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If you are in any doubt as to the action you should take, you are recommended to immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser (being, in the case of Ordinary Stockholders in Ireland, an organisation or firm authorised or exempted pursuant to the European Communities (Markets in Financial Instruments) Regulations (Nos. 1 to 3) 2007 or the Investment Intermediaries Act 1995, and in the case of Ordinary Stockholders in the United Kingdom, an organisation or firm authorised or exempted pursuant to the Financial Services and Markets Act 2000 (“FSMA”) or from another appropriately authorised independent financial adviser if you are in a territory outside Ireland or the United Kingdom).

If you sell or have sold or have otherwise transferred all of your registered holding of capital stock in Bank of Ireland, please send this Circular, together with the accompanying Form of Proxy, as soon as possible, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. The distribution of such documents into certain jurisdictions may be restricted by law and therefore persons into whose possession such documents come should inform themselves about and observe such restrictions. In particular, such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations. If you sell or have sold or transferred, or otherwise disposed of, only part of your registered holding of capital stock in the Bank, you should retain this Circular and accompanying Form of Proxy and consult the stockbroker, bank or other agent through whom you made the sale, transfer or disposal.

Bank of Ireland Group

The Governor and Company of the Bank of Ireland

(Established in Ireland by Charter in 1783 and having limited liability with registered no. C-1)

**Proposed application by Bank of Ireland to become a Participating Institution in NAMA,
Proposed amendment of the Bye-laws of Bank of Ireland
and
Notice of Extraordinary General Court**

Your attention is drawn to the letter from the Governor which is set out in Part I of this Circular and which recommends you vote in favour of the Resolutions to be proposed at the Extraordinary General Court to be held at 11.00 am on 12 January 2010 at O'Reilly Hall, University College Dublin, Belfield, Dublin 4, Ireland. Please read the whole of this Circular.

This Circular does not contain any offer to the public to purchase or subscribe for securities within the meaning of the Prospectus (Directive 2003/71/EC) Regulations 2005, the Prospectus Regulations 2005 of the United Kingdom or otherwise. This Circular does not constitute a prospectus for the purpose of Directive 2003/71/EC.

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This document has been issued by the Bank. None of NAMA, the NTMA, the NPRFC, the Minister for Finance or the Department of Finance is responsible for the contents of this Circular or for any other statement made, or purported to be made, by any of them in connection with the matters referred to in this Circular. Each of NAMA, the NTMA, the NPRFC, the Minister for Finance and the Department of Finance accordingly disclaims any and all liabilities whether arising in tort, or contract or otherwise which it might otherwise have in respect of this Circular or any such statement.

Notice of an Extraordinary General Court of the Bank, to be held at 11.00 am on 12 January 2010 at O'Reilly Hall, University College Dublin, Belfield, Dublin 4, Ireland is set out at the end of this Circular. A Form of Proxy for use at the Extraordinary General Court is enclosed. To be valid, **Forms of Proxy** should be completed and **returned** either electronically via the internet at www.computershare.com/ie/voting/bankofireland or via the CREST system or by hand or post to Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland to arrive **by no later than 11.00 am on 10 January 2010**.

Completion and return of a Form of Proxy will not preclude an Ordinary Stockholder from attending and voting at the Extraordinary General Court, should he, she or it, so wish.

FORWARD LOOKING STATEMENTS

This Circular and the documents accompanying it contain certain forward looking statements, including within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933, with respect to certain of the Group's plans, its current goals and expectations relating to its future financial condition and performance and the markets in which it operates.

These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements sometimes use words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "believe", "target", "goal", "should", "would", "plan", "seek", "continue" or such other words of similar meaning. Examples of forward looking statements include among others, statements regarding the Group's future financial position, income growth, business strategy, projected costs, projected impairment losses, estimates of capital expenditures, and plans and objectives for future operations.

Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward looking statements. Such risks and uncertainties are set out in Part II of this Circular – Risk Factors.

The Directors can give no assurance that such expectations will prove to have been correct and therefore caution you not to place undue reliance on these forward looking statements, which speak only as at the date of this Circular.

Except as required by the Financial Regulator, the Irish Stock Exchange, the UK Listing Authority, the London Stock Exchange, the New York Stock Exchange or applicable law, the Bank does not have any obligation to update or revise publicly any forward looking statement, whether as a result of new information, further or future events or otherwise. Except as required by the Financial Regulator, the Irish Stock Exchange, the UK Listing Authority, the London Stock Exchange, the New York Stock Exchange or applicable law, the Bank expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Bank's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates below is indicative only.

Posting of Circular to Stockholders	18 December 2009
Latest time and date for receipt of Forms of Proxy	11.00 am on 10 January 2010
Extraordinary General Court	11.00 am on 12 January 2010

General notes:

- (a) The times and dates of the Extraordinary General Court and/or the latest time and date for receipt of Forms of Proxy set out in the expected timetable above and mentioned throughout this Circular are subject to change if the Extraordinary General Court is adjourned or postponed to a later time or date. Details of the new times and dates will be notified to the Irish Stock Exchange, the London Stock Exchange, the UK Listing Authority, the New York Stock Exchange, notified to a regulatory information service and, where appropriate, Stockholders.
- (b) References to times in this Circular are to Dublin times unless otherwise stated.

IMPORTANT NOTE REGARDING DEFINITIONS

This Circular, including the letter from the Governor of Bank of Ireland, uses a number of technical and other terms that are capitalised and defined in more detail in the Definitions section at pages 55 to 59 of this Circular.

SOURCES

The information on NAMA in Part I of this Circular – Letter from the Governor of Bank of Ireland and in Part III of this Circular – Information on NAMA is derived from the National Asset Management Agency Act 2009, the Valuation Regulations, the draft NAMA Business Plan dated 13 October 2009, the announcements by the Minister for Finance and/or the Department of Finance on 7 April 2009, 30 July 2009 and 16 September 2009 and the guidance note issued on behalf of NAMA by the NTMA on 5 December 2009 in respect of the key features of the Government guaranteed bonds and subordinated bonds to be issued in respect of the Eligible Bank Assets acquired by NAMA.

PART I
LETTER FROM THE GOVERNOR OF BANK OF IRELAND

Bank of Ireland Group 

*Governor
Head Office
Lower Baggot Street
Dublin 2*

18 December 2009

Dear Stockholder

PROPOSED APPLICATION BY BANK OF IRELAND TO BECOME A PARTICIPATING INSTITUTION UNDER THE NATIONAL ASSET MANAGEMENT AGENCY ACT 2009 AND PROPOSED AMENDMENT OF THE BYE-LAWS OF BANK OF IRELAND

1. Introduction

The National Asset Management Agency Act 2009 (the “Act”) which was enacted on 22 November 2009, provides for the establishment of the National Asset Management Agency (“NAMA”) on the day appointed by order of the Minister for Finance, expected to be a date shortly after the date of this Circular. The Act provides for a 60 day period from the date of establishment of NAMA during which eligible financial institutions may apply to participate in NAMA. Participation in NAMA is a pre-condition to any transfer of Eligible Bank Assets to NAMA.

The Bank’s participation in NAMA and the transfer of BoI Eligible Bank Assets to NAMA would constitute a Class 1 transaction and a related party transaction under the Listing Rules. The participation by Bank of Ireland in NAMA and the transfer of BoI Eligible Bank Assets to NAMA is therefore conditional upon the approval by Ordinary Stockholders of the NAMA Resolution (Resolution 1) set out in the Notice of Extraordinary General Court set out at page 60 of this Circular.

The purpose of this letter is to give you further detail on the implications of participation in NAMA for Bank of Ireland and to explain why your Court considers the Bank’s participation to be fair and reasonable and in the best interests of Stockholders as a whole and, accordingly, why the Directors believe that Ordinary Stockholders should vote in favour of the NAMA Resolution at the Extraordinary General Court. In forming this view, the Court has given careful consideration to alternatives to the Bank’s participation in NAMA. The Court believes that participation in NAMA and the transfer of BoI Eligible Bank Assets to NAMA should facilitate the removal from our balance sheet of certain assets about which the market has concerns regarding their absolute value and should further significantly enhance the Bank’s liquidity and access to funding. The NAMA Resolution requires the approval of 75% of votes cast by Ordinary Stockholders.

In addition to the NAMA Resolution, three other resolutions are being proposed at the Extraordinary General Court which are unrelated to participation in NAMA. These concern the amendment of the Bye-laws of the Bank so as to allow certain resolutions to be passed by an ordinary resolution (which require a simple majority of votes cast) rather than by special resolution (which require 75% of votes cast) and to permit the convening of certain Extraordinary General Courts on 14 days notice rather than 21 days notice. These resolutions are intended to bring the Bank’s procedures in this regard into line with the provisions of the Irish Companies Acts relating to required notice periods for general meetings and the required approval threshold for passing shareholder resolutions. In doing so, the Bank would be adopting practices consistent with the normal practice of Irish and UK listed companies.

2. Background to NAMA

In the latter part of 2008 financial institutions across the world faced unprecedented conditions and were facing severe liquidity constraints. Irish financial institutions experienced extreme stress from this global turmoil in addition to rapidly deteriorating economic conditions particularly in Ireland.

The Bank began active discussions with the Department of Finance on these matters over 12 months ago. The Government recognised the immediate need to stabilise Irish financial institutions and create greater certainty for all stakeholders. The process commenced with the establishment of the CIFS Guarantee Scheme in September 2008 under which the Minister for Finance guaranteed certain liabilities of covered institutions, including the Bank, until 29 September 2010. This was followed by the investment of €3.5 billion into the Bank by way of core tier 1 qualifying 8% coupon redeemable preference shares, with warrants over 25% of the then diluted Ordinary Stock of

the Bank, on 31 March 2009. Subsequently, the Minister for Finance announced the ELG Guarantee Scheme in his speech on 16 September 2009 (the “Minister’s Speech”), which is intended to facilitate covered institutions, including the Bank, issuing debt securities and securing deposits which are due to mature after the expiry of the CIFS Guarantee Scheme. The ELG Guarantee Scheme has been approved by the European Commission under State aid rules and has also been approved by the Houses of the Oireachtas (parliament of Ireland) and the Bank expects to join the scheme in January 2010. The establishment of NAMA is an important step in the process to provide a systemic solution to the issues encountered within the Irish banking sector since September 2008 and to facilitate the flow of credit into the Irish economy.

3. NAMA

On 7 April 2009, the Minister for Finance announced that NAMA would be established with the purpose of strengthening the Irish financial sector. The NAMA legislation was passed by the Houses of the Oireachtas (parliament of Ireland) on 12 November 2009 and was signed into law by the President of Ireland on 22 November 2009. A commencement order to effect the establishment of NAMA is expected shortly.

NAMA is to acquire from Participating Institutions Eligible Bank Assets, that is, land and development loans and certain associated loans (which are expected to comprise non-land and non-development related loans to borrowers of land and development related loans, or loans to certain associated entities of borrowers who had provided security in respect of the land or development related loans). Individual institutions may apply and be accepted as Participating Institutions in NAMA. The Minister’s Speech announced that it was expected that NAMA would purchase loans, principally land and development loans together with associated loans with an aggregate initial book value of approximately €77 billion from five financial institutions, including the Bank. The geographic distribution of the loans relates to exposures both within and outside Ireland.

In acquiring such assets, NAMA will apply a valuation methodology which will take cognisance of both the current market value and long term economic value on a loan by loan basis. The Minister’s Speech estimated that NAMA would pay approximately €54 billion for the total portfolio of loans to be transferred by all Participating Institutions, thus implying an estimated aggregate gross write-down of approximately 30% on average for the Participating Institutions. The Minister’s estimates include a premium of approximately €7 billion over the estimated current market value of the assets to reflect the long-term economic value in the valuation methodology. The Minister for Finance also noted that loan quality, geographic distribution and type of loans would vary from institution to institution. He further noted that each loan would be valued individually and, on this basis, the aggregate discount applied to original loan values in determining the consideration to be paid by NAMA would vary from institution to institution.

We are advised that the Eligible Bank Assets are expected to be transferred on a phased basis from February 2010, with the largest systemic exposures to the Irish banking system transferred first. NAMA plans to complete the transfer of the Eligible Bank Assets by the middle of 2010.

A number of uncertainties exist as to the specific quantum and timing of loans which may transfer to NAMA, the price that NAMA would pay for those loans, the fees that would be paid for any work undertaken in relation to such loans and the ‘fair value’ of the consideration to be received.

As consideration for Eligible Bank Assets transferred, it was indicated in the Minister’s Speech that NAMA would issue to financial institutions a combination of Government guaranteed bonds, to be either issued by the Minister for Finance or by NAMA and guaranteed by the Minister for Finance (not less than 95% of the consideration) and subordinated bonds (not more than 5% of the consideration). These Government guaranteed bonds are expected to be marketable instruments that are capable of being pledged as funding collateral to debt market investors and to monetary authorities such as the ECB.

Payments on the subordinated bonds are expected to be subject to the requirement that NAMA has sufficient funds, both annually (in respect of coupon payments) and in order to repay the Government guaranteed bonds and subordinated bonds, based on a measure of financial performance of NAMA in totality (rather than on the financial performance of the Eligible Bank Assets acquired from any particular Participating Institution). The subordinated bonds will not be guaranteed by the Irish Government and therefore might not be marketable, could have a value less than their nominal face value and/or ultimately may not be paid in full.

The loss on disposal of Eligible Bank Assets will be tax deductible. However, the use of such tax losses in future years will be restricted as set out in more detail in Part III of this Circular – Information on NAMA under the heading “Availability of Tax Losses”.

In addition, the Act provides that, on the later of ten years after the passing of the Act or the dissolution, restructuring or material alteration of NAMA, in the event that the accounts of NAMA disclose an underlying loss,

the Minister for Finance may bring forward legislation to impose a special tax by way of surcharge on Participating Institutions.

The potential benefits of NAMA to the Irish banking system include:

- increased confidence as to banks' asset quality and greater clarity on impairment charges on property and construction loans;
- a reduction in the level of banks' risk weighted assets; and
- significant improvement in banks' liquidity and funding positions, facilitating the ability of banks to support the economy.

Further information on NAMA is set out in Part III of this Circular – Information on NAMA.

4. Implications of NAMA for Bank of Ireland

Participation in NAMA is conditional on the Bank making a successful application to be designated as a Participating Institution. The designation of the Bank as a Participating Institution would operate to designate as Participating Institutions all of its subsidiaries (save any subsidiaries excluded by the Minister for Finance at the request of the Bank). If accepted as a Participating Institution, NAMA will review the Eligible Bank Assets of the Bank and determine, at its sole discretion, which assets to acquire and the terms on which they will be acquired. The Bank will be required to transfer BoI Eligible Bank Assets in accordance with directions issued by NAMA (subject only to limited grounds of appeal). The Bank will not have control over the identity or quantity of the BoI Eligible Assets to transfer to NAMA, or over the terms on which they transfer. Further details of this are set out in Part III of this Circular – Information on NAMA.

As a Class 1 transaction and a related party transaction under the Listing Rules, the participation by the Bank in NAMA requires the approval of Ordinary Stockholders. The Bank has 60 days from the date that NAMA is established, in which to apply to participate in NAMA. The Bank would apply promptly to participate in NAMA following approval of the NAMA Resolution. Once this application is accepted, the Bank will be legally bound to participate in NAMA and will be subject to NAMA's statutory powers – further details of which are set out in Part III of this Circular – Information on NAMA. The time for the Bank to seek the approval of the Ordinary Stockholders, therefore, is prior to the initial application of the Bank to participate in NAMA.

The precise quantum of the assets which would be included in the BoI Eligible Bank Assets and the terms of transfer have yet to be established. The details will be determined only upon conclusion by NAMA of the detailed loan-by-loan valuation exercise, the results of which will become known shortly prior to the transfer of the tranche of which the relevant loan is a component.

Based on the Minister's Speech, the Bank's portfolio of potential BoI Eligible Bank Assets to be transferred to NAMA of up to approximately €16 billion could as at 30 September 2009 be made up as follows:

	Land & Development ⁽¹⁾ €bn	Associated ⁽²⁾ €bn	Total €bn
Ireland	5.8	2.9	8.7
UK	4.0	2.9	6.9
Rest of World	0.2	0.2	0.4
Total	10.0	6.0	16.0
Impairment Provisions at 30 September 2009	1.3 ⁽³⁾	0.1 ⁽³⁾	1.4 ⁽³⁾

Notes

(1) Loans provided by the Bank for the acquisition of land, or secured by land, or for the purposes of funding development costs on land. Source of financial information: The Minister's Speech and Internal Unaudited Management Information.

(2) Non-land and non-development related loans, predominantly loans for investment property. Source of financial information: The Minister's Speech and Internal Unaudited Management Information.

(3) Source: Internal Unaudited Management Information on the basis of IFRS accounting, excluding the potential impact of NAMA.

The Minister's Speech's estimate of up to approximately €16 billion equates to approximately 12% of the Bank's total loans and advances to customers at 30 September 2009.

The acquisition price to be paid by NAMA for Eligible Bank Assets will be at a level between the market value (being the amount that would be paid by a willing buyer to a willing seller in an arm's length transaction after proper marketing (where appropriate) where both parties act knowledgeably, prudently and without compulsion)

and the long-term economic value (being the value that can reasonably be expected to be attained in a stable financial system where the crisis conditions prevailing at the passing of the Act are ameliorated) of such assets. In determining the market value of any Eligible Bank Assets, NAMA may take account of any market value submitted by the Participating Institution, any valuation reports prescribed by the Minister for Finance, and any previous value determined by NAMA for a similar asset or property. The Minister for Finance may make regulations prescribing the adjustment factors that may be taken into account in determining the long-term economic value of the assets. The Bank would have limited grounds of appeal in respect of valuations imposed by NAMA. Further information on the valuation methodology to be used by NAMA and the appeals process is set out in Part III of this Circular – Information on NAMA under the headings “*Valuation Methodology*” and “*Review of Acquisition Decisions*”.

The Bank does not yet have details of the final discount that will be applied on the transfer of Eligible Bank Assets. The Bank has undertaken a preliminary internal valuation analysis of a sample of the loans which may be eligible to transfer to NAMA. This analysis involved applying the principles set out in the Act and the latest draft Valuation Regulations to the sample. The Bank’s preliminary internal valuation analysis has been reviewed by NAMA and the Department of Finance. On the basis of this preliminary internal valuation exercise, recent interaction with NAMA and the Department of Finance and the Minister’s estimate of €16 billion of BoI Eligible Bank Assets, the Directors believe that the average discount on disposal applicable to the BoI Eligible Bank Assets (prior to any impairment previously recognised by the Bank) should not be greater than the estimated average discount for all Participating Institutions of 30% as indicated in the Minister’s Speech. However, it should be noted that the final discount and portfolio composition will be known only on completion of the relevant due diligence and valuation exercises to be performed by NAMA on a loan by loan basis and after the final tranche of loans to NAMA has been transferred.

A number of uncertainties exist as to the specific quantum and timing of loans which may transfer to NAMA, the price that NAMA would pay for those loans, the fees that the Bank would be paid for any work undertaken in relation to such loans and the ‘fair value’ of the consideration to be received. Therefore a number of uncertainties remain as to the final discount which would be applicable to the Bank.

5. Financial Effects, Impact on Bank of Ireland and Use of Proceeds

As consideration for the loans transferred, the Bank will receive Government guaranteed bonds representing no less than 95% of the consideration with the balance of no more than 5% to comprise subordinated bonds issued by NAMA. The Bank is expected to have the option to use these Government guaranteed bonds as collateral to raise liquidity from monetary authorities if the Bank considers it appropriate to do so. The ability to generate liquidity from these bonds will better position the Bank to meet its objectives of deleveraging the balance sheet while supporting sensible lending growth.

On the basis of the Minister’s Speech, if the Bank participates in NAMA it could be required to transfer up to €16 billion of BoI Eligible Bank Assets from its balance sheet. If one were to apply, for illustrative purposes, the Minister’s estimated average discount for all Participating Institutions of 30% and the Minister’s estimate of BoI Eligible Bank Assets of up to €16 billion, the Bank would receive consideration of approximately €11.2 billion and would be required to recognise a loss before tax on disposal of approximately €3.4 billion (after adjusting for €1.4 billion of impairment provisions recognised at 30 September 2009 but before applying a fair value adjustment to the subordinated bonds). As the transfers will not take place immediately upon the commencement of participation in NAMA, but over a period of time (which is expected to be completed by mid 2010), the losses on disposal are likely to be recognised over more than one accounting period. On the basis of the Minister’s Speech, the Court believes that this potential loss on disposal represents the maximum loss likely to be incurred on the sale of loans to NAMA.

While the loss on disposal of BoI Eligible Bank Assets will be tax deductible, the timing for the use of such tax losses as a deduction against profits generated in future years will be restricted as set out in more detail in Part III of this Circular – Information on NAMA under the heading “*Availability of Tax Losses*”.

The capital impact of NAMA will be mainly dependent on the quantum of assets transferred, the discount applied and the level of impairments recognised prior to the date of transfer.

Based on the estimate in the Minister’s Speech, the Bank estimates the disposal of BoI Eligible Bank Assets would reduce the risk weighted assets of the Bank by approximately €15.2 billion. The loss on transfer of the BoI Eligible Bank Assets would also impact our capital base by reducing our capital ratios. As at 30 September 2009 (as set out in the 2009 Unaudited Interim Results), the Bank’s Equity Tier 1 Ratio was 6.6%, the Core Tier 1 Ratio was 10.1% and the Total Tier 1 Ratio was 11.0%. If one applies the Minister for Finance’s estimated aggregate discount of 30% for all Participating Institutions to his estimate of potential BoI Eligible Bank Assets of up to approximately €16 billion, the Bank’s proforma Equity Tier 1, Core Tier 1 and Total Tier 1 ratios as at 30 September 2009 would

have been 4.2%, 8.3% and 9.5% respectively. These proforma percentages assume that the transfer of assets all takes place in a single accounting period with the associated capital impact therefore being taken as at 30 September 2009. Further details on the Bank's capital ratios are set out in Part IV of this Circular – Financial Information.

If the quantum of loans actually transferred to NAMA is less than the approximately €16 billion estimated by the Minister, there will be a number of impacts: as less Government guaranteed bonds would be received, access to liquidity may decrease by a commensurate amount than would be the case had the full €16 billion of assets transferred to NAMA; risk weighted assets might not decrease by a commensurate amount which could lead to a higher capital requirement; and as there would be a smaller transfer of assets, there could be a smaller loss on disposal (although further impairment provisions could arise).

Once the BoI Eligible Bank Assets are transferred to NAMA, the Bank will no longer receive income from these assets. The Bank expects this loss of income would be partially offset by the interest income the Bank would receive from the securities issued as consideration by NAMA or the Minister for Finance on transfer of BoI Eligible Bank Assets. The interest rate on these securities is not yet known at the date of this Circular. There may also be some benefits to the Bank's funding costs from the impact of the increased liquidity provided by NAMA to the Irish banking system, including the Bank.

The Bank understands that the credit management of the transferred loans will be undertaken by NAMA with the day-to-day administrative management of most loans remaining with the Bank. It is expected that NAMA will pay fees to the Bank for this management. Routine credit decisions in respect of borrowers who do not comprise the largest 100-150 borrowers by value of loans could be delegated by NAMA to the Bank.

