

# Bank of Ireland Presentation

November 2011

# 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. Forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. Examples of forward-looking statements include among others, statements regarding the Group's future capital requirements and ratios, level of ownership by the Irish Government, financial position, payment of dividends, future income, business strategy, projected costs, projected impairment losses, estimated discounts upon transfers of assets to the National Asset Management Agency ("NAMA"), margins, future payment of dividends, the implementation of proposed changes in respect of certain of the Group's defined benefit pension schemes, estimates of capital expenditures, discussions with Irish, European and other regulators and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, 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, risks and uncertainties relating to the performance of the Irish and UK economies, developments affecting the Euro and Eurozone countries, the ability of the Group to raise additional capital, property market conditions in Ireland and the UK, the implementation of the Irish Government's austerity measures relating to the financial support package from the EU/IMF, the availability and cost of funding sources, the performance and volatility of international capital markets, the expected level of credit defaults, the impact of further changes in credit ratings of the Group's and the Irish national debt, the impact of transfers of assets to NAMA, the Group's ability to expand certain of its activities, the development and implementation of the Group's strategy, including the ability to achieve estimated cost reductions, competition including for customer deposits, and the Group's ability to address information technology issues. Consequently, nothing in these statements should be considered to be a forecast of future profitability or financial position. 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, review the section headed Principal Risks and Uncertainties in the six month Interim Report dated August 10, 2011 and 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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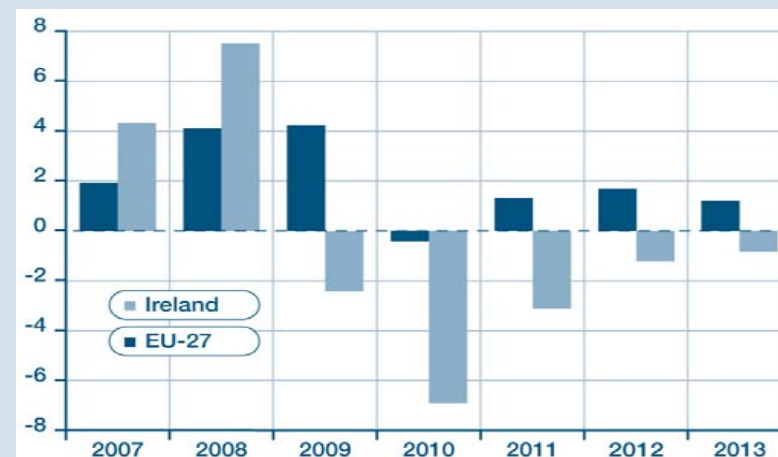
# Irish Economy Overview

# Ireland's underlying strengths remain

Irish economy is “*prosperous and open with flexible product and labour markets*” and “*the most open economy in the Euro area*” S&P 5<sup>th</sup> August 2011

- **Exceptionally open economy** – exports equate to c.100% of GDP (compared to EU 27 average of c.40%) <sup>1</sup>
- **Substantial gains in competitiveness** - unit labour costs falling vis-à-vis the EU average
- **Favourable demographics by international standards** – youngest population in EU – average age 33.8 (compared to EU average of 40.6) <sup>2</sup>
- **Pro-enterprise environment** – ranked 10<sup>th</sup> in the World Bank’s Ease of Doing Business Index 2012 <sup>3</sup>, (highest ranked EA country, 3<sup>rd</sup> highest ranked country in the EU)
- **Continuing to attract inward FDI**  
Almost 1,000 multinational companies located in Ireland:
  - 8 of the top 10 in ICT
  - 8 of the top 10 pharmaceuticals
  - 15 of the top 25 in medical devices
  - More than 50% of the world’s leading financial services firms
  - Announced investments by 75 companies H1, 28 investing in Ireland for first time

**Substantial gains in Irish Unit Labour Costs**  
(% change y-o-y)



Graphs shows: Nominal unit labour cost, for Ireland & EU 27 countries, whole economy  
Source: EU Commission, Autumn Forecasts

