

Bank of Ireland Group

Leading Irish bank in a consolidating market, with number 1 or 2 market positions, supporting and benefiting from Irish economic recovery.

International diversification through our challenger consumer banking franchise (with the UK Post Office) in Great Britain, our branch network in Northern Ireland and niche international lending.

- ▶ Profitable and accreting capital
- ▶ Increasingly favourable macroeconomic environments
- ▶ Asset quality is improving
- ▶ Largest lender to the Irish economy
- ▶ Positive momentum across all our customer franchises

Ownership Structure

86%

14%

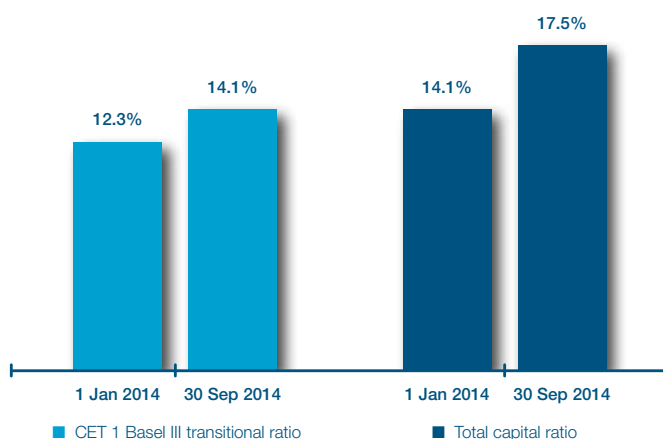
Private Stakeholders

State

Strong capital generation in 2014

Profitable and accreting capital

Capital Ratios

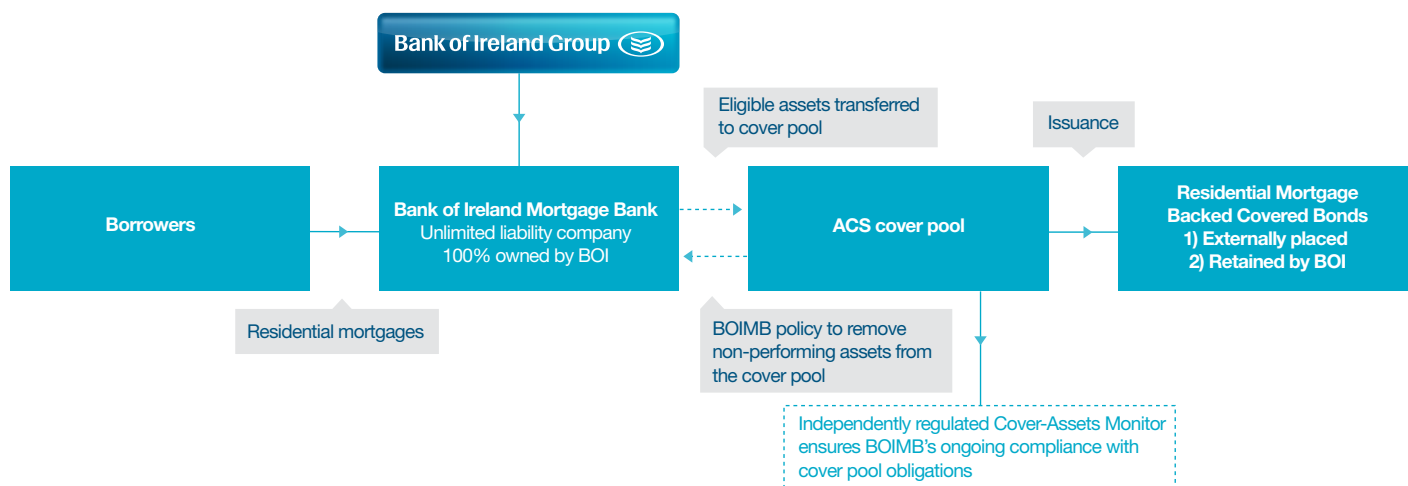


Key Features: Bank of Ireland Mortgage Bank ACS

