STRICTLY PRIVATE AND CONFIDENTIAL

Presentation to

NTMA

Discussion Materials

30 October 2008

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Global Markets & Investment Banking Group

Executive Summary

- This paper sets out Merrill Lynch's analysis of the capital impact of consolidation within the Irish banking industry
- As requested we have considered 2 scenarios:
  - Option 1 ➡
    - IL&P / EBS / INBS
    - BoI / Anglo
    - AIB standalone
  - Option 2 ➡
    - IL&P / EBS
    - AIB / Anglo
    - BoI / INBS
- In addition to assessing the capital ratios and potential capital needs of the enlarged entities, we have commented on any relevant strategic or structural considerations
- We have also included supplementary analysis of:
  - Additional merger scenarios: namely AIB / IL&P, BoI / IL&P and AIB / BoI
  - Potential private equity involvement in consolidation or recapitalisation of Irish banking sector

Option 1 - Summary

Capital Analysis (30 September 2008)(1)

	New Entity				
	ILP / EBS / INBS	BOI / Anglo	AIB		
Core Tier 1 (€m)	4,066	11,998	8,873		
Tier 1 (€m)	4,310	17,569	11,317		
Total Capital (€m)	5,036	24,263	14,780		
RWA (€bn)	51.5	201.3	143.8		
Core Tier 1 Ratio	7.9%	6.0%	6.2%		
Tier 1 Ratio	8.4%	8.7%	7.9%		
Total Capital Ratio	9.8%	12.1%	10.3%		
Hybrid as % of Total Tier 1	5.7%	31.7%	21.6%		
				Total(2)	Pre-Mergers(3)
Equity Raising Required for CT1 Ratio of:					
7.5%	0	3,096	1,914	**5,010**	5,219
8.0%	0	4,102	2,633	**6,735**	6,998
8.5%	0	5,109	3,352	**8,461**	8,824
Combined Loan Portfolio (€bn)	73.0	216.6	125.5		
CRE Portfolio (€bn)	11.1(4)	95.0(5)	48.9(6)		
Combined Retail Deposits (€bn)	28.7	130.9	75.5		
Loans / Deposits	254.7%	165.5%	166.3%		
Wholesale Funding / Deposits	157.1%	80.3%	98.9%		
Combined Guarantee Cost (€m)	73.0	275.2	150.6		

Comments

- Creates 2 "Irish Champions" and 1 remaining player with international growth potential (AIB)
- Shareholders of IL&P and BoI unlikely to look favourably on acquisitions of INBS and Anglo respectively given monoline business model with CRE exposure
- Potential "contamination" of traditionally residential lenders (i.e. IL&P) with CRE books of INBS and Anglo
- However, BoI faces capital challenges and may be willing to acquire Anglo in return for capital support
- The 2 newly created banks will have very sizeable CRE exposures
  - Further impairments could be significant
  - May require further capital raising
- Will require demutualisations of 2 building societies, which may raise issues around suitability of bank shares as compensation for loss of membership rights
- IL&P's reliance on wholesale funding could make it an unattractive partner

Note: IL&P Core Tier 1 is calculated after deduction in relation to life EEV
(1) *See appendix for further details and assumptions*
(2) *Before benefit of any synergies*
(3) *Based on combined equity raising required by banks on a standalone basis*
(4) *INBS and EBS. EBS CRE exposure estimated using 11% split as at December 2007 applied to total loans at September 2008*
(5) *Based on Anglo at September 2008 and BoI at March 2008*
(6) *At June 2008*

Option 2 - Summary

Capital Analysis (30 September 2008)(1)

