



Bank of Ireland

Investor Presentation | September 2009



Forward looking statements

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 and the markets in which it operates. 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 financial position, income growth, business strategy, projected costs, estimates of capital expenditures, 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 profitability targets, prevailing interest rates, the performance of the Irish and UK economies and the performance and volatility of the international capital markets, the expected level of credit defaults, 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, the Group's ability to address information technology issues and the availability of funding sources. 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 make in documents it has filed or submitted or may file or submit to the US Securities and Exchange Commission.

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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 at 31 March 2009: €184bn*
- Group priorities:
 - Support our customers
 - Strengthen our capital
 - Continue to fund our balance sheet effectively
 - Actively manage our credit risks
 - Rigorously manage our cost



Credit ratings

| Rating Agencies | Long Term | Outlook | Short Term | Outlook | Government Guaranteed Deposits and Debt Securities |
|-------------------|-----------|-----------------|------------|----------------|--|
| Standard & Poor's | A | Watch Negative | A-1 | Stable | AA/Negative/A-1+ |
| Moody's | A1 | Stable | P-1 | Stable | Aa1/Negative/P-1 |
| Fitch | A- | Stable | F1+ | Watch Negative | AA+/Negative/F1+ |
| DBRS | AA | Review Negative | R-1 (high) | Stable | AA (high)/Negative/R-1 (high) |

* Excludes Life funds held on behalf of policyholders: 31 March 09 €9.7bn

Bol credit ratings as at 8 September 2009



Period of stabilisation for Bank of Ireland

- Stabilisation key focus for Bank of Ireland post severe market disruption
- Irish Government initiatives helping to underpin the stability of the banking system
- Market backdrop for funding improved

- **Recapitalisation of Bank of Ireland;** Government invested €3.5bn in 8% coupon preference shares with warrants, strengthening our capital base – following satisfactory due diligence and stress testing (*March 2009*)
- **Bank of Ireland tier 1 debt buy-back;** strengthened our capital base further through the successful completion of a debt buy-back programme. The equity accretion of this initiative was €1bn (*June 2009*)
- **Proposed New Government Guarantee;** Irish Minister for Finance outlined his proposal for a new Government Guarantee Scheme – the Draft Eligible Liabilities Guarantee (*September 2009*)
- **Setting up of National Asset Management Agency (NAMA);** providing framework to deal with development property, landbank and related assets. Bank of Ireland is actively and positively engaging with the Government in this process
- **Bank of Ireland demonstrated ability to access term funding markets;** since 1st April 2009, we have issued c.€7.5bn in term funding with a maturity of one year or greater including a €1.5bn 5 yr covered bond – first partially un-guaranteed public transaction by an Irish bank since inception of Government Guarantee in September 2008



Pre-close Trading Statement for the 6 months to 30 September 2009

- Trading conditions in the first 6 months of our financial year (to end Sept 2009) were difficult
- The level of economic activity across our main markets has contracted and the credit environment has deteriorated. Trading conditions in Ireland remain particularly challenging
- Funding conditions gradually improved reflecting an upturn in the general funding market backdrop and an increased appetite for Irish debt

Group Performance

- Expect underlying* operating profit (pre-impairment) to be lower versus 6 months to 30 Sept 2008
 - Total income expected to be 'mid teens' percent lower
 - Costs expected to be 'high single digit' percent lower

Asset Quality

- Expect impairment charge of approx €1.6 to €1.8bn in 6 months to 30 Sept 2009
- 3 year impairment guidance to 31 Mar 2011;
 - Anticipate downside risk in previous guidance of c. €6bn will materialise to extent of 'mid teens' percent

Capital

- Group's capital position improved
- Equity tier 1 ratio expected to increase from 6.2% at 31 Mar 2009 to a range of c. 6.5% to 6.7% at 30 Sept 2009
- Equity tier 1 benefited by €1bn following debt buy-back

