



Presentation to  
**Irish Department of Finance**  
**Discussion Materials**

18 November, 2008



Global Markets & Investment Banking Group

## Discussion Materials

### Presentation to the Irish Department of Finance

#### Table of Contents

1. Executive Summary	1
2. Capitalisation of Banks	4
3. Strategic Options	15
Appendix A: Summary of European Bank Re-Capitalisations	21
Appendix B: Review of Individual Combinations	30
Appendix C: Proposed "Guarantee" Prefs Considerations	40
Appendix D: Trading Update	41





## Executive Summary

## Executive Summary

### Introduction

- Post the announcement of the guarantee of the Irish institutions, the immediate funding stress for the institutions has abated
- Overall, the concern of the market has moved from a concern for funding to a potential concern of capitalisation relative to European bank markets and quality of the loan book, specifically with regards to commercial real estate loans
- Depending on the future development of loan books of the institutions and the new required level of capitalisation expected by the markets, a recapitalisation of the banks or, potentially, the creation of a "Nationalised Bank" as well as strategic mergers within the institutions or other strategies may become necessary
- There are various securities that can be used to capitalise a bank, ranging from pure equity to preference shares with no equity participation
  - The amount of capitalisation depends on the level of impairment and the target Core Tier 1 ratio. We estimate the size can range from €6.5bn - €16.4bn
  - Waning investor support and the European recapitalisation backdrop means that recapitalisation details should probably be announced prior to year end
- Strategic mergers of the Irish institutions would need to be carefully considered to ensure future attractive equity stories and solve some of the wholesale funding requirement issues as well as potentially minimise the size of recapitalisations required
  - AIB and Bank of Ireland would be attractive merger partners for some of the smaller institutions, as well as other third party strategic partners. Given Anglo CRE loan exposure it is difficult to see an attractive combination
  - Private equity firms may also be interested in investing in the equity of the institutions (including Anglo) or buying certain assets from them
- A Nationalised Bank may serve as the institution to "clean-up" the loan books of the other institutions and, as such, free up the credit markets more and allow for potential strategic consolidation and capitalisation where the downside is mitigated. This benefit will need to be weighed against the need to crystallise the mark on the problem loans and any requirement to take on the bad loans from other non-nationalised institutions



# Executive Summary

## Summary

	Strategic Options		
	Capitalisation of Banks	Strategic Combinations	One Nationalised Bank + Strategic Configurations
Summary	<ul style="list-style-type: none"> <li>■ Irish Government capitalises the Banks with Core Tier 1 and/or Tier 1 securities</li> <li>■ Equity plus preference shares (UK) or preference shares with warrants (US) can be considered</li> <li>■ Preference shares only, either Tier 1 or Core Tier 1 may also be considered</li> </ul>	<ul style="list-style-type: none"> <li>■ Consolidation of banks into a couple of National Champions</li> <li>■ Capitalised merged entities</li> <li>■ Potential interest from institutions outside of Ireland</li> </ul>	<ul style="list-style-type: none"> <li>■ Potentially creates one Nationalised Bank that acquires non-performing CRE loans from other institutions</li> <li>■ Other institutions either merge and/or are capitalised</li> </ul>
Key Observations	<ul style="list-style-type: none"> <li>■ Pure equity investment exposes Government to both upside and downside</li> <li>■ Warrants attached to preference shares provide upside for the Government</li> <li>■ Pure preference shares mitigate a downside but may not give core capital</li> <li>■ Preference share instrument either ranks ahead of common shares both as to dividends and in liquidation or ranks pari passu in liquidation but ahead of common shares in dividends depending on Core Tier 1 vs. Tier 1 credit desired</li> <li>■ Shareholder approval required for new class of shares</li> <li>■ Cost of dividend on the preference shares may diminish future capital generation</li> </ul>	<ul style="list-style-type: none"> <li>■ Question mark exists on the ability of certain monoline business models to survive alone</li> <li>■ Combined entities will be relatively well-capitalised post Government capitalisation</li> <li>■ Scope for synergies and cost reductions</li> <li>■ Competition issues</li> <li>■ May be difficult for the Government to force mergers or acquisitions involving financial institutions, without obtaining a substantial portion of the ordinary shares</li> <li>■ Government may be able to facilitate transactions where there is a willing buyer and a seller facing financial difficulties</li> </ul>	<ul style="list-style-type: none"> <li>■ Deals with the most problematic assets causing headline risk, which can be isolated within the Nationalised Bank</li> <li>■ Will help restore confidence in the "cleansed" banks and enable them to continue in business</li> <li>■ Promotes orderly unwind / minimises asset deflation</li> <li>■ Specialist third party asset manager in management will be required</li> <li>■ Purchase price of assets and impact on marks for other bank portfolios can cause issues</li> <li>■ Complex and time consuming option</li> <li>■ Provides Government with the potential to recoup all or part of the capital injected with the nationalised bank through future realisations</li> </ul>



## Executive Summary

### Snapshot Summary of Irish Institutions

	Anglo Irish Bank	Allied Irish Bank	Bank of Ireland	Irish Life & Permanent	EBS Building Society	Irish Nationwide
Market Cap (€m)	844.7	2,339.3	833.5	431.8		
Current Share Price (€)	1.11	2.65	0.83	1.56		
LTM Share Price Performance	(88.3%)	(81.9%)	(91.7%)	(88.7%)		
Current Credit Rating	A- (Credit Watch)/ A1 (Under Review)	A+ (Negative)/ Aa2 (Stable)	A+ (Negative)/ Aa2 (Negative)	A- (Credit Watch)/ Aa3 (Negative)	A (Stable)/ A2 (Negative)	BBB+ (Stable)/ Baa1 (Watch Neg.)
CDS (bps) <sup>(1)</sup>						
Pre-Crisis (2-Jul-07)	14.6	12.2	12.2	17.9		
Pre-Guarantee (29-Sep-08)	665.3	278.7	363.4	363.0		
Current (17-Nov-08)	325.0	150.0	165.0	227.5		
Capital Ratios						
Core Tier 1 Ratio	6.07%	6.03%	6.27%	8.32%	5.87%	8.62%
Tier 1 Ratio	9.00%	7.50%	8.71%	8.32%	8.36%	8.62%
Total Customer Loans (€bn)	73.7	137.6	145.1	41.5	16.8	11.7
% CRE Loans	82.0%	36.6%	26.2%	3.7%	14.3%	81.0%
Loan/Deposits (%)	164.5%	159.0%	160.0%	284.5%	178.3%	177.5%
2009E Multiples						
P/E	1.1x	n.m.	1.3x	1.6x		
P/Tangible NAV	0.15x	0.26x	0.13x	0.16x		
2009E Base Case Loan Loss Provision (€m) <sup>(4)</sup>	1,293.0	2,421.3	1,231.0			
Analyst Price Target <sup>(5)</sup>	3.27	5.09	3.01	5.68		
Analyst Recommendation						

Source: Prices and consensus earnings estimates per Factset as at 17 November 2008; Capital ratios and loans data as at 30 September 2008 per draft PWC reports or as at 29 September 2008 per company data unless otherwise stated; Analyst recommendation per Reuters Estimates for November 2008

(1) 5 year senior CDS spreads

(2) Based on Bank of Ireland published interim financials as at 30 September 2008

(3) Based on Irish Life & Permanent data as at 30 June 2008

(4) Average base case loan loss provision for 2009E per recent broker research (see Appendix D for full analysis)

(5) Consensus analyst target price, based on broker estimates following the announcement of the Government guarantee on 29 September 2008





## Capitalisation of Banks



## Capitalisation of Banks Overview

- Governments and private institutions have used a variety of instruments to capitalise the banks (see Appendix A for full summary)
  - Pure equity (UK, Germany)
  - Preference shares (UK, Germany, France)
  - Preference shares with warrants/conversion features or mandatories (Switzerland, Netherlands, US)
- When considering the recapitalisation of banks, the key aspects to think about from the Government perspective could be:
  - Level of capitalisation – size needs to take into account any future cyclical downturn
  - Downside protection - dividend or some principal redemptions
  - Upside participation – equity-like returns
  - Type of capital – Tier 1 vs. Core Tier 1. Depends on amount of loss absorption required by the banks
- The basic types of instruments that fall into this category are:
  - Combination of Equity plus preference shares – similar to UK plan
  - Preference shares plus warrants – similar to US plan
  - Mandatory convertible – as executed by Swedbank and Barclays
- The total required capital, assuming a new Core Tier 1 ratio range of 7.0% - 8.5% for all Irish banks is €2.5bn - €16.4bn

		Core Tier 1 Capital Ratio Target			
		7.00%	7.50%	8.00%	8.50%
Loan Impairment Rate <sup>(1)</sup>	Current Level	€2.5bn	€4.5bn	€6.5bn	€8.5bn
	Max	€10.5bn	€12.5bn	€14.4bn	€16.4bn

Source: PWC reports or company data as at 30 September 2008 for all banks other than Irish Life & Permanent which is based on company data as at 30 June 2008

(1) Loan impairment rate assumed for each bank separately. Current level refers to loan impairment rate for each bank as at 30 September 2008 per PWC reports or company data (Anglo = 0.67%, AIB = 0.92%, BoI = 1.31%, IL&P = 0.21%, EBS = 1.20%, INBS = 0.25%), while Max refers to the maximum impairment rate assumed for each bank in the "Equity and Ownership Sensitivity Analysis" which follows on p.9-11 (Anglo = 5.50%, AIB = 2.45%, BoI = 2.30%, IL&P = 1.20%, EBS = 3.50%, INBS = 1.25%)





# Capitalisation of Banks

## Summary Of Alternative Recapitalisation Instruments

	Combination of Equity + Preference Shares (UK Recap of Banks)	Preference Shares + Warrants	5 Year Mandatory Convertible Securities (Swedbank Style Structure)
Type of Securities	<ul style="list-style-type: none"> <li>Equity</li> <li>Preference Shares</li> </ul>	<ul style="list-style-type: none"> <li>Preference Shares + Warrants</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory Convertible Preference Shares</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>Preference Shares are Perpetual; callable at 5 years</li> <li>Bank can repurchase at any time at a predetermined premium, subject to replacement of capital and IFSRA approval</li> </ul>	<ul style="list-style-type: none"> <li>Perpetual</li> <li>Bank can repurchase at any time at a predetermined premium, subject to replacement of capital and IFSRA approval</li> </ul>	<ul style="list-style-type: none"> <li>5 years</li> <li>A 3 year maturity may be requested by the respective institutions in order to maximise rating agency credit (ATE high from S&amp;P)</li> </ul>
Distributions	<ul style="list-style-type: none"> <li>Ordinary Equity – cut dividends</li> <li>Preference Shares               <ul style="list-style-type: none"> <li>14% for the stronger banks</li> <li>18% for the weaker banks</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>12% for the stronger banks</li> <li>16% for the weaker banks</li> <li>Dividends will be payable in either cash or in the form of additional warrants (if no dividends are paid on ordinary shares) at the issuer's option. Payment of dividends will be made in priority to dividends on ordinary shares</li> </ul>	<ul style="list-style-type: none"> <li>8% for the stronger banks</li> <li>12% for the weaker banks</li> <li>Dividends will be payable in either cash or in the form of additional warrants (if no dividends are paid on ordinary shares) at the issuer's option. Payment of dividends will be made in priority to dividends on ordinary shares</li> </ul>
Conversion Features	<ul style="list-style-type: none"> <li>N/A</li> </ul>	<ul style="list-style-type: none"> <li>No. Of Warrants: Issue size divided by strike price</li> <li>Warrant Maturity: 5 years</li> <li>Strike Price: 100% of the share price at the issue date</li> </ul>	<ul style="list-style-type: none"> <li>Strike Price: 70% of the share price at the issue date</li> <li>Conversion: Automatic in year 5</li> <li>No. of underlying shares: Issue size divided by the strike price</li> </ul>
Additional Characteristics/ Information	<ul style="list-style-type: none"> <li>Voting rights - None</li> <li>Transferability - Yes</li> <li>Corporate governance restrictions:               <ul style="list-style-type: none"> <li>Limits on executive remuneration</li> <li>Ability for State to introduce non-executive directors into company</li> <li>Preferential right to dividend over ordinary shares</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Voting rights - None</li> <li>Transferability - Yes</li> <li>Corporate governance restrictions:               <ul style="list-style-type: none"> <li>Limits on executive remuneration</li> <li>Ability for State to introduce non-executive directors into company</li> <li>Preferential right to dividend over ordinary shares</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Voting rights - None</li> <li>Transferability - Yes</li> <li>Corporate governance restrictions:               <ul style="list-style-type: none"> <li>Limits on executive remuneration</li> <li>Ability for State to introduce non-executive directors into company</li> <li>Preferential right to dividend over ordinary shares</li> </ul> </li> </ul>
Gov. / Private Investors	<ul style="list-style-type: none"> <li>Ordinary Equity – depends on dividend cut, but will be difficult for other investors to take up. Can be sold in the future</li> <li>Preference Shares               <ul style="list-style-type: none"> <li>Security is transferable providing the Government with the ability to monetise / exit its investment in the future</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Private</li> <li>Aim to reduce Government participation as much as possible with third party placement</li> <li>Security is transferable providing the Government with the ability to monetise / exit its investment in the future</li> </ul>	<ul style="list-style-type: none"> <li>Private</li> <li>Aim to reduce Government participation as much as possible with third party placement</li> <li>Security is transferable providing the Government with the ability to monetise / exit its investment in the future</li> </ul>
Regulatory Capital Treatment	<ul style="list-style-type: none"> <li>Ordinary Equity - Core Tier 1</li> <li>Preference Shares – Non-innovative Tier 1 / Core Tier 1 (if the securities rank <i>pari-passu</i> with ordinary shares)</li> </ul>	<ul style="list-style-type: none"> <li>Core Tier 1 (if the securities rank <i>pari-passu</i> with ordinary shares)</li> </ul>	<ul style="list-style-type: none"> <li>Core Tier 1 (if the securities rank <i>pari-passu</i> with ordinary shares)</li> </ul>
Additional Considerations	<ul style="list-style-type: none"> <li>An EGM may be required by the respective institutions in order to issue new equity, on a non pre-emptive basis to the Government</li> </ul>	<ul style="list-style-type: none"> <li>An EGM will be required by the respective institutions in order to create a new class of shares, eligible of receiving core Tier 1 capital treatment</li> </ul>	<ul style="list-style-type: none"> <li>An EGM will be required by the respective institutions in order to create a new class of shares, eligible of receiving core Tier 1 capital treatment</li> </ul>
Underwriting Fee	Recent underwritten rights offerings from financial institutions have had total fees ranging from 1.30% to 3.15%. The UK government underwriting fees were 1.50%		



