovery process. External factors influencing the recovery time frame. Well positioned in core markets to support and benefit from economic recovery. On track to be the pre-eminent bank in Ireland.
- ▶ Absolute focus on all objectives which we can control and influence.

**Joint Oireachtas
Committee on
Finance,
Expenditure and
Reform**

1 November 2012

Appendix - ROI Owner Occupied Mortgages: €21bn

Bank of Ireland Group 



Impairment Charge & Provisions

6 months ending	Jun 11	Dec 11	Jun 12
Arrears ² - loan volumes			
▶ BOI loan volumes	5.89%	7.40%	9.22%
▶ Industry ¹	9.42%	12.23%	n/a
Impairment charge	€51m	€131m	€180m
Annualised charge	49bps	126bps	174bps
Provision stock	€361m	€489m	€672m
Coverage ratio	30%	32%	35%
Properties in possession	81	99	115

¹ Source: Central Bank of Ireland

² Loans greater than 90 days past due and/or impaired

³ Impairment provisions as a % of loans where arrears are greater than 90 days past due and/or impaired

⁴ Source: Central Statistics Office

Profile

- ▶ Repayment basis is substantially (88%) capital and interest
- ▶ 57% or €11.7bn are tracker mortgages

Asset Quality

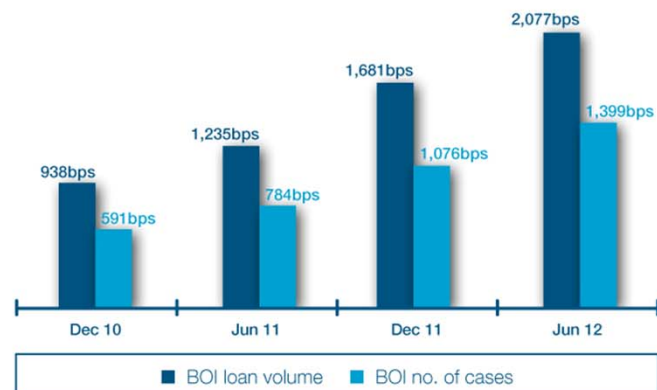
- ▶ Vast majority of customers continue to meet their mortgage payments
- ▶ Arrears reflects economic conditions and affordability issues
- ▶ Negative equity is not a driver of arrears
- ▶ Strategic default has not been a feature during 2012
- ▶ Unemployment levels are broadly stable but remain elevated
- ▶ House prices may be starting to stabilise
 - ▶ Average of 50% fall from peak values ⁴
 - ▶ Emerging urban/rural differential
- ▶ Negative equity of €2.9bn - 15% relates to default book

Restructures

- ▶ Focus on customer solutions where restructures are sustainable
 - new products developed and being rolled out
- ▶ Payment basis - customers must be able to pay at least full interest
- ▶ €1.8bn formally restructured at Jun 12 - 12,000 accounts. 86% fully adhering to revised arrangements.

Appendix - ROI Buy to Let Mortgages: €7bn

Arrears - greater than 90 days past due



Impairment Charge & Provisions

6 months ending	Jun 11	Dec 11	Jun 12
Impairment charge	€89m	€173m	€111m
Annualised charge	245bps	485bps	314bps
Provision stock	€361m	€537m	€651m
Coverage Ratio ¹	41%	46%	46%
Properties in possession	49	67	85

¹ Impairment provisions as a % of loans where arrears are greater than 90 days past due and/or impaired

² Source: Central Statistics Office

Profile

- ▶ Repayment basis - 49% on capital and interest
- ▶ 81% or €5.5bn are tracker mortgages

Asset Quality

- ▶ Significant majority of customers continue to fully meet their mortgage payments
- ▶ Increase in arrears reflects economic conditions, affordability issues and the impact of amortisation requirements when interest only periods end
- ▶ Rents remain stable
- ▶ House prices may be starting to stabilise - average of 50% fall from peak values²
- ▶ Negative equity of €1.4bn - 26% relates to default book

Restructures

- ▶ Focus on customer solutions where restructures are sustainable - new products developed and being rolled out
- ▶ Payment basis - customers must be able to pay at least full interest
- ▶ €0.75bn restructured at Jun 12 - 3,700 accounts. 87% full meeting revised requirements
- ▶ Rent receivers appointed to > 500 properties
- ▶ Properties in possession are expected to increase in H2 2012