

Bank of Ireland - Debt Investor Presentation

February 2009

Forward-looking Statements

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Bank of Ireland Group overview

- A diversified financial services group established in 1783
- Traditional relationship-driven retail and commercial bank with a conservative business philosophy
- Total assets: €192bn*
- Group priorities
 - Maintain strong capital ratios
 - Support our Customers
 - Improve key funding metrics
 - Prudently manage credit risk
 - Rigorously manage cost base



Bank of Ireland Credit Ratings

Rating Agencies	Long Term	Outlook	Short Term	Government Guaranteed Deposits and Debt Securities
Fitch	A	Stable	F1+	AAA/Watch Negative
Moody's	Aa3	Negative	P-1	Aaa/Negative/P-1
Standard & Poor's	A	Stable	A-1	AAA/A-1+
DBRS	AA	Review Negative	R-1 (high)	AAA/Stable/R-1 (high)

* Note: Total assets excluding BoI Life policyholder assets at 30 Sept 2008

Irish economy contracting

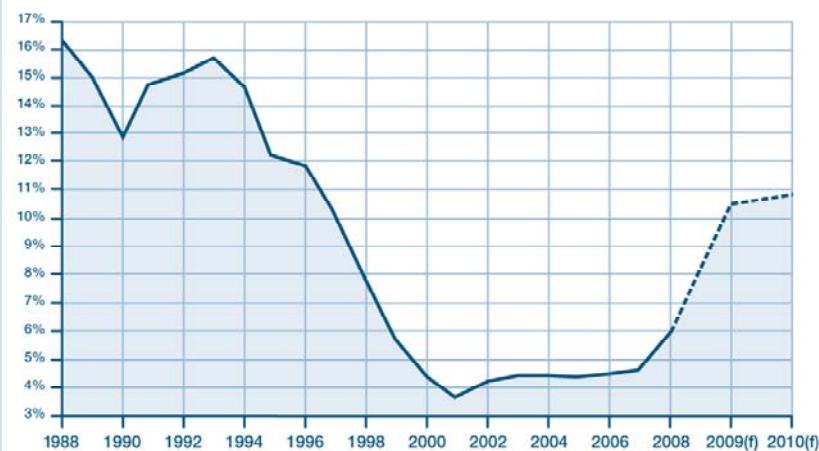
- In 2008, Irish GDP contracted and is likely to fall again in 2009 due to further falls in construction spending, pressure on household incomes and drop-off in external demand
- Irish exports holding up better than imports; Irish merchandise exports dominated by chemicals and pharma - more resilient to external influences
- Lower inflation and further easing of ECB interest rates should help to improve economic activity and restore consumer confidence

Ireland's GDP contracting post period of exceptional growth



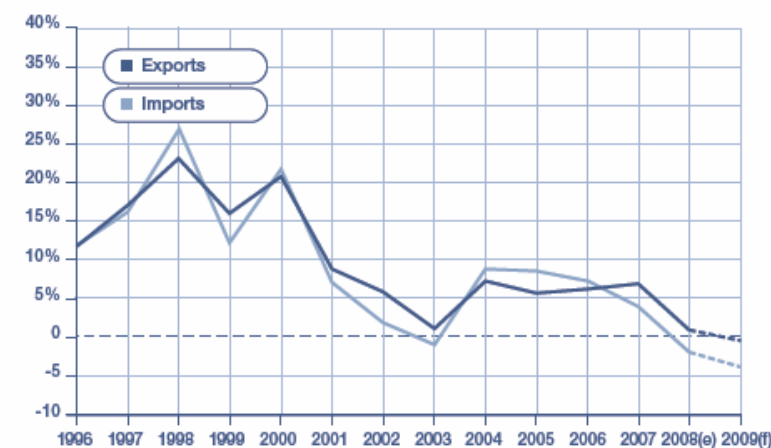
Source: CSO, estimates & forecasts from Reuters Consensus