# Economic recovery continuing

- Real GDP rose by 1.6% in Q2 2011 following a 1.9% increase in Q1. This is the first time since 2006 that GDP has increased for two consecutive quarters. Annual GDP growth was 2.3% in Q2 2011
- Real GDP is expected to expand in 2011 by 1.3%<sup>1</sup> driven by strong performance in exports
- Meanwhile, domestic demand remains subdued with further falls in government spending although consumer spending rose for the first time since Q1 2010
- Employment still falling albeit at a much slower pace than has been seen in the past
- Unemployment now appears to be stabilising from a peak of 14.8% in November of last year
- Property prices do not appear to have bottomed falling 3.8% in Q3 (q-on-q), further falls expected. However there are some positives that may act as a support to the market:
  - Private rents have stabilised of late
  - Affordability has improved substantially

**Irish Economy Stops Contracting**



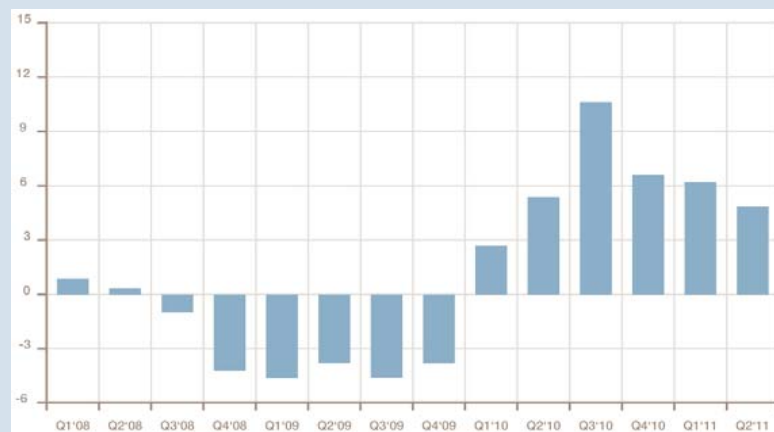
Graph shows: Seasonally adjusted quarterly GDP growth and annual GDP growth  
Source: CSO

# External demand driving growth...Government finances on track

- Exports (of goods and services) are the main driver of GDP growth in Q2 2011, rising by 1.0% (s.a q-on-q)
- Value of goods exports increased by 3.4% for first nine months of 2011 compared with same period 2010. However there are risks to export growth outlook due to the uncertainties in the global economy
- Ireland has a strong mix of high value merchandise and service exports, which should prove resilient as global growth slows
- Traditionally, Ireland's largest export partners are the US and UK

- Fiscal position being addressed
- Budget 2011 broadly on target
- Troika concluded EU/IMF Programme of Financial support on track for Q3 2011
- Ireland has sufficient funding to end 2013
- Significant austerity measures yielding c.€21bn (€6bn from new tax measures) implemented since July 2008, further c.€12.4bn of austerity measures to be implemented over the next four years

Exports key driver of recovery



Graphs shows: Export growth year-on-year (volume terms)  
Source: CSO

Hard Decisions taken since 2008	
Average public service pay cut	6%
Average working age social welfare payment cut	10%
Capital expenditure cut	28%

# Bank of Ireland Group Overview

# Bank of Ireland Overview

- “Pillar bank”, systemically important retail & commercial bank in the Irish Banking sector playing a critical role in the operation of the Irish economy

BOI Market Share in Ireland			
Personal	%	Business	%
Residential Mortgages	c.20% <sup>1</sup>	Business Current Accounts	36% <sup>4</sup>
Personal Current Account	c.35% <sup>2</sup>	Business loan accounts	30% <sup>4</sup>
Personal Credit Cards	c.34% <sup>3</sup>		