	New Entity				
	ILP / EBS	AIB / Anglo	BoI / INBS		
Core Tier 1 (€m)	2,697	14,043	8,198		
Tier 1 (€m)	2,940	18,980	11,276		
Total Capital (€m)	3,195	25,063	15,821		
RWA (€bn)	36.0	229.0	131.6		
Core Tier 1 Ratio	7.5%	6.1%	6.2%		
Tier 1 Ratio	8.2%	8.3%	8.6%		
Total Capital Ratio	8.9%	10.9%	12.0%		
Hybrid as % of Total Tier 1	8.3%	26.0%	27.3%		
				Total(2)	Pre-Mergers(3)
Equity Raising Required for CT1 Ratio of:					
7.5%	3	3,131	1,671	**4,805**	5,219
8.0%	183	4,276	2,329	**6,788**	6,998
8.5%	363	5,421	2,987	**8,771**	8,824
Combined Loan Portfolio (€bn)	61.3	198.1	155.7		
CRE Portfolio (€bn)	1.8(4)	108.4(5)	44.8(6)		
Combined Retail Deposits (€bn)	22.1	120.3	92.7		
Loans / Deposits	277.9%	164.7%	168.0%		
Wholesale Funding / Deposits	174.3%	91.7%	82.1%		
Combined Guarantee Cost (€bn)	52.2	270.6	176.0		

Comments

- Marginal reduction in potential Government capital injection vs. Option 1
- Shareholders of AIB and BoI unlikely to look favourably on acquisition of Anglo and INBS respectively, given monoline business model with CRE exposure
- AIB do not see need for Government capital injection so likely to be very resistant to acquiring Anglo
- BoI may be more willing to acquire INBS in return for Government capital support
  - INBS loan book is significantly smaller than Anglo's
- Creates dominant player in Irish residential mortgages (IL&P)
- Also enables IL&P to retain and strengthen residential lending focus
- 2 of the newly created banks will have very sizeable CRE exposures
  - Further impairments could be significant
  - May require further capital raising
- Will require demutualisations of 2 building societies, which may raise issues around suitability of bank shares as compensation for loss of membership rights

Note: IL&P Core Tier 1 is calculated after deduction in relation to life EEV
(1) See appendix for further details and assumptions
(2) Before benefit of any synergies
(3) Based on combined equity raising required by banks on a standalone basis
(4) Based on EBS split of CRE loans as at December 2007 of 11% applied to total loans at September 2008
(5) Based on Anglo at September 2008 and AIB at June 2008
(6) Based on INBS at September 2008 and BoI at March 2008

Option 1 – Review of Potential Combinations

	Attractions	Potential Issues	Attractiveness to Investors
IL&P / EBS / INBS	+ Combined entity will be relatively well-capitalised ▪ Limited capital injections required pre further loan impairments + Potentially increases INBS and EBS's access to capital markets through demutualisation + Scope for some synergies due to overlaps in Irish residential mortgages, branch network and Irish head office rationalisation + Access to €16bn corporate and retail deposits	– Will require IL&P shareholder approval – Materially increases IL&P's exposure to commercial property so unlikely to be well received by IL&P shareholders ▪ IL&P gross loans of €45bn are largely residential mortgages ▪ INBS €11.8bn portfolio is largely European, UK and Irish CRE with significant exposure to speculative CRE, high LTVs and high borrower concentration – Requires scheme of demutualisation: time-consuming and suitability of IL&P shares for INBS and EBS members, particularly in current markets – Combined entity will be highly reliant on wholesale funding (255% loan to deposit ratio) – INBS Baa1 Moody's rating (vs. IL&P Aa3) may affect enlarged group rating	Low
BoI / Anglo	+ Scope for synergies due to overlaps in UK & Irish CRE, Treasury and rationalisation of Irish head office functions + Potential to selectively strengthen Irish (and UK) corporate relationships + Access to around €45bn[(1)] corporate and retail deposits, although will not reduce BoI's loan to deposit ratio from 167%[(1)]	– Combined group will have €94bn CRE exposure: significant risk of increased impairments ▪ BoI: €35bn (at Mar 08) ▪ Anglo: €59bn (estimated at 82% of €73bn loans at Sep 08) – Requires BoI shareholder approval – Significantly increases BoI's exposure to commercial property (particularly development) so unlikely to be well received by shareholders – Little benefit for BoI's Irish and UK consumer business – Potential rating impact given Anglo S&P A rating vs. BoI A+: Cost of funding effect?	Low / Medium
AIB Standalone	+ Potential to boost core tier 1 through disposal of M&T stake ▪ €1.2bn gain on sale ▪ 1.1% core tier 1 ratio uplift + Further potential to sell Poland if additional capital needed	– Risk of significant further loan impairments on €49bn CRE portfolio ▪ Sizeable additional capital raising may be needed relative to current market cap and net asset value – Current core Tier 1 ratio is amongst lowest in sector at 6.2%	Medium