Unemployment low in recent years but rising sharply



Source: CSO, forecast Reuters consensus

Imports slowing faster than exports

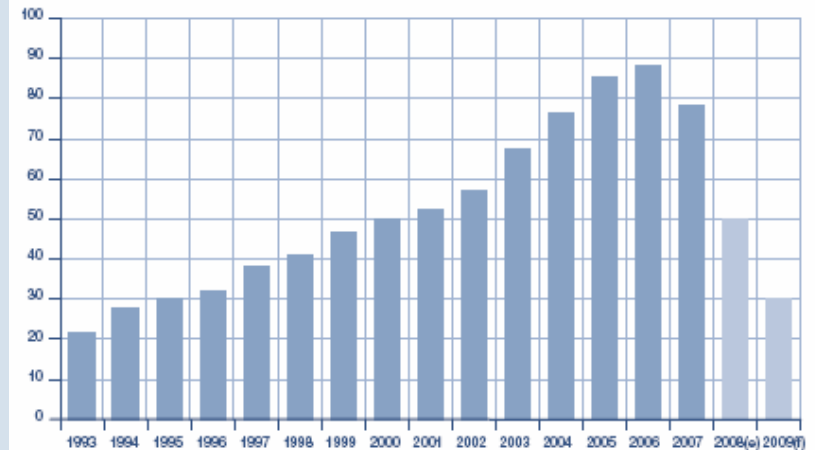


Source: CSO, estimates & forecasts from BoI ERU

Correction in Irish housing market

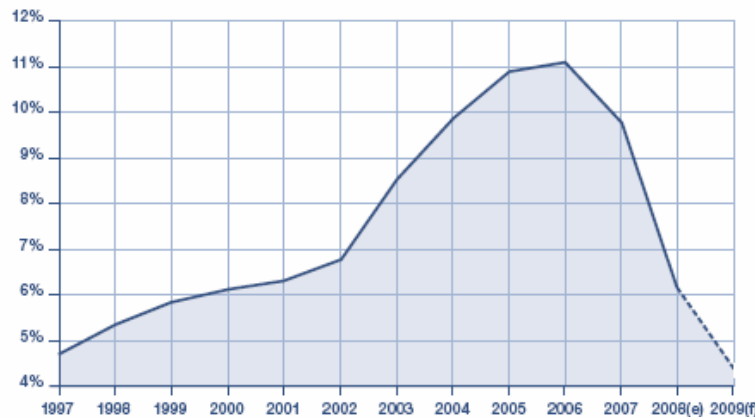
- Housing construction accounted for >11% of GDP in 2006. We forecast it will return to 4-6% level in the medium term
- Increase in supply of rental property has put downward pressure on rents
- Despite fall in value of the Irish housing stock, a high level of equity remains
- The housing market may pick up in late 2009 into 2010, as it reflects the impact of falling interest rates and increased affordability

Sharp decline in house completions



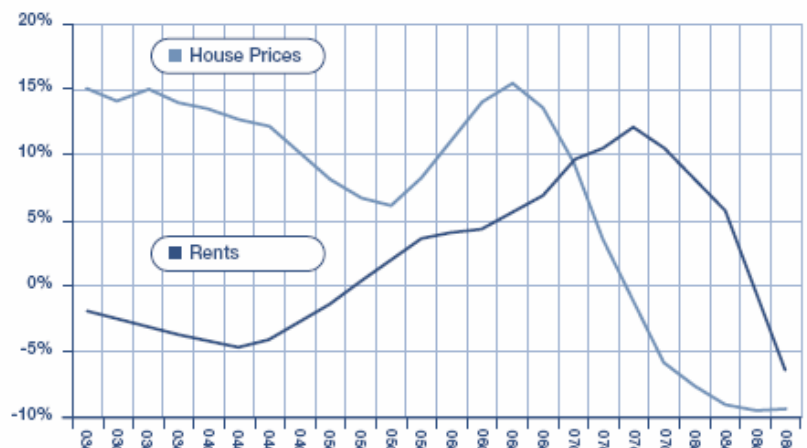
Source: Irish Department of the Environment, estimate & forecast Bol ERU