- Established in 1783, with a long standing tradition of working with all sectors of the economy
- Extensive network in Ireland - over one million customers, c.250 full service branches, largest ATM network
- Leading market positions - no.1 or no.2 in all our principal product and market segments
- A full service product offering including consumer and business banking products, corporate banking, private banking, treasury services, life and pensions
- Bank of Ireland’s payments infrastructure represents over one third of the Irish monetary transmission system
- Successful joint venture with UK Post Office – in excess of two million financial services customers
- Presence in international core niche Corporate Banking segments

Source:

1 – Unaudited internal Bank of Ireland market analysis and Central Bank monthly residential mortgage statistics, March 2011

2 – Ipsos MRBI Omnipoll research, December 2010 and February 2011

3 – Unaudited internal Bank of Ireland market analysis and Central Bank monthly credit card statistics, 31 March 2011

4 – Ipsos MORI Business Banking Surveys 2008 and 2009

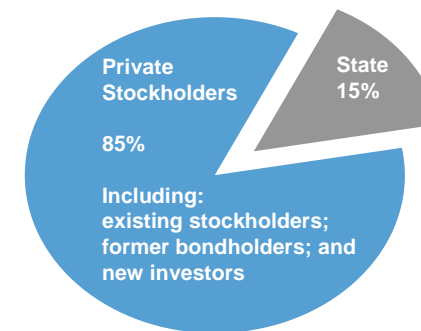
# 2011 PCAR – leading to a strongly capitalised bank

## Significant elements of the 2011 capital raising programme completed

BOI	€bn
Capital generated to end October 2011	3.85
Further capital raising measures (end Dec 2011)	0.35
Contingent Capital	1.0
Total PCAR Capital requirement	5.2

- In November 2010, the CBI increased the minimum Core Tier 1 ratio from 8% to 10.5%
- Since 2009, BOI has raised c.€7.8bn in Core Tier 1 capital from private market sources
- Investment by the State since March 2009 has been €4.3bn(net)<sup>1</sup>. The State now owns €1.8bn in preference shares, €1bn in contingent capital and a 15.1% equity holding
- At end of October 2011, the Group had a Core Tier 1 capital ratio in excess of 15%<sup>2</sup>

## Bank Of Ireland ownership structure



The above is post a substantial investment by a group of significant institutional investors and fund managers: Fairfax Financial Holdings, WL Ross, Capital Research and Management Company, Fidelity Investments and Kennedy Wilson.

*“the completion of this recapitalisation, with the significant involvement of private investors, is credit positive for BOI and means that it is the only domestic Irish bank to avoid majority government ownership”*

Moody’s Weekly Credit Outlook 1 August 2011

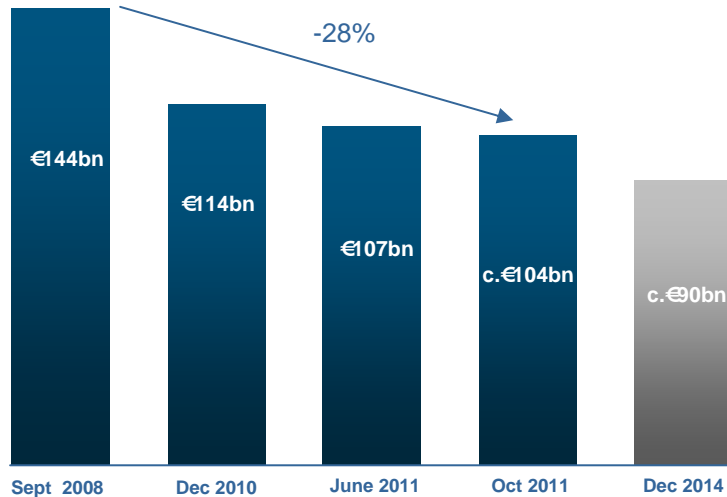
<sup>1</sup> Investment net of repurchase of warrants of €0.5bn and underwriting / other fees of circa €0.15bn