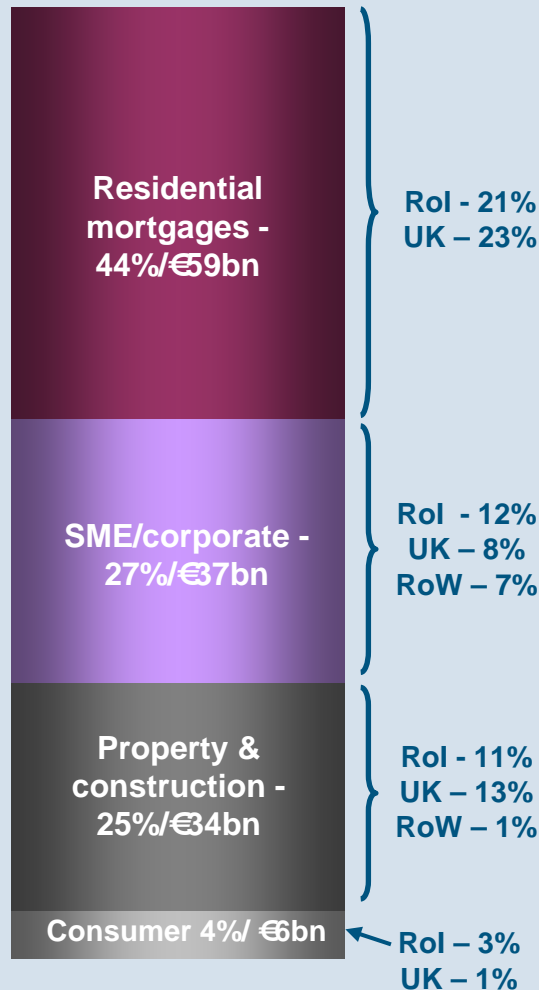
Funding

- Customer deposit base stable since Mar 2009
- Access to wholesale funding markets improved – raised c. €7.5bn in term funding (*maturity of one year or greater*)
- Net drawings from Monetary Authorities expected to be below €10bn, down from €17bn at Mar 2009

* Note: Underlying excludes the impact of non-core items: goodwill impairment; gross-up for policy holder tax in the Life Company; investment return on treasury stock held for policyholders in Bank of Ireland Life; hedge ineffectiveness on transition to IFRS; costs associated with restructuring programmes; gain / (loss) on disposal of business activities; gain arising on the buy-back of tier 1 debt securities. In the 6 months to 30 September 2008 the total effect of non-core items was a gain of €56 million.

Group loan book & outlook for asset quality

Loans & advances to customers - €136bn at Mar 2009



Asset quality outlook for 6 months to 30 Sept 2009

- Economic environment deteriorated – continuing low levels of activity in commercial property markets and Irish mortgage market
- Expect impairment charge of approx €1.6 to €1.8bn in 6 months to 30 Sept 2009
- Most significant deterioration in asset quality seen in property and construction portfolio (particularly landbank / development) – c. 2/3rds of increased charge for period
- Deeper recessionary conditions impacted our SME / Corporate books in Ireland

Asset quality outlook for 3 years to 31 Mar 2011

- Given the continued poor outlook for Irish property and mortgage markets in particular, we anticipate downside risk in previous guidance of c. €6bn will materialise to extent of 'mid teens' percent
- This estimate includes incurred and estimated future loan impairment provisions for landbank and development loans. It does not reflect any impact from the transfer of loans to NAMA

NAMA – an overview

- **April 2009:** Government announcement to establish NAMA
 - to acquire higher-risk property related assets from participating institutions
 - objective of stabilising the banking sector and restoring the flow of credit to business and customers while minimising the risk to the taxpayer
- **September 2009:** National Asset Management Agency Bill (2009) published. Main features:
 - Individual institutions must apply and be accepted as participating institutions (PI)
 - NAMA will acquire land and development property loans and certain associated loans from 5 institutions with a book value of €77bn. Breakdown as follows;

| | |
|-----------------------------|-----|
| Land | 36% |
| Development | 28% |
| Associated commercial loans | 36% |

| | |
|------------------|-----|
| Ireland | 66% |
| Great Britain | 20% |
| Northern Ireland | 6% |
| Other | 8% |

- Valuation methodology to reflect both current market conditions and long term economic returns – valuation on a loan-by-loan basis – NAMA to pay approximately €54bn for these loans
 - Implies estimate aggregate ‘haircut’ of 30%
 - Loan quality, geographic distribution and type will vary by institution – therefore cannot extrapolate impact on individual institutions
- Estimated current market value of industry assets €47bn – reflects fall in average property values of c. 50% - implies €7bn of long-term economic value in valuation methodology. Risk-sharing proposed.
 - c. 5% of consideration for assets transferred in subordinated bonds and 95% in Government / Government guaranteed bonds
 - Potential levy on the winding-up of NAMA if shortfall remains

NAMA – Bank of Ireland

- Bank of Ireland could comprise c. €16bn of the total €77bn assets being transferred to NAMA
 - 12% of Bank of Ireland total customer lending at 31 Mar 2009

