Asset Covered Securities (ACS)

October 2016

Bank of Ireland

H1 2016 Business highlights

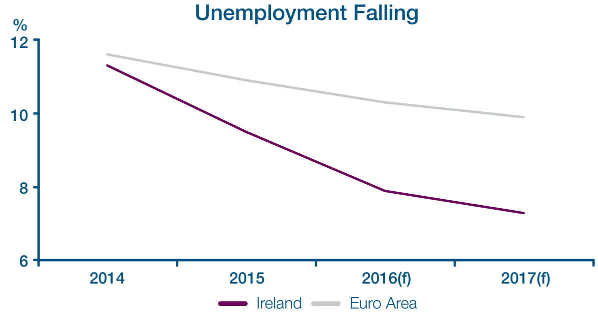
- Underlying profit of €560m in H1 2016
- All trading divisions contributing to the Group's profitability
- Increased new lending by 14% on H1 2015
  - Continue to be largest lender to the Irish economy
  - Growth in core loan books of €1.1bn
- Reduced non-performing loans by €2.1bn in H1 2016 to €9.9bn
- Net impairment charge of 21 bps for H1 2016 vs 28bps in H2 2015
- Continued organic capital generation offset by IAS19 accounting standard pension deficit;
  - Fully loaded CET1 ratio of 10.7%
  - Transitional CET1 ratio of 12.8%
  - Transitional Total Capital ratio of 17.2%

Favourable macroeconomic environment

GDP
2016f: 4.3%
2017f: 3.0%

Employment
2016f: 2.4%
2017f: 1.9%

Unemployment Falling



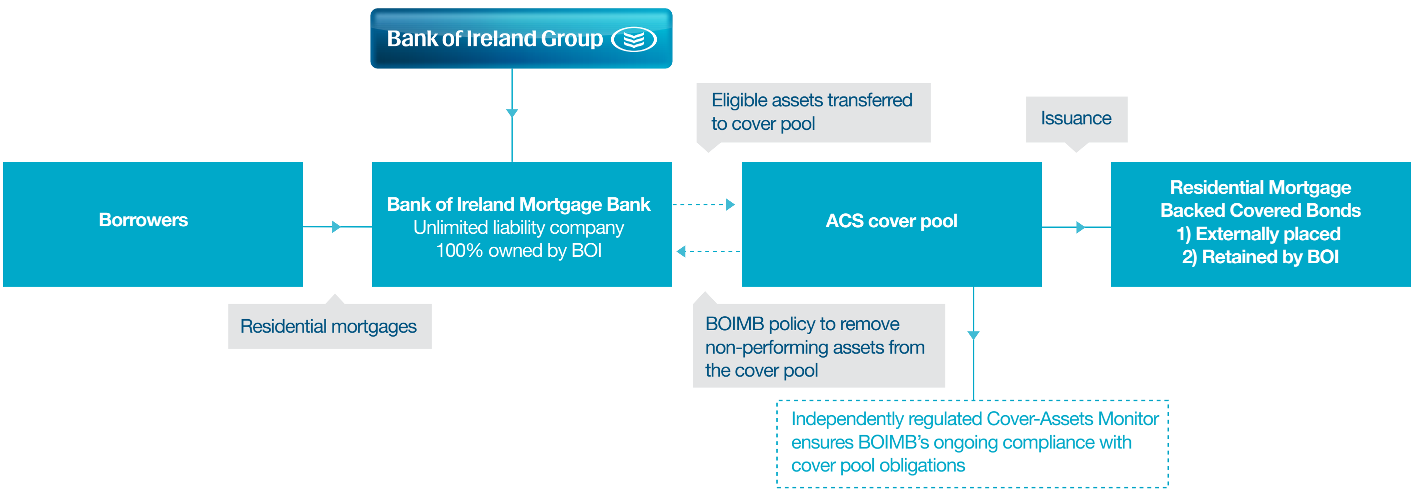
Graph shows average annual unemployment rate
Source: CSO, Eurostat: Forecasts: Ireland: BOI ERU, Euro area: EU Commission

