The Governor and Company of the Bank of Ireland (the ''Group'')

EBA Stress Test 2016

1 August 2016

The Group was subject to the 2016 EU-wide stress test conducted by the European Banking Authority (EBA), in cooperation with the European Central Bank (ECB), the European Commission (EC) and the European Systemic Risk Board (ESRB).

The Group notes the announcement made on 29 July 2016 by the EBA on the 2016 EU-wide stress test and acknowledges the outcomes of this exercise.

The 2016 EU-wide stress test does not contain a pass fail threshold and instead is designed to be used as a crucial piece of information for the supervisory review process in 2016. The results will thus allow competent authorities to assess the Group's ability to meet applicable minimum and additional own funds requirements under stressed scenarios based on a common methodology and assumptions.

In the stress test two scenarios were run: a baseline scenario and an adverse scenario which assumes a severe economic downturn. The starting point in the stress test is the Common Equity Tier 1 (CET1) ratio for the Group as per 31 December 2015 (13.3% on a transitional basis and 11.3% on a fully loaded basis). In the baseline scenario the Group maintains a CET1 ratio of 16.1% (transitional) and 15.0% (fully loaded) in 2018. In the adverse scenario this ratio decreases to 7.7% (transitional) and 6.1% (fully loaded) in 2018.

The Group's capital position is strong and the Group continues to organically generate capital, including 70bps on a transitional basis in the 6 months to June 2016. As at 30 June 2016, the Group's transitional CET 1 ratio was 12.8% and the Group's fully loaded CET 1 ratio was 10.7%. As previously stated, the Group expects to maintain sufficient capital to meet, at a minimum, applicable regulatory capital requirements plus a management buffer.

Detailed results of the stress test are published on the ECB website and further detailed disclosures in relation to the EU-wide stress tests are published on the EBA's website. The relevant disclosure templates in relation to Bank of Ireland are also available on the Group's website at http://www.bankofireland.com/about-bank-of-ireland/investor-relations/financial-information

Ends

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Additional information

The EBA have set out the methodology and key assumptions underlying the stress test and the adverse scenario including:

- The cumulative Irish GDP growth over the three-year time horizon (2016-2018) is assumed to be 10.4% lower in the adverse scenario as compared to the baseline scenario;
- The assumption of a static balance sheet. This means that assets and liabilities which mature within the exercise are replaced with similar financial instruments;
- Banks are required to assume no interest income on the increase in defaulted assets in the adverse scenario;
- There is an increasing cost of funding with a constrained pass through of rising rates to loans and other assets.

For the Group the difference of 8.4% at December 2018 between the transitional CET 1 ratio in the baseline scenario (16.1%) and the transitional CET 1 ratio in the adverse scenario (7.7%) is primarily due to:

- The lower GDP growth (cumulatively 10.4% lower) in the adverse scenario which, together with other aspects of the common methodology, has resulted in an increase in the level of defaulted loans for the Group. In the adverse scenario defaulted loans are assumed to increase to over €18bn at December 2018 (from €10.6bn at December 2015). Impairment charges in the adverse scenario average c.€1bn per annum during the period 2016 - 2018. In addition no interest income has been recognised on the increased level of defaulted loans.
- The assumption of a static balance sheet means that assets such as the low yielding Irish tracker mortgages and liabilities such as the Contingent Capital Note (fixed coupon of 10%) which mature within the exercise are assumed to be replaced with similar (duration, price etc.) assets and liabilities.
- The assumption of an increasing cost of funding has led to an additional cost on the Group's current accounts and other customer deposits with a constrained pass through to loan assets.
- Partly offsetting the above assumptions is the impact of assumed higher interest rates on the Group's pension deficit.

As can be noted from the EBA disclosures in respect of the Group, the overall impact of the adverse scenario is that the average annual Operating income recognised during the period of the adverse scenario is c.36% lower than the 2015 level of Operating income; the average level of annual impairment charges is c.350% higher than the charges incurred in 2015.

Forward-Looking Statement

This document contains certain forward-looking statements 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 often can be identified by the fact that they do not relate only to historical or current facts. Generally, but not always, words such as 'may,' 'could,' 'should,' 'will,' 'expect,' 'intend,' 'estimate,' 'anticipate,' 'assume,' 'believe,' 'plan,' 'seek,' 'continue,' 'target,' 'goal,' 'would,' or their negative variations or similar expressions identify forward-looking statements, but their absence does not mean that a statement is not forward-looking. Examples of forward-looking statements include among others, statements regarding the Group's near term and longer term future capital requirements and ratios, level of ownership by the Irish Government, loan to deposit ratios, expected impairment charges, the level of the Group's assets, the Group's financial position, future income, business strategy, projected costs, margins, future payment of dividends, the implementation of changes in respect of certain of the Group's pension schemes, estimates of capital expenditures, discussions with Irish, United Kingdom, European and other regulators and plans and objectives for future operations.

Such forward-looking statements are inherently subject to risks and uncertainties, and hence 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, the following: geopolitical risks which could potentially adversely impact the markets in which the Group operates; uncertainty following the UK vote to exit the EU as to the nature, timing and impact of a UK exit, could impact the markets in which the Group operates including pricing, partner appetite, customer confidence and demand, and customers' ability to meet their financial obligations and consequently the Group's financial performance, balance sheet and capital; concerns on sovereign debt and financial uncertainties in the EU and the potential effects of those uncertainties on the financial services industry and on the Group; general and sector specific economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates; the ability of the Group to generate additional liquidity and capital as required; property market conditions in Ireland and the United Kingdom; the potential exposure of the Group to credit risk and to various types of market risks, such as interest rate risk and foreign exchange rate risk; the impact on lending and other activity arising from the emerging macro prudential policies; the performance and volatility of international capital markets; the effects of the Irish Government's stockholding in the Group (through the Ireland Strategic Investment Fund) and possible changes in the level of such stockholding; changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and United Kingdom Governments together with the operation of the Single Supervisory Mechanism and the establishment of the Single Resolution Mechanism; the impact of the continuing implementation of significant regulatory developments such as Basel III, Capital Requirements Directive (CRD) IV, Solvency II and the Recovery and Resolution Directive; the exercise by regulators of powers of regulation and oversight in Ireland and the United Kingdom; the introduction of new government policies or the amendment of existing policies in Ireland or the United Kingdom; the outcome of any legal claims brought against the Group by third parties or legal or regulatory proceedings more generally, that may have implications for the Group; the development and implementation of the Group's strategy, including the Group's ability to achieve net interest margin increases and cost reductions; the inherent risk within the Group's life assurance business involving claims, as well as market conditions generally; potential further contributions to the Group sponsored pension schemes if the value of pension fund assets is not sufficient to cover potential obligations; the Group's ability to address weaknesses or failures in its internal processes and procedures including information technology issues and equipment failures and other operational risk; the Group's ability to meet customers' expectations in mobile, social, analytics and cloud technologies which have enabled a new breed of 'digital first' propositions, business models and competitors; failure to establish availability of future taxable profits, or a legislative change in quantum of deferred tax assets currently recognised; and difficulties in recruiting and retaining appropriate numbers and calibre of staff.

Nothing in this document should be considered to be a forecast of future profitability or financial position and none of the information in this document is or is intended to be a profit forecast or profit estimate. Any forward-looking statement speaks only as at the date it is 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.