- Profile of Bank of Ireland's estimated portfolio:

| €bn | Landbank | Development | Associated (predominately investment) | Total |
|---------|----------|-------------|--|-------|
| Ireland | 3.3 | 2.5 | 2.9 | 8.7 |
| UK | 1.6 | 2.4 | 2.9 | 6.9 |
| RoW | - | 0.2 | 0.2 | 0.4 |
| Total | 4.9 | 5.1 | 6.0 | 16.0 |

- Bank of Ireland has a more conservative profile and believes the discount applicable to loans transferring to NAMA may be significantly less than the estimated 30% aggregate discount for the industry
- Estimated Bank of Ireland loan impairment provision at 30 Sept 2009 on designated portfolio of c.€16bn
 - on €10bn land and development loans – c. €1.2bn to €1.4bn
 - 95% of associated loans of €6bn projected to be classified as not impaired
- Loans to be transferred on a phased basis commencing with largest systemic exposures and expected to conclude by mid 2010

NAMA – Bank of Ireland (cont.)

- Bank of Ireland notes the significant variations between the key industry valuation metrics across the 5 institutions referred to by the Minister for Finance, and Bank of Ireland's estimated comparable figures:

| | Projected Asset Details (Total for 5 Institutions) | Bank of Ireland (Estimated Portfolio) |
|-----------------------------------|---|--|
| Potential book value for transfer | €77bn | €16bn |
| Interest roll up | €9bn (12%) | €1bn (6%) |
| Approx average LTV at origination | 77% | 69% |
| Categorisation of loan book: | | |
| - Land | 36% | 31% |
| - Development | 28% | 32% |
| - Associated | 36% | 37% |
| Geographic mix of loan book: | | |
| - Republic of Ireland | 66% | 54% |
| - Great Britain | 20% | 30% |
| - Northern Ireland | 6% | 13% |
| - Other | 8% | 3% |

Strengthening capital position

Capital outlook for 6 months to 30 Sept 2009

- Group's capital position improved during the 6-month period, with equity tier 1 ratio expected to increase from 6.2% at 31 Mar 2009 to a range of c.6.5% to 6.7% at 30 Sept 2009
- Equity tier 1 ratio benefited by €1bn from the buy-back of approx. €1.7bn nominal of tier 1 debt

Strengthening capital position – progress to 31 Mar 2009

- Government supported recapitalisation – investment of €3.5bn in 8% coupon preference stock and warrants over 25% of enlarged ordinary stock
- Balance sheet de-leverage – ceased intermediary-driven UK mortgage distribution and exiting non-core international lending niches (Jan 09)
- Cancelled dividend on ordinary stock
- Actively managed risk-weighted assets

Capital – Basel II

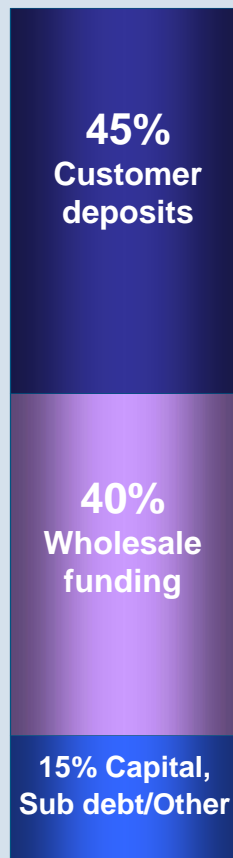
| | Pro forma Mar 09* | Reported Mar 09 | | Mar 08 | |
|---------------|-------------------|-----------------|------|--------|------|
| | % | % | €bn | % | €bn |
| Equity tier 1 | 7.1% | 6.2% | 6.5 | 5.6% | 6.6 |
| Core tier 1 | 10.5% | 9.5% | 10.0 | 5.7% | 6.6 |
| Total tier 1 | 11.3% | 12.0% | 12.6 | 8.1% | 9.4 |
| Total capital | 14.5% | 15.2% | 16.0 | 11.1% | 13.0 |
| RWA | | | 105 | | 117 |