Solutions with precedents in the market will allow for some take up from existing shareholders or investors, mitigating the scale of government take up

## Capitalisation of Banks

### Execution Considerations

- As previously indicated, the execution of any of the proposed recapitalisation alternatives will most likely require an element of Government support
- In our view, the most viable structure for these instruments would be a placing to the Government and potentially a small number of existing shareholders with the potential to “clawback” for all shareholders
  - The Government placing would give the market confidence that the capital for the company is secure, while the “clawback” entitlement would be respectful of existing shareholders’ pre-emption rights
  - Under such structure, the issuing bank would announce to the market that it is raising new capital (pure equity or preference shares + warrants) to attain its new target Core Tier 1 and Total Tier 1 ratios. The total amount of capital would be placed to the Government and potentially a small group of investors at a fixed price
  - Once the necessary transaction documentation is complete, the instrument would be offered to shareholders and subject to market appetite at that time, the offering could reduce the extent of the Government investment
  - The Government and other key shareholders would be compensated for their support in the issue with a fee, which would be paid out of the funds raised
- We currently do not envisage a large subscription for these instruments by third party/private investors, and therefore the Irish Government is likely to subscribe for a large proportion, if not all, of the offer and could result in the Government obtaining a controlling interest in the issuing bank
  - The Government would need to consider its involvement in the management of the bank and its flexibility to act in the view of minority shareholder rights following the recapitalisation



## Capitalisation of Banks

### Proposed "Guarantee" Prefs Considerations

	Feature	Key Considerations
Maturity	<ul style="list-style-type: none"> <li>■ A perpetual instrument with a call date between 5 and 7 years</li> </ul>	<ul style="list-style-type: none"> <li>■ As per Irish bank regulations regarding capital instruments, any Tier 1 eligible security must be perpetual. An alternative could be to issue a mandatory convertible security with a conversion period at a specified date</li> </ul>
Coupon	<ul style="list-style-type: none"> <li>■ A varying coupon depending on the institution for which the Preference Shares are being subscribed</li> <li>■ The coupon will range from 8% for larger banks to 12% for other banks (including Anglo Irish)</li> </ul>	<ul style="list-style-type: none"> <li>■ Coupon should be set at levels comparable to market terms and/or comparable to those of recent capitalizations depending on the nature of the investor</li> <li>■ Warrants over ordinary shares would reduce the upfront coupon</li> </ul>
Redemption	<ul style="list-style-type: none"> <li>■ Banks would be free to redeem the Preference Shares at any time out of the issue of new ordinary shares</li> <li>■ If the Preference Shares were not redeemed by the call date, the Irish State has the right of conversion into ordinary shares at a 50% discount to the prevailing market price</li> </ul>	<ul style="list-style-type: none"> <li>■ Providing the ability for the banks to redeem at any time, coupled with the downside risks being faced by the government, skews the economics in favour of the banks and could result in a significant transfer of value</li> </ul>
Clawback	<ul style="list-style-type: none"> <li>■ Existing investors would have the first right to acquire the instruments</li> <li>■ To the extent that the instrument is not fully subscribed, residuals would be made available to general public, with the aim that State would put in a minimal amount</li> </ul>	<ul style="list-style-type: none"> <li>■ We do not envisage a large subscription for the instrument from third party investors (we provide further detail for this on the following page)</li> </ul>
State Guarantee	<ul style="list-style-type: none"> <li>■ State to a guarantee gross redemption yield at, say, 2.5%</li> </ul>	<ul style="list-style-type: none"> <li>■ As per Basle principles regarding capital instruments, these should have no credit enhancements</li> <li>■ No other EU member state incorporated a state guarantee on Tier 1 eligible instruments</li> <li>■ Significant risk of characterization as state aid</li> </ul>



## Capitalisation of Banks

### Key Draw Backs of Current Structure of Proposed "Guarantee" Prefs

#### Key Draw Backs With Current Proposed Structure

- No other EU member states have incorporated a guarantee feature on Tier 1 eligible instruments
  - The Irish Government's current guarantee already encompasses the widest range of instruments seen vis-à-vis other European Government interventions and so could draw criticism from the E.U.
  - Significant risks exist that the current proposal will be characterised as State aid
  - Pricing of other non principal guaranteed Tier 1 instruments will be negatively impacted
- The current proposed structure currently does not offer material 'value' versus precedent structures in the market or existing instruments
  - It is unlikely that weaker banks (i.e. Anglo, IL&P, Irish Nationwide) are likely to receive any external sponsorship from market participants
  - For strong banks (i.e. AIB, Bank of Ireland) we also expect third party investor participation to be limited
- It is still likely that the Irish Government will have to subscribe for a large proportion of the instruments
  - The nature of the new instrument as 'guaranteed' preference shares makes it unclear who the natural buyer base of any such product would be, i.e. debt or equity buyers, institutional or retail buyers
- Any participation from third party investors (i.e. traditional rates buyers / guaranteed product buyers) is likely to cannibalise future demand for Irish Government issues
  - Government / Sovereign / Supra investors will potentially be attracted to deals if priced close to a yield of Irish Gilt debt
  - Institutional credit buyers are yield driven and so will dramatically under perform indices if paid a yield of 2.5%
  - Any retail participation will be minimal in our view  $\leq$  €500m
- The proposed structure presents substantial dilution risk to the participating institutions should they be unable to re-finance the preference shares through the issue of ordinary shares. Institutions will be concerned about the overall redemption risk i.e. the inability for the institutions to refinance the instruments through cash or ordinary shares
- We present on the following pages our views on how the proposed structure can be amended to create a more 'workable' solution as well as a summary of alternative instruments that have been used in European Government sponsored recapitalisations





## Capitalisation of Banks

### Equity and Ownership Sensitivity Analysis

#### Anglo Irish Bank

##### Key Assumptions:

- Current Core Tier 1 Ratio: 6.1%
- Current Total Loan Impairments: 0.67%
- Current Share Price: €1.11
- Current Shares Outstanding: 760.3m

(€m)		Core Tier 1 Capital Ratio Target			
		7.00%	7.50%	8.00%	8.50%
Loan Impairment Rate	0.67%	792	1,217	1,643	2,069
	2.69%	2,280	2,706	3,132	3,558
	3.00%	2,509	2,935	3,360	3,786
	5.50%	4,351	4,777	5,203	5,629
		48.4%	59.0%	66.0%	71.0%
		73.0%	76.2%	78.8%	80.8%
		74.8%	77.6%	79.9%	81.8%
		83.7%	85.0%	86.0%	87.0%

Equity Injection Required (€m)  
 Pro Forma Government Ownership  
 ML Research Stress Test Impairment Rate Assumption

#### Allied Irish Bank

##### Key Assumptions:

- Current Core Tier 1 Ratio: 6.0%
- Current Total Loan Impairments: 0.92%<sup>(1)</sup>
- Current Share Price: €2.65
- Current Shares Outstanding: 882.3m
- Excludes the potential sale of M&T, which if sold at zero premium to current market value would result in an uplift in Core Tier 1 of 90bps

(€m)		Core Tier 1 Capital Ratio Target			
		7.00%	7.50%	8.00%	8.50%
Loan Impairment Rate	0.92%	1,382	2,091	2,801	3,510
	1.60%	2,322	3,031	3,740	4,450
	2.10%	3,010	3,719	4,429	5,138
	2.45%	3,491	4,201	4,910	5,620
		37.1%	47.2%	54.5%	60.0%
		49.8%	56.4%	61.5%	65.5%
		56.3%	61.4%	65.4%	68.7%
		59.9%	64.2%	67.7%	70.6%

Equity Injection Required (€m)  
 Pro Forma Government Ownership  
 ML Research Stress Test Impairment Rate Assumption

Source: Capital and loan impairment data for Anglo Irish as at 29 September 2008 per company data; capital data for Allied Irish Banks as at 30 September 2008 per PWC report and loan impairment data per company estimate as at 31 August 2008. Prices as at 17 November 2008 per Factset



## Capitalisation of Banks

### Equity and Ownership Sensitivity Analysis (Cont'd)

#### Bank of Ireland

##### Key Assumptions:

- Current Core Tier 1 Ratio: 6.3%
- Current Total Loan Impairments: 1.31%
- Current Share Price: €0.83
- Current Shares Outstanding: 1,004m

(€m)		Core Tier 1 Capital Ratio Target			
		7.00%	7.50%	8.00%	8.50%
Loan Impairment Rate	1.31%	846	1,426	2,007	2,588
		50.4%	63.1%	70.7%	75.6%
	1.77%	1,506	2,087	2,668	3,248
		64.4%	71.5%	76.2%	79.6%
	1.80%	1,549	2,130	2,711	3,292
		65.0%	71.9%	76.5%	79.8%
	2.30%	2,275	2,856	3,437	4,018
		73.2%	77.4%	80.5%	82.8%

Equity Injection Required (€m)  
 Pro Forma Government Ownership  
 ML Research Stress Test Impairment Rate Assumption

#### Irish Life and Permanent

##### Key Assumptions:

- Current Core Tier 1 Ratio: 8.3%
- Current Total Loan Impairments: 0.21%
- Current Share Price: €1.56
- Current Shares Outstanding: 276.8m

(€m)		Core Tier 1 Capital Ratio Target			
		7.00%	7.50%	8.00%	8.50%
Loan Impairment Rate	0.21%	(332)	(206)	(80)	46
		(331.5%)	(91.0%)	(22.6%)	9.7%
	0.70%	(129)	(3)	123	249
		(42.6%)	(0.7%)	22.2%	36.6%
	1.20%	79	205	331	457
		15.4%	32.2%	43.4%	51.4%

Equity Injection Required (€m)  
 Pro Forma Government Ownership

Source: Capital and loan impairment data for Bank of Ireland as at 30 September 2008 per interim financial results; Capital data for IL&P per company data as at 30 June 2008 and loan impairment data per PWC report as at 30 September 2008. Prices as at 17 November 2008 per Faciset



## Capitalisation of Banks

### Equity and Ownership Sensitivity Analysis (Cont'd)

#### EBS Building Society

##### Key Assumptions:

- Current Core Tier 1 Ratio: 5.9%
- Current Total Loan Impairments: 1.20%

(€m)		Core Tier 1 Capital Ratio Target			
		7.00%	7.50%	8.00%	8.50%
Loan Impairment Rate	1.20%	(257)	(178)	(98)	(19)
	2.25%	(134)	(54)	25	104
	3.50%	13	92	171	250

□ Equity Injection Required (€m)  
□ Pro Forma Government Ownership

#### Irish Nationwide

##### Key Assumptions:

- Current Core Tier 1 Ratio: 8.6%
- Current Total Loan Impairments: 0.25%

(€m)		Core Tier 1 Capital Ratio Target			
		7.00%	7.50%	8.00%	8.50%
Loan Impairment Rate	0.25%	111	159	208	257
	0.75%	195	244	293	342
	1.25%	279	328	377	426

□ Equity Injection Required (€m)  
□ Pro Forma Government Ownership



Source: Capital and loan impairment data as at 30 September 2008 per PWC reports, unless otherwise stated



## Capitalisation of Banks

### Market Perception of Individual Business Models

#### Rating Agency Concerns Over the Irish Banking Sector

- The viability of any financial institution globally depends fundamentally on the perception of the business model
- The recent government intervention has provided short term comfort to the market that liquidity issues have been removed. However, general concerns about the long term viability of the businesses post any guarantee period have been highlighted by recent announcements by some of the rating agencies
- The key rating agencies concerns emanate from the current backdrop of a rapidly deteriorating economic environment and falling property values. Specifically, the agencies point to the below as key drivers for the ratings analysis across the Irish banking sector:
  - Potential impact of the changing macroeconomic landscape
  - Impact of the government's intervention (including scope and speed) and the impact of any resultant change in the banks' business models particularly on prospective revenue generation and asset quality
  - Longer term funding structure and strategy needs to be assessed
  - Capital management and strategy, along with quantum of capital relative to other banks who are now having to hold higher levels of capital as a result of revised regulatory tolerances
- On the following page, we give an overview of the rating agency actions taken for each of the four main Irish banks since the start of 2008





*Only businesses that are viable in the longer term should receive capital injections*