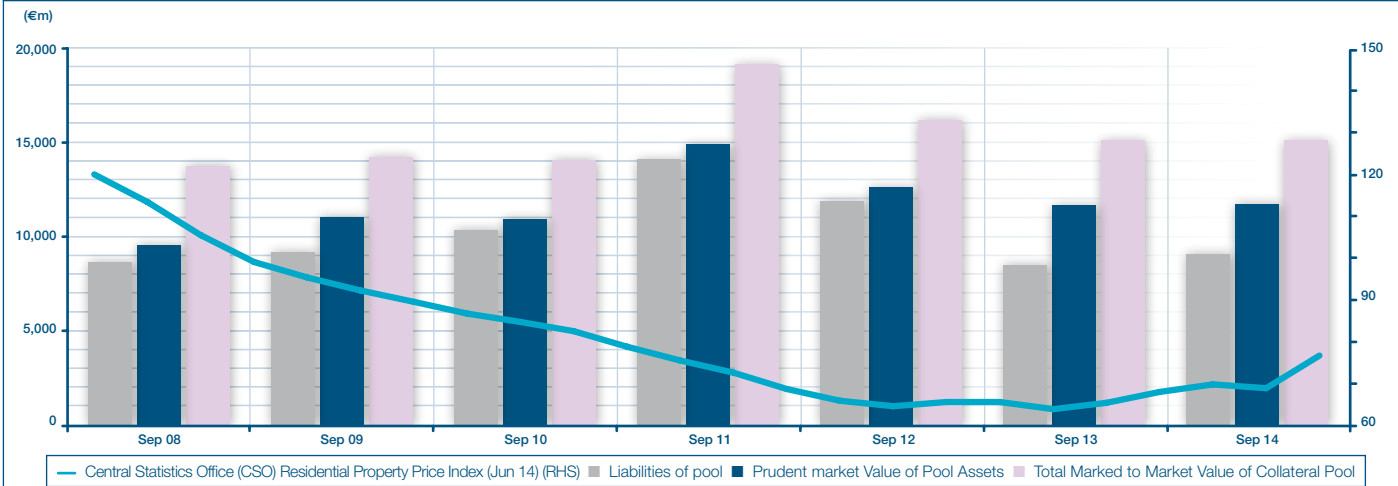
1. 100% Irish residential mortgages
2. Cover pool marked to market on a regular basis using Central Statistics Office (CSO) Residential Property Price Index
3. BOIMB policy to remove non-performing assets (payment due \geq 3 months) from the pool on a quarterly basis
4. Compliance with cover pool obligations monitored by independently regulated Cover-Assets Monitor
5. Pre-defined process in event of insolvency

Bank of Ireland Mortgage Bank (BOIMB)

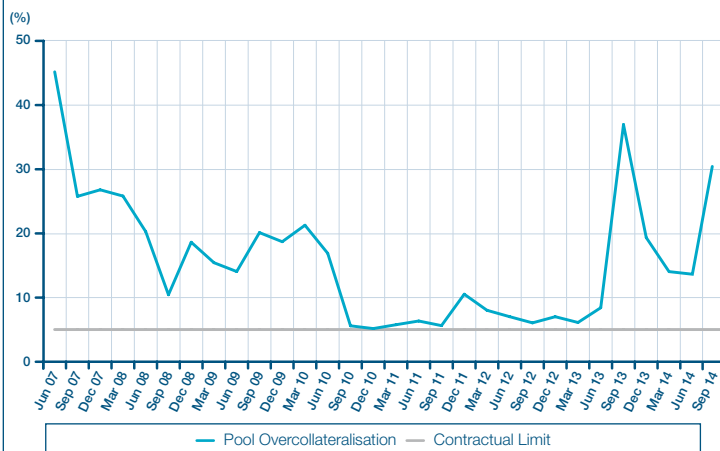
- ▶ Irish ACS legislation follows the specialist banking principle by requiring BOIMB to obtain a banking licence and to limit the scope of its banking activities
- ▶ BOIMB is regulated by the Central Bank of Ireland
- ▶ BOIMB is registered as a designated mortgage credit institution to issue Asset Covered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