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

Option 2 – Review of Potential Combinations

	Attractions	Potential Issues	Attractiveness to Investors
IL&P / EBS	+ Combined entity will be relatively well-capitalised ▪ Limited capital injections required pre further loan impairments ▪ Access to additional retail deposits of €9bn from EBS members (stickier?) + Potentially increases EBS's access to capital markets through demutualisation + Strengthens IL&P's Irish mortgage leadership: Increases market share in residential mortgages + EBS is primarily a residential mortgage lender (c.11% commercial lending)	– Will require IL&P shareholder approval – Requires scheme of demutualisation: time-consuming and issues around suitability of IL&P shares for EBS members, particularly in current markets – Possible competition issues given IL&P's residential mortgage market share – Lacks scale in SME, personal lending and current accounts – Combined entity remains highly reliant on wholesale funding (278% loan to deposit ratio)	Low
AIB / Anglo	+ Scope for synergies due to overlap in UK & Irish CRE, Treasury and rationalisation of Irish head office functions + Potential to selectively strengthen Irish (and UK) corporate relationships + Access to around €45bn(1) corporate and retail deposits (at September 2008), although will not reduce AIB's loan to deposit ratio from 166%(2)	– Combined group will have €108bn CRE exposure: significant risk of increased impairments ▪ AIB: €49bn (at June 08) ▪ Anglo: €59bn (estimated at 82% of €72bn loans at Aug 08) – Requires AIB shareholder approval – Limited overlap with AIB's international businesses; increases AIB's reliance on Irish and UK economy – Little benefit for AIB's Irish and UK consumer and corporate business – Potential rating impact given Anglo S&P A rating vs. AIB A+: Cost of funding impact?	Low / Medium
BoI / INBS	+ Significant overlap of Irish CRE business may provide some scope for synergies, as well as branch and head office rationalisation + INBS surplus capital marginally improves BoI position	– Will require BoI shareholder approval – Combined business has €45bn CRE exposure: significant risk of increased impairments – Requires scheme of demutualisation: time consuming and issues around suitability of BoI shares for INBS members, particularly in current markets – Marginally increases BoI's reliance on wholesale funding (168% loan to deposit ratio)(3) – INBS Baa1 Moody's rating (vs. BoI Aa2) may affect enlarged group rating	Low / Medium

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

Alternative Irish Bank Combinations

- Options 1 and 2 are predicated on the whole Irish banking sector remaining publicly listed, and indeed, on the 2 building societies being demutualised as part of the process
- As an alternative scenario, 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 "bad 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
  - BoI with IL&P
  - AIB or BoI with EBS
  - AIB with BoI
- Given the combined market share of AIB and BoI, this merger is unlikely to be attractive
- In creating a "bad bank", it is assumed that the existing equity would be eliminated
  - Anglo and INBS have combined core tier 1 of €6,539m
  - This would potentially absorb losses resulting from impairments of the CRE portfolio
  - The Government could then look to sell the deposit base to further offset losses and to improve the funding mix of the remaining industry players
  - This would require the Government to fund the assets for a period as they run off