House building as a % of GDP to revert back to late 1990's level of 4-6%



Source: CSO, estimate & forecast Bol ERU

House price depreciation, rents also down



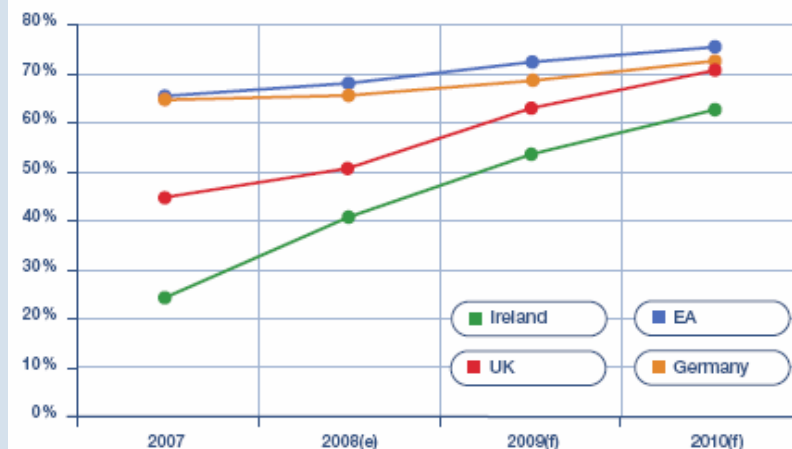
Source: CSO & Permanent TSB/ ESRI House Price Index

- Irish public finances have deteriorated recently but Ireland's position is still relatively good in comparison to its European and global peers:
- The current budget went into deficit in 2008 at €3.1bn (1.6% of GDP) which, alongside heavy capital spending, resulted in a General Government deficit of 6.3% of GDP
- Ireland's debt/GDP ratio increased from 24.8% in 2007 to 40.6%. However, net debt (i.e taking into account the assets of the National Pension Reserve and exchequer cash balances) was just 20% of GDP
- Ireland's gross debt/GDP ratio is expected to reach a peak of 66.2% in 2012 – well below the expected Euro norm of c.76% in 2010
- The Irish Government has demonstrated that it is willing to take the hard decisions to implement a substantial reduction in public spending
- The Government is committed to maintaining its major investment in capital infrastructure
- Cost of servicing National Debt is much lower than during the 1980s (<5% of tax revenue in 2008)
- Ireland retains a **AAA debt rating**, one of only 7 countries of the 16 members of the Euro Area

	General	Current	Capital
2005	1.6	3.9	-4.2
2006	2.9	5.1	-3.8
2007	0.3	3.7	-4.5
2008	-6.3	-1.6	-5.2
2009(f)	-9.5	-5.2	-4.8
2010(f)	-9.0	-4.8	-4.7

Source: Irish Department of Finance

Irish Government debt/GDP ratio – strong starting point



Source: Ireland = Irish Dept of Finance, Other = EU

Exports are key to economic recovery

- Irish Merchandise exports are dominated by chemicals & pharmaceuticals which are proving to be more resilient to external pressures

Strong relationship between US & Irish economies

- The US is a key trading partner and any recovery in the US will help boost Irish economic performance

Lower inflation and ECB easing

- Lower interest rates and falling prices should relieve pressure on household incomes and improve economic activity

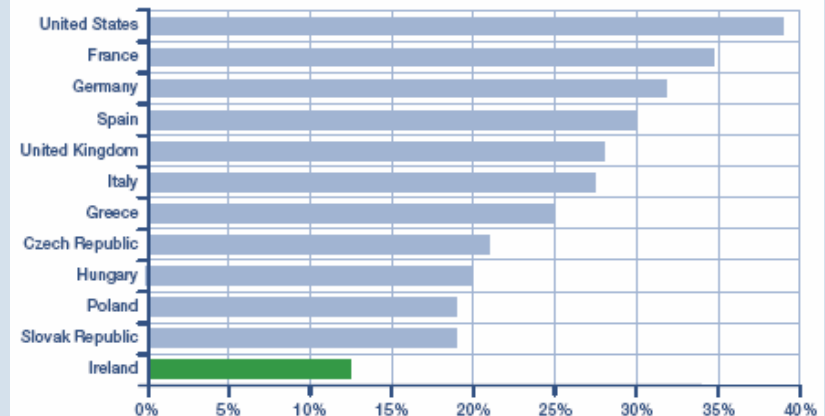
National Development Plan

- The Irish Government is progressing with the NDP, which should see spending in the region of 5% of GNP on capital projects out to 2013

