The Central Bank and Financial Regulator CEBS July 2010 Stress Test Results
The Governor and Company of the Bank of Ireland

- **The Governor and Company of the Bank of Ireland (BOI)** was subject to the 2010 EU-wide stress testing exercise coordinated by the **Committee of European Banking Supervisors (CEBS)**, in cooperation with the **European Central Bank (ECB)**, and under the supervision of the **Central Bank** and **Financial Regulator. BOI** acknowledges the outcomes of the EU-wide stress tests.

- This stress test is in addition to the risk management procedures and regular stress testing programmes set up in **BOI** under the Pillar 2 framework of the Basel II, CRD requirements and the **'Implementation of the CRD, 28 December 2008'**. It was also additional to the **Central Bank** and **Financial Regulator's** Prudential Capital Assessment Review (PCAR), the results of which were announced on 30 March 2010.

- The exercise was conducted using the scenarios, methodology and key assumptions provided by CEBS (see the aggregate report published on the CEBS website). As a result of the assumed shock under the adverse scenario, the estimated consolidated Tier 1 capital ratio would change to **7.6%** in 2011 compared to **9.2%** as of end of 2009. An additional sovereign risk scenario would have a further impact of **0.50** of a percentage point on the estimated Tier 1 capital ratio, bringing it to **7.1%** at the end of 2011, compared with the CRD regulatory minimum of **4%**.

- The results of the stress suggest a **buffer** of **933** EUR mln of the Tier 1 capital would exist at 31 December 2011 against the threshold of 6% of Tier 1 capital adequacy ratio agreed exclusively for the purposes of this exercise. This threshold should by no means be interpreted as a regulatory minimum (the regulatory minimum for the Tier 1 capital ratio is set to 4%), nor as a capital target reflecting the risk profile of the institution determined as a result of the supervisory review process in Pillar 2 of the CRD.

- **BOI** has held discussions of the results of the stress test with its supervisor the **Central Bank** and **Financial Regulator.** To be clear BOI's capital requirements resulting from the PCAR announced on 30 March 2010 were an additional €2.66bn of equity capital to meet the base case target of 8% Core Tier 1, with 7% Equity, and to meet the stress case target of 4% Core Tier 1.

  BOI has raised gross equity capital of €3.56bn from an institutional placing and private rights issue (€1.6bn), conversion to ordinary equity of €1.7bn of Government preference shares and a liability management exercise, which net of the cost of repurchase of warrants previously issued to the Government of c.€0.5bn and costs and fees generated net additional equity capital of €2.94bn. This capital raise has meant that BOI has exceeded the capital raising obligations of the PCAR as announced on 30 March 2010.

- The stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet, uniform treatment of securitisation exposures). Therefore, the information should in no way be construed as a forecast nor should it be taken as an update to capital plans. Consequently the numbers below may differ from numbers published previously by BOI. In addition, where the information does not reconcile to previously published information (e.g. annual statements or capital plans), this is a result of supervisory adjustments applied as part of the methodology of the stress test. In the interpretation of the outcome of the exercise, it is imperative to differentiate between the results obtained under the different scenarios developed for the purposes of the EU-wide exercise. The results of the adverse scenario should not be considered as representative of the current situation or possible present capital needs. A stress testing exercise does not provide forecasts of expected outcomes since the adverse scenarios are designed as "what-if" scenarios including plausible but extreme assumptions, which are therefore not very likely to materialise. Different stresses may produce different outcomes depending on the circumstances of each institution.

Bank of Ireland - Individual Results

At 31st December 2009 (For the nine months ended 31 December 2009)	EUR mln
Total Tier 1 capital	9,575
Total regulatory capital	13,086
Total risk weighted assets*	104,639
Pre-impairment income (including operating expenses)	2,212
Impairment losses on financial assets in the banking book	-4,057
1 yr Loss rate on Corporate exposures (%)	3.13%
1 yr Loss rate on Retail exposures (%)[4]	0.85%
Tier 1 ratio (%)	9.2%

Outcomes of stress test scenarios

The stress test was carried out under a number of key common simplifying assumptions (e.g. constant balance sheet, uniform treatment of securitisation exposures). Therefore, the information relative to the benchmark scenarios is provided only for comparison purposes and should in no way be construed as a forecast.

Benchmark scenario at 31 December 2011[5]	EUR mln
Total Tier 1 capital after the benchmark scenario	7,660
Total regulatory capital after the benchmark scenario	9,987
Total risk weighted assets after the benchmark scenario	85,292
Tier 1 ratio (%) after the benchmark scenario	9.0%

Adverse scenario at 31 December 2011[5]	EUR mln
Total Tier 1 capital after the adverse scenario	6,595
Total regulatory capital after the adverse scenario	8,922
Total risk weighted assets after the adverse scenario	86,282
2 yr cumulative pre-impairment income after the adverse scenario (including operating expenses)	2,482

2 yr cumulative impairment losses on financial assets in the banking book after the adverse scenario[5]	-6,807
2 yr cumulative losses on trading book after the adverse scenario[5]	-5
2 yr Loss rate on Corporate exposures (%)after the adverse scenario[4,5]	4.23%
2 yr Loss rate on Retail exposures (%)after the adverse scenario[4,5]	3.26%
Tier 1 ratio after the adverse scenario (%)	7.6%

Additional sovereign shock on the adverse scenario at 31 December 2011	**EUR mln**
Additional impairment losses on the banking book after the sovereign shock[5]	-586
Additional losses on sovereign exposures in the trading book after the sovereign shock[5]	-5
2 yr Loss rate on Corporate Exposures after the adverse scenario + sovereign shock (%)[4,5,]	4.47%
2 yr Loss rate on Retail exposures after the adverse scenario + sovereign shock (%)[4,5,6]	3.78%
Tier 1 ratio after the adverse scenario + sovereign shock (%)	7.1%
Additional capital needed to reach 6% Tier 1 ratio under adverse scenario + additional sovereign shock, at the end of 2011	Nil (surplus of 933)

**Inclusive of CRD transitional floor adjustments*