# Capitalisation of Banks

## Recent Rating Agency Actions With Respect to Irish Banks

### Rating Actions With Respect to Irish Banks Since 1 January 2008

Bank	Fitch	Moody's	S&P	Key Drivers
 AIB	<ul style="list-style-type: none"> <li>Individual: B</li> <li>Senior long-term: AA-</li> <li>Outlook: Negative</li> <li>14 Jul 2008: Outlook changed to Negative from Stable</li> </ul>	<ul style="list-style-type: none"> <li>BFSR: B-</li> <li>Senior long-term: Aa2</li> <li>Outlook: Stable</li> </ul>	<ul style="list-style-type: none"> <li>Senior long-term: A+</li> <li>Outlook: Negative</li> <li>30 Jun 2008: Outlook changed to Stable from Positive</li> <li>05 Nov 2008: Outlook changed to Negative from Stable</li> </ul>	<ul style="list-style-type: none"> <li>Fitch: "The Negative Outlook reflects some uncertainty over the intensity and duration of the economic slowdown, which could cause AIB's profitability and/or impaired loans to worsen more than expected"</li> <li>S&amp;P: "The outlook revision to stable from positive reflects a more pessimistic assessment of the expected progression of AIB's property-backed commercial (P&amp;C) loan portfolio now that the economic slowdown has accelerated"</li> <li>"The economic outlook presents further potential downside risks to asset quality and earnings, and there is no immediate capital support forthcoming from the guarantee scheme"</li> </ul>
 Anglo Irish Bank	<ul style="list-style-type: none"> <li>Individual: B</li> <li>Senior long-term: A+</li> <li>Outlook: Stable</li> </ul>	<ul style="list-style-type: none"> <li>BFSR: C+</li> <li>Senior long-term: A1</li> <li>Outlook: Under Review</li> <li>17 Oct 2008: Ratings placed on Review for Downgrade</li> </ul>	<ul style="list-style-type: none"> <li>Senior long-term: A-</li> <li>Outlook: Credit Watch</li> <li>30 Jun 2008: Outlook changed to Negative from Stable</li> <li>05 Nov 2008: Rating downgraded from A- from A and placed on Watch Negative</li> </ul>	<ul style="list-style-type: none"> <li>Moody's: "The rapid deterioration in the economic environment in Ireland and in the UK and the substantial reduction in property values leaves the bank vulnerable to increasing provisioning needs, and these factors have triggered this rating review"</li> <li>S&amp;P: "The outlook revision has been triggered by the accelerating economic slowdown and an increasingly challenging operating environment...As a monoline business with concentration in commercial property-backed lending, and without a core deposit franchise, Anglo is more exposed than its higher rated peers to a precipitous deterioration in the economy. A rating outlook reflects our view that there is a one-in-three chance or greater of a change in the rating in the next two years"</li> <li>"The lowering of the long-term ratings on Anglo and IL&amp;P by one notch reflects the backdrop of a deteriorating economic environment and, more specifically, the clear challenges facing these banks' respective business models in their current forms. The CreditWatch placement reflects current uncertainty around the scope and speed of the changes to their business and/or financial profiles"</li> </ul>
 Bank of Ireland	<ul style="list-style-type: none"> <li>Individual: B</li> <li>Senior long-term: AA-</li> <li>Outlook: Stable</li> </ul>	<ul style="list-style-type: none"> <li>BFSR: B-</li> <li>Senior long-term: Aa2</li> <li>Outlook: Negative</li> <li>19 Sep 2008: Outlook changed to Negative from Stable</li> </ul>	<ul style="list-style-type: none"> <li>Senior long-term: A+</li> <li>Outlook: Negative</li> <li>30 Jun 2008: Outlook changed to Stable from Positive</li> <li>05 Nov 2008: Outlook changed to Negative from Stable</li> </ul>	<ul style="list-style-type: none"> <li>Moody's: "The negative outlook on the bank's BFSR primarily reflects the expected deterioration in the performance of the property and construction sectors in the UK and Ireland (which represent close to 26% of the bank's lending) and the consequent negative impact on the bank's asset quality, which is expected to lead to higher provisioning requirements and weaker profitability"</li> <li>S&amp;P: "The outlook revision follows a review of the ratings on Irish banks and reflects weaker near-term earnings prospects for BOI arising from the deterioration in the economic and market environment in Ireland and the U.K., which renders the likelihood of an upgrade in the near term remote"</li> <li>"The economic outlook presents further potential downside risks to asset quality and earnings, and there is no immediate capital support forthcoming from the guarantee scheme"</li> </ul>
 Irish Life & Permanent	<ul style="list-style-type: none"> <li>Individual: B</li> <li>Senior long-term: NR</li> <li>Outlook: Stable</li> </ul>	<ul style="list-style-type: none"> <li>BFSR: C+</li> <li>Senior long-term: Aa3</li> <li>Outlook: Negative</li> <li>07 Jul 2008: Outlook changed to Negative from Stable</li> </ul>	<ul style="list-style-type: none"> <li>Senior long-term: A-</li> <li>Outlook: Credit Watch</li> <li>14 Mar 2008: Outlook changed to Negative from Stable</li> <li>30 Jun 2008: Rating downgraded to A from A+</li> <li>05 Nov 2008: Rating downgraded from A- from A and placed on Watch Negative</li> </ul>	<ul style="list-style-type: none"> <li>Moody's: "The change in the outlook reflects: i) the bank's high reliance on market funding; ii) Moody's expectation of lower profitability; iii) the relatively high exposure to the buy-to-let sector in both Ireland and the UK and iv) the deteriorating market environment in Ireland"</li> <li>S&amp;P: "The outlook revision reflects Standard &amp; Poor's view that ongoing market disruption and a higher cost of funding pressure the underlying financial performance of IL&amp;P's banking operations"</li> <li>"The downgrade reflects ILP's challenged business and financial position in its banking division, arising from continued disruption in wholesale funding. With a primarily wholesale-funded balance sheet, and a competitive Irish mortgage sector constraining re-pricing, ILP has been affected more than other Irish banks, most of which have broader business profiles and more balanced funding bases in comparison"</li> <li>"The lowering of the long-term ratings on Anglo and IL&amp;P by one notch reflects the backdrop of a deteriorating economic environment and, more specifically, the clear challenges facing these banks' respective business models in their current forms. The CreditWatch placement reflects current uncertainty around the scope and speed of the changes to their business and/or financial profiles"</li> </ul>

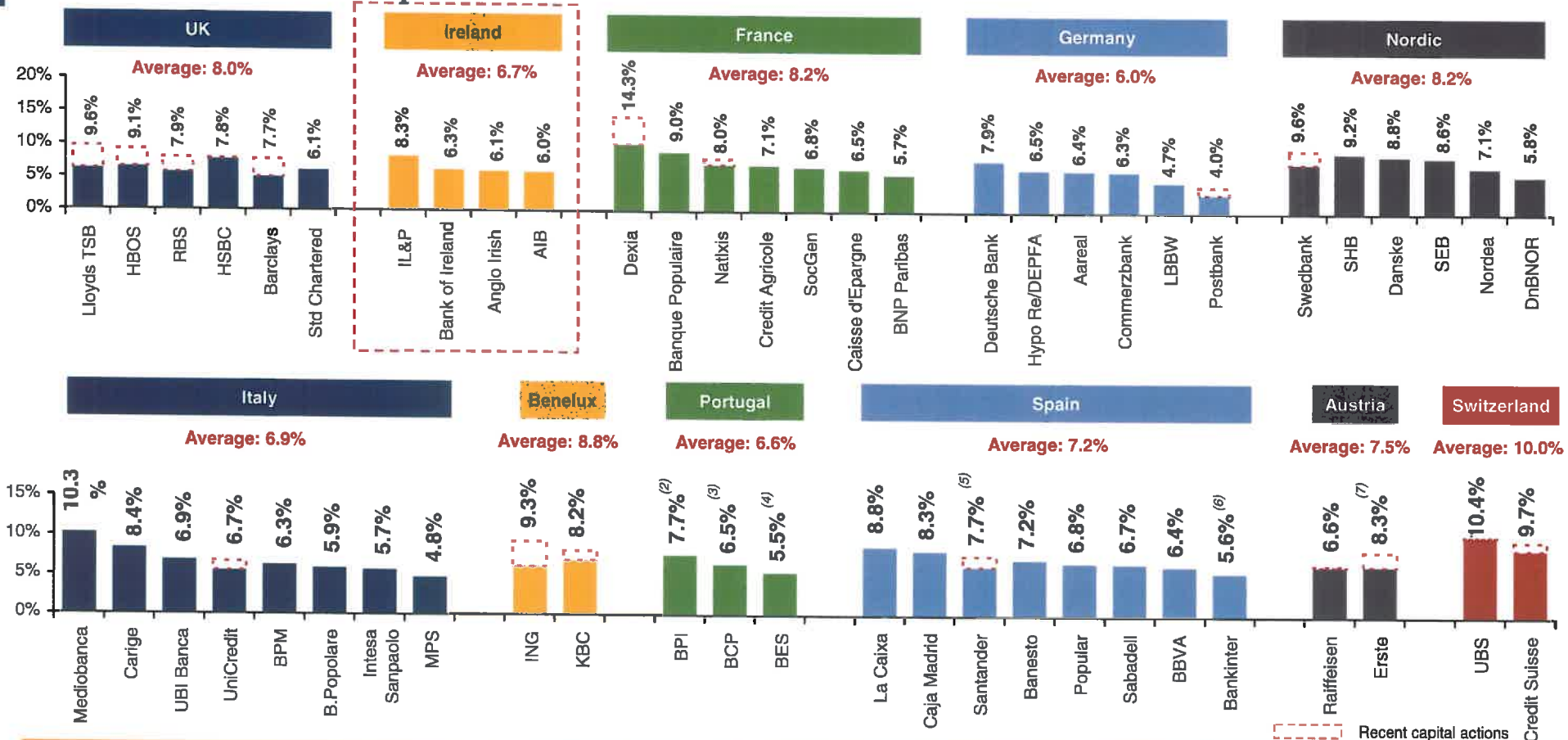
The Irish banks have all suffered negative rating actions, with S&P being most bearish



# Capitalisation of Banks

## Relative Capitalisation of Irish Financial Institutions

### Relative Core Tier 1 Capital Positions<sup>(1)</sup>



*Expected Core Capital levels are rising*

- (1) Latest available pro-forma numbers from company annual reports, adjusted for recent capital raised (NOT including for BNP Paribas the impact on Core Tier 1 of Fortis acquisition)
- (2) Including sale of stake in Banco de Fomento de Angola
- (3) Pro forma core tier 1 of 6.1% including the impact related with pension funds
- (4) Standard approach. Under IRB foundation (waiting for certification from the BoP), core tier 1 is 5.9%
- (5) Pro forma for €7.2bn capital increase
- (6) Including mark to market of ALCO portfolio, otherwise 5.96%
- (7) Pro forma for €2.7bn participation capital





## Strategic Options

## Strategic Options

### Alternative Irish Bank Combinations

- The consolidation of the sector could result in the creation of:
  - 2 strongly capitalised national champions (through a combination of AIB or BoI with IL&P or EBS)
  - A “Nationalised Bank” (most likely comprising Anglo and INBS)
- On the following page we set out the advantages and disadvantages arising from the combinations of:
  - AIB with IL&P            ■ AIB or BoI with EBS
  - BoI with IL&P            ■ AIB/BoI with Anglo
- Strategic combinations can also be considered with Private Equity, SWF or other international banks
- Finally, we have also analysed the Nationalised Bank idea in more detail. The government has three basic options as to how to organise a Nationalised Bank
  1. Create a Nationalised Bank that is then run-off
  2. Create a Nationalised Bank. The Nationalised Bank appoints a third party to manage problem loans (e.g CRE loans)
  3. Create a Nationalised Bank. The Nationalised Bank sells the problem loans to a state-owned company. The purchase of the loans is funded through a loan from the Nationalised Bank and an equity injection from the government





## Strategic Options

### Alternative Irish Bank Combinations

	Attractions	Potential Issues	Attractiveness to Investors
AIB / IL&P	<ul style="list-style-type: none"> <li>+ Potential for synergies through overlap in               <ul style="list-style-type: none"> <li>■ Irish consumer banking</li> <li>■ Irish life insurance</li> <li>■ Head office &amp; branch rationalisation</li> </ul> </li> <li>+ Strengthens AIB's capital base: pro forma core tier 1 of 6.4%</li> <li>+ Limited additional CRE exposure</li> </ul>	<ul style="list-style-type: none"> <li>- Increased exposure to life EEV given equity market volatility</li> <li>- Potential competition issues given combined market share in mortgages</li> <li>- Further capital may still be required</li> <li>- Increases AIB's reliance on wholesale funding: pro forma loan to deposit ratio of 177.1%</li> </ul>	<b>Attractive</b>
Bol / IL&P	<ul style="list-style-type: none"> <li>+ Potential for synergies through overlap in               <ul style="list-style-type: none"> <li>■ Irish consumer banking</li> <li>■ Irish life insurance</li> <li>■ Head office &amp; branch rationalisation</li> </ul> </li> <li>+ Strengthens Bol's capital base: pro forma core tier 1 of 6.6%</li> <li>+ Limited additional CRE exposure</li> </ul>	<ul style="list-style-type: none"> <li>- Increased exposure to life EEV given equity market volatility</li> <li>- Potential competition issues given combined market share in mortgages</li> <li>- Further capital may still be required</li> <li>- Increases Bol's reliance on wholesale funding: pro forma loan to deposit ratio of 177.3%</li> </ul>	<b>Attractive</b>
AIB or Bol/ EBS	<ul style="list-style-type: none"> <li>+ Potential for significant synergies through overlap in Irish mortgage business and branch and head office rationalisation</li> <li>+ Access to €9bn retail deposits</li> <li>+ Limited additional CRE exposure</li> </ul>	<ul style="list-style-type: none"> <li>- Marginally increases loan to deposit ratio</li> </ul>	<b>Medium</b>
AIB / Anglo	<ul style="list-style-type: none"> <li>+ Scope for synergies due to overlap in UK &amp; Irish CRE, Treasury and rationalisation of Irish head office functions</li> <li>+ Potential to selectively strengthen Irish (and UK) corporate relationships</li> <li>+ Access to around €45bn<sup>(1)</sup> corporate and retail deposits (at September 2008), although will not reduce AIB's loan to deposit ratio from 159%<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>- Combined group will have €111bn CRE exposure: significant risk of increased impairments               <ul style="list-style-type: none"> <li>■ AIB: €50bn (at September 08)</li> <li>■ Anglo: €60bn (estimated at 82% of €74bn loans at Sep 08)</li> </ul> </li> <li>- Requires AIB shareholder approval</li> <li>- Limited overlap with AIB's international businesses; increases AIB's reliance on Irish and UK economy</li> <li>- Little benefit for AIB's Irish and UK consumer and corporate business</li> <li>- Potential rating impact given Anglo S&amp;P A rating vs. AIB A+: Cost of funding impact?</li> </ul>	<b>Low / Medium</b>