Alternative Irish Bank Combinations

	Attractions	Potential Issues	Attractiveness to Investors
AIB / IL&P	+ Potential for synergies through overlap in ■ Irish consumer banking ■ Irish life insurance ■ Head office & branch rationalisation + Strengthens AIB's capital base: pro forma core tier 1 of 6.5% + Limited additional CRE exposure	– Increased exposure to life EEV given equity market volatility – Potential competition issues given combined market share in mortgages – Further capital may still be required – Increases AIB's reliance on wholesale funding: loan to deposit ratio of 193%	**Medium**
BoI / IL&P	+ Potential for synergies through overlap in ■ Irish consumer banking ■ Irish life insurance ■ Head office & branch rationalisation + Strengthens BoI's capital base: pro forma core tier 1 of 6.3% + Limited additional CRE exposure	– Increased exposure to life EEV given equity market volatility – Potential competition issues given combined market share in mortgages – Further capital may still be required – Increases BoI's reliance on wholesale funding: loan to deposit ratio of 191%	**Medium**
AIB or BoI / EBS	+ Potential for significant synergies through overlap in Irish mortgage business and branch and head office rationalisation + Access to €9bn retail deposits + Limited additional CRE exposure	– Marginally increases loan to deposit ratio	**Medium**
AIB / BoI	+ Potential for significant synergies through overlap in ■ Irish consumer & commercial banking ■ Irish life insurance ■ Head office deduplication ■ Branch rationalisation + Relatively well-diversified funding mix, with combined loan to deposit ratio of 166%	– Potential competition issues given combined market share in current accounts, deposits, mortgages and unsecured lending – Combined group would have €83bn CRE exposure: ■ BoI: €35bn (at March 2008) ■ AIB: €49bn (at June 2008) – Requires AIB shareholder approval – Increases AIB's reliance on Irish and UK economy – BoI's exposure to UK specialist mortgages (€16bn at March 2008)	**Medium**

Potential Role for Private Equity 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

Potential Role for Private Equity Buyers

- In both scenarios, private equity buyers will want to conduct substantial due diligence on the loan portfolio and medium term funding outlook (post guarantee)
- An alternative role for private equity investors would be as co-investors (or indeed managers) of a state-sponsored "bad-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

Irish Banks Trading Multiples

Company	Share Price (€)	Market Value	P/E Multiples 2008E	P/E Multiples 2009E	P/Tang. NAV Multiples 2008E	P/Tang. NAV Multiples 2009E	Div Yield 2009E	RoTE 2008E
Allied Irish Banks	€3.17	€2.8bn	1.8x	2.8x	0.30x	0.29x	23.0%	16.8%
Anglo Irish Bank	€1.13	€0.9bn	0.8x	1.0x	0.17x	0.15x	19.8%	23.1%
Bank of Ireland	€1.36	€1.4bn	1.1x	1.6x	0.22x	0.21x	30.9%	20.3%
Irish Life & Permanent	€1.47	€0.4bn	0.9x	1.3x	0.16x	0.15x	50.0%	17.8%
		Min	0.8x	1.0x	0.16x	0.15x	19.8%	16.8%
		Mean	1.2x	1.7x	0.21x	0.20x	30.9%	19.5%
		Median	1.0x	1.4x	0.20x	0.18x	27.0%	19.1%
		Max	1.8x	2.8x	0.30x	0.29x	50.0%	23.1%

Source: *Reuters consensus estimates and Factset as at 28 October 2008*
Note: *Based on publicly available data*

Appendix - 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: 51.5%
  - EBS: 14.8%
  - INBS: 33.7%
- IL&P therefore issues €382m of new equity as consideration for INBS and EBS
  - P/TNAV multiple of 0.19x
- However, once PWC have completed their review of the loan portfolio, the merger ratios would be adjusted to reflect the core Tier 1 contribution post write-downs and impairments