Mark to Market Cover Pool



Dynamic Overcollateralisation



- ▶ At all times, despite movements in nominal house prices, the value of the underlying assets in the cover pool (adjusted for the fall in house prices) materially exceeds the point-in-time liabilities of the pool
- ▶ This means at time of purchase, an investor in ACS always has significant protection against house price falls

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

% of accounts in arrears:

Arrears of 3 months or more removed 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:

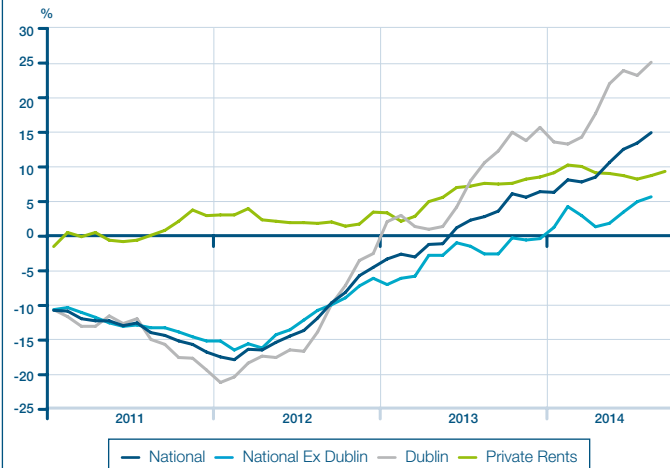
www.bankofireland.com/debtinvestor

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

Table 1 Cover Pool Summary	Dec-13	Mar-14	Jun-14	Sep-14
Total property valuation (bn)	€20.0	€20.0	€20.0	€21.0
Aggregate balances of the mortgages (bn)	€13.3	€13.1	€12.8	€12.5
Weighted average indexed LTV	96.0%	95.9%	93.1%	87.0%
% of accounts in arrears (≥ 3 months)	0.04%	0.03%	0.03%	0.01%
Table 2 Bond Summary				
Value of bonds (bn)	€9.9	€10.4	€10.4	€9.0
Nominal overcollateralisation	49%	41%	38%	54%
Prudent market value of mortgages (bn)	€10.4	€10.3	€10.3	€10.4
Qualified substitution assets (bn)	€1.5	€1.6	€1.6	€1.4
Prudent market value of cover pool (bn)	€11.9	€11.9	€11.8	€11.8
Legislative overcollateralisation	19%	14%	13%	31%

