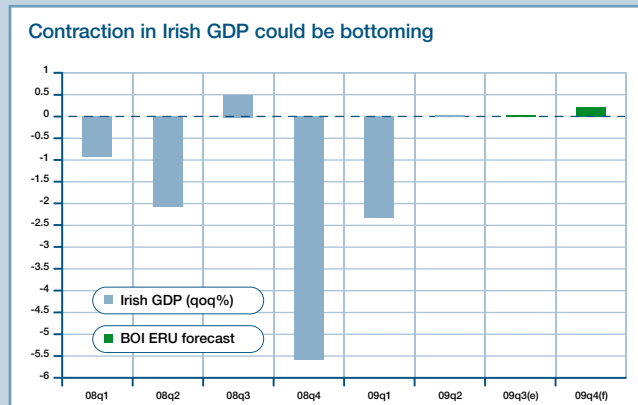




Ireland: Key Themes

1

Contraction in the Irish economy appears to be bottoming

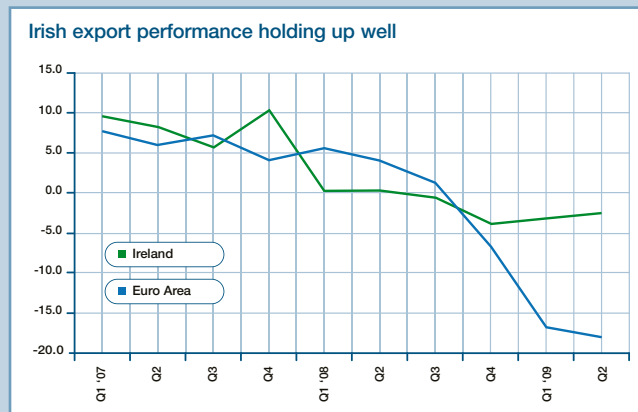


Source: Graph shows: Irish GDP (quarter on quarter %)
Source: CSO and forecasts Bank of Ireland ERU

- The Irish economy remains in recession, although many activity indicators appear to have bottomed, while others are pointing to a slowdown in the pace of contraction
- After a collapse in activity in late 2008 and in early 2009, the Irish economy stopped contracting in the second quarter of 2009 with GDP growth flat quarter on quarter
- Labour market data has surprised on the upside of late, with a much reduced flow of people onto the Live Register. Unemployment is now expected to peak at a lower level than previously feared
- Purchasing Managers Indices, which are well-recognised indicators of economic activity, have also moved off their lows

2

Export-led growth likely catalyst for economic recovery

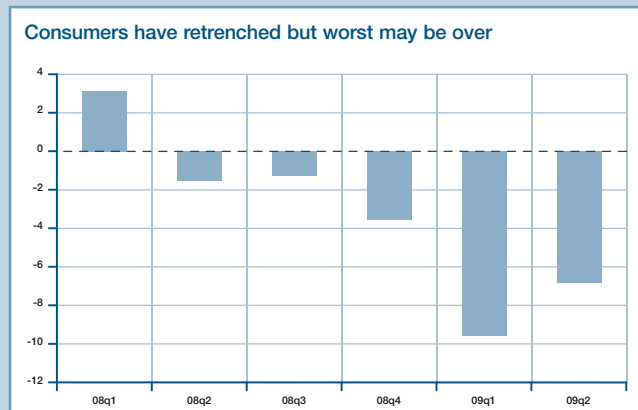


Graph shows: Exports of Goods and Services (Annual Growth in Volumes %)
Source: Eurostat and CSO

- The recession in Ireland has already seen a substantial rebalancing of activity in the economy, away from domestic demand and towards exports
- In Q2 2009 Irish exports accounted for 88% of GDP, up substantially from 78% in 2006
- Irish exports have held up relatively well given the extremely challenging global macroeconomic backdrop during the last 12 months. Recovery in the global economy should further boost Irish export performance

3

Domestic economy remains weak and will continue to be a drag on growth in the near term