Cutting current public sector spending

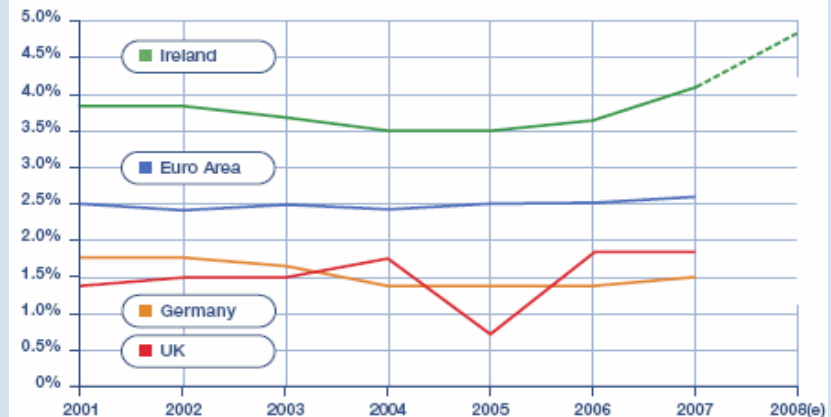
- The Irish Government is attempting to tackle the economic slowdown by cutting current spending. The Government is committed to eliminating the current budget deficit by 2013

Irish corporate tax rate lowest in OECD



Source: OECD

Significant capital spending continues - long term investment in infrastructure



Source: Eurostat, estimate for Ireland Irish Department of Finance

Sept 2008

Total liabilities
€192bn*

47%

Customer
deposits

41%

Wholesale
funding

12% Capital,
Sub debt/Other

Prudent funding strategy

- Pro-active diversified approach to liability management with a clear focus on
 - Increasing customer deposits
 - Availability and quality of term wholesale funding (maturity >1 year)
 - Maintaining and building robust contingent liquidity pool