6. Core Business Priorities

Stabilisation of the Bank has been the immediate management objective in the current financial year. The Directors believe that the Bank, with the support of the Irish Government, our Stockholders, our customers, our investors and staff, has made significant progress across our stated priorities as outlined in the 2009 Unaudited Interim Results. The Directors also believe that the Bank's participation in NAMA should further contribute to the achievement of these objectives.

Supporting our customers

Bank of Ireland has fundamentally sound businesses with strong franchises and well established market positions. Our retail and commercial banking activities have a strategic bias towards Ireland and to those international businesses where we have clear competitive strengths and capabilities. Over the course of 2009 we have taken steps to commence the de-leveraging of our balance sheet, narrowing our focus in international markets towards those sectors where we are confident of the opportunities for sustainable profitable growth within acceptable balance sheet management constraints.

We remain committed to the UK market. We will continue to invest in our joint ventures with the UK Post Office building the Post Office Financial Services franchise. We have narrowed our focus in the UK SME market to those business segments, including healthcare and hospitality where we have competitive strengths and well established market positions. Our branch network is at the core of our important franchise in Northern Ireland.

Internationally, our corporate lending focus is on project finance, mid-market acquisition finance and asset based lending through Burdale Financial Limited where credit quality has held up well, pricing has proved robust and which provide sustainable growth opportunities.

Strengthening Capital

In June 2009 we announced the successful completion of a debt re-purchase programme of €1.7 billion of euro, sterling and US dollar denominated non-core tier 1 securities. This initiative increased our equity tier 1 by €1.037 billion.

The Group is subject to extensive regulation and regulatory supervision in relation to the levels of capital in its business. Further information on the Group's core capital ratios is set out in Part V of this Circular – Unaudited Pro Forma Financial Information.

The Directors may consider raising additional equity finance in the future to pursue the Bank's strategy or to improve the resilience of the Group's balance sheet.

Funding our balance sheet effectively

The strength of the Bank of Ireland brand and franchise together with the scale of our distribution platforms has provided us with access to high quality deposits. Our customer deposit base increased by 4% in the 6 months to 30

September 2009, despite ongoing intense competition for retail deposits in Ireland, risk aversion in the international markets and the pressure caused by rating downgrades earlier this year.

Over the course of the current financial year, funding conditions gradually improved reflecting an upturn in general market conditions and an increased appetite for Irish debt. As a result, we have experienced enhanced access to the wholesale money markets. In the 6 months to 30 September 2009 the Group raised €7.9 billion in term funding (wholesale funding with a maturity of one year or greater at time of issue) through both public issues and private placements, including a €1.5 billion issue of a 5 year covered bond in September 2009. This issue was significant as it was the first partially unguaranteed public benchmark transaction by any Irish bank since the inception of the CIFS Guarantee Scheme in September 2008 and represented an important step in the normalisation of the funding position for Bank of Ireland.

At 30 September 2009, approximately 33% of the Group's wholesale funding had a maturity of greater than one year. At 30 September 2009, the Group's contingent liquidity collateral pool would facilitate approximately €43 billion of funding from monetary authorities.

Managing our credit risks

Bank of Ireland continues to manage its credit risks to identify areas of concern and to work with customers to best manage issues as they arise. We have redirected significant senior resources to the intensive management of our more challenged portfolios.

Continuing low levels of activity in the commercial property markets and in the Irish mortgage market together with higher unemployment in Ireland are impacting our credit quality. Our impairment charge in the 6 months to 30 September 2009 of €1,787 million reflects significant deterioration in asset quality in our property and construction portfolio, primarily landbank and development in Ireland. Deeper recessionary conditions have also had an impact on our non-property small to medium enterprises (SME) and corporate books in Ireland together with our residential mortgage and consumer (unsecured) books.

Rigorously managing our costs

Our focus on rigorous cost management continues and remains a priority. All expenditure remains under tight control including staff compensation. A continuing recruitment freeze, our policy of non-replacement of departing staff, and redundancies resulting from our actions to close to new business and put into run down our intermediary sourced mortgage business in the UK and some of our international lending businesses in Corporate Banking and Business Banking UK, and from the sale and downsizing of our asset management businesses, have seen our staff numbers reduce by approximately 1,700 in the twelve months to 30 September 2009.

We continue to operate in a challenging environment. With the assistance of the Government and through concentrating on our priorities, greater stability has been brought to the Bank.

The Directors believe that the Bank's participation in NAMA should further facilitate the achievement of these priorities and the progression of the Group from a period of stabilisation to one of measured growth.

Our goal is to best position Bank of Ireland to support our customers, and to promote economic recovery. The actions taken to stabilise the business, in conjunction with the support provided by the Government, should engender a more positive outlook. Overall, the Directors remain confident that the Group has the right strategy to rebuild the Bank and, ultimately, deliver enhanced value for our stakeholders.

7. Related Party Transaction

Through the NPRFC Investment, the Minister for Finance and the NPRFC are together deemed to exercise significant influence over the affairs of the Bank and are consequently deemed to be a related party under the Listing Rules. As a Government agency, NAMA is also deemed to be a related party. Our participation in NAMA and the transfer of BoI Eligible Bank Assets to NAMA is therefore a related party transaction for the purposes of the Listing Rules, in addition to being a Class 1 transaction for the purposes of the Listing Rules. As such, participation in NAMA and the transfer of BoI Eligible Bank Assets to NAMA are conditional upon the approval by Ordinary Stockholders of the NAMA Resolution set out in the Notice of Extraordinary General Court at page 60 of this Circular. The NPRFC's 2009 Preference Stock in the Bank as at the date of this Circular does not carry voting rights in respect of the Resolutions, but in any event as a related party the NPRFC would not be permitted under the Listing Rules to vote on the NAMA Resolution but would be entitled to vote on the Other Resolutions as they are not related party transactions. The NPRFC has undertaken not to vote on the NAMA Resolution and to take all reasonable steps to ensure that its associates (if any) will not vote on the NAMA Resolution.

8. Current Trading, Trends and Prospects

On 4 November 2009 we published our unaudited interim statement for the 6 months ended 30 September 2009. In the 6 months ended 30 September 2009, we recorded a profit before tax of €80 million and earnings per share of 2.4 cent. Excluding non-core items, primarily the gain on the repurchase of non-core tier 1 debt securities, we recorded an underlying loss* before tax of €979 million and an underlying loss per share of 96.6 cent. The impairment charge on loans and advances to customers for the 6 months ended 30 September 2009 was €1,787 million, compared to €267 million for the 6 months ended 30 September 2008. Net interest income (after adjusting for the impact of IFRS income classifications**) decreased by 7% to €1.418 billion in the 6 months ended 30 September 2009 from €1.518 billion in the 6 months to 30 September 2008. The Group net interest margin declined by 10 basis points (annualised) to 1.61% for the 6 months ended 30 September 2009 as compared with a net interest margin of 1.71% for the 6 months ended 30 September 2008. Group operating expenses decreased by 10% in the 6 months ended 30 September 2009 compared to the comparable prior period, as a result of cost management across all cost categories.

*Underlying excludes non-core items, i.e. those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: gain on the repurchase of non-core tier 1 debt securities, gross-up for policyholder tax in the Life business; investment return on treasury stock held for policyholders; hedge ineffectiveness on transition to IFRS and loss on disposal of business activities.

**The period on period changes in 'net interest income' and 'net other income' are affected by IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss'. Where assets or liabilities have been designated at 'fair value through profit or loss', the total fair value movements on these items, including interest income, are reported in 'net other income'. However, the cost of funding the assets and the interest income on investment of the related liabilities are reported in 'net interest income'. In addition, debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is managed using derivative instruments – the cost of which is reported in 'net other income'.

There are early indications of a slow-down in the pace of economic decline in the UK and to some extent in Ireland. Funding conditions across international money markets have improved from the more stressed levels experienced earlier in the year. Notwithstanding these trends, the outlook remains challenging.

The 2009 Unaudited Interim Results, which set out further details in respect of the current trading, trends and prospects of the Bank, are incorporated by reference into this Circular as modified or updated by the statements in this Circular.

9. EU Plan

While the CIFS Guarantee Scheme and the ELG Guarantee Scheme have been approved by the European Commission, the Bank's participation in the various Irish Government support initiatives (the CIFS Guarantee Scheme, the ELG Guarantee Scheme, the NPRFC Investment and potentially NAMA) have been, and remain, subject to review by the European Commission under EU State aid rules. Any aid granted by the State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, in so far as it affects trade between Member States of the EU, is deemed State aid. State aid will be compatible with the common market if the State measure is covered by a block exemption regulation or the measure has been notified to the European Commission and has received European Commission authorisation.

As part of the European Commission's State aid review, a plan, which includes the estimated effect of NAMA on the Bank, was submitted to the European Commission on 30 September 2009. If the European Commission determines that the Bank has received State aid under the Irish Government support initiatives (the CIFS Guarantee Scheme, the ELG Guarantee Scheme, the NPRFC Investment and potentially NAMA) there is a risk that the Bank may be required to adopt remedies to eliminate any perceived competitive advantage. These remedies could include burden-sharing by existing or new debt investors, Preference Stockholders and Ordinary Stockholders, as well as mandatory reductions in the Bank's risk weighted assets, the sale or winding down of subsidiaries and/or businesses and/or the disposal of branches of the Bank in Ireland or elsewhere.

On 4 November 2009 the Group announced that the review was at a very preliminary stage. As at the date of this Circular, no further material update is expected until 2010.

10. Risk Factors

Stockholders should consider fully and carefully the risk factors associated with the Group and the proposed participation by the Bank in NAMA as set out in Part II of this Circular – Risk Factors.

11. Further Information

Your attention is drawn to the additional information set out in Parts III to VI of this Circular. You should read the whole of this document and not rely solely on the information set out in this letter.

12. Extraordinary General Court

This Circular contains the Notice of Extraordinary General Court at page 60. The Extraordinary General Court will be held at the O'Reilly Hall, University College Dublin, Belfield, Dublin 4 at 11.00 am on 12 January 2010. The Extraordinary General Court is being held for the purpose of considering and, if thought fit, passing the NAMA Resolution which would authorise the Court, on behalf of the Bank, to apply to become a Participating Institution in NAMA and for the purposes of considering and if thought appropriate approving the Other Resolutions.

The NAMA Resolution and the Other Resolutions require the approval of 75% of the votes cast by Ordinary Stockholders at the EGC. The NPRFC's stock in the Bank as at the date of this Circular does not carry voting rights in respect of the NAMA Resolution, but in any event, as a related party transaction under the Listing Rules, the NPRFC would not be permitted to vote on the NAMA Resolution even if it had such voting rights at the time of the NAMA Resolution.

13. Importance of the NAMA Resolution (Resolution 1)

The purpose of the NAMA Resolution is to authorise the Court, on behalf of the Bank to apply to become a Participating Institution in NAMA and to carry out all actions arising from participation in NAMA, including the transfer of BoI Eligible Bank Assets to NAMA and the fulfilment of the obligations applicable to Participating Institutions (further details of which are set out in Part III of this Circular – Information on NAMA). The NAMA Resolution must be passed by Ordinary Stockholders at the EGC in order for the Bank to be able to apply to participate in NAMA and subsequently transfer BoI Eligible Bank Assets to NAMA. While participation in NAMA would mean that the Bank will not have control over the BoI Eligible Bank Assets which may transfer to NAMA and the price at which they would be bought, nevertheless the Court believes participation in NAMA should facilitate:

- Greater market certainty, by the removal from the Bank's balance sheet of certain assets about which the market has concerns regarding their absolute value and thereby reducing the tail risk of future impairments;
- A reduction in the requirement to hold capital against such assets;
- Further progress towards the Bank's objective of deleveraging its balance sheet, allowing it to focus its liquidity and capital on its core profitable activities;
- A significant enhancement of the liquidity of the Bank through the receipt of the Government guaranteed bonds for the BoI Eligible Bank Assets sold;
- The continuation of the improved funding conditions experienced by the Bank in recent months which reflected anticipation by the financial markets of the Bank's participation in NAMA; and
- The prospects of the Bank in raising new capital, if the Court deems it appropriate in the future, from private sources as a consequence of the greater market certainty.

Details of the potential financial effects of participation in NAMA are set out in Part IV of this Circular – Financial Information and Part V of this Circular – Unaudited Proforma Financial Information. Details on the risks for the Bank of participation in NAMA are set out in Part II of this Circular – Risk Factors under the heading "*Risks Related to the Bank Participating in NAMA*".

If the NAMA Resolution is not approved, the Bank cannot apply to participate in NAMA. The Court believes non-participation in NAMA would have a number of consequences:

- The Bank would not receive the Government guaranteed bonds to be issued in consideration for assets transferred to NAMA and accordingly the Bank would not have the option to use these guaranteed bonds as funding collateral to debt market investors and to monetary authorities, such as the ECB, for liquidity purposes;
- As the Bank's participation in NAMA is widely anticipated, the liquidity and funding of the Bank from retail and wholesale funding sources could materially deteriorate;
- The relevant risk weighted assets of the Bank would not be reduced;
- Uncertainty would remain with regard to the quantum of impaired assets and impairment charges in respect of the BoI Eligible Bank Assets;
- The BoI Eligible Bank Assets would remain on the balance sheet of the Bank, which could adversely affect loan impairments on such of these assets located in Ireland in an Irish real estate market that may be significantly impacted by NAMA activities and consequently affect the Bank's ability to manage such assets in that market; and

- The combination of the failure to reduce risk weighted assets and the deterioration in the liquidity position of the Bank could adversely affect the Bank's credit and funding metrics, thereby increasing the potential for ratings downgrades, which in turn could make it more difficult to source funding on terms acceptable to the Bank.

The Court has devoted considerable efforts to considering alternatives to NAMA, including non-participation in NAMA. The Government has confirmed to the Bank that NAMA will be the only scheme implemented to provide assistance to Irish banks in dealing with the significant issues created by challenged property loans and, furthermore, the Government has indicated that it would not be supportive of any alternative proposals by the Bank requiring Government support. NAMA is the only solution which is supported by the Irish Government and the ECB to address the systemic issues facing the Irish banking sector.

Non participation in NAMA may reduce the Bank's access to potential private sources of capital and increase the Group's reliance on Government liquidity and capital support as the advantages outlined in this section ("*13. Importance of the NAMA Resolution (Resolution 1)*") would not accrue. This may increase the risk of further Irish Government equity investment in the Bank, which ultimately could result in majority Government ownership or lead to Nationalisation. In the event of Nationalisation, Stockholders could lose most or all of the value of their Ordinary Stock and Preference Stock. Consequently, the Court believes the non-participation of the Bank in NAMA may have material adverse consequences for the Bank's business, operating results, financial condition and prospects.

Your attention is drawn to the risks set out in Part II of this Circular – Risk Factors under the heading "*Risks related to the Bank not participating in NAMA*".

14. Other Resolutions (Resolution 2, 3 and 4)

In addition to the NAMA Resolution, three other resolutions are being proposed at the Extraordinary General Court which are unrelated to participation in NAMA. These are intended to bring the Bank's procedures relating to the time period for convening Extraordinary General Courts and regarding the use of ordinary resolutions, rather than special resolutions, into line with the requirements of the Irish Companies Acts and those generally adopted by listed companies in Ireland and the UK.

Each of the Other Resolutions requires the approval of 75% of votes cast by Ordinary Stockholders.

Resolution 2

At present the Bye-laws of the Bank require that all resolutions at General Courts of the Bank (save for the declaring of a dividend, the consideration of the accounts, balance sheets and the reports of the Directors and auditors of the Bank, the election of Directors in place of those retiring, the reappointment of the retiring auditors and the fixing of the auditors' remuneration) require a special resolution (i.e. a resolution requiring the support of 75% of votes cast) in order to be approved. This means that many matters which under company law only require an ordinary resolution (i.e. a resolution approved by a simple majority of votes cast) require a special resolution in the case of the Bank.

Resolution 2 proposes a number of amendments to the Bye-laws of the Bank which are intended to allow for the approval of matters by ordinary resolution, rather than by special resolution, unless a special resolution is expressly required by either the Bye-laws of the Bank or the Companies Acts 1963 to 2009 in so far as they apply to the Bank.

The Directors believe that by reducing the number of resolutions required to be passed by special resolution to those required to be passed in this manner by company law or its other Bye-laws, the Bank will be moving to a position closer to that of its peer group of listed companies. For example, if Resolution 2 is passed, resolutions to increase the authorised capital stock of the Bank or to approve a Class 1 transaction or a related party transaction under the Listing Rules would require an ordinary resolution, consistent with the requirements of the Irish Companies Acts.

Resolution 2 will not affect the requirement for the NAMA Resolution or the Other Resolutions to be passed as special resolutions at this Extraordinary General Court. Nor will Resolution 2 affect the existing requirement that amendments to the class rights attaching to any particular class of capital stock in the Bank be passed by the requisite 75% or 66⅔ % majority of the holders of that class of capital stock. The amendments to the Bye-laws proposed by Resolution 2 would also make clear that an amendment of the Bye-laws of the Bank would still require a special resolution in order to be approved, as is currently the case.

Resolution 2 is interconditional on the approval of Resolution 3, meaning that in order for Resolution 2 to be passed, Resolution 3 must also be passed.

Resolution 3

At present under the Bye-laws of the Bank, all Extraordinary General Courts of the Bank require 21 days notice (excluding the day on which the notice is deemed to be served and the day of the meeting).

Resolution 3 is intended to amend the Bye-laws of the Bank so as to reflect the minimum required notice period applicable to Irish public limited companies admitted to trading on a regulated market following the implementation of the EU Shareholders' Rights Directive in August 2009. If Resolution 3 is passed, the minimum notice period for an Extraordinary General Court of the Bank called for the passing of an ordinary resolution will be 14 days notice (excluding the day on which the notice is deemed to be served and the day of the Extraordinary General Court), provided that (i) a special resolution has been passed at the preceding Annual General Court (or a subsequent Extraordinary General Court) authorising the use of this 14 day notice period; and (ii) the Bank has put in place a facility to allow voting electronically by Stockholders holding stock that carries rights to vote at general courts.

The Directors believe that the amendments proposed by Resolution 3 will bring the notice provisions of the Bye-laws of the Bank into line with those applicable to other Irish publicly quoted companies.

Resolution 3 is interconditional on the approval of Resolution 2, meaning that in order for Resolution 3 to be passed, Resolution 2 must also be passed.

Resolution 4

Resolution 4 is a resolution for the approval of the use of a 14 day notice period for the convening of an Extraordinary General Court (other than an Extraordinary General Court called for the passing of a special resolution) where the Bank has put in place a facility to allow voting electronically by Stockholders holding stock that carries rights to vote at general courts. The Court considers that it is in the interests of the Bank to have the flexibility to convene an Extraordinary General Court on 14 days notice. If passed, the approval would be effective until the Bank's next Annual General Court, when it is envisaged that a similar resolution would be proposed.

Resolution 4 is interconditional on the approval of Resolution 2 and Resolution 3, meaning that in order for Resolution 4 to be passed, both Resolution 2 and Resolution 3 must also be passed.

15. Recommendation from the Court of Directors

The NAMA Resolution

The Court, which has been so advised by Credit Suisse, considers the participation of the Bank in NAMA to be fair and reasonable so far as the Ordinary Stockholders are as a whole concerned. In providing advice to the Court, Credit Suisse has taken into account the Court's commercial assessments. Credit Suisse is acting as the independent financial adviser to the Court for the purposes of the Listing Rules. The Court considers the proposed participation of the Bank in NAMA to be in the best interests of the Ordinary Stockholders as a whole.

Mr. Tom Considine and Mr. Joe Walsh, the two Directors appointed by the Minister for Finance pursuant to the CIFS Guarantee Scheme, have not taken part in the Court's consideration of the NAMA participation and will not vote on the NAMA Resolution and have taken all reasonable steps to ensure that their associates will not vote on the NAMA Resolution.

The Other Resolutions

The Court believes the approval of the Other Resolutions to be in the best interests of the Ordinary Stockholders as a whole.

Accordingly, the Court recommends that Ordinary Stockholders vote in favour of the Resolutions to be put to the EGC as the Directors eligible to vote intend to do, or procure, in respect of their own beneficial holdings, which in respect of the NAMA Resolution amount in aggregate to approximately 1,851,235 units of Ordinary Stock, representing approximately 0.18% of the issued Ordinary Stock and which in respect of the Other Resolutions amount in aggregate to approximately 1,866,968 units of Ordinary Stock, representing approximately 0.19% of the issued Ordinary Stock, in each case as at 14 December 2009, the last practicable date prior to the publication of this Circular.

Yours sincerely

PATRICK J. MOLLOY
GOVERNOR

PART II RISK FACTORS

The following risks should be considered carefully by Stockholders before making any investment decision. This section addresses existing and future material risks to the Bank's business. Some risks are not yet known and some that are not currently deemed material could later turn out to be material. All of these risks could materially affect the Bank, its income, operating profits, earnings, net assets, liquidity, funding and capital resources. In such a case, the market price of Ordinary Stock may decline and Stockholders could lose part or all of their investment. Stockholders should read this section in conjunction with the Letter from the Governor of Bank of Ireland contained in Part I of this Circular.

RISKS RELATED TO THE BANK NOT PARTICIPATING IN NAMA

If the Bank is unable to participate in NAMA, the Bank may ultimately face Nationalisation.

The participation of the Bank in NAMA is subject to the approval of Ordinary Stockholders at the Extraordinary General Court. The Bank's ability to participate in NAMA is subject to the satisfaction of a number of conditions which may not be satisfied. The key conditions are:

- the receipt of certain regulatory approvals (including approval by the European Commission as to compatibility with State aid rules);
- the approval of the Ordinary Stockholders; and
- the acceptance of the Bank's application to participate in NAMA.

The failure to satisfy these conditions would result in the Bank being unable to participate in NAMA and therefore failing to transfer loans to NAMA. The Court believes that non-participation in NAMA could have a number of consequences:

- The Bank would not receive the Government guaranteed bonds to be issued in consideration for assets transferred to NAMA and accordingly the Bank would not have the option to use these guaranteed bonds as funding collateral to debt market investors and to monetary authorities, such as the ECB, for liquidity purposes;
- As the Bank's participation in NAMA is widely anticipated, the liquidity and funding of the Bank from retail and wholesale funding sources could materially deteriorate;
- The relevant risk weighted assets of the Bank would not be reduced;
- Uncertainty would remain with regard to the quantum of impaired assets and impairment charges in respect of the BoI Eligible Bank Assets;
- The BoI Eligible Bank Assets would remain on the balance sheet of the Bank, which could adversely affect loan impairments on such of these assets located in Ireland in an Irish real estate market that may be significantly impacted by NAMA activities and consequently affect the Bank's ability to manage such assets in that market; and
- The combination of the failure to reduce risk weighted assets and the deterioration in the liquidity position of the Bank could adversely affect the Bank's credit and funding metrics, thereby increasing the potential for ratings downgrades, which in turn could make it more difficult to source funding on terms acceptable to the Bank.

Non participation in NAMA may therefore reduce the Bank's access to potential private sources of capital and increase the Group's reliance on Government liquidity and capital support. This may increase the risk of further Irish Government equity investment in the Bank, which ultimately could result in majority Government ownership or lead to Nationalisation. In the event of Nationalisation, Stockholders could lose most or all of the value of their Ordinary Stock and Preference Stock.