<sup>2</sup> Including the gains arising on the completed liability management exercises

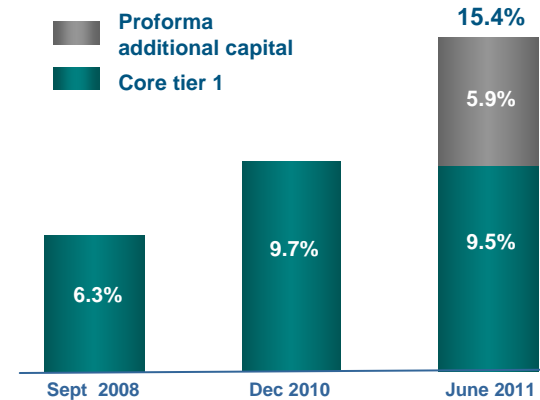
# Significant deleveraging taken place

## Loans and advances to customers

excluding assets held for sale to NAMA and net of impairment provisions



## Core Tier 1 Capital



## Substantial deleveraging achieved to October 2011

- c.€40bn reduction from peak loan book
- Further c.€14bn anticipated between Oct 2011 - Dec 2014
- Group maintains its expectation that total impairments have peaked with reductions anticipated in subsequent years
- Dec 2014 target to maintain a margin over regulatory Core Tier 1 ratio minimum which is currently 10.5%

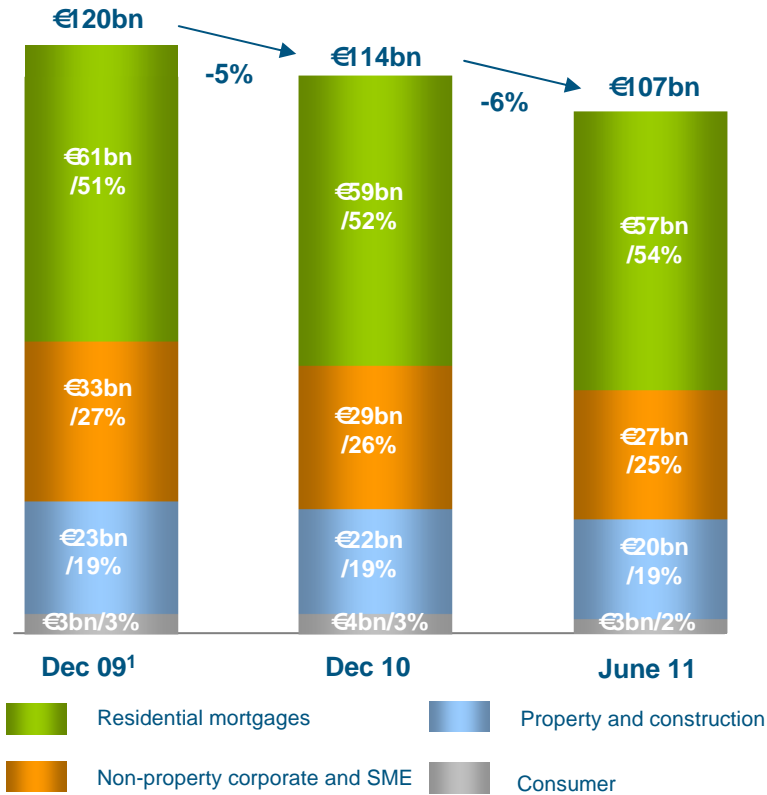
## Asset sales announced since June 2011