Funding strategy delivering results

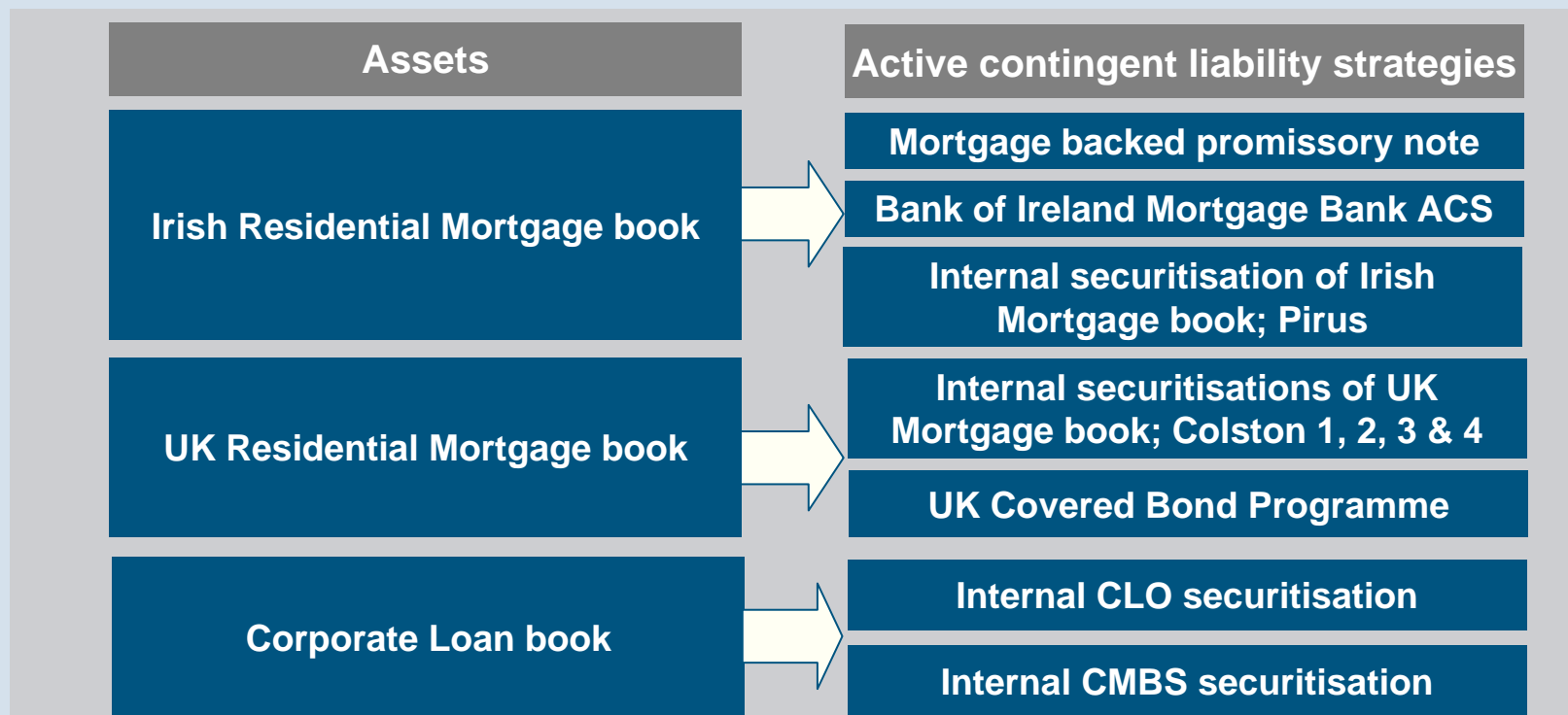
- Deposit growth diversified across Divisions; RFSI, Capital Markets, UKFS (Post Office)
 - Strong deposit growth delivered in recent periods; from €76bn in Sept 2007 to €91bn in Sept 2008
- The Group's broad range of wholesale funding programmes and products continues to deliver results in challenging markets
 - c.30% of wholesale funding with a maturity >1year
 - Issued c.€8bn in term funding in the 9 months to end Dec 08
 - Our strong reputation and Irish Government Guarantee is continuing to support wholesale funding issuance
- Continued development of contingent liquidity profile through the creation of additional contingent collateral
 - Recently closed internal CLO and CMBS transactions

* Excludes Life funds held on behalf of policyholders: Sept 08 €12bn

Strong contingent liquidity position

- At Sept 2008 the Group had c.€47 billion of eligible collateral, of which c.€39 billion would provide immediate access to monetary authorities should liquidity be required
- Focus on optimising the liquidity embedded in our assets
- Contingent liquidity initiatives undertaken to strengthen balance sheet - to manage through times of stress not to fund balance sheet growth

Contingent liquidity strategic initiatives



Internal securitisations of UK residential mortgage book (Colston 3 & 4) and Irish residential mortgage book (Pirus), internal CLO securitisation and internal CMBS securitisations completed post 30 Sept 2008

Key terms & impact of Guarantee

1. Explicit ✓
2. Automatic ✓
3. Irrevocable ✓
4. Unconditional ✓
5. Timely payment ✓
6. Zero % risk weighting ✓
7. Guaranteed debt (maturing within the guarantee period) benefits from full Irish Sovereign credit rating ✓

Government to review Guarantee

- Commitment by Irish Government to review the Guarantee Scheme including supporting longer term bond issuance