RISKS RELATED TO THE BANK PARTICIPATING IN NAMA

While the Directors believe that the loss on disposal of assets to NAMA will not exceed €3.4 billion (after impairment provisions of €1.4 billion at 30 September 2009), there is a risk that this could occur and could adversely impact the Bank's capital.

A number of uncertainties exist as to the specific quantum and timing of loans which may transfer to NAMA, the price that NAMA would pay for those loans, the fees that the Bank would be paid for any work undertaken in relation to such loans and the 'fair value' of the consideration to be received. Therefore a number of uncertainties remain as to the final discount and therefore there can be no assurance that the actual discount applied to BoI

Eligible Bank Assets transferring to NAMA will not be greater than the aggregate of 30% for all the Participating Institutions indicated by the Minister for Finance on 16 September 2009.

If the incremental loss which the Bank is required to recognise as a result of the transfer of assets to NAMA is significantly greater than the Directors expect, this may result in a further diminution of the capital base of the Bank.

In addition, the application of a discount to the BoI Eligible Bank Assets that is significantly greater than the net carrying value of those assets could result in the Group being subject to downgrades to its credit ratings. Any changes in the credit ratings of the Group could impact the volume and pricing of its funding and its financial position, limit the Group's access to the capital markets, trigger additional collateral requirements in derivative contracts and other secured-funding arrangements, and weaken Bank of Ireland's competitive position in certain markets.

Participation in NAMA may subject the Bank to directions from the Financial Regulator, NAMA or the Minister for Finance which could have an adverse effect on the Group's results, financial condition and prospects.

If the Bank participates in NAMA, the Bank could be subject to additional directions from the Financial Regulator and/or the Minister for Finance as to the conduct of its business in addition to the restrictions and potential restrictions arising out of the NPRFC Investment and the Bank's participation in the CIFS Guarantee Scheme and ELG Guarantee Scheme. The Financial Regulator may also direct a Participating Institution in writing to make any report that the Financial Regulator considers necessary to monitor the Participating Institution's compliance with the obligations under or by virtue of the Act. The Financial Regulator could also exercise its power under the Act to require the consolidation or merger of Participating Institutions, including Bank of Ireland. Under the Act, the Bank may also be required to provide such services as NAMA may direct and to comply with such monitoring of lending and balance sheet management as the Minister for Finance or the Financial Regulator may direct. A Participating Institution may also be directed by the Minister for Finance to draw up, or amend, a restructuring or business plan; take all reasonable steps to ensure that any draft business plan submitted to the Minister for Finance accurately contains all relevant information and if the Minister for Finance approves a draft business plan, the Participating Institution is obliged to take all reasonable steps to implement that plan. These directions could restrict the Bank's balance sheet growth, limit the Bank's ability to make acquisitions or require the Bank to dispose of assets. Any such directions may adversely affect the Bank's business, earnings and financial prospects. Further details of the powers of the Financial Regulator and NAMA under the Act are set out in Part III of this Circular – Information on NAMA.

The Bank may not be able to use the Government guaranteed securities received from NAMA as collateral for liquidity with the monetary authorities

The monetary authorities may materially change their eligibility criteria such that Government guaranteed securities received on the transfer of the loans to NAMA may no longer be eligible for use in their operations. While the Bank believes it to be very unlikely that the Government guaranteed securities would not be available for a wide range of liquidity management purposes, there is no absolute commitment from the monetary authorities that they will be available over the medium term for all such purposes.

There is also uncertainty over the capital treatment of both the Government guaranteed bonds and the subordinated bonds to be received pursuant to participation in NAMA which are held on the Bank's balance sheet. The Bank expects the Government guaranteed bonds to have a risk weighting of 0% and the subordinated bonds to have a risk weighting of 100%. If either the Government guaranteed bonds or the subordinated bonds are given a less favourable risk weighting than that which the Bank anticipates, this would increase the risk weighted assets of the Bank which would have a corresponding affect on the capital ratios of the Bank.

Participation in NAMA may result in the Bank receiving less for its assets than what those assets may have realised had they remained with the Bank.

The value that the Bank may receive for assets acquired by NAMA may be less than the returns the Bank would ultimately have achieved on those assets had those assets not transferred to NAMA. The valuations imposed by NAMA may not reflect the Bank's view of the long term economic value of those assets. Furthermore, the Bank would have limited grounds of appeal in respect of valuations imposed by NAMA. This could have an adverse effect on the Bank's results, financial condition and prospects.

Participation in NAMA may expose the Bank to the payment of a future tax surcharge to NAMA.

If Bank of Ireland participates in NAMA and NAMA makes an underlying loss at the conclusion of its operations calculated by reference to the Eligible Bank Assets it acquires from all the Participating Institutions (not just Bank

of Ireland), the Bank may be required to pay a tax surcharge to NAMA which, depending on the quantum of underlying loss, may be significant and which could have an adverse effect on the Bank's results, financial condition and prospects. The tax surcharge payable to NAMA shall be apportioned to each Participating Institution on the basis of the book value of the Eligible Bank Assets acquired by NAMA from each Participating Institution concerned as a proportion of the total book value of the Eligible Bank Assets acquired from all of the Participating Institutions.

Certain of the securities issued to the Bank for its assets may have limited or no value.

If Bank of Ireland participates in NAMA, it will be issued with subordinated bonds in respect of 5% of the aggregate amount due to the Bank for the assets transferred to NAMA. As a result, the subordinated bonds will have the effect of sharing risk in respect of the Eligible Bank Assets transferred to NAMA with all Participating Institutions. The subordinated bonds are expected to be repayable at par together with interest at a rate based on the rate on government debt securities for the expected term of the subordinated bonds. Coupons will be non-cumulative and payment will be at the discretion of the relevant NAMA entity and dependent on the annual performance of NAMA. It is expected that if NAMA has insufficient funds to fully repay the Government guaranteed bonds and subordinated bonds, the shortfall will be shared by the Participating Institutions up to the amount of the subordinated bonds issued in proportion to each institution's share of the total subordinated bonds issued by NAMA. Such a shortfall could occur if the ultimate sales proceeds and income generated on the Eligible Bank Assets transferred to NAMA fail to cover the initial consideration paid and interest costs and expenses incurred by NAMA. As such, in the event that NAMA makes a loss on its operations, these subordinated securities could ultimately prove to be of little or no value to the Bank, which could have an adverse effect on the Bank's results, financial condition and prospects.

Participation in NAMA significantly constrains the ability of the Bank to control the identity of the loans transferring to NAMA.

If the Bank participates in NAMA, the Bank will not have control over which of the Bank's loans are transferred to NAMA. The Act provides that the Bank shall not without the prior written approval of NAMA deal with its Eligible Bank Assets other than in the ordinary course of its business, deal with them in any way which may impair NAMA's interests, compromise any claim or vary any contract. These restrictions apply before any transfer to NAMA, and also apply in respect of assets eligible for transfer which do not actually transfer. Notwithstanding that the Act makes provision for the servicing by a Participating Institution of the assets transferred by it to NAMA, there is no guarantee that the Bank will be entitled to service the assets it has transferred, and it may therefore fully lose control over those assets that it has transferred or be subject to restrictions in how it manages assets that are Eligible Bank Assets, but that do not transfer.

Participation in NAMA may expose the Bank to indemnification risk.

If the Bank participates in NAMA, the Bank will be required to indemnify NAMA against any liability arising from errors, omissions or mis-statements in respect of any information supplied by the Bank to NAMA. While the Bank does not believe that there will be any material redundancy or severance cost payable by NAMA in respect of persons whose employment transfers to NAMA, it will be required to indemnify NAMA in the event of any such costs arising. Where the High Court of Ireland determines ownership of a BoI Eligible Bank Asset in favour of a third party and as a result NAMA is obliged to transfer the BoI Eligible Bank Asset to the third party or pay damages in lieu, the Bank will have to indemnify NAMA against that liability and all losses suffered by it. In the event any of these indemnities were called upon, the Bank may be obliged to make substantial payments to NAMA which would have an adverse effect on the Bank's results, financial condition and prospects.

GENERAL ONGOING RISKS RELATED TO BANK OF IRELAND

Bank of Ireland's businesses are subject to inherent risks arising from macroeconomic conditions globally and in the countries to which Bank of Ireland has an exposure, particularly conditions in Ireland, the United Kingdom and the United States. Adverse developments, such as the deterioration in general economic conditions and in the global financial markets over the past 2 years, have already adversely affected Bank of Ireland's earnings and are likely to continue to affect its results, financial condition and prospects further.

The global financial system began to experience difficulties in August 2007. This resulted in severe dislocation of financial markets around the world (including in Ireland, the United Kingdom, continental Europe and the United States, where the Group primarily operates) significant declines in the values of nearly all asset classes and unprecedented levels of illiquidity. Banks and other lenders suffered significant losses and there continues to be some reluctance on the part of financial institutions to lend due to the increased risk of default and the impact of declining asset values on the value of collateral. This caused significant problems at a number of large global commercial banks, investment banks and insurance companies, many of which are Bank of Ireland's counterparties in the ordinary course of its business. Bank of Ireland will continue to be exposed to risk of loss if counterparty

financial institutions fail or are otherwise unable to meet their obligations. A default by, or even concerns about the creditworthiness of, one or more financial services institutions could adversely affect Bank of Ireland's results, financial condition and prospects.

The measures taken by the major central banks and governments, including the Irish Government, have helped to stabilise the situation in financial markets. In addition, Ireland is still in recession although the US economy has returned to growth and conditions in continental Europe and the UK have improved. However, uncertainty surrounds the scale of the global recovery, and conditions could deteriorate again as the fiscal and monetary supports are withdrawn.

The financial crisis and the global recession have had a negative impact on macroeconomic conditions in Ireland, the United Kingdom and the United States, and the effect is evident in a decline in demand for business products and services, weak business and consumer confidence, lower personal expenditure and consumption, notably in Ireland, increases in the debt service burden of consumers and businesses and limitations on the general availability and cost of credit. These factors have significantly affected and will continue to affect the Group's customers and, by extension, the demand for, and supply of, the Group's products and services and the Group's financial condition and results. In addition, higher unemployment, reduced corporate profitability, increased corporate and personal insolvency rates may reduce borrowers' ability to repay loans. The prices of residential and commercial real estate have fallen, particularly in Ireland, thereby reducing the value of collateral on many of Bank of Ireland's loans and significantly increasing write-downs and impairment losses.

If these levels of market disruption and volatility worsen Bank of Ireland may experience further reductions in business activity, increased funding costs, decreased asset values, additional write-downs and impairment charges with consequent adverse effects on profitability and financial condition. Moreover, a global recession or the worsening of the current recession in one or more countries significant to Bank of Ireland's business could further adversely affect Bank of Ireland's results, financial condition and prospects. The precise nature of all the risks and uncertainties Bank of Ireland faces as a result of the global economic outlook cannot be predicted and many of these risks are outside Bank of Ireland's control.

Decreases in the credit quality of Bank of Ireland's counterparties, as well as increased difficulties in relation to the recoverability of loans and other amounts due from such counterparties, have resulted in, and may result in further increases in Bank of Ireland's impaired loans and impairment charges.

Risks arising from changes in credit quality and the recoverability of both secured and unsecured loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. The outlook for the global economy remains uncertain. Adverse changes in the credit quality or behaviour of the Group's borrowers, counterparties and their guarantors including sovereign counterparties, or adverse changes arising from a general deterioration in global economic conditions or systemic risks in the financial systems have reduced, and are expected to continue to reduce, the recoverability and value of the Group's assets. These circumstances have caused an increase in, and may cause further increases in, impaired loans and impairment charges.

The Group has exposures to a range of corporate customers in different sectors, in particular exposures to investors in commercial real estate and residential property. As further detailed below under the risk factor "*Bank of Ireland is exposed to declining property values, particularly in Ireland and the UK*", commercial real estate prices have shown significant declines over the past two years and developers of commercial and residential property, particularly in Ireland, are facing particularly challenging market conditions, including substantially lower prices and volumes. Beyond this sector, economic conditions have deteriorated more broadly and this may lead to further declines in values of collateral and investments, weakening consumer and corporate spending, declining corporate profitability and an increase in corporate insolvencies. As also further detailed below (see "*Bank of Ireland is exposed to declining property values, particularly in Ireland and the UK*"), residential property prices will continue to be under severe pressure in Ireland. Many borrowers in Ireland and the United Kingdom borrow on short-term fixed or discounted floating rates and when such rates expire the continued reduced supply and stricter terms of mortgages together with the potential for higher mortgage rates may lead to higher delinquency rates. Conditions in the UK market may be improving, but higher unemployment rates are expected and may, if realised, lead to higher delinquency rates in the UK in the future. In Ireland, increased unemployment would also be likely to result in higher delinquency rates. These developments could materially adversely impact the Group's ability to recover on these loans or lead to write-downs of investments.

Additional volatility in the markets may result in reduced asset valuations which could adversely affect Bank of Ireland's results, financial condition and prospects.

Significant falls in perceived or actual asset values have resulted from previous market events. Additional volatility and further dislocation affecting certain financial markets and asset classes could impact the Group's financial condition and results of operations. In the future these factors could have an impact on the mark-to-market valuations of assets in the Group's available for sale ("AFS") and trading portfolios. In addition, any further

deterioration in the performance of the assets in Bank of Ireland's AFS portfolio could lead to additional impairment losses. The AFS portfolio accounted for approximately 12% of total Group assets as at 30 September 2009.

Bank of Ireland is exposed to declining property values, particularly in Ireland and the UK

As at 30 September 2009 total loans and advances to customers (pre-impairment provisions) were €135 billion and included €60 billion of residential mortgages (of which €28 billion is in Ireland and €32 billion in the United Kingdom) and €35 billion of property and construction lending (of which €16 billion is in Ireland, €17 billion in the United Kingdom and €2 billion in the rest of the world). In respect of the property and construction lending, €23 billion is investment property lending with the remaining €12 billion being exposure to landbank and development lending. (Source: 2009 Unaudited Interim Results.)

Declining residential and commercial property prices have led to a significant slowdown in the construction sector in Ireland, the United Kingdom and the United States. Economic and other factors, including general deterioration in the economy and dislocation of the financial system, may lead to further contraction in the residential mortgage and commercial lending market and further decreases in residential and commercial property prices, although there are signs of stabilisation in the UK and US markets. Bank of Ireland provides mortgages to buy-to-let investors where an excess supply of rental property or falls in rental demand could also impact the borrowers' income and ability to service the loans. Borrowers for residential and buy-to-let properties may also have increased difficulties in servicing loans as a result of declining property values and rental demand because capital growth will not be available to borrowers to offset any income losses. In addition, self-certified loans on which income verification depends on disclosures by borrowers of their income may be subject to higher rates of arrears as a result of income expectations which are no longer achievable, reflecting the economic downturn which when combined with reduced property values may result in higher loan loss levels than for other mortgage types. If the current economic downturn in Ireland continues, with further falls in house prices and increases in unemployment, Bank of Ireland's commercial property and residential mortgage lending portfolios may be exposed to substantial increases in impairment losses, which could materially affect Bank of Ireland's results, financial condition and prospects. In addition, the effects of declining property values on the wider economy may also contribute to higher default rates and impairment losses on non-property commercial and consumer loans, which could materially affect Bank of Ireland's results, financial condition and prospects.

As set out in the 2009 Unaudited Interim Results, for the 6 months ended 30 September 2009 the impairment charge on loans and advances to customers is €1,787 million or 260 basis points (annualised) when expressed as a percentage of average loans, an increase of €1,520 million over the comparable prior period when impairment losses were exceptionally low. The increase reflects the impact of the severe economic downturn in the Group's main markets being Ireland and the United Kingdom and its impact on the credit environment, particularly in the property sector.

Interest risk, foreign exchange risk, bond and equity prices and other market risks could adversely affect the Group's results, financial condition and prospects.

Market risk is the potential adverse change in Group earnings or the value of net worth arising principally from movements in interest rates, exchange rates and other market prices. While the Group has no significant direct exposure to equity markets, due to the fact that it does not hold proprietary equity investment or trading portfolios, it is indirectly exposed to equity markets through its asset management, custody, fund administration, private banking and life assurance businesses and its pension funds where equity investment would be held on behalf of customers of the Group and revenue from these business areas would be dependent, inter alia, on the market value of such held investments.

The major part of the Group's proprietary risk is interest rate risk in the euro, pound sterling and US dollar markets. Changes in interest rate levels in these or other markets where the Group holds proprietary risk positions may impact on the value of assets or the margin received by the Group. Commencing in August 2007, there has been a period of unprecedented high and volatile interbank lending rates which exacerbated these risks. The terms of existing loan commitments or facilities may mean that the Group is restricted in its ability to increase interest rates charged to customers in response to changes in interest rates that affect wholesale borrowing. In addition, or as a result of such increases in interest rates, the Group may fall under competitive pressures to increase the rates paid to wholesale and retail deposit customers, which would have an adverse impact on net interest margins.

The Group is also exposed to structural interest rate and structural foreign exchange risk. Structural interest rate risk arises from the existence of non-interest bearing assets and liabilities on the Group's balance sheet. These consist mainly of non-interest bearing current accounts plus equity less fixed assets. Structural foreign exchange risk arises where the Group has a net asset position in currencies other than the euro and arises almost entirely from the Group's business activities in the United Kingdom. Changes in foreign exchange rates affect the euro value of

assets and liabilities denominated in other currencies and such changes and the degree of volatility with respect thereto may affect the net assets and earnings reported by the Group.

The Group is also exposed to the effect of changes in exchange rates on the translation value of its non-euro earnings, particularly its pound sterling and US dollar earnings. Substantial changes in interest or foreign exchange rates could have an adverse effect on Bank of Ireland's results, financial condition and prospects.

Constraints on liquidity, lack of availability of funding and increased cost of funding could adversely affect the Group's business.

Liquidity risk is the risk that a bank will be unable to meet its obligations, including funding commitments and deposit withdrawals, as they fall due. This risk is inherent in banking operations and can be heightened by an over-reliance on a particular source of funding (including, for example, short-term and overnight funding, securitisations and covered bonds), changes in credit ratings or market-wide phenomena such as disruption in the functioning of markets and major events or disasters of global significance. Commencing in August 2007, the global economy and the global financial system experienced an ongoing period of significant turbulence and uncertainty. Credit markets worldwide have experienced a severe reduction in the level of liquidity and quantum of term-funding available in the wholesale markets. Notwithstanding the introduction of the CIFS Guarantee Scheme in Ireland, the terms on which such funding is available are more onerous and expensive than was the case prior to September 2007. The disruption in the functioning of funding markets has led to the introduction of a range of government deposit guarantee schemes in a number of countries including Ireland. Should the global economy and the global financial system deteriorate, the price of liquidity may rise and access to liquidity may be further constrained.

The Eurosystem comprises the European central banks and national central banks of the member states of the European Union that have adopted the euro (which together with the Bank of England and the US Federal Reserve are the monetary authorities). Bank of Ireland qualifies for access to the liquidity providing operations offered by the monetary authorities for so long as it meets certain eligibility criteria relating to collateral which it can provide to the monetary authorities. Bank of Ireland Group holds a significant pool of contingent liquidity collateral, comprised of debt securities and other eligible collateral which is capable of being pledged against borrowings from the monetary authorities. If the quality of Bank of Ireland's collateral fundamentally deteriorates, or if the monetary authorities materially change eligibility criteria, Bank of Ireland's ability to access the monetary authorities' liquidity operations may become less flexible. Nevertheless Bank of Ireland believes that the size and quality of its collateral pool, together with a developed structuring capability should afford a robust mitigating effect to a fundamental deterioration in quality in certain asset classes and to the effect of a material change in certain eligibility criteria.

Bank of Ireland relies on customer deposits to fund a considerable portion of its loan book, the ongoing availability of which is sensitive to factors outside Bank of Ireland's control. Loss in consumer confidence, among other things, could result in high levels of customer deposit withdrawals, which could have an adverse effect on Bank of Ireland's results, financial condition and liquidity prospects.

Bank of Ireland's largest single source of funding to fund lending activities is customer deposits, which represented 50% of total Group funding as at 30 September 2009 (further details regarding the Group's funding is set out in Part IV of this Circular – Financial Information under the heading "3.4 Funding Structure and Profile"). Medium-term growth in Bank of Ireland's lending activities will depend, in part, on the availability of customer deposits on appropriate terms, for which there is increasing competition. The Bank has sought to increase its reliance on customer deposits in the recent past given the difficulties in accessing wholesale funding. Increases in the cost of customer deposits will affect Bank of Ireland's margins and affect profit, and a lack of availability of such retail deposit funding could affect Bank of Ireland's future growth.

The ongoing availability of these deposits is subject to potential changes in certain factors outside Bank of Ireland's control, such as a loss of confidence of depositors in the economy in general and the financial services industry specifically, competitive pressures, general economic conditions and the availability and extent of deposit guarantees (including regulatory changes to deposit guarantee schemes). These factors could lead to a reduction in Bank of Ireland's ability to access customer deposit funding on appropriate terms or within a short period of time in the future, and to sustained outflows all of which would impact on Bank of Ireland's ability to meet its minimum liquidity requirements. In such circumstances if the current difficulties in the wholesale funding markets are not resolved or central bank lending to financial institutions is withdrawn, it is likely that wholesale funding will prove even more difficult to obtain.

In particular, any loss in consumer confidence in Bank of Ireland's banking businesses or banking businesses generally, could significantly increase the amount of retail deposit withdrawals in a short space of time. Should Bank of Ireland experience an unusually high level of withdrawals, this may have an adverse effect on Bank of Ireland's results, financial condition and prospects and could, in extreme circumstances, prevent Bank of Ireland

from meeting its minimum liquidity requirements. In such extreme circumstances Bank of Ireland may not be in a position to continue to operate without additional funding support, which it may be unable to access.

Changes to the actual or envisaged operation of or the participation by the Bank in the Government liability guarantee scheme could have an adverse effect on Bank of Ireland's results, financial condition and prospects.

The Group participates in the government liability Guarantee scheme for deposits and specified liabilities which was introduced to provide necessary systemic support for the Irish banking sector, including Bank of Ireland. The material amendment or cancellation of the Government guarantee scheme would be likely to introduce systemic weakness to the Irish banking sector and remove an important element of liquidity support for the sector as a whole: as such, the material amendment or cancellation of the Government guarantee scheme, or the removal of the Group from the Government guarantee scheme prior to its termination could adversely affect the terms on which the Bank would be able to access funding. The Group's financial position may also be impacted by material changes to the costs of participating in the Government guarantee scheme which may be changed at the Minister for Finance's discretion.

EU Restructuring Plan

The Bank's participation in various Irish Government initiatives (in particular its receipt of the NPRFC Investment and its potential participation in NAMA) are all subject to the review by the European Commission of a restructuring plan that has been submitted by the Bank under EU State aid rules. State aid means any aid granted by the State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods, in so far as it affects trade between Member States of the EU. State aid will be compatible with the common market if the State measure is covered by a block exemption regulation or the measure has been notified to the European Commission and has received European Commission authorisation. If the European Commission determines that the Bank has received State aid under these Irish Government initiatives, there is a risk that the Bank may be required to adopt remedies to eliminate any perceived competitive advantage and these remedies could include burden-sharing by debt investors, Preference Stockholders and Ordinary Stockholders, as well as mandatory reductions in the Bank's risk weighted assets, the sale or winding down of subsidiaries and/or businesses and/or the disposal of branches of the Bank, in Ireland or elsewhere.