*Including the impact of the buy-back of tier 1 securities in June 2009

Balance sheet funding

Mar 09

Total liabilities
€184bn*



Funding outlook for 6 months to 30 Sept 2009

- Funding conditions gradually improved during 6-month period, given upturn in the general funding market backdrop and an increased appetite for Irish debt
- Customer deposit base stable – deposits on a constant currency basis expected to be broadly flat in Sept 2009 compared to 31 Mar 2009
- Loan to deposit ratio expected to remain broadly in line with the 161% reported at 31 Mar 2009
- Enhanced access to wholesale markets – raised c. €7.5bn in term funding (maturity of one year or greater at date of issue) since 31 Mar 2009
- In Sept 2009, issued €1.5 billion 5 year covered bond – first partially un-guaranteed public issue by an Irish bank since inception of Government Guarantee in Sept 2008
- The Group's net drawings from Monetary Authorities at the end of Sept 2009 are expected to be below €10 billion, down from €17 billion net at 31 Mar 2009

NAMA – positive impact on funding

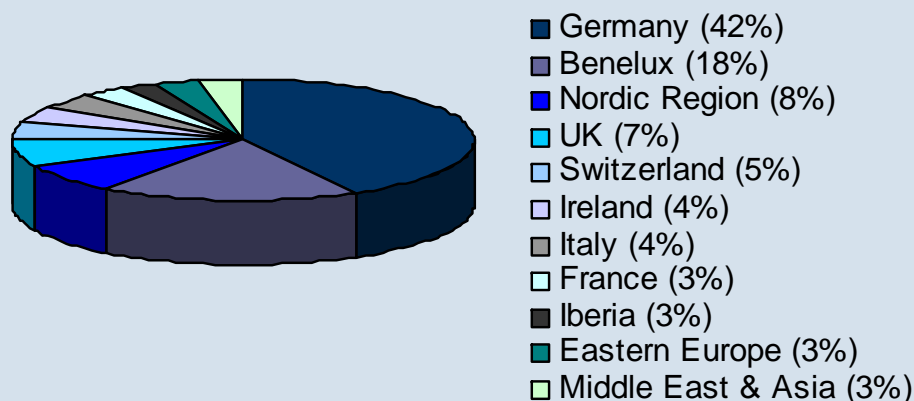
- Positive liquidity impact for Irish banks post NAMA
- Full details regarding impact on funding position will not be evident until clarity on NAMA transfer of assets and Government / Government guaranteed bonds is available

* Excludes Life funds held on behalf of policyholders: Mar 09 €9.7bn

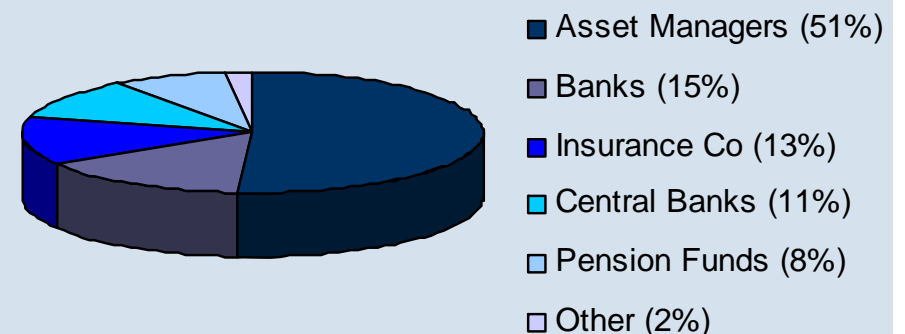
Bol 5 year ACS – first step in re-opening of un-guaranteed markets

- In Sept 2009, Bank of Ireland issued a €1.5bn 5 year covered bond
 - First partially un-guaranteed public transaction by an Irish bank since inception of the Government Guarantee in Sept 2008
 - Successful trade represents a first step in re-opening of un-guaranteed funding markets for Bank of Ireland
 - Issued at mid swaps + 190 bps – tightened from initial guidance amid strong investor demand
 - Oversubscribed order book of EUR 3.8 billion
 - Issue sold to well-diversified range of over 150 investors across 24 countries

Distribution by Geography (% of allocation)



Distribution by Investor Type (% of allocation)



Irish State Guarantee Schemes

Credit Institutions (Financial Support) Scheme 2008 (CIFS)

Key terms & impact of Guarantee

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

Bank of Ireland instruments covered

- All deposits guaranteed, irrespective of currency or country of issue
- Covered wholesale liabilities

All liabilities covered under the existing Irish State Guarantee will remain fully covered until 29 September 2010

Further information available at www.finance.gov.ie

Draft Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG)

Objective of proposed Guarantee

1. To enable Covered Institutions to issue guaranteed debt with a maturity beyond 29 September 2010 up to a max 5 year maturity
2. The new Scheme will also enable banks to issue fully un-guaranteed debt, which is important as funding conditions improve
3. The proposed ELG will bring the Irish Guarantee Scheme more into line with guarantees from other EU jurisdictions

