The Governor and Company of the Bank of Ireland (the "Bank")

Deleveraging Plan Update

BOI confirms that it has achieved its divestment target of €10 billion of international loans, comfortably within the base case discount assumptions used as part of the 2011 Prudential Capital Adequacy Review ("PCAR") with a positive impact on the Group's Core Tier 1 capital ratio.

At the time of its 2011 capital generating and raising exercises, the Bank envisaged reducing the size of its loan book from €114 billion at December 2010 to circa €90 billion at December 2013, with the divestment of €10 billion of international loan assets being a key component of the deleveraging plan.

The Bank today announces that it has agreed to sell a portfolio of UK Infrastructure Project Finance loans, with total drawn and undrawn commitments of circa €0.27 billion to the Danish pension fund PensionDanmark, for a price of c. 83.5% of these commitments. PensionDanmark's investment will be managed by J.P. Morgan Asset Management's Infrastructure Debt Group.

The Bank has placed considerable focus on the achievement of its deleveraging plan and has previously announced divestments totalling circa €9.7 billion. With today's announced agreement and other miscellaneous international loan divestments totalling circa €0.3 billion achieved during the second quarter of 2012, the Bank confirms that it has exceeded its target of €10 billion divestments (total divestments of €10.3 billion achieved) at a weighted average discount on drawn balances of 7.9% as summarised in the table below:

Summary Divestments (€ equivalent)	**Total Divestments € bn**
UK Mortgages	2.0
Project Finance[1]	1.9
UK Commercial Real Estate	1.5
US Commercial Real Estate	0.8
Burdale[2]	0.7
Other International Loans	3.4
Total International Loan Divestments	**10.3**
Weighted Average Discount (on drawn balances)	**7.9%**

The cash proceeds of all divestments achieved to date have contributed to a reduction in the Bank's wholesale funding requirements in line with its deleveraging plans.

The combined capital impacts of the €10.3 billion divestments achieved to date are comfortably below the base case discounts assumed as part of the 2011 Prudential Capital Assessment Review ("PCAR") and the Prudential Liquidity Assessment Review ("PLAR") processes. From a capital ratio perspective, the losses incurred on the divestments are offset by a reduction in the associated risk weighted assets. The divestments as set out above have had a positive impact on the Group's Core Tier 1 ratio.

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[1] Including c. €0.56 billion of agreed loan sales that are pending completion

[2] At time of completion loan balances had reduced to €0.64 billion due to FX movements and loan redemptions

Total other loan redemptions and repayments remain in line with the Bank's expectations and the Bank continues to expect that it will be able to achieve its 3 year deleveraging target to reduce its loan book to circa €90 billion at December 2013.

Ends

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