(1) As at 29 September 2008; per latest available data LTD is 162%

(2) As at 30 September 2008; per PWC report



## Strategic Options

### Potential Role for Third Party Buyers

- We believe it is unlikely that private equity buyers will have appetite for a full acquisition of any of the Irish banks, due to:
  - Uncertainty regarding economic outlook in general, and loan impairments specifically
  - Limited access to debt financing in current markets
- However, hedge funds, real estate focused funds and private equity buyers may be interested in either:
  - Taking minority stakes in banks, alongside any Government recapitalisation (most likely via convertible preference shares to provide downside protection)
  - Acquiring selected businesses or assets from the banks
    - Private equity buyers are also likely to cherry pick the best assets, thereby reducing the quality of the residual book
- Any portfolio or business sales to a private buyer would be likely to take place at a significant discount to book value, reflecting the buyers' need to generate an attractive return from the investment
- This could potentially crystallise losses on the banks' balance sheets and may necessitate further capital injections
  - This could increase the banks' immediate capital needs since a private equity buyer may seek an initial discount to reflect risks that will only emerge over a period of years i.e. loan impairments, which could be at least partially offset by earnings over this period
  - Furthermore, any potential upside if the business or assets perform better than expected will be retained by the PE buyer
- In both scenarios, private equity buyers will want to conduct substantial due diligence on the loan portfolio and medium term funding outlook (post guarantee)
- Private equity firms may prefer to invest in consolidating entities as synergies will provide earnings support





## Strategic Options

### Potential Role for Third Party Buyers (Cont'd)

- An alternative role for private equity investors would be as co-investors (or indeed managers) of a state-sponsored “Nationalised Bank” for run-off of troubled assets or of nationalised banks
  - Private equity buyers could potentially provide some capital to absorb losses, but would look for an attractive entry price and downside protection
  - However, this may allow the tax payer to share in any upside
- SWFs have been buyers of banks, but most of these investments have underperformed and a lot of the funds do not see a bottom as of yet. However SWFs may be approached with an investment opportunity and will analyse this opportunity along very similar lines to the PE firms
  - It is possible that with the right structure, sovereign wealth funds could be interested in co-investing
- Other strategic buyers, such as Santander, may be interested in specific deals with certain institutions
  - This process would most likely be led by the banks themselves
  - Need to consider that most banks are strapped for cash



## Strategic Options

1

### “Nationalised Bank” Considerations

#### Summary Nationalised Bank Considerations

- Creating a “Nationalised Bank” would enable the Government to cleanse the Irish financial system from low quality loans (predominantly CRE loans)
- The book equity of the Nationalised Bank is assumed to be eliminated and would serve to absorb the losses resulting from future impairments of the CRE portfolio
  - Anglo and INBS have Core Tier 1 of €6.5bn
- The Nationalised Bank would also benefit from Government funding as it would be 100% owned by the Government
  - Depositors may find it attractive to deposit their cash with a Government-owned institution
  - However, any cash funding of the Nationalised Bank would most likely increase the Government’s funding cost
- The Nationalised Bank would run off all the loans, which, together with monetisations of other assets, should over time cover the deposits and the wholesale funding liabilities
  - The Nationalised Bank can still be managed by the current management team, but a Government sponsored team should be added
- The deposits of the Bank could be transferred to other institutions to generate returns
  - This transfer would require funding of the deposits and any premium received will depend on the attractiveness of the deposit base - UK government and the FSCS had to fund £18bn in deposits to “sell” £20bn of Bradford and Bingley deposits to Santander

*The ability to aggressively manage the CRE portfolio and even take on the underlying assets can be hindered by capital charges to the Bank*



## Strategic Options

### Enhancements to “Nationalised Bank”

#### 2 Third Party Manager to Manage the Loans

- The Nationalised Bank concept could potentially be enhanced by employing a third party manager
  - Independent Asset Manager manages the CRE or other problem loans and is incentivised to do so
  - These loans would still be part of the bank, therefore not necessarily crystallizing the losses
- There are several Asset Managers that would probably manage these loans if incentivised appropriately. These could be:
  - Fund Managers: Blackrock, Aviva, LaSalle Investment Managers, Hermes, Apollo Real Estate
  - Life Companies: Standard Life, Axa
- An asset management contract would still have the potential issue of managing under the regulated regime of a bank

#### 3 Specialized Fund/Company Considerations

- Managing the loans in a structure outside a bank allows for flexibility as the “fund” would not be constrained by the financial regulatory environment
- The structure also allows the Government to take a long term view and therefore not having to crystallise the loss of the loans upfront
- The “fund” can be managed independently by real estate
  - Incentivising managers in fund structure may also be simpler vs. incentivising, while loans are still within the bank
- Key drawback for managing loans in a vehicle is determining the initial transfer value
  - Needs to be balanced such that the fund can generate a return without crystallising too much of a loss at the bank

#### Potential Transaction Steps

- Step 1: Post nationalisation, the problem loans are transferred into a fund/company. The fund acquires these loans via an [80%] LTV loan received from the Nationalised Bank. The Government injects [20%] equity. Private Equity firms could also be interested in this equity injection
- Step 3: (i) Cleansed Nationalised Bank continues to operate and eventually is floated/sold, (ii) Fund aims to work-out the loans and repay the loan to the Nationalised Bank; return above the loan repayment is used to repay equity injected





## **Appendix A: Summary of European Bank Re-Capitalisations**

## Appendix A: Summary of European Bank Re-Capitalisations Precedent Transactions

Some issuers are already into their 2<sup>nd</sup> or 3<sup>rd</sup> round of recapitalizations

*Core Tier 1 continues to be the primary focus of the recapitalizations*

*The Core Tier 1 instruments range from straight equity to non-dilutive hybrids depending on specific country and issuer considerations*

*Some issuers have relied on a variety of instruments to strengthen their balance sheets depending on the size of their capitalization requirements (e.g. Lloyds, RBS, HBOS, Barclays, Commerzbank and CS)*

*Local governments have been instrumental in assisting recapitalizations*

	Non- Dilutive Hybrid	Redeemable Convertible Preferred	Non-Redeemable Mandatory Convertible <sup>(1)</sup>	Equity
Core Tier 1		    	  	        
Non Core Tier 1	    		 	

(1) Including Mandatory Convertible Securities ("MCS") and Convertible And Subordinated Hybrid Equity-linked Securities ("CASHES")



## Appendix A: Summary of European Bank Re-Capitalisations Precedent Transactions (Cont'd)

### Maximising Rating Agency Equity Credit In Re-Capitalisations

*Financial institutions have focussed on achieving the optimum rating agency treatment with respect to their capital injections*

*Most preferred-type instruments fall within S&P's ATE (Intermediate) Basket*

*Recognising the strategic nature of the government as an investor and the quality of the capital, S&P has classified the ING, Aegon and KBC deals within the ATE (High) Basket alongside with short dated mandatory convertibles*

*Only, pure equity instruments are eligible for ACE credit*

	Non- Dilutive Hybrid	Redeemable Convertible Preferred	Non-Redeemable Mandatory Convertible <sup>(1)</sup>	Equity
ACE				
ATE High / 50% of ACE				
ATE Intermediate / 33 % of ACE				

(1) Including Mandatory Convertible Securities ("MCS") and Convertible And Subordinated Hybrid Equity-linked Securities ("CASHES")





## Appendix A: Summary of European Bank Re-Capitalisations

### Summary Of Key Restrictions Imposed

#### Summary of Key Restrictions Imposed Within Different Securities (Excluding Equity) <sup>(1)</sup>

		Negative Restrictions					Positive Features		
		Restriction on Dividends	Restrictions on Management Remuneration	Board Representation	Future Lending Requirements	Voting Rights Attached	Dilutive	Flexibility To Repurchase / Redeem	Investor Clawback
Non-Dilutive Preferred Instruments	Credit Suisse								
	French Pref. Shares		✓					✓	
	UK Pref. Shares	✓	✓	✓				✓	
	Commerzbank	✓	✓						
Redeemable & Non Redeemable Preferreds	ING		✓	✓			- (3)	✓	
	Aegon		✓	✓			- (3)	✓	
	Erste		✓		✓		- (3)		
	KBC		✓	✓			✓	✓	
	Barclays						✓		
	US Pref. Shares		✓				✓	✓	
	Unicredit					✓ (2)	✓ (2)		✓
Mandatory Convertible Preferreds	UBS		✓				✓		
	Credit Suisse						✓		
	Swedbank					✓ (2)	✓ (2)		✓
	Barclays						✓		

Securities have varied considerably with respect to the levels of restrictions imposed with different negative and positive features seen

(1) Source: Merrill Lynch; (2) Mitigated by shareholder's clawback; (3) Conversion at the issuer's option





## Appendix A: Summary of European Bank Re-Capitalisations 'Core Capital – Quality Matters' – Feedback From ML Investor Survey

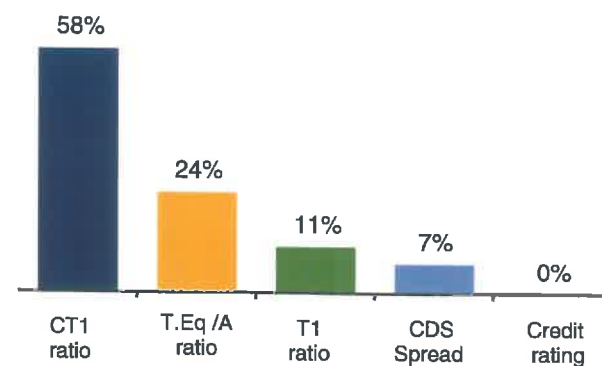
Merrill Lynch research recently conducted a survey of specialist bank investors to gauge attitudes towards banks' capital ratios. The survey received 74 responses

"Asked which metric was the single most important measure of banks' capital strength, 58% of respondents chose the "core Tier 1 ratio". The next most popular response was the tangible/equity asset ratio (24%). Interestingly only relatively few respondents highlighted the Tier 1 ratio"

"There are doubts as to whether the various instruments will meet the usual definitions of core Tier 1 for equity investors"

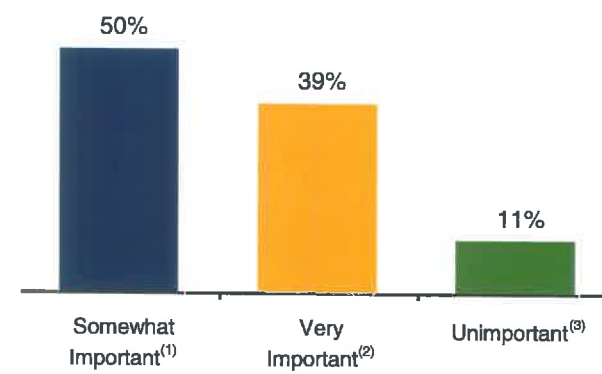
"The governments are clearly injecting this capital in order to strengthen the banks. We would expect the governments to be much more flexible than normal institutional investors"

"Which is the single most important measure of capital adequacy as we head into this recession (% respondents)"



Full ML Research Question: "We appreciate it is very difficult to generalise about capital adequacy, but in your opinion which is the single most important measure of capital adequacy which you think the equity market focuses on as we head into this recession?"

"How important is the relative strength of a bank's core Tier 1 ratio for you? (% respondents)"









- (1) Somewhat important - a bank needs to compare itself with its closest peers
- (2) Very important - capital strength is a relative concept now
- (3) Unimportant - the right level of capital is company-specific.

"Banks seem to be claiming many different instruments meet the definitions of "core Tier 1 capital". Which statement best sums up your opinion on this?"

"Core" Tier 1 capital needs to be able to absorb losses. Unless the equity market can see how this works, it will ignore what the regulators and/or rating agencies say and still regard certain instruments as hybrid capital.	47%
We are heading into a bad recession. Banks should be raising common equity, not trying to bolster capital through hybrid products.	23%
Equity investors will take their lead from the movements in CDS spreads. It is the debt markets which the banks need to convince - not the equity markets.	15%
If both the regulator and rating agencies say it is "core" Tier 1 capital that's good enough for me. The equity market will accept it as such.	12%
If the regulator says it is "core" Tier 1 capital, that's good enough for me. The equity market will accept it as such.	3%



## Appendix A: Summary of European Bank Re-Capitalisations Non-Dilutive Preferred







	 <b>CREDIT SUISSE</b> 16 October 2008 <sup>(1)</sup>	 <b>COMMERZBANK</b> 03 November 2008 <sup>(2)</sup>	   03 November 2008 <sup>(3)</sup>	 <b>No issuance</b> <sup>(5)</sup>
Type of Securities	<ul style="list-style-type: none"> <li>Non-dilutive hybrid Tier 1</li> <li>Non-Innovative Tier 1; S&amp;P 33%</li> </ul>	<ul style="list-style-type: none"> <li>Silent Participation</li> <li>Core Tier 1; S&amp;P 33% e/</li> </ul>	<ul style="list-style-type: none"> <li>Non-Innovative Tier 1 Preference Shares</li> <li>Non-Innovative Tier 1; S&amp;P 33% e/</li> </ul>	<ul style="list-style-type: none"> <li>Deeply Subordinated Notes (TSS)</li> <li>Non-Innovative Tier 1; S&amp;P 33% e/</li> </ul>
Size	<ul style="list-style-type: none"> <li>CHF 5.5bn approx. (two tranches USD / CHF, sizes not specified)</li> </ul>	<ul style="list-style-type: none"> <li>€ 8.2bn in 2 tranches of €4.1bn each</li> </ul>	<ul style="list-style-type: none"> <li>RBS not yet determined, Lloyds £ 1bn, HBOS £ 3bn</li> </ul>	<ul style="list-style-type: none"> <li>Banque Populaires €0.95bn, BNPP €2.55bn, Caisses d'Epargnes €1.1bn, Credit Agricole €3bn, Credit Mutuel €1.2bn, Soc Gen €1.7bn</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>Perp / NC5</li> </ul>	<ul style="list-style-type: none"> <li>Perp / After 5 Fiscal Years</li> </ul>	<ul style="list-style-type: none"> <li>Perp / NC5. Repurchase 0-6mo at 101%, thereafter at a market price. Repurchase subject to replacement capital</li> </ul>	<ul style="list-style-type: none"> <li>Perp / NC5</li> </ul>
Coupon	<ul style="list-style-type: none"> <li>On the USD tranche: 11% p.a. paid annually</li> <li>On the CHF tranche: 10% p.a. paid annually</li> </ul>	<ul style="list-style-type: none"> <li>Tranche 1: 8.5% base + 0.5% for every €0.25 dividend paid (from 2010)</li> <li>Tranche 2: 5.5% base + 0.5% for every €0.25 dividend paid (from 2010)</li> </ul>	<ul style="list-style-type: none"> <li>12% p.a. semi-annually to yr 5; thereafter 3m LIBOR + 7%</li> </ul>	<ul style="list-style-type: none"> <li>OAT 5yrs + 400bps</li> </ul>
Additional Characteristics/ Information	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>No ability to nominate board members</li> <li>No specifics on the transferability</li> <li>No limitations on bonuses</li> <li>No compensation restrictions</li> <li>No constraints on dividend policies</li> </ul>	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>No specifics on the ability to nominate board members</li> <li>No specifics on the transferability</li> <li>No bonuses in 08 &amp; 09 for Executive Board members</li> <li>Compensation restrictions</li> <li>CMZB may not pay any dividends in 2009 and 2010</li> <li>In relation to Tranche 2, redemption amount of SP increases for every % share price increase over €10 (capped at share price of €14.5, equalling a repurchase amount of 145%)</li> </ul>	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>Ability to nominate board members</li> <li>Transferable w/o div. restrictions</li> <li>No bonuses for 2008 for senior executives</li> <li>Compensation restrictions <sup>(4)</sup></li> <li>No dividend payable on common shares as long as the preference shares remain outstanding</li> <li>Support for schemes to help people struggling with mortgage payments to stay in their homes</li> <li>Requirement on minimum lending to retail and small business customers on 2007 levels</li> </ul>	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>No specifics on the ability to nominate board members</li> <li>No specifics on the transferability</li> <li>No specifics on bonuses</li> <li>Compensation restrictions</li> <li>No constraints on dividend policies</li> <li>Banks will have to review on a case by case basis solutions for borrowers facing difficulties with repaying their real estate bridge loan</li> <li>Banks should make lending available to retail, wholesale, SME and municipalities.</li> </ul>
Investor	<ul style="list-style-type: none"> <li>Qatar Investment Authority</li> </ul>	<ul style="list-style-type: none"> <li>German State Fund</li> </ul>	<ul style="list-style-type: none"> <li>HM Treasury</li> </ul>	<ul style="list-style-type: none"> <li>French State</li> </ul>
Economics	<ul style="list-style-type: none"> <li>Theoretical Value: 81%</li> </ul>	<ul style="list-style-type: none"> <li>Theoretical Value: 62%</li> </ul>	<ul style="list-style-type: none"> <li>Theoretical Value: 86%</li> </ul>	<ul style="list-style-type: none"> <li>Theoretical Value: 74%</li> </ul>