Capital and Funding Impact

€m	IL&P	EBS	INBS	Funding	Goodwill	Pro Forma
Equity core Tier 1	4,798			382		5,180
Goodwill	(186)				1,588	1,401
Other deductions	(2,515)					(2,515)
Other core tier 1	0					
Core tier 1	2,096					4,066
Hybrid tier 1	0	244				244
Total tier 1	2,096	244		382	1,588	4,310
Tier 2	1,487	255	471			2,213
Supervisory deductions	(1,487)					(1,487)
Total capital	2,096					5,036
Risk Weighted Assets	25,204	10,790	15,492			51,486
Core Tier 1 Ratio	8.3%	5.6%	8.8%			7.9%
Tier 1 Ratio	8.3%	7.8%	8.8%			8.4%
Total Capital Ratio	8.3%	10.2%	11.9%			9.8%
Hybrid as % Tier 1	0.0%	28.9%	0.0%			5.7%
Equity Required for CT 1 Target of:						
7.5%	0	209	0			0
8.0%	0	263	0			53
8.5%	46	317	0			310
Key Funding Metrics						
Loans / Deposits	353.6%	176.6%	177.2%			254.7%
Wholesale funds / Deposits	235.7%	92.2%	99.5%			157.1%

- 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

BoI / Anglo
Capital Analysis

Assumptions

- Bank of Ireland acquires Anglo at market value
  - €862m on 28 October 2008
  - P/TNAV of 0.17x
- All share consideration: Anglo shareholders receive new BoI shares
- Merger ratio based on market value on 28 October 2008
  - BoI: 61.3%
  - Anglo: 38.7%
- This compares to contribution to core Tier 1 at 30 September 2008 (before additional loan impairments) of:
  - BoI: 56.9%
  - Anglo: 43.1%
- 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	7,943		862		8,805
Goodwill	(844)			4,307	3,463
Other deductions	(270)				(270)
Other core tier 1					
Core tier 1	6,829				11,998
Hybrid tier 1	3,078	2,493			5,571
Total tier 1	9,906	2,493	862	4,307	17,569
Tier 2	4,074	2,632			6,705
Supervisory deductions		(12)			(12)
Total capital	13,980				24,263
Risk Weighted Assets	116,100	85,159			201,259
Core Tier 1 Ratio	5.9%	6.1%			6.0%
Tier 1 Ratio	8.5%	9.0%			8.7%
Total Capital Ratio	12.0%	12.1%			12.1%
Hybrid as % Tier 1	31.1%	32.5%			31.7%
Equity Required for CT 1 Target of:					
7.5%	1,879	1,217			3,096
8.0%	2,459	1,643			4,102
8.5%	3,040	2,069			5,109
Implied Government Stake for CT 1 of:					
7.5%	57.9%	58.5%			58.2%
8.0%	64.3%	65.6%			64.8%
8.5%	69.0%	70.6%			69.6%
Key Funding Metrics					
Loans / Deposits	167.2%	162.1%			165.5%
Wholesale funds / Deposits	80.7%	79.5%			80.3%

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: 77.7%
  - EBS: 22.3%
- IL&P therefore issues €117m new equity as consideration for EBS
  - P/TNAV multiple of 0.19x
- However, once PWC have completed their review of the loan portfolio, the merger ratios would be adjusted to reflect the core Tier 1 contribution post write-downs and impairments