Key Features: Bank of Ireland Mortgage Bank ACS

1. 100% Irish residential mortgages
2. Cover pool marked to market at intervals not exceeding 3 months using Central Statistics Office (CSO) Residential Property Price Index
3. Strong overcollateralisation (OC) - min contractual OC of 5% and min legislative OC of 3% (both on a prudent market value basis)
4. BOIMB policy to remove non-performing assets (payment due ≥ 3 months) from the pool on a quarterly basis
5. Compliance with cover pool obligations monitored by independently regulated Cover Assets Monitor
6. Pre-defined process in event of insolvency

Bank of Ireland Mortgage Bank (BOIMB)

- Irish ACS legislation follows the specialist banking principle by requiring BOIMB to obtain a banking licence and to limit the scope of its banking activities
- BOIMB is regulated by the Central Bank of Ireland
- BOIMB is registered as a designated mortgage credit institution to issue Asset Covered Securities (Irish Covered Bonds) in accordance with the Irish ACS Acts



Cover Pool Summary

ACS definitions

Total property valuation:
Indexed property valuation based on CSO Residential Property Price Index (quarterly)

Weighted average indexed LTV (Loan to Value):
An average of the individual indexed LTV calculations weighted by the current balance of each property. The indexed LTV of a property is the current balance of a mortgage divided by the historical property valuation indexed up to date with a 15% discount applied to any uplift in valuation

Non-performing loan (NPL)
A loan in arrears of 3 months or more. BOIMB policy to remove NPLs on a quarterly basis

Prudent market value of mortgages:
Nominal value of the mortgage capped at 75% of the indexed property valuation

Qualified substitution assets:
Deposits with eligible financial institution (BOI) capped at 15% of bonds in issue

Prudent market value of cover pool:
Prudent market value of mortgages plus qualified substitution assets

Legislative overcollateralisation:
Prudent market value of mortgages plus qualified substitution assets divided by bonds in issue

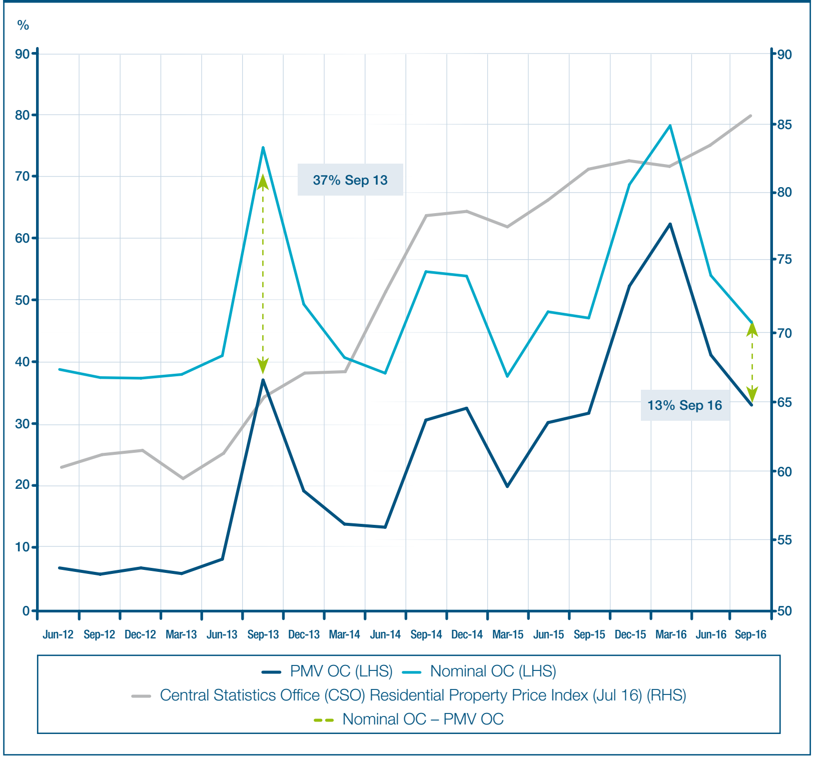
For further detail see:
www.bankofireland.com/debtinvestor

- Accounts in arrears of 3 months or more removed voluntarily each quarter
- Marked to market cover pool