1. Credit Suisse Press Release 16 Oct 2008  
 2. Commerzbank Press Release 03 Nov 2008  
 3. Lloyds TSB Press Release 3 Nov 2008

4. FSA "Treasury statement on financial support to the banking industry" 13 Oct 2008  
 5. Sources: BNP Paribas "BNP Paribas s'engage pour le financement de l'économie réelle" 21 Oct. 2008 / Ministère des Finances, "L'État est prêt à souscrire à des titres subordonnés pour 10,5 milliards d'euros pour financer l'économie" 20 Oct. 2008



## Appendix A: Summary of European Bank Re-Capitalisations Redeemable Convertible Preferred






	Convertible at Issuer's option			Convertible at Holder's option		
	 <b>ING</b> 20 October 2008	 <b>AEGON</b> 28 October 2008	 <b>ERSTE</b> 30 October 2008	 <b>KBC</b> 27 October 2008	 <b>BARCLAYS</b> 31 October 2008	 14 Oct 2008
Type of Securities	<ul style="list-style-type: none"> <li>Preferred Convertible</li> <li>Core Tier 1; S&amp;P 50% e/</li> </ul>	<ul style="list-style-type: none"> <li>Preferred Convertible</li> <li>Core Tier 1; S&amp;P 50% c/</li> </ul>	<ul style="list-style-type: none"> <li>Participation Capital Instrument</li> <li>Core Tier 1; S&amp;P 33% e/</li> </ul>	<ul style="list-style-type: none"> <li>Preferred Convertible</li> <li>Core Tier 1; S&amp;P 50% e/</li> </ul>	<ul style="list-style-type: none"> <li>Reserve Capital Instruments "RCIs" plus warrants</li> <li>Innovative Tier 1; S&amp;P 33% e/</li> </ul>	<ul style="list-style-type: none"> <li>Senior Preferred Shares</li> <li>Unrestricted Tier 1; S&amp;P33% c/</li> </ul>
Size	€10.0 billion	€3.0 billion	€2.7 billion	€3.5 billion	£ 3.0 billion	Total facility USD 250bn
Maturity	Perp. Callable at any time at 150% premium	Perp. 1/3rd of bonds between 100% to 113% before year 1 and 150% onwards	Perp/ NC5	Perp. Callable at any time at 150% premium. Dutch State can require delivery of shares instead	Perp/ NC11. Warrants expire on yr 5	Perp / NC3. Warrants expire on yr 10
Coupon <sup>(1)</sup>	Greater of 8.5% or a multiple of divs on common as follows: 110% of 2008, 120% for 2009 and 125% onwards	Greater of 8.5% or a multiple of divs on common as follows: 110% of 2009 dividends, 120% for 2010 and 125% onwards	8.0%	Greater of 8.5% or a multiple of divs on common as follows: 105% of 2008, 110% for 2009 and 115% onwards	14.0% until 2019; 3-mo LIBOR + 13.4% thereafter	5% p.a. until year 5, thereafter at 9% p.a., payable quarterly in arrear
Conversion Price / Premium	<ul style="list-style-type: none"> <li>€10.0<sup>(2)</sup>; 36% Premium</li> <li>Convertible at ING's option from yr 3 (subject to EGM approval), Dutch State can opt for repayment in cash at par</li> </ul>	<ul style="list-style-type: none"> <li>€4.0<sup>(3)</sup>; 18% Premium</li> <li>Convertible at Aegon's option from yr 3, Dutch State can opt for repayment in cash at par</li> </ul>	<ul style="list-style-type: none"> <li>Convertible after year 5 at the Issuer's option</li> </ul>	<ul style="list-style-type: none"> <li>€29.50<sup>(4)</sup>; 10% Premium</li> <li>Convertible at KBC's option from yr 3, Dutch State can opt for repayment in cash at par</li> </ul>	<ul style="list-style-type: none"> <li>£1.98 for warrants<sup>(5)</sup>; 3.6% Discount</li> </ul>	<ul style="list-style-type: none"> <li>Exercise price equal to 20 trading day trailing average</li> </ul>
Dilutive Effect	1,000 million (48.0% of shares out if converted)	750 million (48.2% of shares out if converted)	No specific details	119 million (33.4% of shares out if converted)	1,517 million shares underlying warrants (18.1% of shares out)	To be specified
Additional Characteristics/ Information	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>Ability to nominate 2 members at ING's Supervisory Board</li> <li>Not transferable without ING's and Dutch State consent</li> <li>No bonuses payable to Executive Board members</li> <li>No final dividend 2008</li> </ul>	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>Ability to nominate 2 members at Aegon's Supervisory Board</li> <li>Not transferable</li> <li>No bonuses payable to Executive Board members</li> <li>No final dividend 2008</li> </ul>	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>No ability to nominate board members</li> <li>Not transferable</li> <li>Board members renounced voluntarily 2008 bonus</li> <li>Compensation restrictions</li> <li>Requirements on minimum lending</li> </ul>	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>Ability to nominate 2 members to KBC's Board of Directors</li> <li>Not transferable</li> <li>No bonuses payable to Executive Board members</li> <li>No dividend payable for 2008</li> </ul>	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>No ability to nominate board members</li> <li>No specifics on the transferability</li> <li>No limitation on bonuses</li> <li>No compensation restrictions</li> <li>No constraints on dividend policies</li> <li>Investors will obtain GBP 3bn worth of warrants</li> </ul>	<ul style="list-style-type: none"> <li>No voting rights attached</li> <li>Ability to nominate 2 board members in certain circumstances</li> <li>Transferable</li> <li>Compensation restrictions</li> <li>UST consent for (i) any increase in common dividends or (ii) any share repurchases (subject to limitations) until 3rd anniversary</li> </ul>
Investor	Dutch State	Dutch State via Aegon Vereniging	Austrian State	Belgian State	Abu Dhabi and Qatar based investors	US State
Economics	Theoretical Value: 103%	Theoretical Value: 102%	Theoretical Value: 62%	Theoretical Value: 95%	Theoretical Value: 145%	Theoretical Value: C. 80%

1. Dividend yield based on 09e Bloomberg consensus estimates, based on reference price  
 2. Reference price set at closing price before announcement, October 3<sup>rd</sup> 2008  
 3. 36% premium to closing price before announcement, October 17<sup>th</sup>  
 4. 10% premium to closing price before announcement, October 24<sup>th</sup>

5. 18% premium to closing price before announcement, October 27<sup>th</sup>  
 6. Closing price on day before announcement October 30<sup>th</sup> GBP 2.0525



## Appendix A: Summary of European Bank Re-Capitalisations Non Redeemable and Mandatory Convertibles

	Redeemable	Non- Redeemable			
	 07 October 2008	 16 October 2008	 16 October 2008	 27 October 2008	 31 October 2008
Type of Securities	<ul style="list-style-type: none"> <li>■ CASHES perpetual</li> <li>■ Core Tier 1; S&amp;P 33% e</li> </ul>	<ul style="list-style-type: none"> <li>■ Mandatory Convertible "MCS"</li> <li>■ Core Tier 1; S&amp;P 50% c/</li> </ul>	<ul style="list-style-type: none"> <li>■ Mandatory Convertible "MCS"</li> <li>■ Core Tier 1; S&amp;P 50% c/</li> </ul>	<ul style="list-style-type: none"> <li>■ Mandatory Convertible Preference Shares</li> <li>■ Core Tier 1; S&amp;P 50% e/</li> </ul>	<ul style="list-style-type: none"> <li>■ Mandatory Convertible Notes "MCN"</li> <li>■ Core Tier 1; S&amp;P 50% e/</li> </ul>
Size	■ €3.0 billion	■ CHF 1.7bn	■ CHF 6.0 billion	■ SEK 12.4 billion	■ £ 4.3 billion
Maturity	■ Undated	■ 1 year for MCS	■ 30 months	■ 4.5 years	■ 8 months
Coupon <sup>(1)</sup>	<ul style="list-style-type: none"> <li>■ 3m Euribor + 4.50%</li> <li>■ Dividend pass-through above 8.0% yield</li> <li>■ (vs. 09e dividend yield of 7.6%)</li> </ul>	<ul style="list-style-type: none"> <li>■ MCS coupon: N/A</li> <li>■ (vs. 09e dividend yield of 5.7%)</li> </ul>	<ul style="list-style-type: none"> <li>■ 12.5% p.a., payable annually</li> <li>■ (vs. 09e dividend yield of 5.5%)</li> </ul>	<ul style="list-style-type: none"> <li>■ Dividend set at the higher of SEK 4.80 per share (10% of subscription price) or dividend paid per ordinary share</li> <li>■ (vs. 09e dividend yield of 14.7% (SEK 7.04))</li> </ul>	<ul style="list-style-type: none"> <li>■ Coupon: 9.75%</li> <li>■ (vs. 09e dividend yield of 8.5% (£ 0.174))</li> </ul>
Issuer Call	<ul style="list-style-type: none"> <li>■ Automatic exchange after 7 years, when trading 150% above exchange price</li> </ul>	■ N/A	<ul style="list-style-type: none"> <li>■ At any time at maximum exchange ratio (all interest payable until maturity)</li> </ul>	<ul style="list-style-type: none"> <li>■ None, other than mandatory conversion at maturity</li> </ul>	■ None
Conversion Price/Premium	■ €3.083 <sup>(6)</sup> ; 0% Premium	<ul style="list-style-type: none"> <li>■ Reference price CHF 34.26<sup>(2)</sup>; MCS strikes: N/A</li> </ul>	<ul style="list-style-type: none"> <li>■ Minimum reference price CHF 18.21<sup>(3)</sup>; MCS strikes: 100% / 117%</li> </ul>	<ul style="list-style-type: none"> <li>■ SEK 48.0<sup>(4)</sup>; 19% crude discount. Convertible at the option of the holder every 6 months</li> </ul>	■ £1.52; 25.3% discount <sup>(5)</sup>
Dilutive Effect	■ 973 million (7.3% of shares out)	■ 50 million (4.4% of shares out)	■ 329 million (11.2% of shares out)	■ 258 million (50.0% of shares out)	■ 2,805 million (33.5% of shares out)
Additional Characteristics/Information	<ul style="list-style-type: none"> <li>■ No voting rights attached</li> <li>■ No ability to nominate board members</li> <li>■ Transferable</li> <li>■ No limitation on bonuses</li> <li>■ No compensation restrictions</li> <li>■ No constraints on dividend policies</li> <li>■ Clawback structure</li> </ul>	<ul style="list-style-type: none"> <li>■ No voting rights attached</li> <li>■ No ability to nominate board members</li> <li>■ Transferable</li> <li>■ No limitations on bonuses</li> <li>■ No compensation restrictions</li> <li>■ No constraints on dividend policies</li> <li>■ Additionally sale of CHF 3,200 million treasury shares</li> </ul>	<ul style="list-style-type: none"> <li>■ No voting rights attached</li> <li>■ No ability to nominate board members</li> <li>■ Transferable</li> <li>■ Limitations on bonuses</li> <li>■ Compensation restrictions</li> <li>■ No constraints on dividend policies</li> <li>■ Subject to EGM approval</li> </ul>	<ul style="list-style-type: none"> <li>■ Voting rights attached</li> <li>■ No ability to nominate board members</li> <li>■ Transferable</li> <li>■ No limitations on bonuses</li> <li>■ No compensation restrictions</li> <li>■ No constraints on dividend policies</li> <li>■ Issue of securities by way of discounted preference share rights issue (1 : 2 rights issue)</li> <li>■ Discount to TERP 13.8%</li> </ul>	<ul style="list-style-type: none"> <li>■ No voting rights attached</li> <li>■ No ability to nominate board members</li> <li>■ No specifics on the transferability</li> <li>■ No limitation on bonuses</li> <li>■ No compensation restrictions</li> <li>■ No constraints on dividend policies</li> <li>■ Offering concurrent with £3.8bn of RCIs plus warrants</li> </ul>
Investor	■ Private placement to existing shareholders	■ Qatar Holding LLC	■ Swiss Confederation	■ Private placement to existing shareholders	■ Abu Dhabi and Qatar based investors. £1.5bn MCN offered to public
Economics	■ Theoretical Value: 102%	■ Theoretical Value: N/A	■ Theoretical Value: 105%	■ Theoretical Value: 104%	■ Theoretical Value: 140%