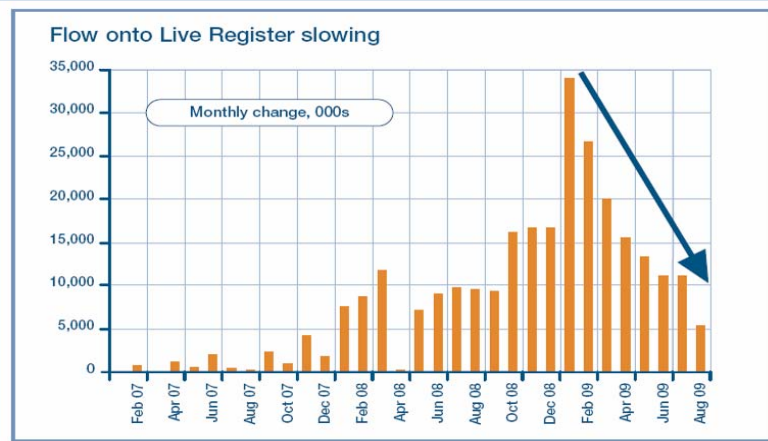
Once the Bank avails of the ELG Scheme, any liabilities incurred or contracted for thereafter, including deposits incurred or rolled over, can only be guaranteed under that Scheme. The Bank's covered liabilities in existence or contracted for prior to that time will continue to be guaranteed under CIFS Scheme until 29 September 2010

The **window for guaranteed issuance** is from the start date of the new Scheme to 29 September 2010, subject to approval of the EU Commission at 6-month periods, that the window can remain open

Bank of Ireland welcomes the clarity provided by the Government's announcement of the draft ELG, and the flexibility that the proposed Scheme allows in regard to issuing un-guaranteed debt

Irish economy – key themes

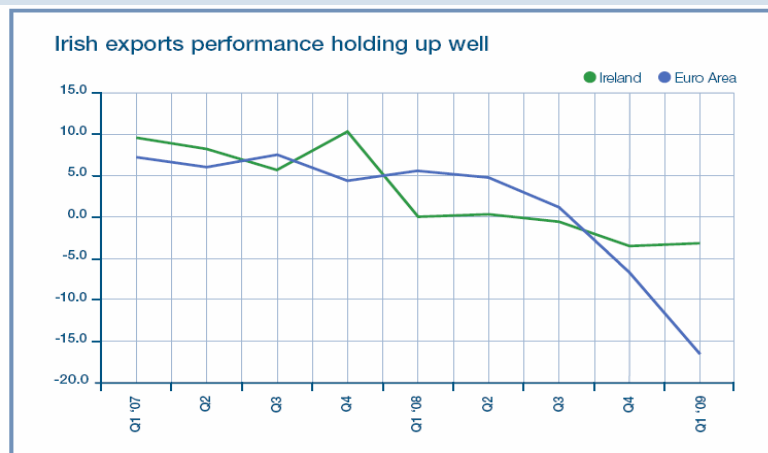
1. Pace of contraction in Irish economy easing



Source: CSO

- Additions to Live Register slowed from a peak of 34,000 in January to 5,400 in Aug 2009
- Economic activity indicators including PMIs have moved off lows and falls in consumer spending have eased
- Rate of decline in tax revenues also slowed
- Modest upward revision to consensus GDP forecast for 2009 – GDP expected to fall by c.8% from 2008 (Sept 09), compared to previous forecast of c.-8.5% (Aug 09)
- In Q2 2009 Irish GDP was flat, while the pace of annual contraction slowed to -7.4%

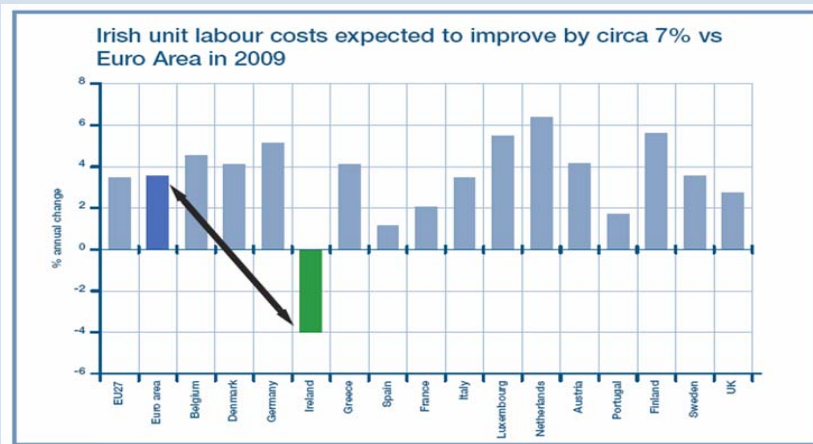
2. A global recovery will significantly boost Ireland's chances of growth