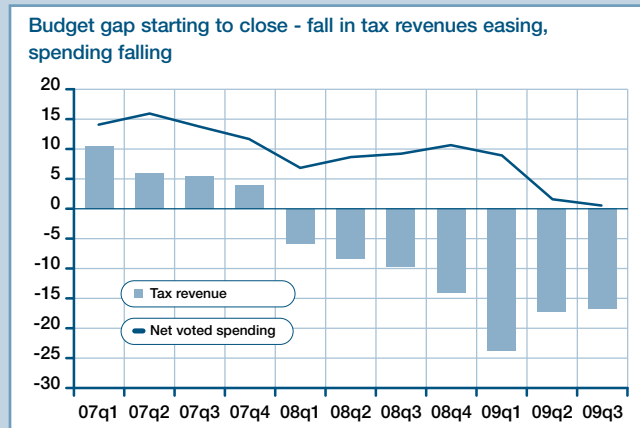


Graph shows: Real Consumer Spending (year on year %)
Source: CSO

- External demand is the most likely driver of economic recovery in Ireland, while domestic demand will remain muted
- Consumer spending is constrained by rising unemployment, flat to negative wage growth, a rise in the average tax rate and a rise in the savings ratio
- Construction spending as a percentage of GDP is declining
- In addition, substantial public spending reductions are expected over the coming years

Three important conditions for sustainable medium term growth in Ireland

a) Irish Government to stabilise and restructure public finances



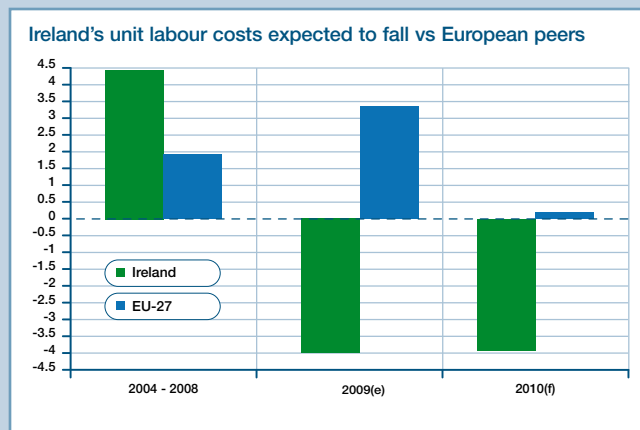
Graph shows: Irish Government spending and revenue (% change)
Source: Irish Department of Finance

- The Irish Government is committed to stabilising public finances and restoring the country's fiscal position to one of greater health
- The upcoming 2010 budget scheduled for publication in December is expected to include substantial spending cuts of c.€4bn
- The actions the Irish Government have taken to date to stabilise the public finances have in general been viewed positively by international bond markets
- The National Treasury Management Agency (NTMA) has been successful in completing Ireland's entire borrowing requirement for 2009 and has started to pre-fund for 2010 requirements

b) A normalised banking sector with Government support in short term

- The Irish Government has continued to affirm its commitment to supporting the Irish banking system
- The Government has introduced concrete measures of support for the Irish banking sector, including the setting up of the National Asset Management Agency (NAMA) to acquire higher-risk property related assets from participating institutions
- The objective of NAMA is to help stabilise the banking sector and restore the flow of credit to businesses and customers, while minimising the risk to the taxpayer

c) Improve Ireland's cost base and enhance competitiveness



Graph shows: Whole economy unit labour costs
Source: EU Commission

- Irish unit labour costs are projected to fall in 2009 and 2010, reflecting a combination of wage freezes / cuts and a re-acceleration in labour productivity growth
- A period of declining unit labour costs will improve the country's competitive position and enhance its attractiveness as a location for foreign direct investment
- Consumer prices in Ireland are now falling relative to Euro Area average, which is helping the country to regain price competitiveness
- On the negative side, Ireland's competitive position has dis-improved due to the current depreciation of the US dollar and sterling relative to the euro