Bank of Ireland

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Key Messages

1. Bank of Ireland - a systemically important bank in Ireland

- Confirmed as a "Pillar bank" in a restructured domestic banking sector
- 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 time branches, largest ATM network
- Leading market positions - no.1 or no.2 across all principal product and market segments
- Playing a critical role in the operation of the Irish economy

2. Bank of Ireland is strongly capitalised following the 2011 PCAR exercise

- The Group's capital raising programme, required under the 2011 PCAR exercise, has been completed generating €4.2bn in Core Tier 1 capital and a further €1bn in contingent capital
- The capital raising programme included an investment of c.€1.05bn by a group of significant institutional investors and fund managers including Fairfax Financial Holdings, WL Ross, Capital Research and Management Company, Fidelity Investments and Kennedy Wilson
- This investment is seen as an endorsement of the Group's strategy and confidence in the future for the Irish economy
- The Group's Core Tier 1 ratio stood in excess of 15%[1] as at the end of October 2011

3. Despite intense competition, Bank of Ireland's deposit base has increased since June 2011

- Customer deposits stood at €65bn on 30 June 2011 and included €3bn of NTMA deposits associated with the 2011 capital raising programme, which were subsequently withdrawn in July 2011
- Despite this withdrawal, in the period to the end of October 2011, the Group's customer deposits increased to c.€67bn, with further increases in deposits since that date
- As a result of the continuing progress being made on deleveraging initiatives and the growth experienced in customer deposits, the Group's loan to deposit ratio was c.153% on 31 October 2011 compared to 164% on 30 June 2011, with further improvements expected by year-end

4. Substantial balance sheet deleveraging achieved since 2008 with considerable progress being made on 2011 PLAR targets

- To the end of October 2011, the Group continues to pro-actively reduce its loan book from a peak of €144bn in September 2008. On 31 October 2011, loans and advances to customers were c.€104bn requiring a further c.€14bn of deleveraging in order to reach a target of c.€90bn by December 2014
- During 2011, the Group achieved €8.6bn of divestments towards the 2013 non-core asset disposal target of €10bn. It is expected these divestments will have a marginal net positive impact on the Group's Core Tier 1 ratio
- The Group has completed all transfers to NAMA amounting to c.€10bn of gross assets (before impairment provisions) (of which c.€9.4bn transferred in 2010) at a total average gross discount of 44%[2]

5. Bank of Ireland successfully accessed term funding markets in 2011

- The Group raised a total of c.€4bn unguaranteed secured term funding in 2011 with a weighted average duration of 2.4 years and at a spread of 250bps over 3mth Euribor
- Completion of the trades achieved the Group's term funding issuance target for 2011
- Wholesale funding on 31 October 2011 had reduced by c.10% from €61bn on 30 June 2011 and is targeted to fall to c.€26bn - c.€28bn (c.25% of Group funding) by end 2014

6. Bank of Ireland's revised EU Restructuring Plan approved by European Commission

- On 20 December 2011, the European Commission gave final approval under the State Aid rules to the Group's 2011 Revised Restructuring Plan. The Group continues to make good progress in implementing the commitments agreed under this Plan

[1] Including the gains arising on the completed liability management exercises.
[2] Prior to (i) 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.

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