Source: Eurostat & CSO

- Indicators are good, with key European countries (Germany & France) moving out of recession in Q2 and the UK and US expected to return to growth in Q3
- Recovery in the US will be key, given the direct trade links and the importance of FDI into Ireland
- **Irish exports have held up very well** in the context of a sharp decline in world trade, falling by 2.5% in the year to Q2 2009. This is against a backdrop of world trade falling by c.18% and Euro Area exports falling by c.17%

3. Irish unit labour costs improving – key to enhancing competitiveness



Source: EU Commission Spring 2009 forecast

- The EU commission estimate that Ireland's unit labour cost position will improve by an accumulative 11% versus the Euro Area over this year and next
- Ireland is a small, open and flexible economy with pro-enterprise policies, which should help support recovery as global conditions continue to improve

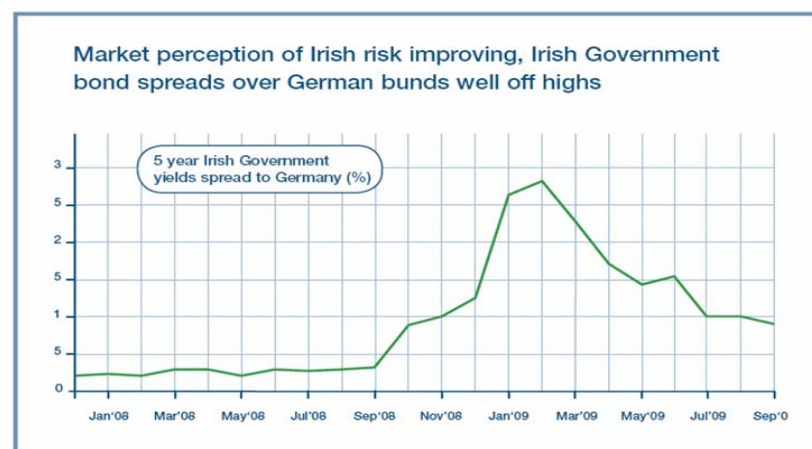
4. Irish Government continuing to take credible measures to correct public finances, underpin the banking sector and support foreign investment

- Both Government expenditure and taxation have been addressed, including the implementation of a public sector pension levy
- To date, adjustments totalling €8bn have been made to the public finances, with further savings of €4bn p.a. over the next two years
- The Irish Government is **committed to supporting the Irish banking system**, through the State Guarantee for Liabilities (CIFS), the proposed new Government Guarantee (ELG), the recapitalisation of Bank of Ireland and AIB and the setting up of the National Asset Management Agency (NAMA)
- Ireland's competitive corporate tax rate is key to maintaining Ireland's position as a preferred location for FDI

5. NTMA has completed Ireland's entire borrowing requirement for 2009

- The National Treasury Management Agency (NTMA) has demonstrated an ability to raise debt in difficult markets having completed Ireland's entire borrowing requirement for 2009 (€25bn)
- The NTMA can now start pre-funding for next year in its two remaining monthly bond auctions this year
- Recent auctions have reflected increased confidence in Ireland and a greater risk appetite with the global economy picking up
- The NTMA had cash balances of over €21bn coming into 2009 and this has increased to c.€30bn

6. Investor sentiment towards Irish debt improving



Source: Bloomberg

- The market backdrop for Irish Sovereign risk has improved; the CDS spread for Irish bonds has tightened from a peak of c.400bps in Feb 2009 to present level of c.135bps (25 Sept 2009), reflecting a material improvement in conditions in international markets and an improved appetite for Irish debt
- There has been a strong performance of Irish Government bonds versus German bunds with spreads tightening from peak levels



Conclusion

- Bank of Ireland emerged from period of survival, now in period of stabilisation, post stabilisation will come normalisation
- Focused on actively and prudently managing credit risk
- Group has strengthened its capital position
- Improvement in funding conditions
- Irish economy faces challenges, however early signs of recession easing are now evident
- Irish Government is committed to supporting the Irish Banking sector and stabilising public finances

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