- c.€5bn asset disposal announced with no adverse impact on Core Tier 1 ratio

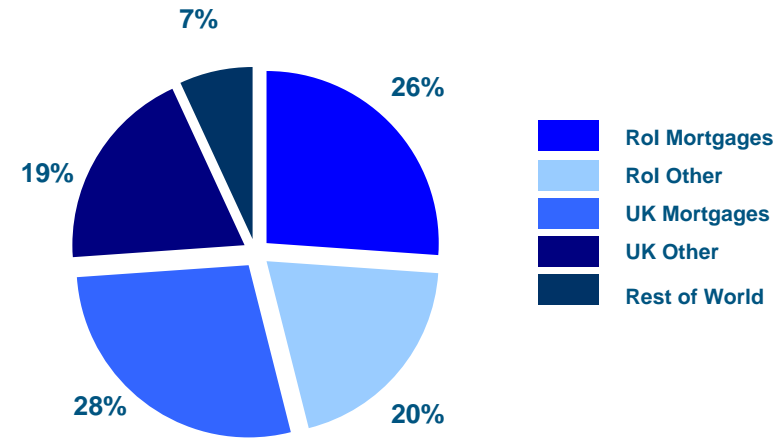
Non-core Asset	Nominal (bn)
US Commercial Real Estate	c.\$1.13
UK Commercial Real Estate	c.£1.33
UK Mortgage Loan Portfolio	c.£1.23
Portfolio of Project Finance loans	c.€0.67
UK Corporate Banking	c.€0.70