1. Dividend yield based on 09e Bloomberg consensus estimates, based on reference price






2. Reference price set at closing price on October 10<sup>th</sup> 20083. Reference price set at the lower of share price on October 15<sup>th</sup> and average over period until EGM4. 19% discount to closing price on day before announcement, October 24<sup>th</sup>5. Closing price on day before announcement October 30<sup>th</sup> GBP 2.0525

6. Reference price set at closing price before announcement, October 3rd 2008











## Appendix A: Summary of European Bank Re-Capitalisations Straight Equity

	<b>COMMERZBANK</b> 	<b>BARCLAYS</b> 	<b>Lloyds TSB</b> 	<b>Deutsche Bank</b> 	<b>NATIXIS</b> 
	8 September 2008	18 September 2008	19 September 2008	22 September 2008	25 September 2008
<b>Size</b>	■ €1.1bn	■ £701m	■ £768m	■ €2.2bn	■ €3.7bn
<b>Offer Type</b>	■ Primary AGT <sup>SM</sup>	■ Primary AGT <sup>SM</sup>	■ Primary AGT <sup>SM</sup>	■ Primary AGT <sup>SM</sup>	■ Rights issue
<b>% of Share Capital</b>	■ 9.9% of pre existing share capital ■ 9.0% of enlarged share capital	■ 2.8% of pre existing share capital ■ 2.7% of enlarged share capital	■ 5.0% of pre existing share capital ■ 4.8% of enlarged share capital	■ 7.5% of pre existing share capital ■ 7.0% of enlarged share capital	■ 130.0% of pre existing share capital ■ 57.0% of enlarged share capital
<b>Offer Price/ Discount</b>	■ €17.00 ■ 0.1% disc. to 5 Sep close of €17.015	■ £3.10 ■ 2.4% disc. to 17 Sep close of £3.18	■ £2.70 ■ 13.7% prem. to 18 Sep close of £2.37	■ €55.00 ■ 5.0% disc. to 19 Sep close of €57.88	■ €2.25 ■ 61.5% disc. to last close pre terms on 3 Sep of €3.84 ■ 41.0% disc. to TERP of €3.81
<b>Back Stop Underwriter</b>	■ None	■ None	■ None	■ None	■ The Strategic Shareholders, BFBP and CNCE, who owned 69.8% of the Company, both committed to subscribe pro rata ■ Remainder underwritten by a bank syndicate
<b>Pre-Emptive Offer/ Clawback</b>	■ None	■ None	■ None	■ None	■ Pre-emptive offer
<b>Restrictions &amp; Limitations</b>	■ None	■ Shares not entitled to interim dividend declared 7 August 2008	■ None	■ None	■ None
<b>Board Representation</b>	■ None	■ None	■ None	■ None	■ None
<b>Lock-Up</b>	■ 90 days on the Issuer	■ None	■ 90 days on the Issuer	■ None	■ 120 days on the Issuer ■ 180 days on Strategic Shareholders



## Appendix A: Summary of European Bank Re-Capitalisations Straight Equity (Cont'd)

	 29 September 2008	 30 September 2008	 13 October 2008	 13 October 2008	 13 October 2008	 27 October 2008
<b>Size</b>	■ €11,200m	■ €6,400m	■ £20,000m	■ £5,500m	■ £11,500m	■ €1,000m
<b>Offer Type</b>	■ Cash injection from Belgian Gov, Dutch Gov and Luxembourg Gov	■ Cash injection from Belgian federal Gov and the 3 Regions (€1bn), French Gov (€1bn), CDC (€2bn) and Shareholders (€1bn)	■ £15bn in the form of an open offer to existing shareholders and £5bn in the form of preference shares with a 12% coupon	■ £4.5bn in the form of an open offer to existing shareholders and £1bn in the form of preference shares with a 12% coupon	■ £8.5bn in the form of an open offer to existing shareholders and £3bn in the form of preference shares	■ Rights Issue
<b>% of Share Capital</b>	<ul style="list-style-type: none"> <li>■ Belgium bought 49% of the Belgian banking unit for €4.7bn (will sell 75% to BNPP)</li> <li>■ The Netherlands paid €4bn for a similar stake in the Dutch banking unit</li> <li>■ Luxembourg provided a €2.5bn loan convertible into 49% of the Luxembourg banking unit</li> </ul>	<ul style="list-style-type: none"> <li>■ Ownership structure: Belgian Federal Gov and the 3 Regions 11.4%, Shareholders 34.2%, French Gov and CDC 25.0% and Free float 29.4%</li> <li>■ Luxembourg Gov will invest €376m in Dexia Banque Internationale à Luxembourg SA in the form of convertible bonds</li> </ul>	<ul style="list-style-type: none"> <li>■ c.138% existing issued share capital</li> <li>■ c.58% enlarged issued share capital</li> </ul>	<ul style="list-style-type: none"> <li>■ c.43.5% of existing issued share capital</li> <li>■ c.30.3% enlarged issued share capital</li> </ul>	<ul style="list-style-type: none"> <li>■ c.187% of existing issued share capital</li> <li>■ c.65% of enlarged issued share capital</li> </ul>	■ c.10% of existing issued share capital
<b>Offer Price/Discount</b>	■ n.a.	■ Investors received shares at a price of €9.90 equal to the average of the previous 30 days closing price	<ul style="list-style-type: none"> <li>■ 65.5p per share</li> <li>■ 0.5% premium to 3 November closing price of 65.2p</li> <li>■ 8.6% discount to 12 October closing price of 71.7p</li> </ul>	<ul style="list-style-type: none"> <li>■ 173.3p per share</li> <li>■ 12.4% discount to 31 October closing price of 197.8p</li> <li>■ 8.5% discount to 10 October closing price of 189.4p</li> </ul>	<ul style="list-style-type: none"> <li>■ 113.6p per share</li> <li>■ 8.5% discount to 10 October closing price of 124.2p</li> </ul>	<ul style="list-style-type: none"> <li>■ €18.25 per share</li> <li>■ 2.0% gross discount to 24 October closing price of €18.62</li> </ul>
<b>Back Stop Underwriter</b>	■ n.a.	■ n.a.	■ Backstopped by HM Treasury	■ Backstopped by HM Treasury	■ Backstopped by HM Treasury	■ Fully underwritten by main shareholder Deutsche Post AG
<b>Pre-Emptive Offer / Clawback</b>	■ n.a.	■ n.a.	■ Open offer with clawback	■ Open offer with clawback	■ Open offer with clawback	■ Pre-emptive rights
<b>Restrictions &amp; Limitations</b>	■ TBD at the EGM to be held by year end	■ TBD	<ul style="list-style-type: none"> <li>■ No dividend paid on the Ordinary Shares until the Preference Shares are no longer in issue unless otherwise agreed by HMT</li> <li>■ No bonus in 2008 and shares only in 2009 for Directors</li> </ul>	<ul style="list-style-type: none"> <li>■ No dividend paid on the Lloyds TSB Shares while any of the Preference Shares are outstanding, unless otherwise agreed by HMT</li> <li>■ No bonus in cash for Directors in 2008</li> </ul>	<ul style="list-style-type: none"> <li>■ No dividend may be paid on the HBOS Shares while any of the Preference Shares are outstanding, unless otherwise agreed by HMT</li> <li>■ No remuneration for Directors in 2008</li> </ul>	■ Proposal to the next AGM in April 2009 not to distribute any dividends for 2008
<b>Board Representation</b>	<ul style="list-style-type: none"> <li>■ Chairman to step down</li> <li>■ A significant number of govt representatives will seat on the Board</li> </ul>	■ French Gov has one board seat and CDC two	<ul style="list-style-type: none"> <li>■ CEO change</li> <li>■ HM Treasury will appoint 3 new independent directors</li> </ul>	■ HMT will appoint 2 new independent directors after completion of the combination	■ n.a. (see Lloyds)	■ Deutsche Post AG seats on the Supervisory Board
<b>Lock-Up</b>	■ None	■ None	■ None	■ None	■ None	■ TBD





## Appendix B: Review of Individual Combinations



## Appendix B: Review of Individual Combinations

### AIB / IL&P: Capital Analysis

#### Assumptions

- Allied Irish Banks acquires Irish Life & Permanent at market value
  - €432m on 17 November 2008
  - P/TNAV of 0.09x
- All share consideration: IL&P shareholders receive new AIB shares
- Merger ratio based on market value on 17 November 2008
  - AIB: 84.4%
  - IL&P: 15.6%
- This compares to contribution to core Tier 1 at 30 September (before additional loan impairments) of:
  - AIB: 80.3%
  - IL&P: 19.7%
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	AIB	IL&P	Funding	Goodwill	Pro Forma
Equity core Tier 1	10,438		432		10,870
Goodwill	(1,773)			4,179	2,406
Other deductions	(115)	(2,515)			(2,630)
Core tier 1	8,550				10,646
Hybrid tier 1	2,092				2,092
Tier 1 supervisory deductions					
Total tier 1	10,642		432	4,179	12,738
Tier 2	4,108	1,487			5,595
Other supervisory deductions		(1,487)			(1,487)
Total capital	14,750				16,846
Risk Weighted Assets	141,883	25,204			167,087
Core Tier 1 Ratio	6.0%	8.3%			6.4%
Tier 1 Ratio	7.5%	8.3%			7.6%
Total Capital Ratio	10.4%	8.3%			10.1%
Hybrid as % Tier 1	19.7%				16.4%
Equity Required for CT 1 Target of:					
7.5%	2,091	0			1,886
8.0%	2,801	0			2,721
8.5%	3,510	46			3,556
Implied Government Stake for CT 1 of:					
7.5%	47.2%	0.0%			40.5%
8.0%	54.5%	0.0%			49.5%
8.5%	60.0%	9.7%			56.2%
Key Funding Metrics					
Loans / Deposits	159.0%	284.5%			177.1%
Wholesale funds / Deposits	86.2%	204.0%			103.2%

Note: IL&P Core Tier 1 is calculated after deduction in relation to life EEV



## Appendix B: Review of Individual Combinations

### BoI / IL&P: Capital Analysis

#### Assumptions

- Bank of Ireland acquires Irish Life & Permanent at market value
  - €432m on 17 November 2008
  - P/TNAV of 0.09x
- All share consideration: IL&P shareholders receive new BoI shares
- Merger ratio based on market value on 17 November 2008
  - BoI: 65.9%
  - IL&P: 34.1%
- This compares to contribution to core Tier 1 at 30 September (before additional loan impairments) of:
  - BoI: 77.7%
  - IL&P: 22.3%
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	BoI	IL&P	Funding	Goodwill	Pro Forma
Equity core Tier 1	8,217		432		8,649
Goodwill	(863)			4,179	3,316
Other deductions	(67)	(2,515)			(2,582)
Core tier 1	7,287				9,383
Hybrid tier 1	3,090				3,090
Tier 1 supervisory deductions	(259)				(259)
Total tier 1	10,118		432	4,179	12,214
Tier 2	4,878	1,487			6,365
Other supervisory deductions	(791)	(1,487)			(2,278)
Total capital	14,205				16,301
Risk Weighted Assets	116,179	25,204			141,383
Core Tier 1 Ratio	6.3%	8.3%			6.6%
Tier 1 Ratio	8.7%	8.3%			8.6%
Total Capital Ratio	12.2%	8.3%			11.5%
Hybrid as % Tier 1	30.5%				25.3%
Equity Required for CT 1 Target of:					
7.5%	1,426	0			1,221
8.0%	2,007	0			1,928
8.5%	2,588	46			2,635
Implied Government Stake for CT 1 of:					
7.5%	63.1%	0.0%			49.1%
8.0%	70.7%	0.0%			60.4%
8.5%	75.6%	9.7%			67.6%
Key Funding Metrics					
Loans / Deposits	160.0%	284.5%			177.3%
Wholesale funds / Deposits	86.0%	204.0%			102.4%

Note: IL&P Core Tier 1 is calculated after deduction in relation to life EEV



## Appendix B: Review of Individual Combinations

### AIB / EBS: Capital Analysis

#### Assumptions

- Allied Irish Banks acquires EBS via demutualisation
- All share consideration: EBS members receive new AIB shares as compensation for loss of membership rights
- Assumed that merger ratio would be based on tangible NAV or core Tier 1 contribution of each party
- Based on balance sheet at 30 September 2008, the merger ratio is:
  - AIB: 93.7%
  - EBS: 6.3%
- AIB therefore issues €157m new equity as consideration for EBS
  - P/TNAV multiple of 0.27x
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	AIB	EBS	Funding	Goodwill	Pro Forma
Equity core Tier 1	10,438		157		10,595
Goodwill	(1,773)			418	(1,355)
Other deductions	(115)				(115)
Core tier 1	8,550				9,125
Hybrid tier 1	2,092	244			2,336
Tier 1 supervisory deductions					
Total tier 1	10,642	244	157	418	11,460
Tier 2	4,108	255			4,363
Other supervisory deductions					
Total capital	14,750				15,823
Risk Weighted Assets	141,883	9,791			151,674
Core Tier 1 Ratio	6.0%	5.9%			6.0%
Tier 1 Ratio	7.5%	8.4%			7.6%
Total Capital Ratio	10.4%	11.0%			10.4%
Hybrid as % Tier 1	19.7%	29.8%			20.4%
Equity Required for CT 1 Target of:					
7.5%	2,091	159			2,251
8.0%	2,801	208			3,009
8.5%	3,510	257			3,767
Implied Government Stake for CT 1 of:					
7.5%	47.2%	n.a.			47.4%
8.0%	54.5%	n.a.			54.7%
8.5%	60.0%	n.a.			60.1%
Key Funding Metrics					
Loans / Deposits	159.0%	178.3%			160.9%
Wholesale funds / Deposits	86.2%	92.2%			86.8%