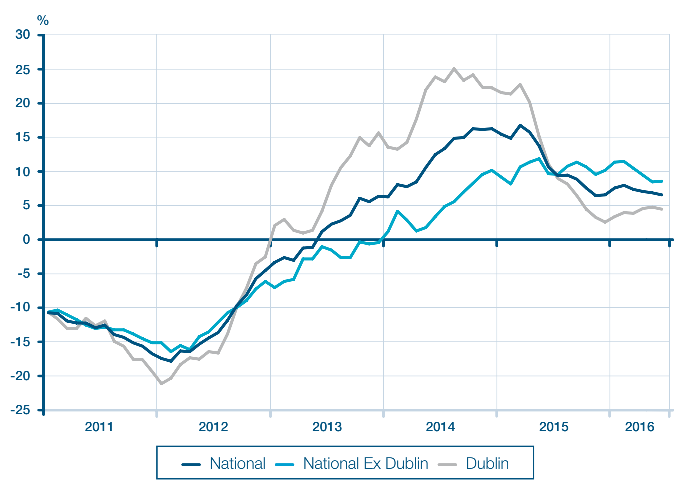
Table 1 Cover Pool Summary	Sep-15	Dec-15	Mar-16	Sep-16
Total property valuation (bn)	€22.0	€22.3	€22.1	€21.0
Aggregate balances of the mortgages (bn)	€11.5	€11.2	€10.9	€10.4
Weighted average indexed LTV	76.4%	73.7%	72.7%	73.3%
% of accounts in arrears (≥ 3 months)	0.00%	0.01%	0.02%	0.05%
Table 2 Bond Summary				
Value of bonds (bn)	€8.7	€7.4	€6.7	€7.9
Nominal overcollateralisation	47%	68%	78%	46%
Prudent market value of mortgages (bn)	€10.1	€10.1	€9.9	€9.4
Qualified substitution assets (bn)	€1.3	€1.1	€1.0	€1.2
Prudent market value of cover pool (bn)	€11.5	€11.2	€10.9	€10.6
Legislative overcollateralisation	32%	52%	62%	33%

- ACS cover pool is marked to market at intervals not exceeding 3 months using Central Statistics Office (CSO) Residential Property Prices Index
- Legislative overcollateralisation (contractual minimum of 5%) is calculated on a prudent market value basis (i.e. nominal value of property capped at 75% of the indexed property valuation)
- Graph illustrates the dynamic nature of legislative overcollateralisation. As property prices reduce, the difference between legislative and nominal overcollateralisation increases and vice versa
- As a result, at all times the value of the underlying assets in the cover pool (adjusted for moves in house prices) materially exceeds the point-in-time liabilities in the pool
- Therefore, at time of purchase, an investor in ACS always has significant protection against house price falls