If the Bank is unable to pay a cash dividend on the 2009 Preference Stock, there is a risk that the proportionate ownership and voting interests of existing Ordinary Stockholders will be diluted.

The holder of the 2009 Preference Stock is entitled to receive a non-cumulative dividend at a fixed rate of 8 % of the issue price per annum, which is payable annually at the discretion of the Court. If the Court determines not to pay a cash dividend on the 2009 Preference Stock, then the Bank will be required to issue units of Ordinary Stock to the NPRFC in lieu of a cash dividend. The issue of units of Ordinary Stock in the event of non-payment of dividends will result in the dilution of existing Ordinary Stockholders' proportionate ownership and voting interests in the Bank.

The Bank's participation in the CIFS Guarantee Scheme, the ELG Guarantee Scheme and the NPRFC Investment could require Bank of Ireland to implement operational policies that could adversely affect the Bank's results, financial condition and prospects.

The terms and conditions of the CIFS Guarantee Scheme, the ELG Guarantee Scheme and the NPRFC Investment place certain restrictions on, and require the Group to submit to a degree of governmental regulation in relation to, the operation of the Group's business. In particular, obligations to reduce risk profile and meet target ratios including, inter alia, specific targets for increased lending capacity to small to medium enterprises and residential mortgages and controls on acquisitions and dividend payments could limit the Group's ability to determine independently its corporate strategy or adversely affect the Group's results, financial condition and prospects.

Downgrades to the Group's credit ratings or outlook could impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position.

As at 14 December 2009, the last practicable date prior to publication of this Circular, the long-term (outlook)/short-term (outlook) credit ratings for the Group are A(negative watch)/A-1(negative watch) from Standard & Poor's, A1(stable)/P-1(stable) from Moody's Investor Service, A-(stable)/F1(stable) from Fitch Ratings and AA(Low)(negative trend)/R-1(high)(stable) from DBRS. There can be no guarantee that the Group will not be subject to downgrades to its credit ratings. For example, the application of a discount to the BoI Eligible Bank Assets that is significantly greater than the existing impairment provisions against those assets, and the impact of such a discount on the capital position of the Group, could result in the Group being subject to downgrades to its credit ratings. As would be the case for banks generally, any changes in the credit ratings of the Group could impact the volume and pricing of its funding and its financial position, limit the Group's access to the capital markets,

trigger additional collateral requirements in derivative contracts and other secured-funding arrangements and weaken Bank of Ireland's competitive position in certain markets. In addition, the availability of commercial deposits is often dependent on credit ratings and any downgrade could reduce Bank of Ireland's liquidity. A downgrade in the sovereign rating of Ireland may have a systemic effect on the Irish banking sector and may result in a downgrading of Bank of Ireland. See "*Constraints on liquidity, lack of availability of funding and increased cost of funding could adversely affect the Group's business*" above.

The Group operates in competitive markets which are undergoing significant flux which could have an adverse effect on its results, financial condition and prospects.

The Group is subject to significant competition in the markets in which it operates and some of its competitors are larger and have greater financial resources than the Group. In addition, as a result of recent events, the markets in which the Bank operates have been and will continue to be subject to significant competitive flux. Competition may increase in some or all of the Group's principal markets and may have an adverse effect on its results, financial condition and prospects.

The Group is subject to regulatory and other risks, which may be exacerbated by current economic conditions. Failure to manage these risks properly could have an adverse effect on the Group's results, financial condition and prospects.

The Group is subject to a wide variety of banking, insurance and financial services laws and regulations and a large number of regulatory and enforcement authorities in each of the jurisdictions in which it operates. All of these are subject to change, particularly in the current market environment, where there have been unprecedented levels of government intervention and changes to the regulations governing financial institutions, including recent nationalisations of financial institutions in Ireland, the United Kingdom, the United States and other European countries. In the wake of the current difficult economic conditions and ongoing concerns regarding the regulation of the financial sector, new regulatory provisions may be introduced to which Bank of Ireland could be subject either at national or EU level. As a result of these and other ongoing and possible future changes in the financial services regulatory landscape (including requirements imposed by virtue of the Group's participation in any government or regulator-led initiatives), the Group expects to face greater regulation in Ireland, the United Kingdom, the United States and other countries in which it operates, including throughout the rest of Europe. Compliance with such regulations may increase the Group's capital requirements and costs, have an adverse impact on its business, the products and services it offers and the value of its assets or require the Group to change certain of its business practices. As a result, the Group is exposed to regulatory and other risks, including:

- the monetary, interest rate, capital adequacy and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions in particular in markets in which Bank of Ireland operates or may increase the costs of doing business in those markets;
- changes to financial reporting environment and/or standards;
- changes in taxation legislation and its interpretation;
- changes to the amount or proportion of assets that the Group is required to hold in order to account for liquidity risk;
- potential requirements to develop and maintain a wind-down plan, also known as a 'living will', in respect of the Group, which would set out a proposed strategy should the Group fail, in order to limit the cost to creditors, public funds and other disruption;
- changes to the amount of regulatory capital that the Group's life assurance business is required to hold, including as a result of the implementation of the EU-wide Solvency II Framework Directive on capital and risk management for insurers;
- other general changes in the regulatory requirements, such as prudential rules relating to the capital adequacy framework and the imposition of onerous compliance obligations, restrictions on business growth or pricing and requirements to operate in a way that prioritises objectives other than stockholder value creation;
- changes in competition and pricing environments;
- changes in the market for bank assets, caused by widespread divestment of assets by financial institutions across the European Union in order to comply with State aid requirements;
- differentiation amongst financial institutions by governments with respect to the extension of guarantees to bank customer deposits and the terms attaching to such guarantees, including requirements for the entire Group to accept exposure to the risk of any individual member of the Group, or even third party participants in guarantee schemes, failing;
- implementation of, or costs related to, local customer or depositor compensation or reimbursement schemes, including in the event a bank becomes unable to meet its obligations to customers, or changes to the funding or compensation limits of such schemes (including potential EU-wide harmonisation of the funding or compensation limits of deposit guarantee schemes as a result of the European Commission's review of EC Directive 94/19/EC relating to such schemes);

- expropriation, nationalisation and confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for Bank of Ireland's products and services.

Litigation Proceedings and Regulatory Investigations

The Group is potentially exposed to significant litigation and regulatory investigation risks. As a result, the Group may become involved in various disputes and legal proceedings in Ireland, the United Kingdom, the United States and other jurisdictions, including litigation and regulatory investigations. For instance, in the United Kingdom, the FSA has the power to revoke Bank of Ireland's UK permissions if the FSA considers it necessary to do so in order to protect customers. Disputes and legal proceedings, if they occur, are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse regulatory action or adverse judgments in litigation could result in restrictions or limitations on the Group's operations or result in an adverse effect on the Group's results, financial condition and prospects.

Bank of Ireland may be required to make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations.

Bank of Ireland maintains a number of defined benefit pension schemes for past and current employees (such as its Bank Staff Pension Fund which accounted for approximately 80% of the pension assets related to the Group as at 30 September 2009). The value of the schemes' asset portfolios and returns from them may be less than expected and there may be a greater than expected increase in the estimated value of the schemes' liabilities. In these circumstances, Bank of Ireland could be obliged, or may choose, to make additional contributions to the schemes. Given the current economic and financial market difficulties and the prospects for them to continue over the near and medium term, Bank of Ireland may be required or elect to make further contributions to the pension schemes and such contributions could be significant and may have a negative impact on Bank of Ireland's financial condition. Trends in pension scheme assets and liabilities which require additional contribution amounts may result in direct reductions in Bank of Ireland's regulatory capital in the event the schemes fall below minimum funding levels.

Weaknesses or failures in Bank of Ireland's internal processes and procedures and other operational risks could have an adverse effect on the Group's results, financial condition and prospects and could result in reputational damage.

Operational risks are present in the Group's businesses, through inadequate or failed internal processes (including financial reporting and risk monitoring processes) or from people-related or external events, including the risk of fraud and other criminal acts carried out against the Group. The Group's businesses are dependent on their ability to process and report accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Although the Group has implemented risk-controls and loss-mitigation actions to ensure that key operational risks are managed in a timely and effective manner, there can be no assurance that these controls or actions will be effective in controlling each of the operational risks faced by the Group. Any weakness in these controls or actions could result in an adverse impact on the Group's results, financial condition and prospects.

Bank of Ireland's life assurance business is subject to inherent risks involving claims, as well as market conditions generally.

Life assurance risk is the volatility in the amount and timing of claims caused by unexpected changes in mortality, longevity and morbidity. Mortality risk is the risk of deviations in timing and amounts of cash flows (premiums and benefits) due to the incidence or non-incidence of death. Longevity risk is the risk of such deviations due to increasing life expectancy trends among policy holders and pensioners, resulting in payout ratios higher than what the company originally accounted for. Morbidity risk is the risk of deviations in timing and amount of cash flows (such as claims) due to the incidence or non-incidence of disability and sickness. A material change in relation to any of these risks could materially and adversely affect Bank of Ireland's results, financial condition and prospects. In addition, Bank of Ireland's life assurance business is subject to risks relating to the volatility in the underlying assets held to meet its liabilities.

Good employee relations are vital to the Group and the success of its business.

The Group currently consults with its employees and their representatives, as appropriate, regarding pay, work practices and conditions of employment. The Group recognises that challenges may exist in the future in relation to issues regarding pay and terms and conditions of employment which will present challenges to be resolved through established industrial relations fora.

In the event that the Group becomes subject to industrial action or other labour conflicts, this may result in a disruption to the Group's business and loss of customers.

The Group relies on recruiting, retaining and developing appropriate senior management and skilled personnel.

The Group's success depends in part on the continued service of key members of its management team. The Group depends on the availability of skilled management, both at its head office and at each of its business units. If the Group or one of its business units or other functions fails to staff their operations appropriately, or loses one or more of its key senior executives and fails to replace them in a satisfactory and timely manner, its business, financial condition and results of operations, including control and operational risks, may be adversely affected. Likewise, if the Group fails to attract and appropriately train, motivate and retain qualified professionals, its business may also be affected. Any excessive restrictions imposed on remuneration or other factors outside of the Bank's control in relation to the recruitment of key executives may also impact on the Group's ability to attract appropriately skilled personnel.

Bank of Ireland's operations have inherent reputational risk.

Reputational risk, meaning the risk to earnings and capital from negative public opinion, is inherent in Bank of Ireland's business. Negative public opinion can result from the actual or perceived manner in which Bank of Ireland conducts its business activities or from actual or perceived practices in the banking industry, such as money laundering or mis-selling of financial products. Negative public opinion may adversely affect Bank of Ireland's ability to keep and attract customers and, in particular, corporate and retail depositors consequently damaging its business as a result of reputational risk.

Country risk could result in an adverse effect on the Group's results, financial condition and prospects.

Country risk is the risk that a counterparty is unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by government in the relevant country. This includes the risk that:

- a sovereign borrower may be unable or unwilling to fulfil its foreign currency or cross-border contractual obligations; and/or
- a non-sovereign counterparty may be unable to fulfil its contractual obligations as a result of currency shortage due to adverse economic conditions or actions taken by the government of the country.

These risks could have an adverse effect on the Group's results, financial condition and prospects.

Capital Risk

Effective management of the Group's capital is critical to its ability to operate its businesses, to grow organically and to pursue its strategy. The Group's business and financial condition could be affected if it is not able to manage its capital effectively or if the amount of capital is insufficient due to a materially worse than expected financial performance including, for example, reductions in profits and retained earnings as a result of write downs or otherwise, increases in risk weighted assets or delays in the disposal of certain assets as a result of market conditions or otherwise.

Existing Stockholders' holdings could be diluted in the event of additional equity finance being raised by the Bank.

The Directors may consider raising additional equity finance in the future to pursue the Bank's strategy or to improve the resilience of the Group's balance sheet. Depending on how such an equity raising was structured, it could result in the dilution of existing Stockholders' holdings in the Bank.

Valuation Risk

The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate. In establishing the value of certain financial instruments that are recorded at fair value, the Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in market conditions, such as during the current financial crisis. In such circumstances, the Group's internal valuation models require the Group to make assumptions, judgements and estimates to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgements and estimates the Group is required to make often relate to matters that are inherently uncertain, such as

expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on the Group's earnings and financial condition. Also, recent market volatility and illiquidity has challenged the factual bases of certain underlying assumptions and has made it difficult to value certain of the Group's financial instruments. Valuations in future periods, reflecting prevailing market conditions, may result in changes in the fair values of these instruments, which could have an adverse effect on the Group's results, financial condition and prospects.

Change of control may lead to adverse consequences for the Bank.

The Bank and its subsidiaries are parties to joint ventures, contracts and other agreements containing change of control provisions that may be triggered in the event of a change of control if such counterparty rights under such provisions are not waived or varied. These include the joint ventures between the Bank and Post Office Limited ("POL") which operates the Post Office network in the UK – one in relation to foreign exchange (First Rate) and one in relation to Post Office branded retail financial services products. Agreements with change of control provisions typically provide for, or permit, the termination of the agreement upon the occurrence of a change of control of one of the parties, in some cases if the new controlling party does not satisfy certain criteria. The crystallisation of change of control provisions could also result in the loss of contractual rights and benefits, as well as the termination of joint venture agreements and other agreements, which, in aggregate, could have a material effect on the Bank's results, financial condition and prospects.

Taxation Risk

In accordance with accounting rules, the Group has recognised deferred tax assets on losses available to relieve future profits to the extent that it is probable that they will be recovered. The assets are quantified on the basis of current tax legislation and are subject to change in respect of the tax rate or the rules for computing taxable profits and allowable losses. A failure to generate sufficient future taxable profits or changes in tax legislation may reduce the recoverable amount of the deferred tax assets currently recognised in the financial statements.

Deposit Compensation Scheme

The Group participates in compensation, contributory or reimbursement schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. The Group may incur additional costs and liabilities as a result of participation in these schemes, which could have an adverse effect on its results, financial condition and prospects.

Terrorist, Geopolitical and Pandemic Risks

Terrorist acts, other acts of war or hostility, geopolitical, pandemic or other such events and responses to those acts/events may also create economic and political uncertainties, which could have a negative impact on Irish, UK, US, European and international economic conditions generally, and in ways that cannot necessarily be predicted. These events could have an adverse effect on Bank of Ireland's results, financial condition and prospects.

PART III INFORMATION ON NAMA

Background

The creation of NAMA was first announced by the Minister for Finance on 7 April 2009.

The establishment of NAMA, as a body corporate, is provided for in the Act which was enacted on 22 November 2009. NAMA will be established on the day appointed by order by the Minister for Finance, expected to be a date shortly after the date of this Circular. The principal terms of the proposed relationship between the Participating Institutions, which may include the Bank, and NAMA are summarised below.

Purpose, Functions and Powers of NAMA

NAMA is to contribute to the achievement of the purposes of the Act (which are to address the serious threat to the economy and the stability of credit institutions in Ireland generally and the need to maintain and stabilise the financial system in Ireland), by acquiring Eligible Bank Assets from Participating Institutions, dealing expeditiously with those assets and protecting or enhancing their value.

Under the Act, NAMA is given various functions and powers appropriate to its objectives, such as powers to provide equity and credit facilities; borrow; secure the payment of money in any manner; initiate or enforce reorganisations or restructurings; enter into options and derivatives; guarantee the indebtedness or performance of obligations of others; distribute assets in specie to the Minister for Finance; acquire or dispose of property; make planning applications; develop property; and all other things as the board of NAMA considers incidental to, or conducive to the achievement of, NAMA's purposes, including those powers which are customary for a body corporate established by statute.

NAMA is not liable to damages in relation to the performance of its functions. Further details of NAMA's powers are set out under "*Powers of NAMA*" below.

Board of NAMA and relationship with NTMA

Chapter 2 of Part 2 of the Act provides that the board of NAMA will comprise seven members appointed by the Minister for Finance and, as *ex officio* members, the Chief Executive Officer of NAMA and the Chief Executive of the NTMA. The Minister for Finance shall nominate one of the appointed members as Chairperson. NTMA will provide such resources and staff to NAMA as its board determines, acting on the recommendation of the Chief Executive Officer of NAMA after consultation with the Chief Executive of the NTMA.

Application for designation as a Participating Institution

Chapter 1 of Part 4 of the Act sets out the application procedure for a credit institution to participate in NAMA. A credit institution may apply to the Minister for Finance within 60 days of the date of establishment of NAMA to be designated as a Participating Institution, and in making such application, the institution is obliged to supply such information as the Minister for Finance requires. The making of an application is deemed to be an undertaking by the applicant to comply with the Act and all regulations made under it. The Chief Executive Officer and the Chief Financial Officer of the Participating Institution may be obliged to certify the accuracy of the information provided to NAMA in respect of its application.

If an application is made by the Bank to become a Participating Institution, it would be made both in respect of the Bank and the Relevant Subsidiaries. The Minister for Finance may at his discretion elect to exclude certain of the Bank's subsidiaries from participation in NAMA.

If an applicant is designated as a Participating Institution, it is obliged under the Act to provide information and make full disclosure in utmost good faith to NAMA; co-operate fully and properly with all requests for information; provide such services as NAMA may direct; comply with any directions of NAMA; and comply with such monitoring of lending and balance sheet management as NAMA may direct.

Bank Assets capable of being transferred to NAMA

Chapter 2 of Part 4 of the Act provides that the Minister for Finance has power to determine broad classes of assets capable of being transferred to NAMA, including credit facilities, security and guarantees, as Eligible Bank Assets. Such classes of assets include credit facilities issued, created or otherwise provided by a Participating Institution:

- for the purposes, whether direct or indirect and whether in whole or in part, of purchasing, exploiting or developing development land;

- where the security connected with the credit facility is or includes development land;
- where the security connected with the credit facility is or includes an interest in a company engaged in purchasing, exploiting or developing development land, or where the credit facility is directly or indirectly guaranteed by such a company;
- to a debtor where the total indebtedness in respect of such facilities is such that, in the opinion of the Minister for Finance, acquisition by NAMA is necessary for the purposes of the Act,

as well as any other class of bank asset of a Participating Institution the acquisition of which the Minister for Finance is of the opinion, after consultation with the European Commission, is necessary for the purposes of the Act.

Eligible Bank Assets may also include liabilities of “associated debtors”, which include subsidiaries, trusts of which the debtor is a beneficiary, and any body corporate in which the debtor has one-quarter interest or control. Section 69(5) provides that facilities and related assets created by a Participating Institution after 31 December 2008 may not be capable of transfer to NAMA.

Section 71 of the Act provides that Participating Institutions are obliged to deal with Eligible Bank Assets likely to transfer to NAMA with the same care and skill as a prudent lender, in good faith and not to prejudice or impair NAMA’s prospective interests in respect of those assets.

Acquisition of Eligible Bank Assets by NAMA

Chapter 1 of Part 6 of the Act sets out various provisions relating to the acquisition of Eligible Bank Assets. NAMA may, but is not obliged to, acquire Eligible Bank Assets, and, subject to an appeal mechanism, may acquire other assets of a Participating Institution even if such assets are not identified by the Participating Institution as Eligible Bank Assets. In addition, pursuant to Section 86 it may specify the terms and conditions of the acquisition, including warranties relating to the enforceability of security and good and marketable title. Section 80(5) of the Act provides that the Chief Executive Officer and the Chief Financial Officer of the Participating Institution may be obliged to certify the accuracy of the information provided to NAMA in respect of Eligible Bank Assets. Pursuant to Section 135, a Participating Institution may be directed by NAMA to indemnify it against any liability arising from errors, omissions or mis-statements provided to NAMA, or any redundancy or severance costs payable by NAMA in respect of persons whose employment transfers to NAMA.

Following receipt by NAMA from the Participating Institution of the relevant information about each of its Eligible Bank Assets and when NAMA has identified an Eligible Bank Asset of a Participating Institution that it proposes to acquire and has determined the acquisition value of that asset, Section 87 provides that NAMA will prepare an Acquisition Schedule setting out the Eligible Bank Assets that it intends to acquire; the obligations that will be excluded from such acquisition; the value of the assets and the valuation methodology (see “*Valuation Methodology*” below); and the date of acquisition (which by virtue of Section 87(7) will be at least 28 days after the date an acquisition schedule is served on the Participating Institution) or such lesser period as NAMA may specify.

Section 90 of the Act provides that the service of an Acquisition Schedule by NAMA operates to effect the acquisition by NAMA of all relevant contracts, certificates of title, undertakings and warranties and valuations relating to each Eligible Bank Asset listed in the Acquisition Schedule, notwithstanding any legal or equitable restrictions on the acquisition or any consents required for the acquisition. Pursuant to Section 96 a Participating Institution is obliged to make reasonable efforts to notify all affected debtors within 60 days of the acquisition by NAMA of Eligible Bank Assets, and NAMA has no liability if the Participating Institution fails to do so.

Valuation Methodology

Part 5 of the Act sets out the valuation methodology to be applied in respect of Eligible Bank Assets acquired by NAMA. The acquisition price to be paid by NAMA for Eligible Bank Assets will be at a level between the market value (being the amount that would be paid by a willing buyer to a willing seller in an arm’s length transaction after proper marketing (where appropriate) where both parties act knowledgeably, prudently and without compulsion) and the long-term economic value (“**LTEV**”) (being the value that can reasonably be expected to be attained in a stable financial system where the crisis conditions prevailing at the passing of the Act are ameliorated) of such assets by reference to factors such as zoning, availability of utilities, availability of similar properties in similar locations and historic recent valuations. In determining the market value of any Eligible Bank Assets, NAMA may take account of any market value submitted by the Participating Institution; any valuation reports prescribed by the Minister for Finance; and any previous value determined by NAMA for a similar asset.

The Minister for Finance may make regulations prescribing the adjustment factors that may be taken into account in determining the long-term economic value of the assets. Section 76 of the Act provides that the LTEV determined by NAMA for a parcel of land shall not exceed the market value of the parcel by more than a fraction as the

Minister for Finance may determine by regulation (expected to be one quarter, based on the Valuation Regulations) and the total LTEV of all land in a particular portfolio shall also not exceed the total market value by such fraction as the Minister for Finance may determine (expected to be one fifth, based on the Valuation Regulations). The section also provides that NAMA may determine that, with regard to any particular class of property, or in the particular circumstances applicable to a parcel of land, its long-term economic value shall not exceed its market value.

Section 79 sets out the matters which the Minister for Finance may include in regulations with regard to the LTEV of property. That section also sets out numerous matters which the Minister for Finance may have regard to in making regulations either in respect of the LTEV or market value of Eligible Bank Assets. These include:

- the use of net present value methodology in determining the value of any asset;
- a discount rate to reflect NAMA's costs of funds plus a margin that represents an adequate remuneration for State risk;
- a further discount rate which in the opinion of the Minister for Finance is necessary or appropriate to provide for enforcement costs, due diligence costs and other relevant costs incurred or likely to be incurred by NAMA over its life time;
- the extension of the maturity date of any asset for such period as NAMA considers appropriate after its actual maturity to allow a reasonable period for its management and enforcement;
- the types or classes of property in respect of which the market value shall be deemed to be the LTEV.

