

# Bank of Ireland

## Key Messages

### Statement on the 2011 Prudential Capital Assessment Review (PCAR) and Capital Requirement

#### Bank of Ireland - a sustainable, robust future as a systemically important bank

- The incremental capital requirement arising from the 2011 PCAR together with the capital raised and generated by the Group over the past two years will ensure a sustainable, robust future for Bank of Ireland as a systemically important bank, continuing to support our customers, and contributing to economic growth, thereby benefiting all our stakeholders

#### Capital requirement - €4.2bn of equity capital

- At 31 December 2010, the Group met the target Equity Tier 1 and Core Tier 1 target ratios of 7% and 8% respectively as set out in the March 2010 PCAR
- **Based on the results of the 2011 PCAR exercise the Central Bank has determined that the Group is required to raise / generate €4.2 billion of equity capital**, including a regulatory buffer of €0.5 billion  
*The equity capital requirement has been set to cover:*
  - the higher target capital ratios set by the CBI of a minimum Core Tier 1 ratio of 10.5% on an ongoing basis and a Core Tier 1 ratio of 6% under the adverse stress scenario;
  - an additional regulatory buffer of €0.5 billion for additional conservatism;
  - the adverse stress scenario loan loss estimates based on BlackRock Solutions ("BlackRock") methodology;
  - the potential transfer of further loans to NAMA using conservative loss on disposal assumptions; and
  - a conservative estimate of losses arising from deleveraging under an adverse stress scenario
- **This will leave Bank of Ireland as a very strongly capitalised Group** with a proforma Core Tier 1 ratio estimated to exceed 14.5% at 31 December 2010
- €1.0 billion contingent capital is also required via the issue of a debt instrument which under certain circumstances would convert to equity capital
- The Bank is working actively, with its advisors, on initiatives with a view to meeting the €4.2 billion equity capital requirement through a combination of capital management initiatives, other capital markets sources, and support from existing shareholders
- **The Minister for Finance has stated that the Group will be provided with time in order to raise/generate the additional capital requirement from private sources.** Any capital that cannot be raised/generated from private sources to meet this capital requirement will be invested by the State
- Bank of Ireland expects to be in a position to make an announcement on our capital plans in the coming weeks

## Deleveraging - supporting a loan to deposit ratio of <122.5% by 31 December 2013

- The Group's deleveraging plan anticipates a loan to deposit ratio of less than 122.5% by 31 December 2013
  - This plan augments the Group's approved EU Restructuring and Viability Plan
  - The deleveraging plan envisages portfolios of customer loans continuing to be wound down or disposed of on an orderly basis over a 3 year period resulting in a reduction in the Group's non-core loan portfolios by **c.€30 billion** between December 2010 and December 2013
  - A conservative estimate of losses arising on deleveraging under an adverse stress scenario is incorporated within the capital requirement
- Strategic shape of the Group:
    - Bank of Ireland's plan envisages it being the number 1 consumer, business and corporate bank in Ireland
    - Our UK licensed banking subsidiary is a very important part of the Group's long term strategy
    - We will also continue to support and develop certain internationally based treasury and corporate lending activities
  - The loan portfolios / lending businesses of the Group, that are being/will be run down or disposed of over time, include:
    - Portfolios of UK Intermediary sourced Mortgages;
    - Selected international niche businesses such as project finance, asset based lending and certain previously identified international corporate banking portfolios;
    - Certain international commercial investment property portfolios; and
    - Land & Development loans less than €20 million to be potentially transferred to NAMA
- It is envisaged that these portfolios will be substantially wound down/sold in the period to 31 December 2013 on a basis that will balance the advantage of increased liquidity against the risk of "fire sales" of assets. This process is already well underway

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### 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, loan to deposit ratios, expected loan losses, the level of Group's assets, the Group's financial position, payment of dividends, future income, business strategy, projected costs, projected impairment losses, estimated discounts upon transfers of assets to 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, 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/ECB, the availability and cost of funding sources, the performance and volatility of international capital markets, actual loan losses, the success of the Group's deleveraging plan, 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 including the level of such asset transfers, the Group's ability to expand certain of its activities, 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 this statement should be considered to be a forecast of future profitability or financial position. None of this information 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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