The Governor and Company of the Bank of Ireland

Update on Pension Review

23 October 2013

Bank of Ireland ("the Bank" or "the Group") has been reviewing the defined benefit pension schemes sponsored by the Group and the IAS19 deficits of same. This review has involved communication with the members of the schemes, together with an extensive process of consultation with staff representative bodies and other stakeholders.

The objectives of this review have been to continue to sponsor competitive pension arrangements and benefits and help secure the future of the schemes, while recognising the need to substantially reduce the IAS 19 deficits and associated volatility.

The largest sponsored defined benefit pension scheme, with circa 80% of the liabilities of all of the sponsored defined benefit schemes, is the Bank Staff Pensions Fund (BSPF). Facilitated by the Labour Relations Commission, a shared solution to address the IAS 19 deficit in the BSPF has been agreed by the Bank and supported by the Irish Bank Officials Association.

The solution involves the employee members of the BSPF agreeing to some changes to potential benefits, primarily with respect to how potential future salary increases qualify for pension. It is also proposed that there will be changes to how increases to pensions in payment will arise. Should such agreement from employee members be forthcoming and the proposals be implemented, the Bank will increase its support for the BSPF, above existing support arrangements, so as to broadly match the IAS 19 deficit reductions arising from changes to potential benefits. It is also intended, subject to consultation with the BSPF's Trustees, that there will be reductions in the proportion of the BSPF's assets which are invested in return seeking assets. Once fully implemented, the adjustment to potential benefits would reduce the IAS 19 deficit in the BSPF by approximately €400m and would be income positive for the Group.

Ends.

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‘seek,’ ‘continue,’ ‘target,’ ‘goal,’ ‘would’, or their negative variations or similar expressions identify forward looking statements. Examples of forward looking statements include among others, statements regarding the Group’s near term and longer term future capital requirements and ratios, loan to deposit ratios, level of ownership by the Irish Government, 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 defined benefit pension schemes, estimates of capital expenditures, discussions with Irish, UK, 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: concerns on sovereign debt and financial uncertainties in the EU and in member countries and the potential effects of those uncertainties on the Group; general economic conditions in Ireland, the UK and the other markets in which the Group operates; the ability of the Group to generate additional capital if required; the effects of the 2011 PCAR, the 2011 PLAR and the deleveraging reviews conducted by the Central Bank and any further capital assessments undertaken by regulators; changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates particularly banking regulation by the Irish and UK Government together with any changes arising on foot of the Euro Area Summit Statement on 29 June 2012; the impact of further downgrades in the Group’s and the Irish Government’s credit rating; the impact of any exit arrangements by the State from the EU / IMF programme; the availability of customer deposits at sustainable pricing levels to fund the Group’s loan portfolio and the outcome of the Group’s disengagement from the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG scheme); development and implementation of the Group’s strategy, including the implementation of the Group’s revised EU Commission restructuring plan; competition for customer deposits and the Group’s ability to achieve estimated net interest margin increases and cost reductions; property market conditions in Ireland and the UK; the performance and volatility of international capital markets; the potential exposure of the Group to various types of market risks, such as interest rate risk, foreign exchange rate risk, credit risk and commodity price risk; the continued implementation of the Irish Government’s austerity measures relating to the financial support package from the EU/IMF; the exercise by regulators of powers of regulation and oversight; the effects of the Irish Government’s stockholding in the Group (through the NPRFC) and possible increases in the level of such stockholding; the outcome of any legal claims brought against the Group by third parties or legal or regulatory proceedings or any Irish banking inquiry more generally that may have implications for the Group; the potential requirement for further contributions to the Group pension schemes; potential deterioration in the credit quality of the Group’s borrowers and counterparties; the impact of the implementation of significant regulatory developments such as Basel III, Capital Requirements Directive (CRD) IV and the Recovery and Resolution Directive; implications of the Personal Insolvency Act 2012 for distressed debt recovery and impairment provisions; and the Group’s ability to address information technology issues.

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 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 file or submit to the US Securities and Exchange Commission.