## Appendix B: Review of Individual Combinations

### BoI / EBS: Capital Analysis

#### Assumptions

- Bank of Ireland acquires EBS via demutualisation
- All share consideration: EBS members receive new BoI shares as compensation for loss of membership rights
- Assumed that merger ratio would be based on tangible NAV or core Tier 1 contribution of each party
- Based on balance sheet at 30 September 2008, the merger ratio is:
  - BoI: 92.7%
  - EBS: 7.3%
- BoI therefore issues €66m new equity as consideration for EBS
  - P/TNAV multiple of 0.11x
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	BoI	EBS	Funding	Goodwill	Pro Forma
Equity core Tier 1	8,217		66		8,283
Goodwill	(863)			509	(354)
Other deductions	(67)				(67)
Core tier 1	7,287				7,862
Hybrid tier 1	3,090	244			3,334
Tier 1 supervisory deductions	(259)				(259)
Total tier 1	10,118	244	66	509	10,936
Tier 2	4,878	255			5,133
Other supervisory deductions	(791)				(791)
Total capital	14,205				15,278
Risk Weighted Assets	116,179	9,791			125,970
Core Tier 1 Ratio	6.3%	5.9%			6.2%
Tier 1 Ratio	8.7%	8.4%			8.7%
Total Capital Ratio	12.2%	11.0%			12.1%
Hybrid as % Tier 1	30.5%	29.8%			30.5%
Equity Required for CT 1 Target of:					
7.5%	1,426	159			1,586
8.0%	2,007	208			2,216
8.5%	2,588	257			2,846
Implied Government Stake for CT 1 of:					
7.5%	63.1%	n.a.			63.8%
8.0%	70.7%	n.a.			71.1%
8.5%	75.6%	n.a.			76.0%
Key Funding Metrics					
Loans / Deposits	160.0%	178.3%			161.8%
Wholesale funds / Deposits	86.0%	92.2%			86.6%



## Appendix B: Review of Individual Combinations

### AIB / Anglo: Capital Analysis

#### Assumptions

- Allied Irish Banks acquires Anglo at market value
  - €845m on 17 November 2008
  - P/TNAV of 0.16x
- All share consideration: Anglo shareholders receive AIB shares
- Merger ratio based on market value on 17 November 2008
  - AIB: 73.5%
  - Anglo: 26.5%
- This compares to contribution to core Tier 1 at 30 September 2008 (before additional loan impairments) of:
  - AIB: 62.3%
  - Anglo: 37.7%
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	AIB	Anglo	Funding	Goodwill	Pro Forma
Equity core Tier 1	10,438		845		11,283
Goodwill	(1,773)			4,325	2,552
Other deductions	(115)				(115)
Core tier 1	8,550				13,720
Hybrid tier 1	2,092	2,493			4,585
Tier 1 supervisory deductions					
Total tier 1	10,642	2,493	845	4,325	18,305
Tier 2	4,108	2,632			6,740
Other supervisory deductions		(12)			(12)
Total capital	14,750				25,033
Risk Weighted Assets	141,883	85,159			227,042
Core Tier 1 Ratio	6.0%	6.1%			6.0%
Tier 1 Ratio	7.5%	9.0%			8.1%
Total Capital Ratio	10.4%	12.1%			11.0%
Hybrid as % Tier 1	19.7%	32.5%			25.1%
Equity Required for CT 1 Target of:					
7.5%	2,091	1,217			3,309
8.0%	2,801	1,643			4,444
8.5%	3,510	2,069			5,579
Implied Government Stake for CT 1 of:					
7.5%	47.2%	59.0%			51.0%
8.0%	54.5%	66.0%			58.3%
8.5%	60.0%	71.0%			63.7%
Key Funding Metrics					
Loans / Deposits	159.0%	164.5%			160.9%
Wholesale funds / Deposits	86.2%	79.5%			83.9%





## Appendix B: Review of Individual Combinations

### BoI / Anglo: Capital Analysis

#### Assumptions

- Bank of Ireland acquires Anglo at market value
  - €845m on 17 November 2008
  - P/TNAV of 0.16x
- All share consideration: Anglo shareholders receive new BoI shares
- Merger ratio based on market value on 17 November 2008
  - BoI: 49.7%
  - Anglo: 50.3%
- This compares to contribution to core Tier 1 at 30 September 2008 (before additional loan impairments) of:
  - BoI: 58.5%
  - Anglo: 41.5%
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	BoI	Anglo	Funding	Goodwill	Pro Forma
Equity core Tier 1	8,217		845		9,062
Goodwill	(863)			4,325	3,462
Other deductions	(67)				(67)
Core tier 1	7,287				12,457
Hybrid tier 1	3,090	2,493			5,583
Tier 1 supervisory deductions	(259)				(259)
Total tier 1	10,118	2,493	845	4,325	17,781
Tier 2	4,878	2,632			7,510
Other supervisory deductions	(791)	(12)			(803)
Total capital	14,205				24,488
Risk Weighted Assets	116,179	85,159			201,338
Core Tier 1 Ratio	6.3%	6.1%			6.2%
Tier 1 Ratio	8.7%	9.0%			8.8%
Total Capital Ratio	12.2%	12.1%			12.2%
Hybrid as % Tier 1	30.5%	32.5%			31.4%
Equity Required for CT 1 Target of:					
7.5%	1,426	1,217			2,644
8.0%	2,007	1,643			3,650
8.5%	2,588	2,069			4,657
Implied Government Stake for CT 1 of:					
7.5%	63.1%	59.0%			61.2%
8.0%	70.7%	66.0%			68.5%
8.5%	75.6%	71.0%			73.5%
Key Funding Metrics					
Loans / Deposits	160.0%	164.5%			161.5%
Wholesale funds / Deposits	86.0%	79.5%			83.9%





## Appendix B: Review of Individual Combinations

### IL&P / EBS / INBS: Capital Analysis

#### Assumptions

- IL&P acquires EBS and INBS via demutualisation
- All share consideration: EBS and INBS members receive new IL&P shares each as compensation for loss of membership rights
- Assumed that merger ratio would be based on tangible NAV or core Tier 1 contribution of each party
- Based on balance sheet at 30 September 2008, the merger ratio is:
  - IL&P: 51.9%
  - EBS: 14.2%
  - INBS: 33.8%
- IL&P therefore issues €399m of new equity as consideration for INBS and EBS
  - P/TNAV multiple of 0.21x
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	IL&P	EBS	INBS	Funding	Goodwill	Pro Forma
Equity core Tier 1	4,798			399		5,197
Goodwill	(186)				1,539	1,353
Other deductions	(2,515)					(2,515)
Other core tier 1	0					
Core tier 1	2,096					4,035
Hybrid tier 1	0	244				244
Total tier 1	2,096	244		399	1,539	4,278
Tier 2	1,487	255	471			2,212
Supervisory deductions	(1,487)					(1,487)
Total capital	2,096					5,004
Risk Weighted Assets	25,204	9,791	15,819			50,814
Core Tier 1 Ratio	8.3%	5.9%	8.6%			7.9%
Tier 1 Ratio	8.3%	8.4%	8.6%			8.4%
Total Capital Ratio	8.3%	11.0%	11.6%			9.6%
Hybrid as % Tier 1	0.0%	29.8%	0.0%			5.7%

Equity Required for CT 1 Target of:	IL&P	EBS	INBS	Pro Forma
7.5%	0	159	0	0
8.0%	0	208	0	30
8.5%	46	257	0	264

Key Funding Metrics	IL&P	EBS	INBS	Pro Forma
Loans / Deposits	284.5%	178.3%	177.5%	228.8%
Wholesale funds / Deposits	204.0%	92.2%	99.6%	147.1%

- The enlarged group does not require a capital injection from the Government to reach a core Tier 1 target of 7.5% unless there are significant loan impairments

Note: IL&P Core Tier 1 is calculated after deduction in relation to life EEV



## Appendix B: Review of Individual Combinations

### IL&P / EBS: Capital Analysis

#### Assumptions

- IL&P acquires EBS via demutualisation
- All share consideration: EBS members receive new IL&P shares as compensation for loss of membership rights
- Assumed that merger ratio would be based on tangible NAV or core Tier 1 contribution of each party
- Based on balance sheet at 30 September 2008, the merger ratio is:
  - IL&P: 78.5%
  - EBS: 21.5%
- IL&P therefore issues €118m new equity as consideration for EBS
  - P/TNAV multiple of 0.21x
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	IL&P	EBS	Funding	Goodwill	Pro Forma
Equity core Tier 1	4,798		118		4,916
Goodwill	(186)			456	270
Other deductions	(2,515)				(2,515)
Core tier 1	2,096				2,671
Hybrid tier 1		244			244
Tier 1 supervisory deductions					
Total tier 1	2,096	244	118	456	2,914
Tier 2	1,487	255			1,741
Other supervisory deductions	(1,487)				(1,487)
Total capital	2,096				3,169
Risk Weighted Assets	25,204	9,791			34,995
Core Tier 1 Ratio	8.3%	5.9%			7.6%
Tier 1 Ratio	8.3%	8.4%			8.3%
Total Capital Ratio	8.3%	11.0%			9.1%
Hybrid as % Tier 1	0.0%	29.8%			8.4%
Equity Required for CT 1 Target of:					
7.5%	0	159			0
8.0%	0	208			129
8.5%	46	257			304
Implied Government Stake for CT 1 of:					
7.5%	0.0%	n.a.			0.0%
8.0%	0.0%	n.a.			19.0%
8.5%	9.7%	n.a.			35.6%
Key Funding Metrics					
Loans / Deposits	284.5%	178.3%			242.8%
Wholesale funds / Deposits	204.0%	92.2%			160.1%

Note: IL&P Core Tier 1 is calculated after deduction in relation to life EEV



## Appendix B: Review of Individual Combinations

### BoI / INBS: Capital Analysis

#### Assumptions

- Bank of Ireland acquires INBS via demutualisation
- All share consideration: INBS members receive new BoI shares as compensation for loss of membership rights
- Assumed that merger ratio would be based on tangible NAV or core Tier 1 contribution of each party
- Based on balance sheet at 30 September 2008, the merger ratio is:
  - IL&P: 84.2%
  - EBS: 15.8%
- BoI therefore issues €156m new equity as consideration for INBS
  - P/TNAV multiple of 0.11x (at 30 September)
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	BoI	INBS	Funding	Goodwill	Pro Forma
Equity core Tier 1	8,217		156		8,373
Goodwill	(863)			1,208	345
Other deductions	(67)				(67)
Core tier 1	7,287				8,651
Hybrid tier 1	3,090				3,090
Tier 1 supervisory deductions	(259)				(259)
Total tier 1	10,118		156	1,208	11,482
Tier 2	4,878	471			5,349
Other supervisory deductions	(791)				(791)
Total capital	14,205				16,040
Risk Weighted Assets	116,179	15,819			131,998
Core Tier 1 Ratio	6.3%	8.6%			6.6%
Tier 1 Ratio	8.7%	8.6%			8.7%
Total Capital Ratio	12.2%	11.6%			12.2%
Hybrid as % Tier 1	30.5%				26.9%
Equity Required for CT 1 Target of:					
7.5%	1,426	0			1,249
8.0%	2,007	0			1,909
8.5%	2,588	0			2,569
Implied Government Stake for CT 1 of:					
7.5%	63.1%	n.a.			55.8%
8.0%	70.7%	n.a.			65.9%
8.5%	75.6%	n.a.			72.2%
Key Funding Metrics					
Loans / Deposits	160.0%	177.5%			161.2%
Wholesale funds / Deposits	86.0%	99.6%			87.0%



## Appendix B: Review of Individual Combinations

### AIB / BoI: Capital Analysis

#### Assumptions

- Allied Irish Banks acquires Bank of Ireland at market value
  - €833m on 17 November 2008
  - P/TNAV of 0.11x
- All share consideration: BoI shareholders receive new AIB shares
- Merger ratio based on market value on 17 November 2008
  - AIB: 73.7%
  - BoI: 26.3%
- This compares to contribution to core Tier 1 at 30 September (before additional loan impairments) of:
  - AIB: 54.0%
  - BoI: 46.0%
- Analysis excludes any transaction costs, additional loan impairments or other fair value adjustments

#### Capital and Funding Impact

€m	AIB	BoI	Funding	Goodwill	Pro Forma
Equity core Tier 1	10,438		833		11,272
Goodwill	(1,773)			6,521	4,748
Other deductions	(115)	(67)			(182)
Core tier 1	8,550				15,837
Hybrid tier 1	2,092	3,090			5,182
Tier 1 supervisory deductions		(259)			(259)
Total tier 1	10,642	2,831	833	6,521	20,760
Tier 2	4,108	4,878			8,986
Other supervisory deductions		(791)			(791)
Total capital	14,750				28,955
Risk Weighted Assets	141,883	116,179			258,062
Core Tier 1 Ratio	6.0%	6.3%			6.1%
Tier 1 Ratio	7.5%	8.7%			8.0%
Total Capital Ratio	10.4%	12.2%			11.2%
Hybrid as % Tier 1	19.7%	30.5%			25.0%
Equity Required for CT 1 Target of:					
7.5%	2,091	1,426			3,518
8.0%	2,801	2,007			4,808
8.5%	3,510	2,588			6,098
Implied Government Stake for CT 1 of:					
7.5%	47.2%	63.1%			52.6%
8.0%	54.5%	70.7%			60.2%
8.5%	60.0%	75.6%			65.9%
Key Funding Metrics					
Loans / Deposits	159.0%	160.0%			159.5%
Wholesale funds / Deposits	86.2%	86.0%			86.1%