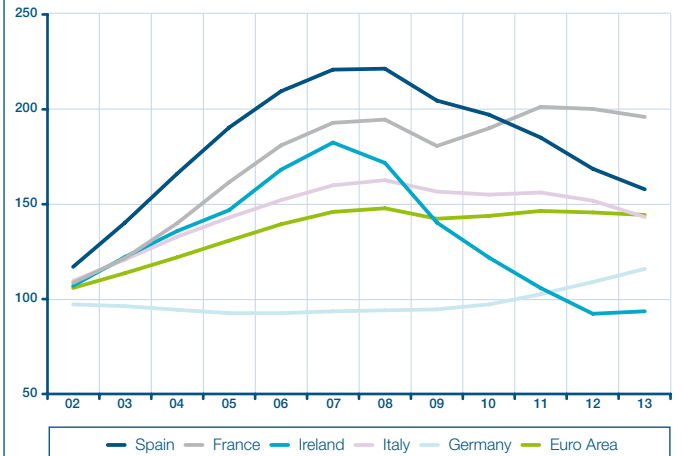
Irish Housing Market

Residential property prices and rents increasing



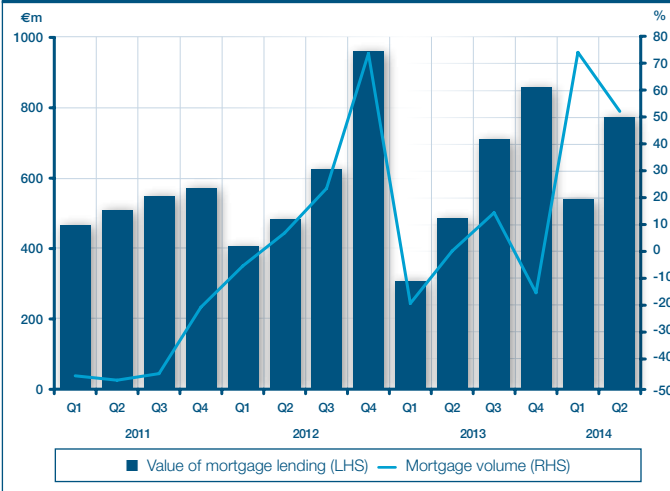
Graph shows: y-o-y change in residential property prices and private rents
Source: CSO

Ireland's significant house price correction versus other European countries



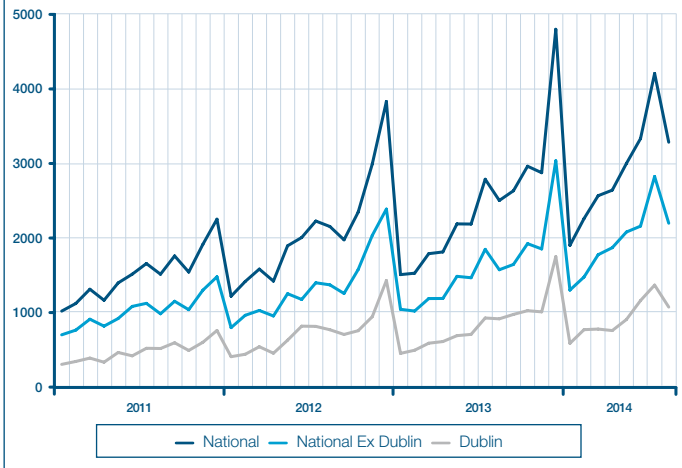
Graph shows: Change in nominal house prices in selected countries rebased to 100 at 1 Jan 2002
Source: OECD Economic Outlook, September 2014

Mortgage lending showing growth after slow start to 2014



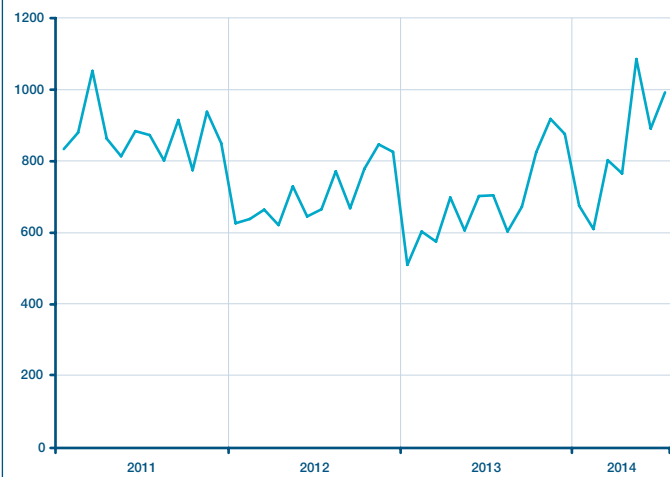
Graph shows: Value of mortgage lending per quarter in millions and annual change in volume of mortgages, for property purchase
Source: Banking & Payments Federation Ireland

Transactions showing steady progress



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

House completions poised for growth



Graph shows: House completions by month
Sources: CSO

Residential property investor yields approximately doubled since 2006

	2006 (Q4)	2014 (Q2)
Dublin City Centre	3.8%	8.0%
North Dublin City	3.6%	6.1%
South Dublin City	3.9%	5.9%
Dublin Commuter Counties	3.3%	5.7%
Munster	3.1%	5.2%
Cork City	3.4%	6.3%
Connaught/Ulster	3.0%	5.7%
National average	3.2%	5.7%

Graph shows: Average gross yield of residential property
Source: Daft Rental Report

Irish ACS Legislation

The Irish Asset Covered Securities Act was signed on 18 December 2001 with amendments coming into force on 31 August 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 to report 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
 - ▶ **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 shall 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 \geq 3 months) from the pool on a quarterly basis

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