Consideration for Eligible Bank Assets acquired

The Minister for Finance and NAMA may issue Government guaranteed bonds and NAMA may issue subordinated bonds for the purpose of providing the consideration for the acquisition of Eligible Bank Assets from Participating Institutions. The Minister for Finance is obliged by virtue of Section 92 of the Act to ensure that Government guaranteed bonds to an amount sufficient to allow the payment of the consideration payable under each Acquisition Schedule are issued. Section 49 of the Act provides that, in addition to the Government guaranteed bonds issued by the Minister for Finance or NAMA, NAMA may issue subordinated bonds, but that the total amount of such subordinated securities issued shall not exceed 5 % of the aggregate total portfolio acquisition value.

The subordinated bonds are expected to be repayable at par together with interest at a rate based on the rate on government debt securities for the expected term of the subordinated bonds. However, it is expected that if NAMA has insufficient funds to fully repay the Government guaranteed bonds and subordinated bonds, the shortfall will be shared by the Participating Institutions up to the amount of the subordinated bonds issued, in proportion to each institution's share of the total subordinated bonds issued by NAMA. Such a shortfall could occur if the ultimate sales proceeds and income generated on the Eligible Bank Assets transferred to NAMA fail to cover the initial consideration paid and interest costs and expenses incurred by NAMA. As a result, the subordinated bonds will have the effect of sharing risk in respect of the Eligible Bank Assets with the Participating Institutions.

Section 92 provides that on the specified payment date, NAMA will issue securities or subordinated bonds to the Participating Institution. Section 93 provides that NAMA has the ability to claw-back any overpayments or payments to which there was no entitlement. There is no time limit specified beyond which such claw-backs may not be made by NAMA.

Foreign Assets

Section 91 of the Act provides that Eligible Bank Assets located in jurisdictions other than Ireland may also be acquired by NAMA, and the Act provides that where the relevant local law does not permit assignment or transfer of the relevant Eligible Bank Assets, the Participating Institution is obliged to hold such assets for the benefit of NAMA and do all in its power to assign the greatest possible interest to NAMA, and also provides that the Participating Institution will execute and deliver any contract, document or deed to ensure a binding acquisition by NAMA of the Eligible Bank Asset in question.

Effects of Acquisition

Chapter 2 of Part 6 of the Act sets out the effects of the acquisition of the Eligible Bank Assets. Upon the acquisition of the Eligible Bank Assets, NAMA is substituted for the Participating Institution in respect of all of the rights and powers and subject to all obligations of the Participating Institution in respect of the Eligible Bank Assets it has acquired, the debtor, any guarantor or surety, any receiver, liquidator or examiner or an Official Assignee in Bankruptcy (being the individual charged with the realisation of the assets of the bankrupt and the discharge of costs and the payment of dividends (if any) to creditors). The Participating Institution is also deemed to have ceased to have such rights, powers and obligations. In respect of Eligible Bank Assets that are non-Irish situated

land, alternative procedures for the vesting of this property in NAMA and enforcing the rights of third parties may apply.

NAMA is given broad powers to take action to enforce such acquired security, call up any guarantee or participate to the same extent as any Participating Institution in any resolution, work out or restructuring. If, in relation to an Eligible Bank Asset that NAMA has acquired, it is alleged that any representation, covenant or undertaking was made in favour of the debtor or another person by the Participating Institution, the terms of which are not disclosed to NAMA and which would affect a creditor's rights in relation to the Eligible Bank Asset, the representation, covenant or undertaking is not enforceable against NAMA and is only enforceable (if at all) for damages or other relief against the Participating Institution that cannot be enforced or offset against the Eligible Bank Assets. In addition, that representation, covenant or undertaking cannot be relied upon by NAMA against a debtor. No cause of action lies or is maintainable against NAMA by reason solely of the acquisition of a Eligible Bank Asset from a Participating Institution.

Review of Acquisition Decisions

Part 7 of the Act addresses the review of decisions relating to the acquisition of Eligible Bank Assets. A Participating Institution may only object to the proposed acquisition of a bank asset when supplying information to NAMA in accordance with section 80 of the Act (where it is of the opinion that a bank asset is not an Eligible Bank Asset) and must provide NAMA with materials within 7 days of NAMA notifying it that it proposes to acquire such asset opposing the inclusion of the asset, for consideration by an expert reviewer appointed by the Minister for Finance. The expert reviewer has 5 days to review materials and the Minister for Finance may either confirm the inclusion of such asset or reject NAMA's decision.

In addition, a Participating Institution has 14 days to contest any valuation placed by NAMA on an Eligible Bank Asset. A Participating Institution may dispute the valuation only if it has served notices of objection in relation to Eligible Bank Assets acquired by NAMA that comprise at least 12.5% by value of the total portfolio acquisition value (i.e. in respect of a particular Acquisition Schedule). A Participating Institution has 28 days after service of the relevant notice from NAMA that it intends to acquire such assets to serve a notice on NAMA to activate a review of the relevant valuations by a valuation panel to assess whether the aggregate market value of an acquired portfolio is correct or whether such valuation decision was vitiated by a serious and significant error.

The valuation panel shall consist of persons appointed by the Minister for Finance to it. There shall not be more than 12 members, who shall have relevant experience or specialist knowledge in the opinion of the Minister. A person shall be deemed to have relevant experience or specialist knowledge if he or she is qualified, or has experience at a senior level in one or more of the following: finance and economics; law; accountancy and auditing; public administration; project finance; construction and land development; property management and sale; valuation; urban and land planning; banking and investment; and insolvency and restructuring. The Minister for Finance may make regulations providing for the procedure of the valuation panel and any matters relating to the review to be carried out.

The Minister for Finance is obliged to consider the valuation panel's advice (which the panel is obliged to deliver to the Minister for Finance within 90 days, except in exceptional circumstances). He may confirm that the aggregate market value as advised to the valuation panel or remit the valuation for re-consideration by the valuation panel (but only where the original determination of the aggregate market value was greater than the total portfolio acquisition value) or confirm that the aggregate market value of the Eligible Bank Asset acquired by NAMA is greater than the total portfolio acquisition value and may therefore, either order the return of Eligible Bank Assets equivalent to the difference to the Participating Institution or order the payment of additional consideration to the Participating Institution.

Servicing of Assets

Section 131 of the Act provides that a Participating Institution from which NAMA has acquired an Eligible Bank Asset may be obliged to continue to service (i.e. manage) the Eligible Bank Asset and a Participating Institution must comply with directions given by NAMA in respect of servicing such assets. NAMA will reimburse the Participating Institution in respect of such services at a rate to be determined. In addition, Section 133 provides that NAMA may, for the furtherance of the achievement of its purposes under the Act, give directions to a Participating Institution to deal in a specified way with an Eligible Bank Asset which was not acquired. The Act also makes provision for the payment of performance fees to the Participating Institution in respect of the servicing of Eligible Bank Assets acquired by NAMA. In exercising servicing obligations for NAMA, a Participating Institution must ensure that all relevant authorisations, consents and licences are in place. It is also possible that NAMA may itself service Eligible Bank Assets that it acquires.

Powers of NAMA in relation to acquired assets

NAMA is given very broad powers in relation to Eligible Bank Assets in Part 9 of the Act, including to: transfer, assign, convey or sell any Eligible Bank Assets acquired by it notwithstanding any restrictions in law or equity; redeem any prior charges on charged land (being land that is subject to a charge that is part of an acquired asset) located in Ireland; enter into land or buildings in Ireland in order to protect the value or condition of such land or buildings (with the consent of the District Court of Ireland); compulsorily acquire land in Ireland (with the consent of the High Court of Ireland); appoint statutory receivers in the event the power of sale arises or becomes exercisable or a power to appoint a receiver arises under the terms of an Eligible Bank Asset; apply for vesting orders in respect of land which has the effect of extinguishing a chargor's equity of redemption; and extinguish other charges on land.

Part 9 also provides that in relation to any land in which NAMA has an interest, an instrument under seal of NAMA that is stated to convey that interest in the land concerned to another person shall be taken for all purposes to be a deed of conveyance of the land executed under seal by the owner of the interest in the land concerned. Subject to certain exceptions, a conveyance by NAMA to a purchaser of a legal estate or legal interest in land overreaches any equitable interest in the land so that the equitable interest ceases to affect that interest, whether or not the purchaser has notice of the equitable interest.

A receiver of the rents and profits of property appointed by NAMA pursuant to its powers as a chargee of the property, or a receiver appointed to the property of a company by NAMA in its capacity as a creditor of the company, is not obliged to sell the property at any particular time or at all, but is accountable for all profits and other monetary benefits arising directly from possession of the property.

Legal Proceedings

Part 10 of the Act contains provisions which impose limitations on the bringing of legal proceedings relating to Eligible Bank Assets acquired by NAMA, as well as narrowing the scope of the granting of injunctive relief and judicial review.

In respect of legal proceedings commenced in the Irish courts on or after 30 July 2009 by a debtor, associated debtor or guarantor of an Eligible Bank Asset the remedy available is restricted to damages, or any other remedy that does not in any way affect the asset, its acquisition or the interests of NAMA or any property the subject of any security that is part of such a bank asset. The Act imposes procedural limitations on the commencement of proceedings in the Irish courts for a remedy other than damages.

Where NAMA is a party to any legal proceedings affecting an asset it has acquired, the Participating Institution from which the asset was acquired is obliged to co-operate with NAMA. Where legal proceedings in the Irish courts were underway in relation to such an asset immediately before the acquisition by NAMA and the Participating Institution was the plaintiff, NAMA may elect to be substituted for the Participating Institution in its capacity as plaintiff. In addition, where a Participating Institution has obtained judgment in relation to an asset subsequently acquired by NAMA, NAMA is entitled to seek enforcement of that judgment.

Conduct of Participating Institutions

Section 206 of the Act provides that the Financial Regulator may, with the approval of the Minister for Finance, give a direction to a Participating Institution in order to achieve the purposes of the Act. A direction under this Section may restrict balance sheet growth, restrict the institution's ability to take over other credit institutions, require balance sheet reductions, or restrict or require consolidation and merger of Participating Institutions. The Financial Regulator may also direct a Participating Institution in writing to make any report that the Financial Regulator considers necessary to monitor the Participating Institution's compliance with the obligations under or by virtue of the Act. Pursuant to Section 207 a Participating Institution may also be directed by the Minister for Finance to draw up, or amend, a restructuring or business plan and take all reasonable steps to ensure that any draft business plan submitted to the Minister for Finance accurately contains all relevant information. If the Minister for Finance approves a draft business plan, the Participating Institution is obliged to take all reasonable steps to implement that plan.

Availability of Tax Losses

Part 10 of Schedule 2 of the Act, inserts a new section 396C into the Taxes Consolidation Act 1997 which provides that a Participating Institution will be restricted in the amount of trading losses it may set off against future trading profits (that is, trading profits generated subsequent to the accounting period in which the relevant losses are incurred) in the computation of its liability to Irish corporation tax in each future accounting period. However, it will, in certain circumstances, be permitted to surrender such excess trading losses in respect of which it cannot obtain relief in any particular year to other companies in the Group and it will be able to carry forward such excess

trading losses indefinitely. The restriction on the amount of trading losses carried forward which can be used in a particular year is calculated by reference to a formula set out in the Act. Accordingly, the Bank will not be able to use all of such tax losses carried forward against the first available taxable profits.

Surcharge

Section 225 of the Act provides that, on the later of ten years after the passing of the Act or the dissolution, restructuring or material alteration of NAMA, if the accounts of NAMA show an underlying loss, the Minister for Finance may bring forward legislation to impose a special tax by way of surcharge on Participating Institutions.

The surcharge imposed on each Participating Institution shall be apportioned on the basis of the book value of the Eligible Bank Assets acquired by NAMA from each Participating Institution concerned as a proportion of the total book value of the Eligible Bank Assets acquired from all of the Participating Institutions. The total surcharge recovered from all Participating Institutions shall not exceed the amount of NAMA's underlying loss (including the underlying loss of any NAMA group entity). The means of imposition of the surcharge and the period over which it must be paid will be as provided for in the legislation introduced at that time. For each Participating Institution the surcharge shall not exceed 100% of the corporation tax, if any, due and payable by that Participating Institution for the accounting period or periods as the case may be, falling within the period over which the Participating Institution is required to pay the surcharge.

It appears, therefore, that the surcharge is based on the book value of the Eligible Bank Assets acquired from each Participating Institution at the time of acquisition, regardless of the relative recovery by NAMA in respect of the assets of each such institution.

Expected Term

While not specified in the Act, the Department of Finance has indicated that it is expected that NAMA's operations will be concluded by 2020.

**PART IV
FINANCIAL INFORMATION**

1. Nature of Financial Information

The following unaudited financial information represents a break-down of financial information set out in the Interim Management Statement of 17 September 2009 (Unaudited) relating to the Minister for Finance's estimate of potential BoI Eligible Bank Assets as announced on 16 September 2009 and has been extracted without material adjustment from the Bank's unaudited internal financial information.

Balance sheet information in relation to such potential BoI Eligible Bank Assets as at 30 September 2009 has also been disclosed.

2. Extracted Financial Information

Potential BoI Eligible Bank Assets

Based on the Minister's Speech, the Bank's portfolio of potential BoI Eligible Bank Assets to be transferred to NAMA of up to approximately €16 billion could as at 30 September 2009 be made up as follows:

	Land & Development⁽¹⁾ €bn	Associated⁽²⁾ €bn	Total €bn
Ireland	5.8	2.9	8.7
UK	4.0	2.9	6.9
Rest of World	0.2	0.2	0.4
Total	10.0	6.0	16.0
Impairment Provisions at 30 September 2009	1.3 ⁽³⁾	0.1 ⁽³⁾	1.4 ⁽³⁾

Notes

(1) Loans provided by the Bank for the acquisition of land, or secured by land, or for the purposes of funding development costs on land. Source of financial information: The Minister's Speech and Internal Unaudited Management Information.

(2) Non-land and non-development related loans, predominantly loans for investment property. Source of financial information: The Minister's Speech and Internal Unaudited Management Information.

(3) Source of financial information: Internal Unaudited Management Information on the basis of IFRS accounting excluding the potential impact of NAMA.

As at 30 September 2009 total loans and advances to customers amounted to approximately €131.3 billion (after impairment provisions). Assuming the transfer of BoI Eligible Bank Assets of approximately €14.6 billion (after impairment provisions), in line with the Minister for Finance's estimate of €16 billion (before impairment provisions) of 16 September 2009, had occurred on 30 September 2009, loans and advances to customers after the transfer would have amounted to approximately €116.7 billion (after impairment provisions). Total impairments recognised as at 30 September 2009 amounted to approximately €3.5 billion, of which approximately €1.4 billion related to potential BoI Eligible Bank Assets.

3. Capital Resources and Liquidity

3.1 Capital Resources

The objectives of the Group's capital management policy are to:

- Align capital management to the Group's strategy;
- Meet the requirements and expectations of equity and debt investors and markets in general;
- Achieve the optimal mix of capital to meet the Group's regulatory requirements and rating ambitions; and
- Manage capital in aggregate and at business level, ensuring that capital is only invested in businesses which deliver adequate returns.

It is the Group's policy to maintain a strong capital base, to seek to expand this where appropriate and to utilise it efficiently in the Group's development as a diversified international financial services group. Long term debt capital, undated capital notes, preferred securities and preference stock are raised in various currencies in order to align the composition of capital and risk weighted assets. The Group's capital includes the Group's equity stockholders' funds (which includes €3.5bn Government preference stock issued to the National Pensions Reserve Fund Commission), perpetual and dated subordinated securities with regulatory adjustments and deductions applied, as set out in the table below.

The Group is subject to the regulatory capital adequacy requirements set by the Financial Regulator in Ireland, which reflect the requirements as set out in the EU Capital Requirements Directive (comprising Directive 2006/48/EC and Directive 2006/49/EC) and its preceding directives. The internationally agreed minimum total capital ratio of eight per cent is the base standard from which the Financial Regulator sets the individual minimum capital ratios for banks within its jurisdiction. These directives are used by the Group as the basis for its capital management and establish a floor under which total capital levels must not fall.

The Group seeks to maintain sufficient capital to ensure that even under stressed conditions these requirements are not breached. The Group also looks at other methodologies of capital measurement including the capital definitions set out by rating agencies. It also calculates economic capital based on its own internal models.

The Group meets its objectives in terms of capital management through the maintenance of capital ratios above the minimum levels set by the Financial Regulator and relative to market expectations for banks with its business profile.

The Group reviews the level of capital held to ensure that under stressed conditions it continues to comply with regulatory minimum ratios. It also seeks to minimise refinancing risk by managing the maturity profile of non-equity capital. In addition the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised. Capital strategy is integrated into the overall strategy of the Group, which has a portfolio approach to its businesses to ensure that optimum returns are targeted and earned with a focus on ensuring growth in value enhancing activities. New lending activity and transactions are subject to Risk Adjusted Return On Capital (RAROC) criteria.

The following table outlines the Group's capital and key capital ratios as at 30 September 2009, 31 March 2009 and 30 September 2008. The information contained in this table is unaudited and is extracted from the interim results for the six months ended 30 September 2009.

	30 September 2009	31 March 2009	30 September 2008
	€m	€m	€m
Share capital and reserves	7,930	6,913	6,433
Regulatory retirement benefit obligation adjustments	1,477	1,478	875
Available for sale reserve and cash flow hedge reserve	1,333	2,124	909
Goodwill & other intangible assets	(501)	(511)	(863)
Preference stock and warrants	(3,521)	(3,520)	(62)
Other adjustments	(88)	22	(67)
Equity Tier 1 capital	6,630	6,506	7,225
Preference stock	59	58	62
2009 Preference stock and warrants	3,462	3,462	-
Core Tier 1 capital	10,151	10,026	7,287
Innovative hybrid debt	747	1,197	1,154
Non-innovative hybrid debt	573	1,798	1,936
Supervisory deductions	(386)	(372)	(259)
Total tier 1 capital	11,085	12,649	10,118
Tier 2			
Undated loan capital	220	229	240
Dated loan capital	3,675	3,827	4,599
IBNR provisions	702	307	121
Revaluation reserves	81	80	177
Other adjustments	14	-	-
Supervisory deductions	(386)	(372)	(259)
Total tier 2 capital	4,306	4,071	4,878
Supervisory deductions			
Life and pensions business	(819)	(749)	(791)
Total capital	14,572	15,971	14,205

Risk Weighted Assets (RWA) – Basel II	30 September 2009 €m	31 March 2009 €m	30 September 2008 €m
Risk weighted assets			
Credit risk	92,283	96,395	107,316
Market risk	2,056	2,509	2,779
Operational risk	6,415	6,473	6,084
Total risk weighted assets	100,754	105,377	116,179
Key Capital Ratios	30 September 2009	31 March 2009	30 September 2008
Equity Tier 1 Ratio (core tier 1 less preference stock)	6.6%	6.2%	6.2%
Core Tier 1 Ratio	10.1%	9.5%	6.3%
Tier 1 Ratio	11.0%	12.0%	8.7%
Total Capital Ratio	14.5%	15.2%	12.2%

Source: 2009 and 2008 Unaudited Interim Results

The effective management of capital remains critical to the Group's ability to operate its businesses and grow organically and to pursue its strategy as referred to in Part I of this Circular – Governor's Letter under the heading "6. Core Business Priorities".

Market expectations regarding capital ratios for banks have risen following the rise in loss expectations across the international banking industry, driven by exposures to assets vulnerable to the downturn in residential and commercial real estate prices and the deteriorating economic climate. These increased expectations have resulted in the implementation of a range of initiatives which have increased the Group's capital and reduced risk weighted assets resulting in an improvement in each of the key capital ratios.

These initiatives commenced with the Group's announcement on 13 November 2008 of its decision to cancel dividend payments on ordinary stock for 2008/09 to preserve capital and that it did not expect to resume paying dividends on ordinary stock until more favourable economic and financial conditions return.

In January 2009 the Group announced its intention to withdraw from intermediary sourced mortgage business in the UK and closed this book (approximately €32 billion at 30 September 2009) to new business. This initiative will result, over time, in a reduction in the size of the Group's UK mortgage book. In addition, the Group commenced the process of winding down a number of non-core international niche lending businesses - including film finance, shipping and European property.

Of most significance has been the Government supported recapitalisation of the Group. On 31 March 2009, the National Pensions Reserve Fund Commission (NPRFC) completed the investment of €3.5 billion in new preference stock. This stock with a coupon of 8% is redeemable at par until the fifth anniversary of its issue and thereafter at 125% of par. The NPRFC also received warrants to subscribe for up to 25% of the then diluted ordinary stock of the Group. The preference stock qualifies as core tier 1 capital. The investment followed comprehensive due diligence by the NPRFC, including stress testing of the Group's lending portfolios.

In June 2009 the Group repurchased certain subordinated liabilities. This involved the repurchase for cash of Euro, US dollar and sterling subordinated liabilities at a discount to their nominal value (average discount 59%) but at a premium to their trading range. This resulted in a gain of €1,037 million being recorded in the income statement for the six months ended 30 September 2009, which in turn increased the Equity Tier 1 and Core Tier 1 ratios from their 31 March 2009 levels.

The impact of capital initiatives contributed to the strengthening of the Group's Equity Tier 1 Ratio, Core Tier 1 Ratio and Total Tier 1 Ratio from 6.2%, 6.3% and 8.7% respectively as at 30 September 2008 to 6.6%, 10.1% and 11.0% respectively as at 30 September 2009.

In the context of the continued uncertainty in the financial markets, together with revising market norms and expected regulatory developments, the Directors are committed to further strengthening the Group's capital ratios in order to ensure the Group remains resilient to any further shocks to the financial system, that it remains competitive and that it can ultimately repay the Irish Government's investment on 31 March 2009 of €35 billion of 2009 Preference Stock.

Impact of NAMA on Capital

The potential benefits of NAMA include:

- increased confidence as to banks' asset quality and greater clarity on impairment charges on property and construction loans;
- a reduction in the level of banks' risk weighted assets; and
- significant improvement in banks' liquidity and funding positions.

Participation in NAMA would enable the Bank to dispose of certain land and development loans and certain associated loans to NAMA and thereby determine the Group's losses associated with those loans. It is expected that this will increase market certainty because the Eligible Bank Assets to be transferred to NAMA in general are perceived to carry a higher risk than other classes of assets on the Group's balance sheet.

The Directors may consider raising additional equity finance in the future to pursue the Bank's strategy or to improve the resilience of the Group's balance sheet. The increased market confidence that is expected to result from greater certainty regarding the level of loan impairments will potentially improve the Group's ability to access equity capital.

While participation in NAMA would result in a reduction in risk weighted assets, the reduction in capital caused by the crystallisation of losses means that overall each capital ratio would be adversely impacted. The participation in NAMA, summarised in Part V Unaudited Pro-forma Financial Information as at 30 September 2009 (assuming that if one were to apply, for illustrative purposes, the Minister's estimated average discount for all Participating Institutions of 30% and the Minister's estimate of BoI Eligible Bank Assets of up to €16 billion), would result in an Equity Tier 1 Ratio of 4.2%, Core Tier 1 Ratio of 8.3%, a Total Tier 1 Ratio of 9.5%, a reduction of 2.4%, 1.8% and 1.5% respectively on a pro-forma basis.