# Profile of total loans at 30 June 11

Excluding assets held for sale to NAMA and net of impairment provisions

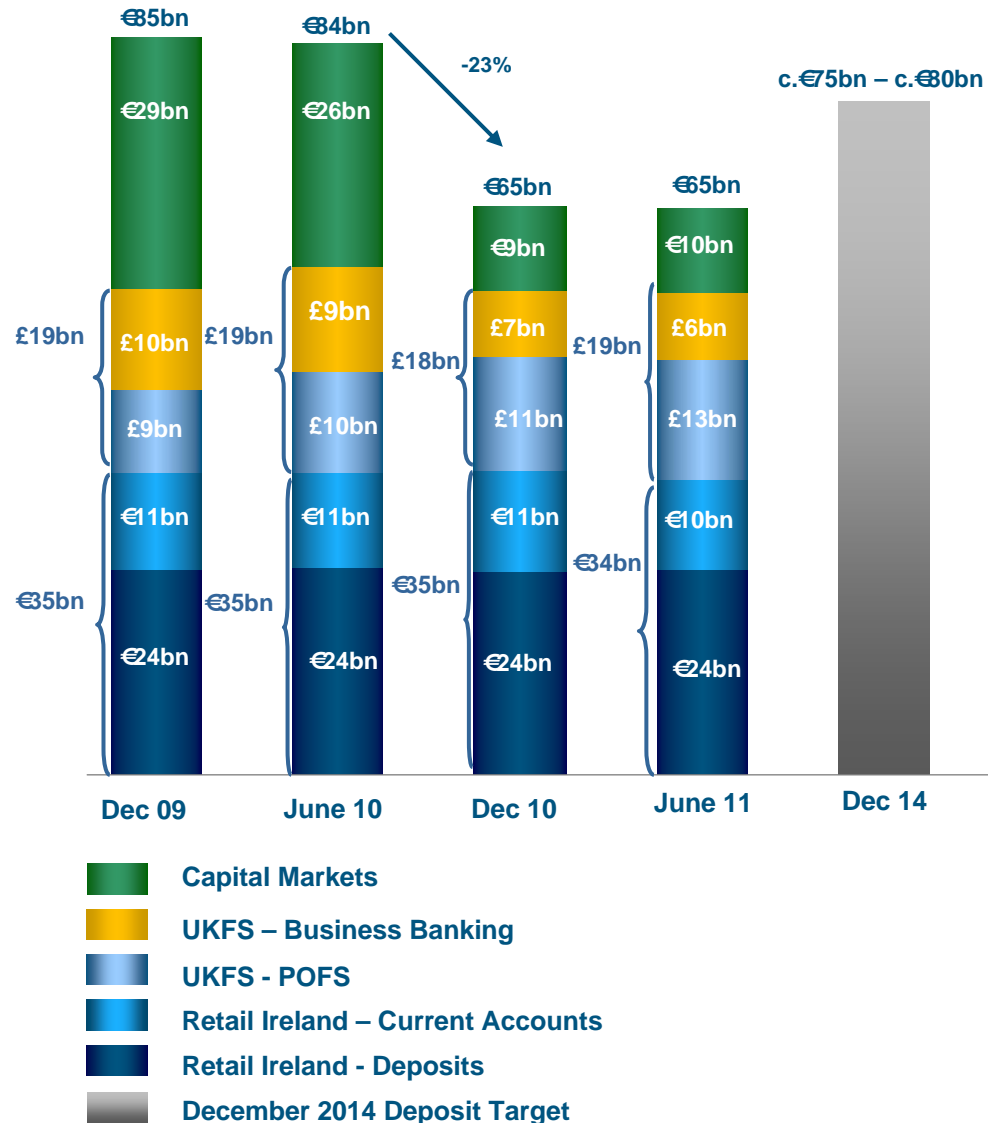


Geographic Profile of loans and advances to customers June 2011



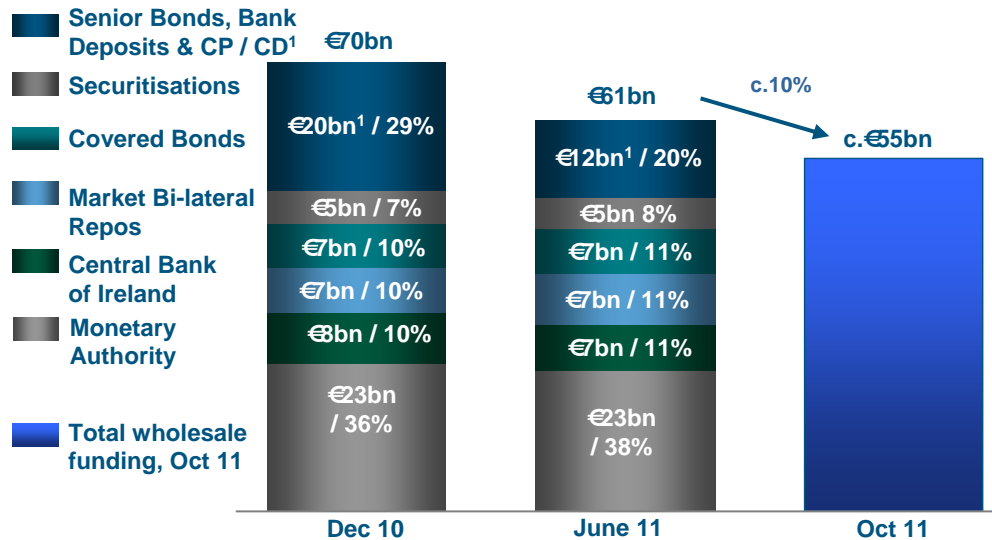
<sup>1</sup>Dec 09 presented on a proforma basis to reflect the changes to NAMA eligibility resulting from the decision not to transfer land and development loans of less than €20m to NAMA. Dec 09 now includes €1.1bn of loans which were previously classified as assets held for sale to NAMA.