Dynamic Overcollaterisation

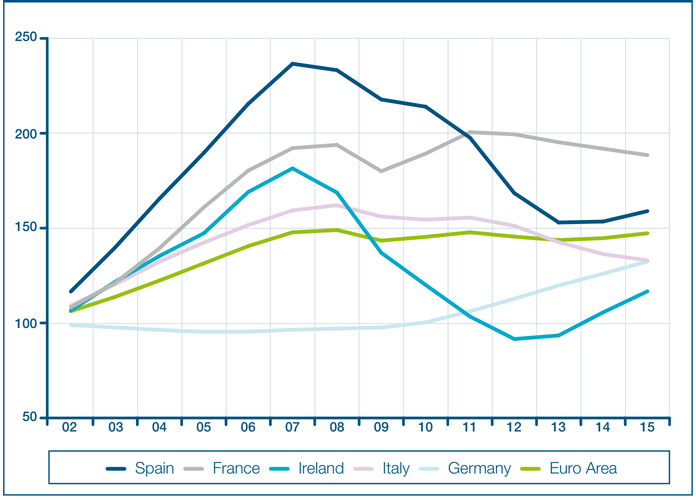


Continued recovery in residential property prices



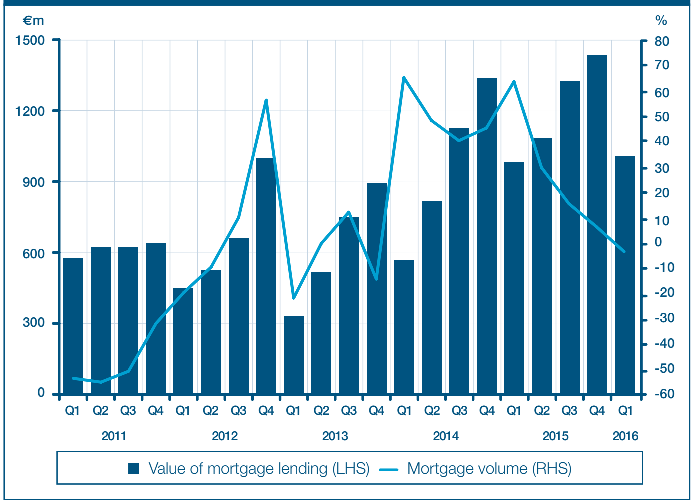
Graph shows: y-o-y change in residential property prices
Source: CSO

Ireland’s significant house price correction versus other European countries



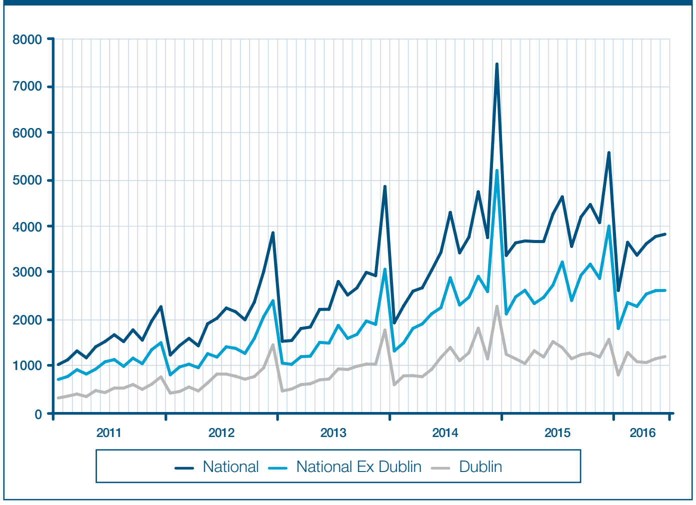
Graph shows: Change in nominal house prices in selected countries rebased to 100 at 1 Jan 2002
Source: OECD Economic Outlook, June 2016

Value of mortgage lending grows in Q1 2016 YoY



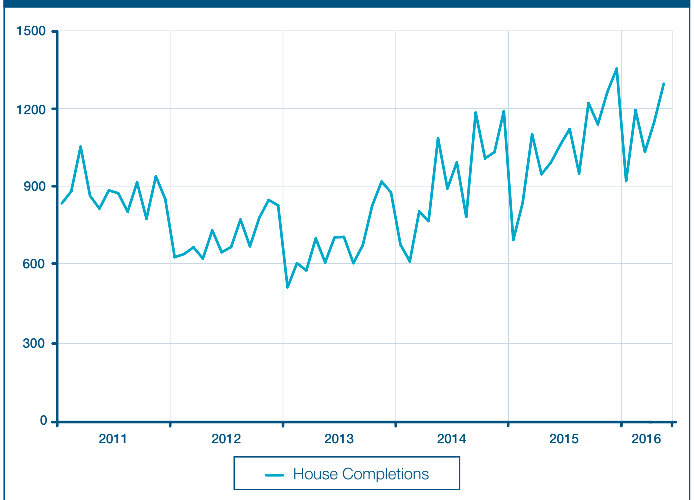
Graph shows: Value of mortgage lending per quarter in millions and annual change in volume of mortgages
Source: Banking & Payments Federation Ireland

Transactions: Positive trend continues



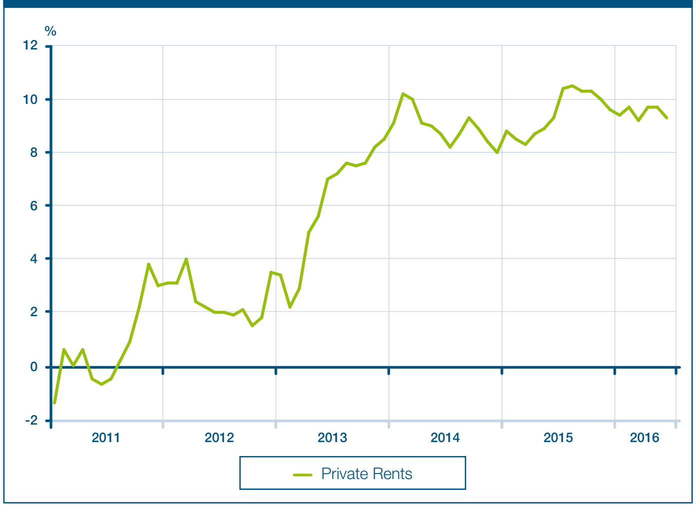
Graph shows: Number of transactions per month
Source: Property Price Register