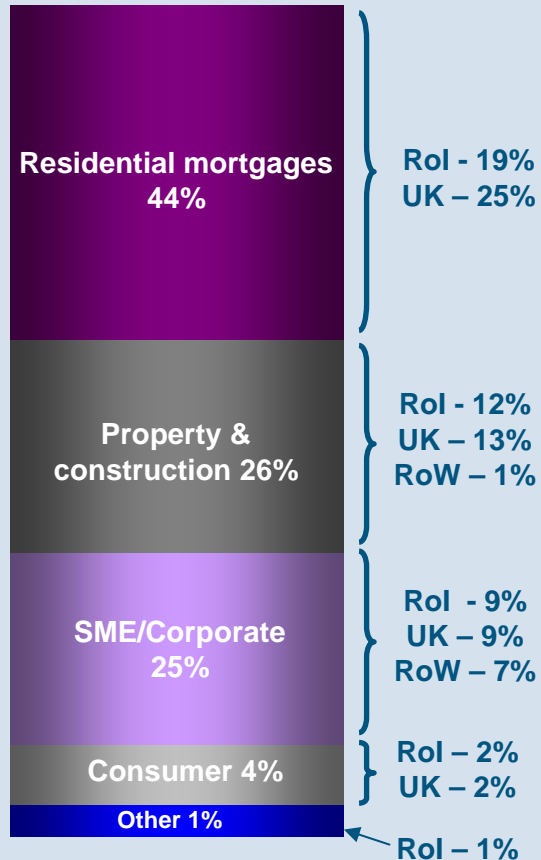
Bank of Ireland instruments covered

- All deposits (retail, commercial, institutional, interbank)
- Asset Covered Securities (ACS)
- Senior unsecured debt
- Dated subordinated debt (lower Tier 2)
- ✓ **All existing and new debt, in all currencies is guaranteed to 29 September 2010 or their maturity, whichever is earlier**
- Branches in Ireland, UK, France, Germany and the US
- Subsidiaries: Bank of Ireland Mortgage Bank ICS Building Society and Bank of Ireland (IOM) Ltd

Further information

Information on the Government Guarantee Scheme may be found at www.finance.gov.ie

Loans & Advances to Customers - €145bn at Sept 2008



- Based on a continued marked deterioration in economic conditions, Bank of Ireland estimates for **loan impairment charges for the 3 years to Mar 2011 revised up from c.€3.8bn to c.€4.5bn**
- **Downside risk** to this estimate may result in an **additional loan impairment charge of up to €1.5bn for the 3 years to Mar 2011**
- **Validation** of the Group's estimates of likely impairment charges by independent risk consultants, **Oliver Wyman**
 - Oliver Wyman assessment based on different methodologies with independent modelling and external benchmarking
 - Oliver Wyman specialists sampled a broad range of BoI loan cases across all portfolios

Capital – Basel II

(had the €3.5bn New Preference Shares been in issue on 30 September 2008)

Core tier 1 capital	9.3%	€10.8bn
Tier 1 capital	11.7%	€13.6bn
Total capital	15.2%	€17.7bn
RWA		€116bn

- Irish Government investment of **€3.5bn core tier 1 capital in preference stock**
- Warrants over up to 25% of the ordinary shares of the Bank – option to reduce this to a minimum of 15% by the end of Dec 2009
- Government **commitment to review the Irish Guarantee Scheme** for deposits and certain liabilities
- Government **commitment to examine proposals for the management and reduction of risks** with respect to land and development property portfolios
- Capital investment **significantly strengthens capital position of Bank of Ireland**
- The Group benefits from a **significant buffer to withstand loan losses** well in excess of both the current estimate and the downside risk to these estimates

Conclusion

- Bank of Ireland – a strong and responsible issuer
- Irish public finances deteriorating but from a healthy starting point
 - Government debt to GDP ratio; deterioration pronounced but still below European norms
 - Government commitment to eliminate current budget deficit by 2013
- Prudent and diversified funding approach
 - Maintain and improve strong balance sheet metrics
 - Robust contingent liquidity position
- Significantly strengthened capital position
- Focus on actively and prudently managing credit risk