# Group Customer Deposits



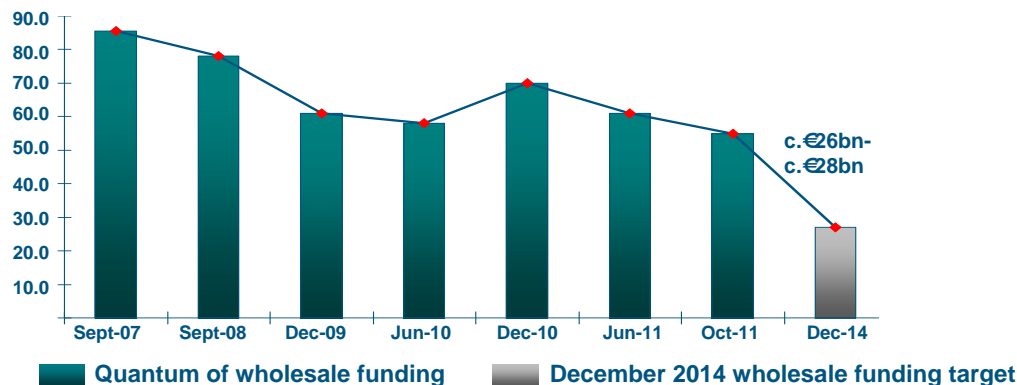
- Despite intense competition the Group’s retail deposit base in Ireland has remained stable (€35bn Dec 2010 v €34bn June 2011)
- Our joint venture with the UK Post Office continued to grow and exceeded expectations with growth of £2.2bn in H1 2011
- Sovereign ratings downgrades and uncertainties leading up to the announcement of the EU/IMF programme resulted in outflows of ratings sensitive deposits in H2 2010, primarily from the Group’s Capital Markets business
- Growth in customer deposits is expected to be primarily driven by retail deposits
- Despite the withdrawal of €3bn NTMA deposits in July 2011, associated with the 2011 capital raise, customer deposits increased to c.€67bn in October 2011 from €65bn in June 2011
- Strategy to grow deposits to c.€75bn - c.€80bn by Dec 2014

# Wholesale funding



- Wholesale funding requirement has decreased by c.10% from €61bn at June 2011 and is expected to further decrease to c.€26bn-c.€28bn by Dec 2014
- Term issuance
  - Total of c.€4bn in unguaranteed secured term funding executed YTD with average maturity of 2.4yrs and an average spread of 250bps over 3 month Euribor
- Deleveraging plan to deliver a more conservative funding structure, enable the repayment of Monetary Authority and Central Bank funding and achieve a significantly lower wholesale funding requirement

## Significantly lower wholesale funding requirement to Dec 2014



<sup>1</sup> June 11 includes €2bn of unsecured deposits by banks (€3bn unsecured deposits by banks and €1bn CP / CD at Dec 10)

# Summary

Bank of Ireland is well positioned to support corporate, business and personal customers and contribute positively to the recovery of the Irish economy

## Clarification of key issues

Capital requirements defined through 2011 PCAR	✓
Deleveraging requirements set by PLAR, reduced reliance on wholesale funding	✓
Strategic shape of the Group confirmed – EU Restructuring & Viability Plans of 2010 and 2011	✓
Balance sheet de-risked e.g. NAMA, structural pension deficits being dealt with	✓
Asset quality – losses peaked and reducing	✓
Loan loss impairment within previous guidance	✓
Reducing operating costs on a sustainable basis	✓
Economic environment – ROI export led recovery / Government meeting terms of EU/IMF programme	✓

## Financial Targets - 2014

Measure	June 2011	Dec 2014 Target
Loans and advances to customers (net of provisions)	€107bn	c.€90bn
Group loan / deposit ratio	164%	< 120%
Government Guarantee	ELG scheme in place	Fully disengaged from ELG guarantee scheme for new issuance / rollovers
Net interest margin <sup>1</sup>	1.33%	> 2.0%
Cost / income ratio	83%	< 50%
Impairment Charge	€842m (6 months) 145bps	55bps – 65bps <sup>2</sup>
Core Tier 1 capital	9.5% <sup>3</sup> / 15.4% <sup>4</sup>	Margin maintained over regulatory minimum

*The achievement of each of the above targets would result in the Group achieving a Core Tier 1 ratio in excess of 15% calculated on a Basel III transitional basis, by December 2014, prior to any distribution of any surplus capital then available*

<sup>1</sup> Before the cost of the ELG Government Guarantee

<sup>2</sup> Impairment charge as a % of average annual loans and advances to customers

<sup>3</sup> Actual

<sup>4</sup> Proforma including required €4.2bn equity raise (net of costs)