House completions showing growth



Graph shows: House completions by month
Sources: Department of the Environment

Strong recovery in private rents



Graph shows: y-o-y change in private rents
Source: CSO

Strengths of Irish ACS

Irish ACS Legislation

The issuance of Irish Covered Bonds is governed by the Asset Covered Securities Acts 2001 and 2007. Investors benefit from:

1. Robust collateral restrictions
- Strict Loan to Value (LTV) limit of 75% on individual loans
- Indexed LTV levels for loans in the cover pool can exceed 75% threshold; however the balance of the loan above the 75%, while remaining in the cover pool, is disregarded for legislative or contractual overcollateralisation calculation purposes

2. Strong overcollateralisation (OC)
- Minimum contractual OC of 5% and minimum legislative OC of 3% (both on a prudent market value basis)
- Cover Assets Monitor (CAM) is responsible for monitoring the level of contractual and legislative OC

3. Robust external monitoring
- CAM is responsible for monitoring the cover pool, the ACS issuer's compliance with specific provisions of the ACS Acts and reporting breaches to the Central Bank of Ireland
- Central Bank of Ireland has approved the appointment of CAM

4. Strict asset & liability management requirements
- Duration matching:
  The weighted average term to maturity of the cover pool assets cannot be less than that of the ACS cover pool liabilities
- Interest matching:
  The amount of interest receivable on the cover pool assets over a 12 month period must not be less than the amount of interest payable on the ACS cover pool liabilities over the same period taking account of any derivatives
- Currency matching:
  No currency risk permitted in the cover pool. Derivatives utilised to mitigate any currency risk created
- Interest rate risk control:
  The net present value changes on the balance sheet of an ACS issuer arising from i) 100bps upward shift, ii) 100bps downward shift and iii) 100bps twist, in the yield curve, must not exceed 10% of the ACS issuer's total own funds at any time

5. Clarity in event of bankruptcy
- National Treasury Management Agency (NTMA) pre-defined manager of cover pool as a last resort
- NTMA to source or alternatively act as manager of cover pool post insolvency
- Upon appointment the manager will assume control of all the cover assets of the ACS issuer and its ACS business. The manager must manage the ACS business of the ACS issuer in the commercial interests of the ACS holders and the ACS hedge counterparties

6. Preferential claims
- ACS holders are preferred creditors in relation to the cover assets (ranking after the CAM and the NTMA (or other manager) and equally with the ACS hedge counterparties)
- Cover assets included in a cover pool do not form part of the assets of the ACS issuer for the purposes of insolvency until such time as the creditors benefiting from the insolvency protection under the ACS Acts have been satisfied
- If the claims of the ACS holders (and other parties benefiting from insolvency protection including the ACS hedge counterparties) are not fully satisfied from the proceeds of the disposal of the cover assets, such parties are, with respect to the unsatisfied part of their claims, to be regarded as unsecured creditors of the ACS issuer in the insolvency process

Non-legislative features

1. Extension maturity feature (where applicable):
- If the ACS issuer fails to redeem a bond at par on the maturity date, the maturity of the principal amount outstanding of the bond will automatically be extended on a monthly basis for up to one year
- This extension can only occur if there are insufficient funds in the pool to repay maturities as they fall due
- Unlike RMBS, this is not an option that BOIMB can "choose" to exercise. Secondary spreads of ACS will have no direct impact on extension feature being exercised
- This feature is a rating agency requirement to mitigate any potential liquidity risk that may arise as bonds are due to mature
- In the event of liquidity problems, this feature avoids the immediate sale of assets and gives the ACS issuer time to source alternative funding

2. Non-performing assets:
- As a matter of policy, BOIMB removes non-performing assets (payment due ≥ 3 months) from the pool on a quarterly basis