Capital and Funding Impact

€m	IL&P	EBS	Funding	Goodwill	Pro Forma
Equity core Tier 1	4,798		117		4,914
Goodwill	(186)			484	298
Other deductions	(2,515)				(2,515)
Other core tier 1					
Core tier 1	2,096				2,697
Hybrid tier 1		244			244
Total tier 1	2,096	244	117	484	2,940
Tier 2	1,487	255			1,742
Supervisory deductions	(1,487)				(1,487)
Total capital	2,096				3,195
Risk Weighted Assets	25,204	10,790			35,994
Core Tier 1 Ratio	8.3%	5.6%			7.5%
Tier 1 Ratio	8.3%	7.8%			8.2%
Total Capital Ratio	8.3%	10.2%			8.9%
Hybrid as % Tier 1	0.0%	28.9%			8.3%
Equity Required for CT 1 Target of:					
7.5%	0	209			3
8.0%	0	263			183
8.5%	46	317			363
Implied Government Stake for CT 1 of:					
7.5%	0.0%	n.a.			0.6%
8.0%	0.0%	n.a.			25.9%
8.5%	10.2%	n.a.			40.9%
Key Funding Metrics					
Loans / Deposits	353.6%	176.6%			277.9%
Wholesale funds / Deposits	235.7%	92.2%			174.3%

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

AIB / Anglo
Capital Analysis

Assumptions

- Allied Irish Banks acquires Anglo at market value
  - €862m on 28 October 2008
  - P/TNAV of 0.17x
- All share consideration: Anglo shareholders receive BoI shares
- Merger ratio based on market value on 28 October 2008
  - BoI: 76.4%
  - Anglo: 23.6%
- This compares to contribution to core Tier 1 at 30 September 2008 (before additional loan impairments) of:
  - BoI: 63.2%
  - Anglo: 36.8%
- 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	10,762		862		11,624
Goodwill	(1,773)			4,307	2,534
Other deductions	(115)				(115)
Other core tier 1					
Core tier 1	8,873				14,043
Hybrid tier 1	2,444	2,493			4,937
Total tier 1	11,317	2,493	862	4,307	18,980
Tier 2	4,326	2,632			6,958
Supervisory deductions	(863)	(12)			(875)
Total capital	14,780				25,063
Risk Weighted Assets	143,834	85,159			228,993
Core Tier 1 Ratio	6.2%	6.1%			6.1%
Tier 1 Ratio	7.9%	9.0%			8.3%
Total Capital Ratio	10.3%	12.1%			10.9%
Hybrid as % Tier 1	21.6%	32.5%			26.0%
Equity Required for CT 1 Target of:					
7.5%	1,914	1,217			3,131
8.0%	2,633	1,643			4,276
8.5%	3,352	2,069			5,421
Implied Government Stake for CT 1 of:					
7.5%	40.6%	58.5%			46.1%
8.0%	48.5%	65.6%			53.9%
8.5%	54.5%	70.6%			59.7%
Key Funding Metrics					
Loans / Deposits	166.3%	162.1%			164.7%
Wholesale funds / Deposits	98.9%	79.5%			91.7%

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: 83.3%
  - EBS: 16.7%
- BoI therefore issues €274m new equity as consideration for INBS
  - P/TNAV multiple of 0.20x (at 30 September)
- However, once PWC have completed their review of the loan portfolio, the merger ratios would be adjusted to reflect the core Tier 1 contribution post write-downs and impairments

Capital and Funding Impact

€m	BoI	INBS	Funding	Goodwill	Pro Forma
Equity core Tier 1	7,943		274		8,217
Goodwill	(844)			1,096	252
Other deductions	(270)				(270)
Other core tier 1					
Core tier 1	6,829				8,198
Hybrid tier 1	3,078				3,078
Total tier 1	9,906		274	1,096	11,276
Tier 2	4,074	471			4,545
Supervisory deductions					
Total capital	13,980				15,821
Risk Weighted Assets	116,100	15,492			131,592
Core Tier 1 Ratio	5.9%	8.8%			6.2%
Tier 1 Ratio	8.5%	8.8%			8.6%
Total Capital Ratio	12.0%	11.9%			12.0%
Hybrid as % Tier 1	31.1%				27.3%
Equity Required for CT 1 Target of:					
7.5%	1,879	0			1,671
8.0%	2,459	0			2,329
8.5%	3,040	0			2,987
Implied Government Stake for CT 1 of:					
7.5%	57.9%	n.a.			50.5%
8.0%	64.3%	n.a.			58.7%
8.5%	69.0%	n.a.			64.6%
Key Funding Metrics					
Loans / Deposits	167.2%	177.2%			168.0%
Wholesale funds / Deposits	80.7%	99.5%			82.1%