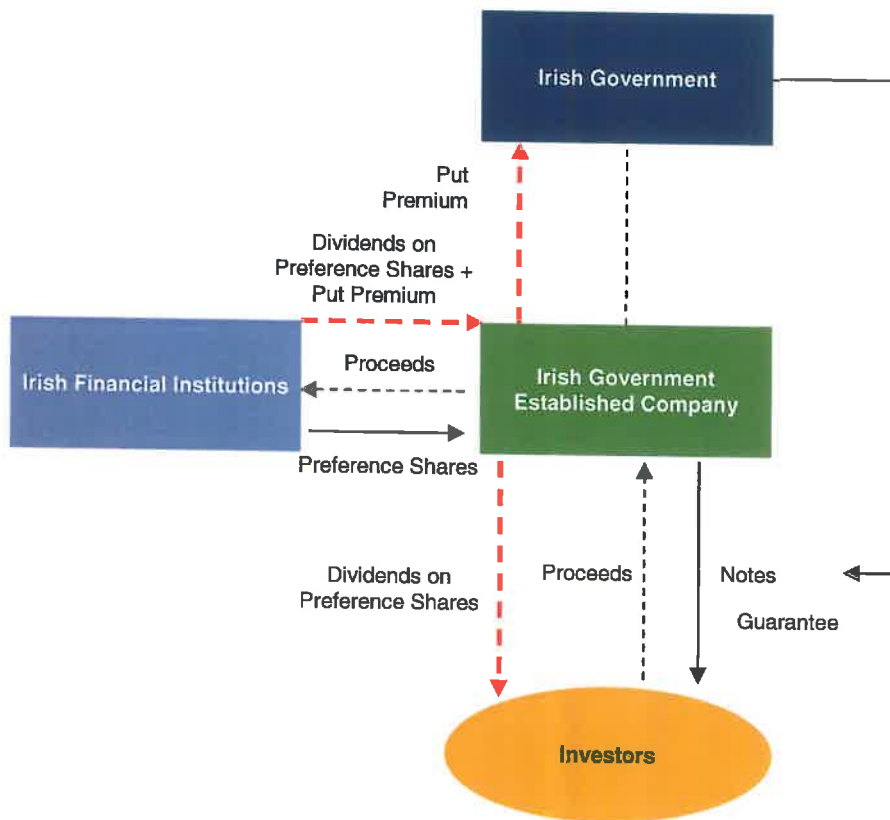


## Appendix C: Proposed "Guarantee" Prefs Considerations

# Appendix C: Proposed "Guarantee" Prefs Considerations

## Proposed Alternative

### Proposed Alternative Structure



#### Mandatory Convertible Preference Shares

Type of Securities	<ul style="list-style-type: none"> <li>Mandatory Convertible Preference Shares</li> </ul>
Size	<ul style="list-style-type: none"> <li>Dependent upon each institutions required level of recapitalisation</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>5 years</li> </ul>
Distributions on Preference Shares	<ul style="list-style-type: none"> <li>Banks will make distributions at their discretion on the following terms (put premium is not discretionary):                             <ul style="list-style-type: none"> <li><b>Stronger Banks: 8% Dividend Yield + c.4% Put Premium (to Government)</b></li> <li><b>Weaker Banks: 12% Dividend Yield + c.4-5% Put Premium (to Government)</b></li> </ul> </li> </ul>
Conversion Features	<ul style="list-style-type: none"> <li>Can be redeemed at any time with proceeds obtained through the issuance of capital of at least similar quality at a premium of [125]%</li> <li>Automatic conversion into ordinary shares on yr 5</li> <li>Strike Price: 50% of the share price at the issue date</li> </ul>
Additional Characteristics/Information	<ul style="list-style-type: none"> <li>Voting rights – None</li> <li>Transferability - Yes</li> <li>Corporate governance restrictions (these exist only as long as Irish state remains as investor):                             <ul style="list-style-type: none"> <li>Limits on executive remuneration</li> <li>Ability to introduce non-executive directors into company</li> <li>Usual dividend stopper on junior instruments (i.e. ordinary) should no distribution be made on the preference shares</li> </ul> </li> </ul>
Investor	<ul style="list-style-type: none"> <li>Aim to reduce Government participation as much as possible with third party placement</li> <li>Security is transferable providing the Government with the ability to monetise / exit its investment in the future</li> </ul>

#### Government Notes

Type of Securities	<ul style="list-style-type: none"> <li>Government guaranteed notes linked to dividend yield on preference shares</li> </ul>
Issuer	<ul style="list-style-type: none"> <li>An Irish entity set up as an Irish incorporated company owned by the Irish Government, eligible for Irish taxation purposes under Section 110</li> </ul>
Size	<ul style="list-style-type: none"> <li>Dependent upon each institutions required level of recapitalisation</li> </ul>
Maturity	<ul style="list-style-type: none"> <li>5 years</li> </ul>
Distributions	<ul style="list-style-type: none"> <li>Greater of 2.5% and (i) 8% and (ii) 12% depending if bank makes distributions on the Mandatory Convertible Preference Shares</li> </ul>

*Innovative and new structures relative to other re-capitalisation instruments, makes it difficult to assess market demand*







## Appendix D: Trading Update

## Appendix D: Trading Update

### Loan Loss Provisions – Summary of Analyst Forecasts

	Broker	Date	2009			2010			
			Loan loss provision (€m)	Total loans (€bn)	LLP/Loans	Loan loss provision (€m)	Total loans (€bn)	LLP/Loans	
Base Case	Allied Irish Banks	Dresdner	07-Nov-08	(2,897)	143	203bps	(2,391)	149	161bps
		Merrill Lynch	07-Nov-08	(4,277)	143	299bps	(3,886)	150	260bps
		JP Morgan	06-Nov-08	(2,027)	138	147bps	(2,382)	140	170bps
		Collins Stewart	06-Nov-08	(1,962)	144	136bps	(1,691)	151	112bps
		Nomura	06-Nov-08	(2,413)	144	167bps	(2,429)	150	162bps
		Goodbody	17-Oct-08	(1,941)	130	149bps	(1,774)	127	140bps
		Citi	03-Oct-08	(1,432)	143	100bps	(1,904)	149	128bps
		<b>Average</b>		<b>(2,421)</b>	<b>141</b>	<b>172bps</b>	<b>(2,351)</b>	<b>145</b>	<b>162bps</b>
	Bank of Ireland <sup>(1)</sup>	JP Morgan	17-Nov-08	(1,127)	148	76bps	(2,070)	151	137bps
		Merrill Lynch	12-Nov-08	(700)	146	48bps	(1,559)	150	104bps
		Dresdner	07-Nov-08	(646)	142	45bps	(2,217)	146	152bps
		Collins Stewart	06-Nov-08	(1,497)	141	106bps	(2,021)	147	138bps
		Goodbody	17-Oct-08	(1,721)	131	131bps	(1,547)	124	125bps
		Citi	03-Oct-08	(1,695)	147	115bps	(2,312)	153	151bps
		<b>Average</b>		<b>(1,231)</b>	<b>143</b>	<b>87bps</b>	<b>(1,954)</b>	<b>145</b>	<b>134bps</b>
	Anglo Irish <sup>(2)</sup>	Dresdner	07-Nov-08	(1,425)	71	200bps	(1,254)	71	176bps
		Collins Stewart	06-Nov-08	(2,086)	83	250bps	(2,289)	92	249bps
		JP Morgan	07-Oct-08	(1,165)	76	152bps	(1,365)	78	176bps
Citi		03-Oct-08	(883)	74	119bps	(1,948)	77	253bps	
Goodbody		17-Oct-08	(906)	69	130bps	(1,015)	68	149bps	
	<b>Average</b>		<b>(1,293)</b>	<b>75</b>	<b>170bps</b>	<b>(1,574)</b>	<b>77</b>	<b>201bps</b>	
Stress Test	Allied Irish Banks	Dresdner	07-Nov-08	(4,284)	143	300bps	n.a.	n.a.	n.a.
		Merrill Lynch	20-Oct-08	(3,609)	147	245bps	n.a.	n.a.	n.a.
		<b>Average</b>		<b>(3,946)</b>	<b>145</b>	<b>273bps</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
	Bank of Ireland <sup>(1)</sup>	Dresdner	07-Nov-08	(3,076)	142	216bps	n.a.	n.a.	n.a.
		Merrill Lynch	20-Oct-08	(2,444)	138	177bps	n.a.	n.a.	n.a.
		<b>Average</b>		<b>(2,760)</b>	<b>140</b>	<b>197bps</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>
	Anglo Irish <sup>(2)</sup>	Dresdner	07-Nov-08	(1,738)	71	244bps	n.a.	n.a.	n.a.
		Merrill Lynch	20-Oct-08	(2,179)	81	269bps	n.a.	n.a.	n.a.
		<b>Average</b>		<b>(1,959)</b>	<b>76</b>	<b>257bps</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>

(1) "2009" data relates to Year end 31 March 2010 and "2010" data relates to year end 31 March 2011

(2) Year end 30 September



## Appendix D: Trading Update

### Irish Banks Trading Multiples

Company	Share Price (€)	Market Value	P/E Multiples		P/Tang. NAV Multiples		RoTE	
			2008E	2009E	2008E	2009E	2008E	
Allied Irish Banks	€2.65	€2.3bn	2.2x	n.m.	0.26x	0.26x	11.4%	
Anglo Irish Bank	€1.11	€0.8bn	0.8x	1.1x	0.17x	0.15x	21.7%	
Bank of Ireland	€0.83	€0.8bn	0.8x	1.3x	0.14x	0.13x	17.8%	
Irish Life & Permanent	€1.56	€0.4bn	1.1x	1.6x	0.17x	0.16x	15.8%	
			<b>Min</b>	<b>0.8x</b>	<b>1.1x</b>	<b>0.14x</b>	<b>0.13x</b>	<b>11.4%</b>
			<b>Mean</b>	<b>1.3x</b>	<b>1.3x</b>	<b>0.18x</b>	<b>0.17x</b>	<b>16.7%</b>
			<b>Median</b>	<b>1.0x</b>	<b>1.3x</b>	<b>0.17x</b>	<b>0.15x</b>	<b>16.8%</b>
			<b>Max</b>	<b>2.2x</b>	<b>1.6x</b>	<b>0.26x</b>	<b>0.26x</b>	<b>21.7%</b>

Source: Reuters consensus estimates and Factset as at 17 November 2008

Note: Based on publicly available data



## Appendix D: Trading Update

### Recent Broker Recommendations and Price Targets

#### Anglo Irish Bank

Firm	Date	Recommendation	Target Price (€)
WestLB	13-Nov-08	Buy	3.50
Dresdner Kleinwort	10-Nov-08	Hold	3.00
Davy	10-Nov-08	No Opinion	3.00
Nomura Securities	06-Nov-08	Reduce	2.00
Collins Stewart	06-Nov-08	Hold	2.54
ABN Amro	05-Nov-08	Hold	6.40
NCB Stockbroker	05-Nov-08	Hold	2.60
Citi	04-Nov-08	Sell	3.25
Goldman Sachs	31-Oct-08	Buy/Neutral	3.42
<b>Merrill Lynch</b>	<b>20-Oct-08</b>	<b>Underperform</b>	<b>2.20</b>
Credit Suisse	13-Oct-08	Neutral	3.00
JP Morgan	07-Oct-08	Underweight	4.30
		<b>Average</b>	<b>3.27</b>
		<i>% Premium/(Discount) to Current</i>	<i>194.1%</i>

#### Allied Irish Banks

Firm	Date	Recommendation	Target Price (€)
UBS	12-Nov-08	Sell	3.00
Dresdner Kleinwort	10-Nov-08	Sell	4.00
<b>Merrill Lynch</b>	<b>07-Nov-08</b>	<b>Neutral</b>	<b>3.00</b>
JP Morgan	05-Nov-08	Underweight	3.50
Goodbody	05-Nov-08	Buy	5.50
Nomura	06-Nov-08	Buy	4.80
WestLB	06-Nov-08	Hold	4.50
Collins Stewart	06-Nov-08	Hold	4.68
Deutsche Bank	05-Nov-08	Hold	4.50
ABN Amro	05-Nov-08	Buy	5.35
NCB Stockbroker	05-Nov-08	Hold	4.40
Merrion Stockbrokers	03-Nov-08	Buy	7.50
Goldman Sachs	31-Oct-08	Neutral	5.20
Independent II	24-Oct-08	Hold	5.45
Dolmen Stockbrokers	21-Oct-08	Hold	3.90
Credit Suisse	13-Oct-08	Underperform	5.00
Davy	10-Oct-08	Focus List	8.00
KBW	03-Oct-08	Outperform	9.30
		<b>Average</b>	<b>5.09</b>
		<i>% Premium/(Discount) to Current</i>	<i>92.0%</i>

Source: Broker Recommendations per Bloomberg and Thomson Reuters and current prices per Factset as at 17 November 2008



## Appendix D: Trading Update

### Recent Broker Recommendations and Price Targets (Cont'd)

#### Bank of Ireland

Firm	Date	Recommendation	Target Price (€)
Goodbody	14-Nov-08	Buy	1.90
Deutsche Bank	13-Nov-08	Hold	1.63
JP Morgan	13-Nov-08	Underweight	2.70
KBW	13-Nov-08	Market Perform	5.10
Dresdner Kleinwort	13-Nov-08	Sell	1.25
Collins Stewart	13-Nov-08	Sell	2.37
UBS	13-Nov-08	Neutral	5.00
Davy	13-Nov-08	N/A	4.00
Merrill Lynch	12-Nov-08	Underperform	2.20
Citi	06-Nov-08	Hold	2.15
Nomura	06-Nov-08	Reduce	2.00
ABN Amro	05-Nov-08	Hold	4.80
NCB Stockbroker	05-Nov-08	Hold	2.30
Goldman Sachs	31-Oct-08	Neutral	2.60
Independent II	24-Oct-08	Hold	5.21
Credit Suisse	13-Oct-08	Underperform	2.00
Merrion Stockbrokers	01-Oct-08	Hold	4.00
		<b>Average</b>	<b>3.01</b>
		<i>% Premium/(Discount) to Current</i>	<i>262.9%</i>

#### Irish Life & Permanent

Firm	Date	Recommendation	Target Price (€)
Goldman Sachs	16-Nov-08	Neutral	4.60
Citi	13-Nov-08	Hold	2.50
Credit Suisse	12-Nov-08	Neutral	6.01
ING	12-Nov-08	Buy	6.49
Goodbody	12-Nov-08	Buy	3.15
ABN Amro	05-Nov-08	Buy	7.80
NCB Stockbroker	05-Nov-08	Buy	3.60
Merrion Stockbroker	05-Nov-08	Buy	10.00
Davy	10-Oct-08	Focus List	7.00
		<b>Average</b>	<b>5.68</b>
		<i>% Premium/(Discount) to Current</i>	<i>264.3%</i>



Source: Broker Recommendations per Bloomberg and Thomson Reuters and current prices per Factset as at 17 November 2008

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