Additional loan loss provisions together with asset quality deterioration will continue to be borne by the Group until all assets are transferred to NAMA. This may result in a different impact on the Group's capital ratios than that shown in the pro-forma capital ratios set out in Part V Unaudited Pro-forma Financial Information.

3.2 Liquidity Management, Liquidity Risk and Funding Strategy

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven among other things, by the maturity structure of loans and investments held by the Group, while cash outflows are driven by the term of its debt and the outflows from deposit accounts held "on demand" for customers. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt. The latter are often associated with times of distress or adverse events, such as a credit downgrade or economic or financial turmoil.

The Group's exposure to liquidity risk is governed by policy approved by the Court and the Group Risk Policy Committee (GRPC). The operation of this policy is delegated to the Group's Asset and Liability Committee (ALCO) who are responsible for monitoring the liquidity risk of the Group and for the development and monitoring of liquidity policy.

The objective of the Group's liquidity management policy is to ensure that the Group can meet its obligations, including deposit withdrawals and funding commitments, as they fall due.

Liquidity management within the Bank focuses on the overall balance sheet structure, the control, within prudent limits, of risk arising from the mismatch of maturities of assets and liabilities across the balance sheet and the risks arising from undrawn commitments and other contingent obligations.

Liquidity management within the Group consists of two main activities:

- Tactical liquidity management focuses on monitoring current and expected future daily cashflows to ensure that the Group's liquidity needs can be met. This takes into account the Group's access to unsecured funding (the size and stability of the Group's customer deposits and wholesale funding) and the liquidity characteristics of a portfolio of highly marketable assets and contingent assets that can be quickly and easily converted into funding to cover unforeseen cash outflows.
- Structural liquidity management focuses on assessing the optimal balance sheet structure taking account of the maturity profile of assets and liabilities and the Group's debt issuance strategy.

In addition, the Group complies with the liquidity requirements applied by the Irish Financial Regulator and with the requirements of local regulators in those jurisdictions in which the liquidity requirements apply to the Group. The Financial Regulator requires that banks have sufficient payment resources (cash inflows and marketable assets) to cover 100% of the expected cash outflows in the zero to eight day time horizon and 90% of expected cash outflows in the eight day to thirty day time horizon. The Group has implemented a series of internal measures that are more restrictive than these minimum regulatory requirements.

The Group aims to maintain substantial funding diversification, minimise concentration across the Group's various funding sources and control the level of reliance on total short-term wholesale sources of funds. As part of the Group's planning process, it regularly reviews the forecast funding composition of the Group's balance sheet over the internal forecast period, and updates the funding forecast, as appropriate.

The largest, single source of funding for the Bank is customer deposits which comprises demand deposits, current accounts, notice and term deposits. Together these account for 50% of the funding requirement of the balance sheet of the Group as at 30 September 2009 (excluding Bank of Ireland Life funds held on behalf of policyholders). A significant proportion of customer deposits are repayable on demand or at short notice although the Group manages these deposits on a 'behavioural life' basis (that is based on precedent and the Bank's experience) in common with other banks (€68.8 billion of total customer deposits as at March 2009 had a residual contractual maturity of less than 3 months). However, the Court believes that the Group's strong customer relationship focus and product range, together with the nature and geographic spread of its customer base, are generally mitigating factors against deposit outflows. The Group's wholesale funding programmes which account for a further 35% of the Group's funding requirements as at 30 September 2009 (excluding Bank of Ireland Life funds held on behalf of policyholders) are diversified across geographies, investor types and maturities. The remainder of the Group's balance sheet is funded by capital and other liabilities.

The Group's focus on asset and liability management as outlined above, as well as its diversified funding structures and strategies, have ensured that it has been able to manage its balance sheet effectively since the liquidity crises intensified in September 2008. At 30 September 2009, the Group had a loan to deposit ratio of 152% which represented an improvement of 9 percentage points from 161% at 31 March 2009. In addition, the Group has maintained a liquidity buffer in excess of the minimum regulatory requirements throughout these periods.

3.3 Government and central bank funding and liquidity support

The global financial turmoil and absence of liquidity experienced by financial institutions in September 2008 placed a significant strain on the funding position of banks internationally. The extremely distressed market conditions of the time led Governments and monetary authorities such as the ECB and the Bank of England to announce a broad range of measures intended to ease the strain on the liquidity positions of the banks and to reduce the level of turbulence being experienced in financial markets. The Group participates in global central bank operations as part of its normal day to day funding operations. In addition, the Group has availed of certain additional liquidity schemes introduced by central banks for all market participants during the recent dislocation within funding markets. The Group has maintained a disciplined approach to the use of funding from the monetary authorities and the Group's funding from these sources reduced to approximately €7 billion on a net basis at 30 September 2009 from approximately €17 billion net at 31 March 2009.

The Irish Government recognising the adverse impact of the global financial crisis on Irish financial institutions in accessing wholesale funding markets, and the systemic importance of certain financial institutions, including Bank of Ireland, to the Irish economy introduced the CIFS Guarantee Scheme on 30 September 2008 which guarantees the deposits and certain liabilities of covered institutions up to 29 September 2010. Further information on the Bank's participation in the CIFS Guarantee Scheme is set out under the heading "8. Material Contracts" in Part VI of this Circular – Additional Information.

The Group's total liabilities (excluding both equity and Bank of Ireland Life policyholder liabilities) at 30 September 2009 amounted to €165 billion. Of this amount, €102 billion or 62% is guaranteed under the CIFS Guarantee Scheme with a further €31 billion or 19% guaranteed under the Irish Government's deposit protection scheme. Under the CIFS Guarantee Scheme, in the six months to 30 September 2009, the Group raised €79 billion in term funding (wholesale funding with a maturity of one year or greater at the time of the issue) through both public issues and private placements.

Although the Group continues to rely on the CIFS Guarantee Scheme, it has taken advantage of the recent improvements in sentiment and has extended the duration of its money market funding, issued debt securities in partially unguaranteed format and reduced its reliance on secured funding sources.

On 16 September 2009 the Minister for Finance announced proposals to introduce the ELG Guarantee Scheme to replace the CIFS Guarantee Scheme which expires on 29 September 2010. The ELG Guarantee Scheme, which also expires on 29 September 2010, will facilitate financial institutions in issuing deposits or debt securities with a

maturity beyond 29 September 2010 on either a guaranteed or unguaranteed basis, extending the guarantee for certain deposits and certain issuance of debt securities with a maturity of up to five years. This scheme has been approved by the European Commission under State aid rules and has also been approved by the Houses of the Oireachtas (parliament of Ireland) and the Bank expects to join the scheme in January 2010. All liabilities guaranteed under the existing CIFS Guarantee Scheme as at the commencement date of the ELG Guarantee Scheme (and in respect of a participating institution, as at the date it joins ELG Guarantee Scheme) will remain guaranteed under and in accordance with the terms of the CIFS Guarantee Scheme. Further details of the risks associated with the CIFS and ELG Guarantee Schemes are set out in Part II of this Circular – Risk Factors under the heading “*Changes to the actual or envisaged operation of or the participation by the Bank in the Government guarantee scheme could have an adverse effect on Bank of Ireland’s results, financial condition and prospects.*”

Once the ELG Guarantee Scheme is in force in respect of the Bank, market conditions could allow the Group the option of issuing term debt under this scheme to further extend the maturity profile of its wholesale funding and thereby strengthen its funding ratios.

Over recent years, Bank of Ireland has invested in building a strong technical capability to support contingent liquidity strategies which has allowed the Group to maximise the funding potential from its balance sheet. Using this capability the Group has developed significant pools of eligible collateral from its balance sheet which can be pledged in the secondary market and through the normal market operations of the monetary authorities (including the ECB, the Bank of England and the US Federal Reserve) to provide access to secured funding. At 30 September 2009, the Group’s contingent liquidity collateral pool would facilitate approximately €43 billion of funding from monetary authorities. The Group has maintained a disciplined approach to the use of funding from the monetary authorities and the Group’s funding from these sources reduced to approximately €7 billion on a net basis at 30 September 2009 from approximately €17 billion net at 31 March 2009.

The Government guarantee schemes and availability of funding from monetary authorities, in particular the ECB, provide support to a significant proportion of the Group’s funding operations as at the date of this document and this is expected to continue for some time. Were such schemes to be discontinued, the Group would likely face an increase in reliance on short-term money market funding which could materially increase the Group’s refinancing risk. The Group’s focus on deleveraging its balance sheet supported by the participation in NAMA should reduce the Group’s funding and liquidity risk in the future. A key priority for the Group is to reduce its reliance on these support schemes as market conditions continue to improve – details of the Group’s funding structure, profile and initiatives to improve the Group’s funding and liquidity position are set out in the following paragraphs.

3.4 Funding Structure and Profile

Over the past 18 months the Group has been heavily reliant on the CIFS Guarantee Scheme and has availed of liquidity facilities from monetary authorities in continuing to access funding and liquidity, and it expects to continue to avail of such facilities in future. Were such schemes to be discontinued, the Group would be likely to face an increased reliance on short-term money market funding which could materially increase the Group’s refinancing risk. In line with its prudent funding strategy, the Group continues to avail of opportunities to replace short-term funds with longer-dated liabilities. Therefore, despite the recent improvement in market liquidity, the Bank will continue to have to rely upon the CIFS Guarantee Scheme (and in due course the ELG Guarantee Scheme) and to use standard liquidity facilities from monetary authorities.

The following table shows the Group's funding sources:

Summary Liabilities (excluding Bank of Ireland Life policyholder liabilities)	30 September 2009		31 March 2009		30 September 2008	
	€bn	%	€bn	%	€bn	%
Bank Deposits	21	12%	29	16%	17	9%
Senior Debt / Asset Covered Securities	25	14%	25	14%	25	13%
Commercial Paper / Certificates of deposits	9	6%	14	7%	29	15%
Securitisations	6	3%	6	3%	7	4%
Total wholesale funding	61	35%	74	40%	78	41%
Subordinated Debt	6	4%	8	4%	9	5%
Customer Deposits	87	50%	83	45%	91	47%
Stockholders' equity	8	5%	7	4%	6	3%
Other	11	6%	12	7%	8	4%
Total Group Funding (excluding BOI Life Liabilities)	173	100%	184	100%	192	100%

Source: 2009 and 2008 Unaudited Interim Results

The following table provides a maturity analysis of wholesale funding:

Wholesale funding maturity analysis	30 September 2009		31 March 2009		30 September 2008	
	€bn	%	€bn	%	€bn	%
Less than one year	41	67%	54	73%	55	71%
One to five years	17	28%	17	23%	20	25%
More than 5 years	3	5%	3	4%	3	4%
Total wholesale funding	61	100%	74	100%	78	100%

Source: Internal Unaudited Management Information

Balance Sheet Deleverage

In early 2009, the Group announced a number of initiatives to de-leverage the balance sheet. These included the cessation of mortgage lending through the broker channel in the UK and putting this business, together with the Group's Film Finance, Shipping and European Property financing operations, into run-off. Together these initiatives relate to loans which amount to 27% of the Group's loans and advances to customers at 30 September 2009 (31 March 2009: 28%).

The quantum of lending in these operations is reducing, albeit at a slower pace than originally expected. This is a function, in particular, of the continued low levels of availability and activity in the UK mortgage and housing markets.

Customer Deposits

Deposit gathering remains a key priority and the Group continues to leverage the potential of its extensive retail distribution platforms, both in the Republic of Ireland through its 248 full time branches, and internationally through its joint venture with the UK Post Office, its Business and Corporate Banking relationship management teams and its network of treasury offices in Dublin, the UK and the US.

Customer deposits	30 September 2009		31 March 2009		30 September 2008	
	€bn	%	€bn	%	€bn	%
Retail Republic of Ireland	34	39%	33	40%	33	36%
- Deposits	24		23		22	
- Current account credit balances	10		10		11	
UK Financial Services (€bn equivalent)	21	24%	21	25%	25	28%
<i>UK Financial Services (£bn)</i>	18		19		20	
- POFS	8		8		6	
- Business Banking	10		11		14	
Capital Markets	32	37%	29	35%	33	36%
Total customer deposits	87	100%	83	100%	91	100%

Source: 2009 and 2008 Unaudited Interim Results

Despite intense market competition in the Republic of Ireland and pressure on international deposits caused by rating downgrades, the Group's deposit base has stabilised in the 6 months to 30 September 2009. From 31 March 2009 to 30 September 2009 customer deposits rose by €4 billion due principally to the €1 billion increase in deposits in the Group's Retail Republic of Ireland division and the €3 billion increase in deposits in the Group's Capital Markets division.

The Group's loans to deposit ratio has improved from 161% at 31 March 2009 to 152% at 30 September 2009.

Wholesale Funding

During the latter part of the 6 months to 30 September 2009, funding conditions improved somewhat for Bank of Ireland, reflecting an upturn in the general funding market backdrop and an increased appetite for Irish debt. Investors' perception of Irish sovereign risk improved based on economic data indicating the pace of contraction in the Irish economy is moderating, on-going efforts by the Government to stabilise public finances and measures of support for the Irish banking system (particularly NAMA).

The Group has taken advantage of the improved market sentiment and has extended the duration of its money market funding, issued debt securities in partially unguaranteed format and reduced its reliance on secured funding sources. A highlight of the Group's funding activity during the period was the 5 year issue of a covered bond in September 2009. This was the first partially unguaranteed public benchmark fund-raising transaction by an Irish institution since the introduction in September 2008 of the CIFS Guarantee Scheme. Separately, on 29 September 2009, the Group issued a €1 billion, unsecured benchmark senior debt security with a maturity of 3.5 years, unguaranteed after 29 September 2010 (which settled after 30 September 2009 and was therefore not reflected in the Group's balance sheet at that date).

Wholesale funding as a percentage of Group total assets (excluding Bank of Ireland Life policyholder assets) reduced to 35% (€61 billion) at 30 September 2009, compared to 40% (€74 billion) at 31 March 2009 due to a combination of a reduction in customer lending of €3 billion, an increase in customer deposits of €4 billion and a reduction of €7 billion in the level of liquid assets held. At 30 September 2009, 33% or €20 billion of this wholesale funding had a term to maturity of greater than one year i.e. beyond the expiry date of the CIFS Guarantee Scheme, compared to 27% at 31 March 2009.

3.5 Impact of NAMA on Funding and Liquidity

A critical feature of participation in NAMA is the additional liquidity that is expected to arise. As consideration for the loans transferred, it is expected that NAMA would issue to financial institutions a combination of Irish Government guaranteed bonds (approximately 95% of the consideration) and subordinated bonds (approximately 5% of the consideration). The Irish Government guaranteed bonds are expected to be marketable instruments that are capable of being pledged as funding collateral to debt market investors and to monetary authorities such as the ECB.

Assuming a transfer from the Group of the approximately €16 billion gross book value of loans (prior to impairments previously recognised by the Bank) estimated by the Minister for Finance in his speech of 16 September 2009, and applying the industry wide discount of 30% estimated by the Minister, Bank of Ireland would be expected to receive Irish government guaranteed bonds of approximately €11 billion which would significantly improve the liquidity position of the Group.

The Irish government guaranteed bonds will provide the Group with access to additional liquidity and funding, if required, for its ordinary business activities. They may also reduce the cost of liquidity and funding to the Group.

Participation in NAMA will also reduce the leverage of the Group by removing approximately €14.6 billion (after impairment provisions) of customer loans from its balance sheet, resulting in a reduction in the Group's loan-to-deposit ratio. The Group estimates that the Group's loan-to-deposit ratio of 152% at 30 September 2009 would fall to a pro-forma loan-to-deposit ratio of 135% if all its estimated eligible assets had been transferred to NAMA on that date.

3.6 *The Potential Impact of EU State aid*

As part of the European Commission's State aid review, the Group submitted a restructuring plan to the European Commission on 30 September 2009, which includes the estimated effect of NAMA on the Bank. If the European Commission determines that the Group has received State aid under the Irish Government support initiatives (the CIFS Guarantee Scheme, the ELG Guarantee Scheme, the NPRFC Investment and potentially NAMA) there is a risk that the Group may be required to adopt remedies to eliminate any perceived competitive advantage. These remedies could include burden-sharing by existing or new debt investors, Preference Stockholders and Ordinary Stockholders, as well as fundamental change e.g. mandatory reductions in the Bank's risk weighted assets, market share limitations, the sale or winding down of subsidiaries and/or businesses and/or the disposal of branches of the Bank in Ireland or elsewhere.

On 4 November 2009 the Group announced that the European Commission's assessment of Bank's restructuring plan was at a very preliminary stage. The Group believes that the outcome of the European Commission's assessment of its restructuring plan may be prolonged and that the outcome of the review will only become clear in 2010. Even then, the ultimate decision taken by the European Commission may be subject to appeal through the European Courts. Moreover, two other Irish banks are also understood to be in discussions with the European Commission in respect of restructuring plans associated with State aid. It has been suggested that the European Commission's decision in respect of the Group may be taken in the context of the Irish banking sector as a whole which could add additional complexity and uncertainty.

Notwithstanding the extended period the European Commission might accept for the implementation of any remedies, in practical terms the impact on the Group is likely to be over a shorter time period of one to two years. The implementation of any remedies, especially those involving fundamental change, will take time and therefore implementation will likely commence relatively soon after any remedies have been agreed.

At this point the Bank does not know what actions the European Commission might take in respect of its assessment of Bank's restructuring plan or the nature or scope of the commitments that might be required of Bank, including the timing for the implementation of any measure adopted or remedies required.

Notwithstanding that the Bank would seek to limit the effect on the Group of any measure adopted or remedies required in connection with the EU State aid clearance of the restructuring plan, the outcome of the European Commission's assessment of Bank's restructuring plan may have an impact on the Bank's funding and capital position.

3.7 *Information Incorporated by Reference*

The annual reports, including audited consolidated accounts and their respective audit reports, of the Bank for the financial periods ended 31 March 2009, 31 March 2008 and 31 March 2007 and the 2009 Unaudited Interim Results are incorporated in this circular by reference. These accounts are available on the Bank's corporate website at www.bankofireland.com.

3.8 *Working Capital*

As discussed above, the global markets for short and medium-term sources of funding on which banks rely to support their business activities remain constrained as a result of which support by the Minister to directly supplement existing sources of funding and create the environment for an improvement in the availability of other traditional sources of funding remains necessary. Due to dislocation and the uncertainty surrounding the implementation of new Government schemes and EU State aid measures, the Irish Stock Exchange and the UK Listing Authority have agreed that a statement regarding the adequacy of working capital for at least the next 12 months should not be required in this document. There is, therefore, no working capital statement in this document.

3.9 *Summary*

In summary, the Group has been heavily reliant on certain government-backed and monetary authority-backed liquidity schemes, which provide short and medium term liquidity and funding, over the past 18 months, and expects to remain so until such funding can be refinanced in the unguaranteed customer deposit and wholesale funding markets.

The combination of a focus on reducing the size of the balance sheet, further developing the Group's customer deposit base, accessing the longer term debt markets, the participation in NAMA and reducing the reliance on monetary authority sponsored funding and Government guarantee schemes should ensure that the Group continues to strengthen its already diversified funding base.

PART V
UNAUDITED PROFORMA FINANCIAL INFORMATION

1. Effect of the Bank's Participation in NAMA

The unaudited pro forma financial information set out in this Part V has been prepared to illustrate the effect of the Bank's participation in NAMA as if it had occurred on 30 September 2009. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the pro forma statement of financial information addresses a hypothetical situation and does not, therefore, represent the Bank's actual financial position or results that would follow its participation in NAMA.

	As at 30 September 2009	Adjustments for the Bank's participation in NAMA	Pro forma as at 30 September 2009
	€ million (1)	€ million (2)	€ million (3)
ASSETS			
Cash and balances at central banks	4,111	-	4,111
Items in the course of collection from other banks	421	-	421
Trading securities	426	-	426
Derivative financial instruments	6,928	(114) ⁽²⁽ⁱ⁾⁾	6,814
Other financial assets at fair value through profit or loss	9,129	-	9,129
Loans and advances to banks	3,739	-	3,739
Available for sale financial assets	22,735	11,119 ⁽²⁽ⁱⁱ⁾⁾	33,854
Loans and advances to customers	131,315	(14,600) ⁽²⁽ⁱⁱⁱ⁾⁾	116,715
Interest in associated undertakings	22	-	22
Interest in joint ventures	176	-	176
Intangible assets – goodwill	47	-	47
Intangible assets – other	475	-	475
Investment properties	1,290	-	1,290
Property, plant and equipment	476	-	476
Deferred tax assets	572	582 ^{(2(iv))}	1,154
Other assets	2,424	(45) ^{(2(v))}	2,379
Retirement benefit asset	9	-	9
Total assets	184,295	(3,058)	181,237
EQUITY AND LIABILITIES			
Deposits by banks	20,956	-	20,956
Customer accounts	86,616	-	86,616
Items in the course of transmission to other banks	202	-	202
Derivative financial instruments	6,618	-	6,618
Liabilities to customers under investment contracts	4,887	-	4,887
Debt securities in issue	39,953	-	39,953
Insurance contract liabilities	6,478	-	6,478
Other liabilities	2,930	-	2,930
Provisions	67	-	67
Deferred tax liabilities	72	-	72
Retirement benefit obligations	1,486	-	1,486
Subordinated liabilities	6,100	-	6,100
Total liabilities	176,365	-	176,365
Equity			
Capital stock	699	-	699
Stock premium account	4,092	-	4,092
Retained earnings	5,004	(3,058) ^{(2(vi))}	1,946
Other reserves	(1,828)	-	(1,828)
Own shares held for the benefit of life assurance policyholders	(90)	-	(90)
Stockholders' equity	7,877	(3,058)	4,819
Minority interests	53	-	53
Total equity	7,930	(3,058)	4,872
Total equity and liabilities	184,295	(3,058)	181,237

Notes:

(1) Information on the assets, liabilities and equity of the Group as at 30 September 2009 has been extracted without material adjustment from the unaudited consolidated balance sheet included in the Interim Results for the 6 months ended 30 September 2009.