AIB / IL&P
Capital Analysis

Assumptions

- Allied Irish Banks acquires Irish Life & Permanent at market value
  - €407m on 28 October 2008
  - P/TNAV of 0.09x
- All share consideration: IL&P shareholders receive new AIB shares
- Merger ratio based on market value on 28 October 2008
  - AIB: 87.3%
  - IL&P: 12.7%
- This compares to contribution to core Tier 1 at 30 September (before additional loan impairments) of:
  - AIB: 80.9%
  - IL&P: 19.1%
- 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	10,762		407		11,168
Goodwill	(1,773)			4,204	2,431
Other deductions	(115)	(2,515)			(2,630)
Other core tier 1					
Core tier 1	8,873				10,969
Hybrid tier 1	2,444				2,444
Total tier 1	11,317		407	4,204	13,413
Tier 2	4,326	1,487			5,813
Supervisory deductions	(863)	(1,487)			(2,350)
Total capital	14,780				16,876
Risk Weighted Assets	143,834	25,204			169,038
Core Tier 1 Ratio	6.2%	8.3%			6.5%
Tier 1 Ratio	7.9%	8.3%			7.9%
Total Capital Ratio	10.3%	8.3%			10.0%
Hybrid as % Tier 1	21.6%				18.2%
Equity Required for CT 1 Target of:					
7.5%	1,914	0			1,708
8.0%	2,633	0			2,554
8.5%	3,352	46			3,399
Implied Government Stake for CT 1 of:					
7.5%	40.6%	0.0%			34.8%
8.0%	48.5%	0.0%			44.3%
8.5%	54.5%	10.2%			51.5%
Key Funding Metrics					
Loans / Deposits	166.3%	353.6%			193.1%
Wholesale funds / Deposits	98.9%	235.7%			118.5%

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

BoI / IL&P
Capital Analysis

Assumptions

- Bank of Ireland acquires Irish Life & Permanent at market value
  - €407m on 28 October 2008
  - P/TNAV of 0.09x
- All share consideration: IL&P shareholders receive new BoI shares
- Merger ratio based on market value on 28 October 2008
  - BoI: 77.0%
  - IL&P: 23.0%
- This compares to contribution to core Tier 1 at 30 September (before additional loan impairments) of:
  - BoI: 76.5%
  - IL&P: 23.5%
- 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	7,943		407		8,350
Goodwill	(844)			4,204	3,360
Other deductions	(270)	(2,515)			(2,786)
Other core tier 1					
Core tier 1	6,829				8,925
Hybrid tier 1	3,078				3,078
Total tier 1	9,906		407	4,204	12,002
Tier 2	4,074	1,487			5,560
Supervisory deductions		(1,487)			(1,487)
Total capital	13,980				16,076
Risk Weighted Assets	116,100	25,204			141,304
Core Tier 1 Ratio	5.9%	8.3%			6.3%
Tier 1 Ratio	8.5%	8.3%			8.5%
Total Capital Ratio	12.0%	8.3%			11.4%
Hybrid as % Tier 1	31.1%				25.6%
Equity Required for CT 1 Target of:					
7.5%	1,879	0			1,673
8.0%	2,459	0			2,380
8.5%	3,040	46			3,086
Implied Government Stake for CT 1 of:					
7.5%	57.9%	0.0%			48.6%
8.0%	64.3%	0.0%			57.3%
8.5%	69.0%	10.2%			63.5%
Key Funding Metrics					
Loans / Deposits	167.2%	353.6%			191.1%
Wholesale funds / Deposits	80.7%	235.7%			100.5%

