

Update on Bank of Ireland Group's Participation in the National Asset Management Agency ("NAMA")

30 September 2010

To date NAMA has acquired €3.75 billion of Eligible Assets from Bank of Ireland at a transfer price of €2.4 billion (64% of that portfolio's gross book value¹ or equivalent to a 36% discount² (€1.35 billion) to gross book value¹).

The Government has decided, having consulted with the NAMA Board and the European Commission, that where the total exposure of a debtor is below a €20 million threshold, that debtor's loans will not now be transferred to NAMA, thus facilitating the completion of all NAMA transfers by year end. The threshold had previously been set at €5 million. On this basis, Bank of Ireland estimates that the total potentially Eligible Assets to be transferred to NAMA will not exceed €10.1 billion gross book value¹ compared to the previous estimate of €12.2 billion gross book value¹.

A number of important steps have been agreed and will be taken by Government to provide certainty about the impact of NAMA transfers and to end the speculation on discounts which has surrounded the tranche by tranche release of data. It has therefore been agreed that all remaining NAMA transfers should be completed in one single tranche.

The Minister has stated that "With the granular loan-by-loan data available to NAMA from these transfers and the comprehensive and detailed information now available to it on the remaining loans, the Agency has now refined its estimates of the discounts on the remaining loans to be transferred to a high level of accuracy."

The Minister has also stated that "It is now possible for NAMA to forecast with confidence the final overall discount to be applied to the remaining tranches of loans," and on this basis the final tranche of Bank of Ireland NAMA loans (i.e. €6.35 billion gross book value¹) may have a higher discount² of up to 42% (up to €2.67 billion).

This would leave Bank of Ireland with formerly potentially Eligible Assets of approximately €2.1 billion comprising land and development loans of circa €1.9 billion and associated loans of circa €0.2 billion. At 30 June 2010, the impaired element of this portfolio was €1.6 billion against which Bank of Ireland held IFRS provisions of €0.8 billion.

Today's announcement by the Financial Regulator has confirmed that Bank of Ireland already has sufficient capital to meet the PCAR standard (including the buffer set by the Central Bank for the non-NAMA portfolio) recognising the change in threshold and estimated NAMA haircuts announced today.

¹ Before impairment provisions

² Prior to (i) any impairment provisions previously recognised by the Group, (ii) any fair value adjustments in respect of any consideration received, (iii) any provision that may be required under accounting standards due to the ongoing cost of servicing these assets on behalf of NAMA, and (iv) taking account of any transfer costs.

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