(2) This column represents the adjustments made to show how the potential transfer of potential BoI Eligible Bank Assets to NAMA based on the Minister for Finance's estimate of 16 September 2009 might have affected the Balance Sheet of the Group as shown if the transfer took place as at 30 September 2009 as follows:

- (i) The €114 million reduction in derivative financial instruments represents an estimate of the impact of the transfer of derivatives associated with the potential BoI Eligible Bank Assets to NAMA;
- (ii) The €11,119 million increase in available for sale financial assets represents an estimate of the fair value of the Government guaranteed bonds and subordinated bonds that would issue to the Bank as consideration for the potential BoI Eligible Bank Assets transferred to NAMA. This is calculated as €16,000 million BoI Eligible Bank Assets plus the estimated value of derivatives transferred (c. €114 million) and accrued interest transferred (c. €45 million), totaling €16,59 million, less a discount of 30% thereon (€4,848 million) and net of an adjustment of €192 million arising on the valuation of NAMA subordinated bonds (reflecting for illustrative purposes, an assumed, 34% fair value adjustment for the subordinated bonds);
- (iii) The €14,600 million of loans and advances to customers represents the estimated €16,000 million potential BoI Eligible Assets to be transferred to NAMA net of existing impairment provisions of €1,400 million;
- (iv) The €582 million adjustment to Deferred tax assets represents the estimated tax benefit arising from the loss on Eligible Bank Assets transferred to NAMA at a blended tax rate of 16% which approximates to the tax rates applicable in jurisdictions in which the potential BoI Eligible Bank Assets are based;
- (v) The €45 million adjustment to Other assets relates to an estimate of the accrued interest on the transfer of potential BoI Eligible Bank Assets to NAMA;
- (vi) The adjustment to Retained earnings of €3,058 million is the loss on transfer of the potential BoI Eligible Bank Assets estimated to arise from the NAMA valuation adjustment based on a gross discount rate of 30% (€4,848 million) offset by existing provisions of €1,400 million and the estimated €582 million future allowable tax benefit which is included as an adjustment to deferred tax as described above and the adjustment of €192 million which arises on the valuation adjustment applied to the NAMA subordinated bonds.
- (3) This column is the sum of column (1) and column (2) and represents the unaudited proforma consolidated balance sheet as at 30 September 2009 based on the assumption that the transfer of potential BoI Eligible Bank Assets to NAMA took place on 30 September 2009.
- (4) No account has been taken of the trading results of the Group since 30 September 2009.
- (5) No account has been taken of any Ordinary Stock which may have been issued on the exercise of options granted or which may be granted under the Bank of Ireland stock schemes after 30 September 2009.
- (6) No account has been taken of any fees to be paid by NAMA for administrative / servicing work on the transferred loans which Bank of Ireland may carry out on NAMA's behalf in the future.

2. Unaudited proforma capital ratios as at 30 September 2009

	As at 30 September 2009 ⁽¹⁾	Adjustments for the Bank participating in NAMA ⁽²⁾	Proforma as at 30 September 2009 ⁽³⁾
Key Balance Sheet metrics			
Total Risk Weighted Assets (€ billion)	100.7	(15.2) ⁽²⁽ⁱ⁾⁾	85.5
Equity tier 1 capital (€ billion)	6.6	(3.1) ⁽²⁽ⁱⁱ⁾⁾	3.5
Core tier 1 capital (€ billion)	10.2	(3.1) ⁽²⁽ⁱⁱ⁾⁾	7.1
Total tier 1 capital (€ billion)	11.1	(3.0) ⁽²⁽ⁱⁱⁱ⁾⁾	8.1
Total capital (€ billion)	14.6	(3.3) ⁽²⁽ⁱⁱⁱ⁾⁾	11.3
Equity tier 1 capital (% ratio)	6.6%	(2.4%) ^{(2(iv))}	4.2%
Core tier 1 capital (% ratio)	10.1%	(1.8%) ^{(2(iv))}	8.3%
Total tier 1 capital (% ratio)	11.0%	(1.5%) ^{(2(v))}	9.5%
Total capital (% ratio)	14.5%	(1.3%) ^{(2(vi))}	13.2%

Notes:

(1) Information on the risk weighted assets, capital amounts and capital ratios of the Group have been extracted without material adjustment from the Unaudited Interim Results for the 6 months ended 30 September 2009.

(2) This column represents the adjustments made to show how the transfer of potential BoI Eligible Bank Assets to NAMA might have affected the total risk weighted assets, equity tier 1, core tier 1, total tier 1 and total capital and Equity Tier 1, Core Tier 1, Total Tier 1 and Total Capital Ratios as at 30 September 2009

(i) Reduction of €15.2 billion in risk weighted assets due to the transfer of loans to NAMA. This is stated net of the risk weighting of the subordinated bonds and the deferred tax asset. No adjustment has been made for any reduction in liquid asset levels which may also reduce risk weighted assets over time;

(ii) Adjustments to proforma equity tier 1 capital and proforma core tier 1 capital of €3.1 billion relates to the discount on transferred loans, derivatives and accrued interest after adjusting for the deferred tax asset and the assumed adjustments to the fair value of the subordinated bonds;

(iii) Adjustments to proforma total tier 1 capital of €3 billion relate to the impact of expected loss adjustments net of relevant provisions whilst adjustments to proforma total capital also reflects the reduction on IBNR provisions post the transfer of loans to NAMA.

(iv) Adjustments to Equity Tier 1 and Core Tier 1 Ratios for the proforma reduction of €3.1 billion inequity and core tier 1 capital.

(v) Adjustment to Total Tier 1 Ratio for the proforma reduction of €3 billion in total tier 1 capital.

(vi) Adjustment to the Total Capital Ratio for the proforma reduction in total capital of €3.3 billion

(3) This column is the sum of column (1) and column (2) and reflects the unaudited proforma total risk weighted assets, equity tier 1, core tier 1, total tier 1 and total capital and Equity Tier 1, Core Tier 1, Total Tier 1, and Total Capital Ratios based on the assumption that the transfer of potential BoI Eligible Bank Assets took place on 30 September 2009.

3. Report on the unaudited pro forma financial information of the Group

The Directors
The Governor and Company of the Bank of Ireland
Head Office
Lower Baggot Street
Dublin 2
Ireland



The Directors
J&E Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

18 December 2009

Ladies and Gentlemen,

The Governor and Company of the Bank of Ireland (the “Bank”)

We report on the unaudited pro forma financial information (the “**Pro forma financial information**”) set out in Part V of the Bank’s circular dated 18 December 2009 (the “**Circular**”) which has been prepared on the basis described in the notes to the unaudited Pro forma financial information, for illustrative purposes only, to provide information about how the proposed participation in NAMA might have affected the financial information presented on the basis of the accounting policies adopted by the Bank in preparing the financial statements for the period ending 30 September 2009. This report is required by item 10.3.3 of the Listing Rules of the Irish Stock Exchange (the “**Listing Rules**”) and item 13.3.3 of the Listing Rules of the UK Listing Authority (the “**UK Listing Rules**”) and is given for the purpose of complying with those rules and for no other purpose.

Responsibilities

It is the responsibility of the Directors of the Bank to prepare the unaudited Pro forma financial information in accordance with item 10.3.3 of the Listing Rules and item 13.3.3 of the UK Listing Rules.

It is our responsibility to form an opinion, as required by item 10.3.3 of the Listing Rules and item 13.3.3 of the UK Listing Rules as to the proper compilation of the unaudited Pro forma financial information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the unaudited Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to stockholders of the Bank as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, required by and given solely for the purposes of complying with item 10.4.1(6) of the Listing Rules and item 13.4.1(6) of the UK Listing Rules, consenting to its inclusion in this Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and published by the Institute of Chartered Accountants in Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of the Bank.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Bank.

Our work has not been carried out in accordance with auditing standards or other standard and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the unaudited Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Bank.

Yours faithfully,

PricewaterhouseCoopers

Chartered Accountants

PART VI ADDITIONAL INFORMATION

1. Responsibility

Bank of Ireland and the Directors whose names and positions are set out in paragraph 3 of this Part VI, accept responsibility for the information contained in this Circular and to the best of the knowledge and belief of Bank of Ireland and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and Principal Office

Bank of Ireland was established as a chartered corporation by an Act of the Irish Parliament of 1781/2 and by a Royal Charter of King George III in 1783. Bank of Ireland is registered in Ireland with registered number C-1 and has limited liability.

The address of the principal office of Bank of Ireland is Head Office, Lower Baggot Street, Dublin 2, Ireland (Telephone No.: +353 1 661 5933).

3. Directors

The Directors of the Bank are:

Patrick Molloy	Governor
Dennis Holt	Deputy Governor and Senior Independent Director
Richie Boucher	Group Chief Executive
Des Crowley	Chief Executive, Retail (Ireland and UK)
Denis Donovan	Chief Executive, Capital Markets
John O'Donovan	Group Chief Financial Officer
Tom Considine ⁽¹⁾	Non-Executive Director
Paul Haran	Non-Executive Director
Rose Hynes	Non-Executive Director
Jerome Kennedy	Non-Executive Director
Declan McCourt	Non-Executive Director
Heather Ann McSharry	Non-Executive Director
Terry Neill	Non-Executive Director
Patrick O'Sullivan	Non-Executive Director
Joe Walsh ⁽¹⁾	Non-Executive Director

(1) Director appointed by the Minister for Finance pursuant to the CIFS Guarantee Scheme.

4. Directors', Secretary's and Senior Executives' interests

Save as set out in this paragraph 4, no Director, Secretary or Senior Executive has any interest (beneficial or non-beneficial) in the stock units or options of the Bank or the Group.

Directors', Secretary's and Senior Executives' interests in capital stock

The interests of the Directors, Secretary and Senior Executives in the Bank's capital stock as at 14 December 2009, the last practicable date prior to the publication of this Circular, are set out in the table below:

	No. of Units of Ordinary Stock
Richie Boucher	33,127
Tom Considine	5,000
Des Crowley	130,454
Denis Donovan	185,078
Paul Haran	8,443
Dennis Holt	16,284
Rose Hynes	25,000 ⁽¹⁾
Jerome Kennedy	8,062
Declan McCourt	50,674
Heather Ann McSharry	11,354
Patrick Molloy	1,167,333
Terry Neill	114,300
John O'Donovan	91,126
Patrick O'Sullivan	10,000
Joe Walsh	10,733
Helen Nolan	18,391
Christine Brennan	5,000 ⁽²⁾
Liam McLoughlin	4,812
Vincent Mulvey	29,322
Ronan Murphy	70,346

Notes

(1) Comprised of 6,250 ADR units, equivalent to 25,000 units of Ordinary Stock

(2) Comprised of 1,250 ADR units, equivalent to 5,000 units of Ordinary Stock

Stock options held by Directors, Secretary and Senior Executives

Executive stock options

The exercise of options granted in 2006 and 2007 is conditional upon underlying earnings per share achieving a cumulative growth of at least 5% per annum compounded above the increase in the consumer price index (CPI) over the three year performance period. If this performance condition is not achieved, the options lapse.

For options granted in 2008, 25% will become capable of exercise if the Group's underlying earnings per share growth is 3% per annum compounded over the three year performance period. 100% of options granted in 2008 will become capable of exercise if the Group's underlying earnings per share growth is 6% compounded over the three year performance period. A scaled level of vesting will occur between these two targets, with options lapsing if the minimum target of underlying earnings per share of 3% per annum compounded is not achieved over the three year performance period.

The options granted in 2006, which were due to mature on 4 July 2009 did not vest as the performance conditions were not achieved.

Options to subscribe for Ordinary Stock in the Bank granted to the Directors, Secretary and Senior Executives, and exercised as at 14 December 2009, the last practicable date prior to the publication of this Circular, are set out in the following table:

	Date of Grant	Earliest exercise date	Expiry date	Exercise Price	No. of Options
Richie Boucher	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	26,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	23,000
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	-
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	71,600
					<u>154,550</u>
Christine Brennan	Nov 26, 2007	Nov 26, 2010	Nov 26, 2017	9.75	51,282
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	62,950
					<u>114,232</u>
Des Crowley	May 21, 2001	May 21, 2004	May 21, 2011	11.05	25,000
	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	25,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	-
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	68,800
					<u>270,250</u>
Denis Donovan	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	30,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	-
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	81,450
					<u>262,900</u>
Helen Nolan	May 21, 2001	May 21, 2004	May 21, 2011	11.05	10,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	10,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	12,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	11,000
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	-
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	9,700
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	16,400
				<u>69,100</u>	
Liam McLoughlin	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	-
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	11,900
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	20,650
				<u>32,550</u>	
Vincent Mulvey	May 25, 2000	May 25, 2003	May 25, 2010	6.96	10,000
	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	10,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	12,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	14,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	10,500
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	-
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	17,300
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	34,350
					<u>108,150</u>
Ronan Murphy	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	33,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	29,000
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	-
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	27,150
	Jun 03, 2008	Jun 3, 2011	Jun 3, 2018	8.10	54,300
				<u>143,450</u>	
John O'Donovan	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	25,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	-
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	67,900
				<u>244,350</u>	

Sharesave scheme options

Under the terms of the Sharesave scheme of the Bank offered in 2006 and 2007 options were granted to all eligible Group employees, who elected to participate, in December of each of those years. Option prices were set at a

discount of 25% of the market price as permitted by the rules of the scheme in Ireland (€12.28 in 2006; €6.96 in 2007) and at a discount of 20% of the market price permitted by the rules of the scheme in the UK (€13.09 in 2006; €7.43 in 2007). Under the terms of both Sharesave offers, participants could save for a period of three years.

The options held under the Sharesave schemes by the Directors, Secretary and Senior Executives as at 14 December 2009, the last practicable date prior to the publication of this Circular are set out in the table below:

	Sharesave scheme date of Grant	Sharesave options granted	Market value at date of grant	Sharesave options held at 14 December 2009
2006				
Richie Boucher	22 December 2006	301	€17.33	301
Ronan Murphy	22 December 2006	301	€17.33	301
Helen Nolan	22 December 2006	301	€17.33	301
2007				
Vincent Mulvey	24 December 2007	531	€10.11	531
Ronan Murphy	24 December 2007	531	€10.11	531
Helen Nolan	24 December 2007	531	€10.11	531

Long Term Incentive Plan (LTIP)

Conditional awards of units of Ordinary Stock have been made to Senior Executives of the Group annually since 2004 under the terms of the LTIP. These awards do not vest in the executives unless certain performance criteria are achieved.

The conditional awards of units of Ordinary Stock made to the Executive Directors, Secretary and the Senior Executives under the LTIP are as follows as at 14 December 2009, the last practicable date prior to the publication of this Circular:

Name	No. of Conditional Awards of units Ordinary Stock	Maturity Date
Richie Boucher	33,950	12 June 2010
	71,600	3 June 2011
Total	<u>105,550</u>	
Des Crowley	33,950	12 June 2010
	68,800	3 June 2011
Total	<u>102,750</u>	
Denis Donovan	33,950	12 June 2010
	81,450	3 June 2011
Total	<u>115,400</u>	
John O'Donovan	33,950	12 June 2010
	67,900	3 June 2011
Total	<u>101,850</u>	
Ronan Murphy	27,150	12 June 2010
	54,300	3 June 2011
Total	<u>81,450</u>	
Christine Brennan	51,282	26 November 2010
	62,950	3 June 2011
Total	<u>114,232</u>	
Helen Nolan	6,950	12 June 2010
	12,300	3 June 2011
Total	<u>19,250</u>	
Vincent Mulvey	12,100	12 June 2010
	34,350	3 June 2011
Total	<u>46,450</u>	
Liam McLoughlin	10,400	12 June 2010
	16,200	3 June 2011
Total	<u>26,600</u>	

Prior to the introduction of the LTIP in 2004, conditional awards of units of Ordinary Stock were made under the Long Term Performance Stock Plan (LTPSP). A minimum of 80% of the vested stock must be retained by the Directors, Secretary or Senior Executive for a period of two years from the maturity date of the award. After the two year retention period, an additional award of units of Ordinary Stock equal to 20% of the retained stock is made. If the award is retained for an additional five years, a further award of Ordinary Stock equal to 30% of the retained stock is made.

The awards retained by the Directors, Secretary and Senior Executives and the additional 30% conditional awards which have been granted to them as at 14 December 2009, being the latest practicable date prior to the date of publication of this Circular are as follows:

Name	Retained Awards under the LTPSP Scheme	Additional 30% Conditional Awards of Ordinary Stock	Maturity Date of Additional 30% Conditional Awards
Des Crowley	13,079	3,269	25 May 2010
	9,496	2,373	21 May 2011
	7,070	1,767	24 June 2012
	29,645	7,409	
Denis Donovan	11,494	2,873	25 May 2010
	7,067	1,766	21 May 2011
	4,714	1,178	24 June 2012
	23,275	5,817	
John O'Donovan	6,034	-	24 June 2012
		1,058	24 June 2012
	6,034	1,058	

5. Directors' Service Contracts & Letters of Appointment

Executive Directors Service Contracts

Each of the executive directors, Richie Boucher, Des Crowley, Denis Donovan and John O'Donovan has a service contract with the Bank. The service contracts of Richie Boucher, Des Crowley and John O'Donovan are permanent contracts which may be terminated by the Bank giving not less than twelve months' written notice of termination. Each of these executive directors is entitled to terminate the contract by giving not less than twelve months' notice of termination, or such lesser period as may be mutually agreed. Each of these service contracts reserves the right of the Bank to make a payment in lieu of the notice period. Denis Donovan's service contract is a permanent contract which may be terminated by the Bank or by Mr. Donovan giving three months' written notice of termination. Each of the executive directors' service contracts may be terminated by the Bank on giving the applicable statutory notice only (or payment in lieu thereof in respect of Richie Boucher, Des Crowley and John O'Donovan) in certain prescribed circumstances to include fraud, dishonesty, gross misconduct or wilful neglect in the discharge of duties on the part of the executive director. Each service contract terminates automatically on the sixtieth birthday of the executive director to which it relates. Richie Boucher, Des Crowley and John O'Donovan are entitled to receive a pension from the Bank Staff Pension Fund for Executives on retirement. Denis Donovan is entitled to receive a pension from the Bank of Ireland Asset Management Pension Scheme for Executives. Save as set out in this section, the service contracts of the executive directors do not provide for any payments or benefits on termination.

Non-Executive Directors Letters of Appointment

Each of the non-executive directors has a letter of appointment with the Governor and Company of the Bank of Ireland. Each letter of appointment is for a fixed period of three years, subject to the provisions of the Bye-Laws or other applicable law or at the discretion of either party. The letters of appointment provide that non-executive directors are typically expected to serve a second three year term subject to satisfactory performance, the needs of the business and stockholder re-election as required at Annual General Courts. The letters also provide that non-executive directors may, in exceptional circumstances, be invited to serve a further and final term of up to three years. Save as set out in this section, the letters of appointment of the non-executive directors do not provide for any payments or benefits on termination.

6. Significant Stockholdings

Significant Interests held by the NPRFC

Pursuant to the NPRFC Investment, the NPRFC acquired voting rights equivalent to 25% of all votes capable of being cast by Stockholders on a poll at a General Court of the Bank on any resolution proposed at such a General Court of the Bank involving the appointment, re-election or removal of directors and certain matters relating to a proposed change of control of the Bank (being a change in the holding of more than 50% of the voting stock of the Bank or of substantially all of the Bank's business and assets).

The NPRFC Investment also resulted in the issue of Warrants for units of Ordinary Stock. The Warrants, if exercised in full, would entitle the NPRFC to acquire 334,737,148 units of Ordinary Stock, equivalent to 25% of the then issued Ordinary Stock as enlarged by the Ordinary Stock issued on exercise of the Warrants. The NPRFC shall be entitled to exercise no more than 50% of the voting rights attaching to any units of Ordinary Stock which are issued as a result of the exercise of the Warrants.

The number of Warrants to be issued will be reduced pro rata, on a scale from 25% to 15% of the issued Ordinary Stock as of 31 March 2009, the date of issue of the 2009 Preference Stock, in the event that the Bank raises new Core Tier 1 capital of up to €1.5 billion on or before 31 December 2009 and uses the proceeds of such capital raising to repurchase up to €1.5 billion of the 2009 Preference Stock. The number of units of Ordinary Stock which may be acquired pursuant to the exercise of the Warrants will be subject to anti-dilution protection in line with market norms for Warrants. Accordingly, the Warrants will be adjusted proportionately for any increase or decrease in the number of outstanding units of Ordinary Stock in issue resulting from a sub-division or consolidation of units of Ordinary Stock. The Warrants will also be proportionately adjusted for any capital distributions by the Bank and for certain bonus issues or rights issues by the Bank.

The 2009 Preference Stock entitles the NPRFC to receive a non-cumulative cash dividend at a fixed rate of 8% of the subscription price of €3.5 billion, payable annually in arrears at the discretion of the Bank. If a cash dividend is not paid by the Bank, the Bank must make a bonus issue of Ordinary Stock in the Bank, i.e. the Bonus Ordinary Stock, to the NPRFC.

The number of units of Bonus Ordinary Stock that the Bank would be required to issue to the NPRFC in the event of non-payment of a cash dividend, is calculated by reference to the net amount of the unpaid dividend amount divided by:

- (i) 100% of the average daily closing price of Ordinary Stock of the Bank on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, in the event that the Bonus Ordinary Stock is issued on the originally scheduled dividend payment date; or
- (ii) 95% of the average daily closing price of Ordinary Stock of the Bank on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, in the event that the Bonus Ordinary Stock is issued later than the originally scheduled dividend payment date.

The Bonus Ordinary Stock will rank *pari passu* with the Ordinary Stock of the Bank as to voting, save that, in respect of a resolution to appoint, re-elect or remove a director of the Bank, the maximum aggregate number of votes that shall be capable of being cast by NPRFC is 25%.

The Bonus Ordinary Stock will be issued on a date determined by the Bank, provided that the date of issue is not later than the date on which the Bank subsequently redeems or repurchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock. If any Bonus Ordinary Stock becomes due, but is not issued to the Bank, the NPRFC will be entitled, at a General Court of the Bank, to cast up to the number of votes that would have attached to the Bonus Ordinary Stock had it been so issued on the relevant dividend payment date.

Further information regarding the subscription agreement for the NPRFC Investment is set out below in this Part of the Circular under the heading "8. *Material Contracts*".

Other Significant Interests

As at 14 December 2009, the last practicable date prior to the publication of this Circular, Harris Associates L.P. has notified the Bank that it holds 60,776,298 units of Ordinary Stock, comprising 6.05% of the total issued Ordinary Stock of the Bank.

As at 14 December 2009, the last practicable date prior to the publication of this Circular, the Bank has not been notified of any holding of capital stock in the Bank carrying greater than 3% of voting rights in the Bank save as discussed in this Circular.

7. Legal and Arbitration Proceedings

There are no governmental, legal or arbitrational proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of the Bank or its subsidiaries.

There are no governmental, legal or arbitrational proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of the Group's assets that, based on the Minister for Finance's estimates of 16 September 2009, the Bank expects may be eligible for transfer to NAMA should the Bank become a Participating Institution, taken as a whole.

8. Material Contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the Group (a) within the two years immediately preceding the date of this Circular which are, or may be, material to the Group; or (b) at any time and contain obligations or entitlements which are, or may be, material to the Group as at the date of this Circular:

IT Services Agreement

The IT Services Agreement dated 28 November 2003 and made between the Bank and Hewlett Packard (together with certain ancillary agreements) deals with the provision to the Bank and designated members of the Bank of Ireland Group of information technology infrastructure support services. Subject to the termination provisions set out in the agreement, its duration is 7 years from 1 April 2004.

Master Services Agreement (Training and Procurement)

The Master Services Agreement dated 12 December 2005 and made between Bank of Ireland and Accenture deals with the provision by Accenture to the Bank of certain training services for staff, and procurement services to support designated purchasing activities of the Bank. Subject to the termination provision set out in the agreement, its duration is 7 years.

Network Services Agreement (Telecommunications)

The Network Services Agreement (as amended) dated 26 February 2004 between Bank of Ireland and BT concerns the provision of certain telecommunications and network services to the Bank and certain Group companies. Subject to the termination provision set out in the agreement, it runs to May 2013.