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

AIB / BoI
Capital Analysis

Assumptions

- Allied Irish Banks acquires Bank of Ireland at market value
  - €1,366m on 28 October 2008
  - P/TNAV of 0.19x
- All share consideration: BoI shareholders receive new AIB shares
- Merger ratio based on market value on 28 October 2008
  - AIB: 67.2%
  - BoI: 32.8%
- This compares to contribution to core Tier 1 at 30 September (before additional loan impairments) of:
  - AIB: 56.5%
  - BoI: 43.5%
- 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	10,762		1,366		12,127
Goodwill	(1,773)			5,733	3,960
Other deductions	(115)	(270)			(386)
Other core tier 1					
Core tier 1	8,873				15,702
Hybrid tier 1	2,444	3,078			5,521
Total tier 1	11,317	3,078	1,366	5,733	21,224
Tier 2	4,326	4,074			8,400
Supervisory deductions	(863)				(863)
Total capital	14,780				28,760
Risk Weighted Assets	143,834	116,100			259,934
Core Tier 1 Ratio	6.2%	5.9%			6.0%
Tier 1 Ratio	7.9%	8.5%			8.2%
Total Capital Ratio	10.3%	12.0%			11.1%
Hybrid as % Tier 1	21.6%	31.1%			26.0%
Equity Required for CT 1 Target of:					
7.5%	1,914	1,879			3,793
8.0%	2,633	2,459			5,093
8.5%	3,352	3,040			6,392
Implied Government Stake for CT 1 of:					
7.5%	40.6%	57.9%			47.7%
8.0%	48.5%	64.3%			55.0%
8.5%	54.5%	69.0%			60.6%
Key Funding Metrics					
Loans / Deposits	166.3%	167.2%			166.8%
Wholesale funds / Deposits	98.9%	80.7%			89.2%

Loan Loss Provisions – Summary of Analyst Forecasts

Allied Irish Banks

2009	**Merrill Lynch Stress Test**	**Citi**	**JPMorgan**	**Goodbody**	**Average Ex. ML**
Loan loss provision (€m)	(3,609)	(1,432)	(1,567)	(1,941)	**(1,647)**
Total loans (€bn)	147.3	142.6	139.7	130.2	**137.5**
LLP/Loans	245bps	100bps	112bps	149bps	**120bps**
2010					
Loan loss provision (€m)	n.a.	(1,904)	(1,974)	(1,774)	**(1,884)**
Total loans (€bn)	n.a.	148.9	144.9	126.7	**140.2**
LLP/Loans	n.a.	128bps	136bps	140bps	**134bps**

Bank of Ireland(1)

2009	**Merrill Lynch Stress Test**	**Citi**	**JPMorgan**	**Goodbody**	**Average Ex. ML**
Loan loss provision (€m)	(2,444)	(1,695)	(1,429)	(1,721)	**(1,615)**
Total loans (€bn)	138.1	147.3	146.1	131.2	**141.5**
LLP/Loans	177bps	115bps	98bps	131bps	**114bps**
2010					
Loan loss provision (€m)	n.a.	(2,312)	(1,658)	(1,547)	**(1,839)**
Total loans (€bn)	n.a.	153.2	151.3	123.8	**142.8**
LLP/Loans	n.a.	151bps	110bps	125bps	**129bps**

Anglo Irish Bank(2)

2009	**Merrill Lynch Stress Test**	**Citi**	**JPMorgan**	**Goodbody**	**Average Ex. ML**
Loan loss provision (€m)	(2,179)	(883)	(1,165)	(906)	**(985)**
Total loans (€bn)	81.0	73.9	76.5	69.4	**73.3**
LLP/Loans	269bps	119bps	152bps	130bps	**134bps**
2010					
Loan loss provision (€m)	n.a.	(1,948)	(1,365)	(1,015)	**(1,443)**
Total loans (€bn)	n.a.	77.0	77.7	68.0	**74.2**
LLP/Loans	n.a.	253bps	176bps	149bps	**194bps**

(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*

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