Post Office Joint Venture Agreements.

The Bank has two joint ventures with Post Office Limited ("POL"), which operates the Post Office network in the UK.

POL and a wholly owned subsidiary of the Bank jointly own First Rate Exchange Services Limited which provides foreign currency through Post Office branches in the UK through other outlets and direct to businesses.

The Bank and POL jointly own Midasgrange Limited which arranges for insurance, savings accounts, mortgages, and personal loans to be provided to over 2 million customers (in the year ended 31st March 2009) by the Bank, its subsidiaries or third party providers through POL branches and the POL website. Subject to the termination provisions set out in the agreement, which include a change of control provision, the agreement runs to March 2020 from which time it can be terminated.

TSYS Outsourcing Agreement (Payment Processing)

The agreement dated 16 April 2004 entered into between the Bank and Total Systems Services, Inc (TSYS) concerns the outsourcing of its payment card processing services. The agreement covers all of the Bank's credit cards and charge cards as well as some ATM and debit cards. The agreement is for a period of 8 years subject to the termination rights of the parties.

Guarantee Acceptance Deeds in respect of the CIFS Guarantee Scheme

The CIFS Guarantee Scheme gave effect to the bank guarantee announced by the Government on 30 September 2008. Under the CIFS Guarantee Scheme, the Minister for Finance guaranteed certain types of liabilities (“covered liabilities”) of certain participating named institutions (“covered institutions”) for the period 30 September 2008 to 29 September 2010, whereby if a covered institution defaulted in respect of a covered liability, the Minister for Finance was obliged to pay to the creditor, on demand, an amount equal to the unpaid covered liabilities, with no monetary cap. Each of the Bank, Bank of Ireland Mortgage Bank, Bank of Ireland (I.O.M.) Limited and ICS Building Society executed guarantee acceptance deeds in respect of the CIFS Guarantee Scheme in favour of the Minister for Finance on 24 October 2008, whereby each of the Bank, Bank of Ireland Mortgage Bank, Bank of Ireland (I.O.M.) Limited and ICS Building Society consented to all of the terms and conditions of the CIFS Guarantee Scheme and agreed to indemnify the Minister for Finance against any payments the Minister for Finance was required to make under the CIFS Guarantee Scheme in respect of covered liabilities of the Bank, Bank of Ireland Mortgage Bank, Bank of Ireland (I.O.M.) Limited and ICS Building Society.

Subscription Agreement relating to the NPRFC Investment

The Bank entered into a Subscription Agreement with the NPRFC and the Minister for Finance dated 31 March 2009, under which, in consideration for the payment of €3.5 billion, the Bank issued to the NPRFC the 2009 Preference Stock and the Warrants. Under the terms of the agreement, the Bank is restricted from using these proceeds to make a contribution to a pension fund in excess of an amount which the Bank is required to contribute by law. The Bank provided warranties in respect of certain matters relating to the financial position and commercial activities of the Bank. In addition, this agreement required the Bank to consult with the Minister for Finance in respect of matters reasonably expected to have a public interest dimension. The Bank also agreed to use all reasonable efforts to comply with the customer package set out in Appendix I to the announcement issued by the Department of Finance on 11 February 2009 in connection with the recapitalisation of the Bank and Allied Irish Banks. The Bank is also restricted from entering into “cash box” transactions (that is the issue of shares for shares which are readily realisable for cash, the effect of which is to enable an issuer to issue shares for cash without complying with the pre-emption rights of shareholders of an issue of shares for cash) or the issue of shares in any Group company for non-cash consideration without the consent of the Minister for Finance. Details of the voting rights attaching to the 2009 Preference Stock and Ordinary Stock issued pursuant to the exercise of the Warrants are set out above in this Part VI of the Circular under the heading “6. Significant Stockholdings”.

Warrant Instrument relating to the NPRFC Investment

The Warrants issued pursuant to the NPRFC Investment are governed by the terms of a Warrant Instrument between the Bank and the NPRFC dated 31 March 2009. The Warrant Instrument contains customary anti-dilution protection for the NPRFC allowing for the adjustment of the number of units of Ordinary Stock into which the Warrants convert in certain circumstances, such as the consolidation or subdivision of units of Ordinary Stock and certain capital distributions and issues of bonus stock. Details of the voting rights and conversion calculation in respect of stock issued pursuant to the exercise of the Warrants, as well as the buy-back mechanism in respect of the Warrants, are set out in paragraph 6 of this Part VI of this Circular under the heading “Significant Interests held by the NPRFC”.

No contracts have been entered into in respect of the Group’s assets that, based on the Minister for Finance’s estimates of 16 September 2009, the Bank expects may be eligible for transfer to NAMA should the Bank become a Participating Institution not being contracts entered into in the ordinary course of business (a) within the two year immediately preceding the date of this Circular which are, or may be, material to the estimated BoI Eligible Bank Assets taken as a whole; or (b) at any time and contain obligations or entitlements which are, or which may be, material to the estimated BoI Eligible Bank Assets taken as a whole as at the date of this Circular.

9. Related Party Transactions

The related party transactions which must be disclosed in accordance with the standards adopted pursuant to Commission Regulation (EC) No. 1606/2002, are set out below.

Other than as disclosed in this Circular, no related party transactions were entered into by the Bank or any other member of the Group during the financial years ended 31 March 2007, 31 March 2008 or 31 March 2009 or during the period between 1 April 2009 and 14 December 2009 (being the latest practicable date prior to publication of this document). A number of banking transactions are entered into between Bank of Ireland and its subsidiaries in the normal course of business. These include loans, deposits and foreign currency transactions.

Associated undertakings and joint ventures

The Group provides and receives from its associates and joint ventures certain banking and financial services on similar terms to third party transactions and are not material to the Group. These include loan, deposit and foreign currency transactions. The volumes outstanding as at 14 December 2009, the last practicable date prior to the publication of this Circular, are set out below:

	Associates and joint ventures (€m)
Loans and advances to customers	93
Customer accounts	115

Irish Government

During the year ended 31 March 2009, the Irish Government through both the Bank's participation in the CIFS Guarantee Scheme and the recapitalisation through the NPRFC became a related party of the Bank. An amount of €55 million has been paid to the Government for fees due under the CIFS Guarantee Scheme for the period from 1 October 2009 to 31 December 2009. Previous payments have been disclosed in the Group's Annual Report for the year ended 31 March 2009 (see note 5 to the financial statements) and in the 2009 Unaudited Interim Results (see note 5). Details of the recapitalisation are set out in note 41 to the financial statements in the Group's Annual Report for the year ended 31 March 2009.

Pension funds

As at 14 December 2009, the last practicable date prior to the publication of this Circular, the Group provides a number of normal banking and financial services to various pension funds operated by the Group for the benefit of its employees (principally for Bank of Ireland Staff Pension Fund), which are conducted on similar terms to third party transactions and are not material to the Group.

The Group occupies a number of premises owned by the Group's various pension schemes; the total value of these properties as at 30 September 2009 was €26 million.

Transactions with key management personnel

Key management personnel comprises the Directors of the Court, the members of the Group Executive Committee (GEC) and the Group Secretary. In addition to the Executive Directors, the GEC comprises the Chief Governance Risk Officer; the Chief Credit and Market Risk Officer; the Head of Group Human Resources and the Head of Group Manufacturing.

Other than as disclosed in the financial information incorporated by reference into this document for the financial years ended 31 March 2007 (as set out in *Note 43 Related Party Transactions* on pages 156 to 157 of the Annual Report 2007), 31 March 2008 (as set in *Note 50 Related Party Transactions* on pages 167 to 168 of the Annual Report 2008) and 31 March 2009 (as set out in *Note 52 Related Party Transactions* on pages 193 to 194 of the Annual Report 2009), no transactions with key management personnel were entered into by the Group during the financial years ended 31 March 2007, 2008 or 2009. Other than the changes in loans to key management personnel set out below, no transactions with key management personnel were entered into during the period between 1 April 2009 and 14 December 2009 (being the latest practicable date prior to publication of this Circular). The Bank maintains a register of Directors' loans constituting related party transactions, as required by the Financial Regulator's disclosure requirements introduced in March 2009.

As at 14 December 2009, the loans to key management personnel comprised an aggregate amount of €6.9 million.

10. No significant change

There has been no significant change in the financial or trading position of the Group since 30 September 2009 (the date to which the latest published unaudited financial information of the Group was prepared).

There has been no significant change in the financial or trading position of the Group's assets that, based on the Minister for Finance's estimates of 16 September 2009, the Bank expects may be eligible for transfer to NAMA should the Bank become a Participating Institution taken as a whole since 30 September 2009 (the date to which the latest unaudited financial information of the Group was prepared).

11. Consent to inclusion of names

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1 has given and has not withdrawn its written consent to the inclusion in this Circular of its report as set out in Part V (Unaudited Proforma Financial Information) of this Circular in the form and context in which it appears.

Davy, whose address is Davy House, 49 Dawson Street, Dublin 2, Ireland has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which they appear.

Credit Suisse, whose address is One Cabot Square, London E14 4OJ, United Kingdom has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which they appear.

IBI, whose address is 40 Mespil Road, Dublin 4, Ireland has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which they appear.

12. Documents available for inspection

Paper copies of:

- the Bye-Laws;
- the 2009 Annual Report and the 2008 Annual Report including audited consolidated financial statements of the Group for the two financial years ended 31 March 2009 and 31 March 2008 respectively;
- report on the unaudited pro forma financial information by PricewaterhouseCoopers set out in Part V of this Circular;
- the 2009 Unaudited Interim Results;
- the Interim Management Statement of the Bank of 17 September 2009;
- the written consents referred to in paragraph 11 above;
- this Circular; and
- the Act;

will be available for inspection at the following addresses during normal business hours on each Business Day from the date of this Circular up to and including the date of the Extraordinary General Court:

- the principal office of the Bank at Head Office, Lower Baggot Street, Dublin 2, Ireland; and
- the Bank's offices at Bow Bells House, 1 Bread Street, London EC4M 9BE, England.

They will also be available for inspection at the O'Reilly Hall from at least 15 minutes prior to the Extraordinary General Court until the conclusion of that meeting.

13. Incorporation of Information by reference

Checklist of documentation incorporated by reference:

Information incorporated by reference	Document reference	Page number(s) in this document
Consolidated financial information for the year ended 31 March 2009	2009 Annual Report	Page 39
Consolidated financial information for the year ended 31 March 2008	2008 Annual Report	Page 39
Consolidated financial information for the year ended 31 March 2007	2007 Annual Report	Page 39
Unaudited interim results for the 6 months ended 30 September 2009	2009 Unaudited Interim Results	Page 39

The documents listed above are on www.bankofireland.com.

Dated: 18 December 2009

DEFINITIONS

In this Circular, the following expressions have the following meaning unless the context otherwise requires:

2007 Annual Report	The Bank's annual report and accounts for the year ended 31 March 2007;
2008 Annual Report	the Bank's annual report and accounts for the year ended 31 March 2008;
2009 Annual Report	the Bank's annual report and accounts for the year ended 31 March 2009;
2009 Preference Stock	the 3,500,000,000 units of 8 per cent. non-cumulative preference stock of €0.01 each in the capital of the Bank issued to the NPRFC in connection with the NPRFC Investment;
2009 Unaudited Interim Results	the Bank's unaudited interim results announcement for the 6 months ended 30 September 2009, published on 4 November 2009;
Acquisition Schedule	the acquisition schedule to be prepared by NAMA and served on a Participating Institution pursuant to Section 87 of the Act;
Act	the National Asset Management Agency Act 2009;
ADR	American Depository Receipts;
Bank, BoI or Bank of Ireland	the Governor and Company of the Bank of Ireland, established in Ireland by Charter in 1783 and having limited liability and, where the context so permits, includes the subsidiaries of the Bank or (in the context of the application by the Bank to become a Participating Institution) the Relevant Subsidiaries;
BoI Eligible Bank Assets	those assets of the Group that are designated as Eligible Bank Assets;
Bonus Ordinary Stock	the units of Ordinary Stock to be issued to the NPRFC in lieu of a cash dividend pursuant to its rights under the terms of the NPRFC Investment;
Business Day	a day (excluding Saturdays and Sundays or public holidays in Ireland) on which banks generally are open for business in Dublin for the transaction of normal business;
Bye-Laws	the bye-laws of the Bank, as amended from time to time;
CIFS Guarantee Scheme	the Credit Institutions (Financial Support) Scheme 2008 (S.I. No 411 of 2008);
Circular	this document;
Companies Acts	the Companies Acts, 1963 to 2009 (as amended);
Core Tier 1 Ratio	the amount of the Bank's core tier 1 capital as a proportion of its risk weighted assets on a consolidated basis;
Court	the Court of Directors of the Bank;
Credit Suisse	Credit Suisse Securities (Europe) Limited;
CREST	the relevant system as defined in the CREST Regulations (in respect of which Euroclear is the operator as defined in the CREST Regulations);

CREST Applications Host	the system that is operated to receive, manage and control the processing of messages by the CREST system;
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Services Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms promulgated by Euroclear on 15 July 1996 and as since amended);
CREST Proxy Instruction	the instruction whereby CREST members send a CREST message appointing a proxy for the Extraordinary General Court and instructing the proxy on how to vote;
CREST Regulations	the Companies Act 1990 (Uncertified Securities) Regulations 1996 (SI No. 68/1996) and the UK Uncertified Securities Regulations 2001 (SI 2001/3755);
CREST Sponsor	a CREST participant admitted to CREST as a CREST sponsor;
CREST Sponsored Member	a CREST member admitted to CREST as a sponsored member;
Davy	J&E Davy, trading as Davy;
DBRS	Dominion Bond Rating Service;
Department of Finance	Department of Finance of Ireland;
Directors	the directors of the Bank, whose names appear on page 45 of this Circular;
ECB	the European Central Bank;
ELG Guarantee Scheme	the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009;
Eligible Bank Assets	those classes of bank assets prescribed as such by the Minister for Finance by regulation as such, in accordance with section 69 of the Act;
Equity Tier 1 Ratio	the amount of the Bank's core tier 1 capital less all preference stock of the Bank as a proportion of its risk weighted assets on a consolidated basis;
EU or European Union	the European Union;
EU Shareholders' Rights Directive	Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies;
Euroclear	Euroclear UK & Ireland Limited;
European Commission	the Commission of the European Communities;
Eurosystem	the central banking system of the euro area comprising the ECB and the national central banks of the 16 EU Member States whose common currency is the euro;
Existing Stock	the units of Ordinary Stock in issue on the date of issue of the 2009 Preference Stock;
Extraordinary General Court or EGC	the Extraordinary General Court of the Bank to be held at 11.00 am on 12 January 2010;

Financial Regulator	the Irish Financial Services Regulatory Authority;
Financial Services Authority or FSA	the Financial Services Authority of the United Kingdom;
Form of Proxy	the form of proxy for use by Ordinary Stockholders in connection with the Extraordinary General Court, a copy of which is enclosed with this Circular;
FSMA	the UK Financial Services and Markets Act 2000, as amended;
General Court	a general court of the Bank;
Government	the Government of Ireland;
Great Britain	the territories of England, Scotland and Wales;
Group	the Bank and each of its subsidiaries from time to time, including both before the transfer of the BoI Eligible Bank Assets to NAMA and after such transfer;
IAS	International Accounting Standards;
IBI	IBI Corporate Finance Limited;
IFRS	International Financial Reporting Standards;
IMS	Interim Management Statement of the Bank;
Ireland or the State	Ireland, excluding Northern Ireland, and the word “Irish” shall be construed accordingly;
Irish Stock Exchange	the Irish Stock Exchange Limited;
Listing Rules	the Listing Rules of the Irish Stock Exchange and/or where appropriate the UK listing rules made under section 73A of the FSMA;
London Stock Exchange	London Stock Exchange plc;
LTIP	Long Term Incentive Plan;
LTPSP	Long Term Performance Stock Plan;
Minister or Minister for Finance	the Minister for Finance of Ireland;
Minister’s Speech	the speech made by the Minister for Finance on 16 September 2009 in respect of NAMA;
NAMA	the National Asset Management Agency and where the context permits, other members of NAMA’s group including subsidiaries and associated companies;
NAMA Business Plan	the NAMA Business Plan published by the Department of Finance on 13 October 2009;
NAMA Resolution	Resolution 1 set out in the Notice of Extraordinary General Court;
Nationalisation	the acquisition by the Government or other agencies of the State of sole control or all or substantially all of the voting stock in the Bank;
Other Resolutions	Resolutions 2, 3 and 4 set out in the Notice of Extraordinary General Court;
Notice of Extraordinary General Court	the notice of the Extraordinary General Court set out in this Circular;

NPRFC	the National Pensions Reserve Fund Commission;
NPRFC Investment	the subscription by the NPRFC for €3.5 billion of Reference Stock in the Bank and the issue of the Warrants for Ordinary Stock completed on 31 March 2009;
NTMA	the National Treasury Management Agency as established by the National Treasury Management Agency Act, 1990;
Oireachtas	the national parliament of Ireland;
Ordinary Stock or units of Ordinary Stock	the units of Ordinary Stock of €0.64 each in the capital stock of the Bank;
Ordinary Stockholder	a holder of units of Ordinary Stock;
participation in NAMA	includes participation in any scheme pursuant to the Act to transfer assets to NAMA;
Participating Institution	a credit institution designated by the Minister for Finance as a participating institution in accordance with the provisions of section 67 of the Act;
Preference Stock	the preference capital stock of the Bank in issue at the date of the Circular;
Preference Stockholder	a holder of Preference Stock;
Prospectus Regulations 2005	Prospectus Regulations 2005, Statutory Instrument 2005 No.1433 of the United Kingdom;
PwC	PriceWaterhouseCoopers;
Relevant Subsidiaries	all the subsidiaries of the Bank other than such subsidiaries as may be excluded from designation as a Participating Institution pursuant to section 62 of the Act;
Resolutions	the NAMA Resolution and the Other Resolutions;
Stg£	Sterling, the lawful currency of the United Kingdom;
Senior Executives	senior managers within the meaning of paragraph 14.1(d) of Annex I of Commission Regulation (EC) No. 809/2004;
Stockholder	an Ordinary Stockholder and/or a Preference Stockholder;
Supplementary Documentation	the supplementary documentation in respect of NAMA published on 16 September 2009;
Total Capital Ratio	the amount of the Bank's total regulatory capital less any required deductions as a proportion of its risk weighted assets on a consolidated basis;
Total Tier 1 Ratio	the amount of the Bank's core tier 1 capital and its non-core tier 1 capital less any required deductions as a proportion of its risk weighted assets on a consolidated basis;
UK Listing Authority	the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of the FSMA;
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland;
United States or US	the United States of America, its territories and possessions, any state

of the United States and the District of Columbia;

Valuation Regulations

The draft National Asset Management Agency (Determination of Long-Term Economic Value of Property and Bank Assets) Regulations 2009, as published on 18 November 2009;

Warrant Instrument

the warrant instrument entered into between the Bank and the NPRFC, constituting the Warrants; and

Warrants

the detachable warrants issued to the NPRFC as part of the NPRFC Investment.

Notes:

- (i) Unless otherwise stated in this Circular, all reference to statutes or other forms of legislation shall refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.
- (ii) The symbols “€” and “c” refer to euro and cent respectively, the lawful currency of Ireland pursuant to the provisions of the Economic and Monetary Union Act 1998.
- (iii) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.
- (iv) Expressions defined in the manual published by Euroclear from time to time in connection with the operation of CREST bear the same meaning when used in this Circular.

NOTICE OF EXTRAORDINARY GENERAL COURT

The Governor and Company of the Bank of Ireland

NOTICE IS HEREBY GIVEN that an Extraordinary General Court of the Governor and Company of the Bank of Ireland (the “**Bank**”) will be held at 11.00 am on 12 January 2010 at O’Reilly Hall, University College Dublin, Belfield, Dublin, Ireland, to consider and, if thought fit, pass the following resolutions:

RESOLUTIONS

Special Business Relating to the Bank’s Participation in NAMA

Resolution 1

As a Special Resolution:

“that the Court of Directors be and is authorised, on behalf of the Governor and Company of the Bank of Ireland (the “**Bank**”) and its subsidiaries, to apply to become a participating institution within the meaning of the National Asset Management Agency Act 2009 (the “**Act**”), and that the Court of Directors of the Bank be and is authorised to transfer eligible assets, within the meaning of the Act, of the Bank and its subsidiaries to the National Asset Management Agency (“**NAMA**”) or to NAMA group entities and to do all such other acts and execute such other documents arising from or relating to the Bank and its subsidiaries’ participation in the transactions, schemes and programmes carried out pursuant to the Act and any regulations, orders, guidance or directions issued pursuant to the Act.”

Special Business Relating to Matters other than the Bank’s Participation in NAMA

Resolution 2

As a Special Resolution:

“that, subject to Resolution 3 of the Notice of this Extraordinary General Court being duly passed, the Bye-laws of the Bank be amended by the deletion of paragraphs (b) and (c) of Bye-law 49 and the insertion in their place of the following:

- “(b) Special business shall be dealt with by way of an ordinary resolution save where a special resolution is expressly required by these Bye-laws or by the Acts in so far as they apply to the Bank from time to time, in which case such special business shall be dealt with by way of a special resolution.
- (c) Ordinary business shall be dealt with by way of ordinary resolution.
- (d) A resolution shall be a special resolution when it has been passed by not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a General Court.
- (e) A resolution shall be an ordinary resolution when it has been passed by a simple majority of the votes cast by such members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a General Court.
- (f) Subject to the Acts and these Bye-laws, the Bank may by special resolution alter or add to these Bye-laws and any alteration or addition so made shall, subject to the provisions of these Bye-laws and the Acts, be as valid as if originally contained therein, and be subject in like manner to alteration by special resolution.”.

Resolution 3

As a Special Resolution:

“that, subject to Resolution 2 of the Notice of this Extraordinary General Court being duly passed, the Bye-laws of the Bank be amended by:

- (A) the deletion of the definition of “Acts” in Bye-law 1 and the insertion in its place of the following:

““Acts” means the Companies Acts 1963 to 2009;”;

(B) the deletion of paragraph (a) of Bye-law 47 and the insertion in its place of the following:

- “(a) An Annual General Court, and an Extraordinary General Court called for the passing of a special resolution or called for the passing of an ordinary resolution where the 14 day period set out in paragraph (b) of this Bye-law does not apply, shall be called by 21 days’ notice in writing at the least.
- (b) An Extraordinary General Court (other than an Extraordinary General Court called for the passing of a special resolution) shall be called by 14 days’ notice in writing at the least where:
- (i) the Bank offers the facility for stockholders to vote by electronic means accessible to all stockholders who hold units of capital stock in the Bank that carry rights to vote at the relevant Extraordinary General Court; and
- (ii) a special resolution reducing the period of notice to 14 days has been passed at the immediately preceding Annual General Court or at an Extraordinary General Court held since the immediately preceding Annual General Court.
- (c) A notice convening an Annual General Court or an Extraordinary General Court shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, day and the hour of the meeting, and in the case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned, to such persons as are, under these Bye-laws, entitled to receive such notices from the Bank.”;

(C) the renumbering of Bye-law 47 (b) as Bye-law 47(d).”

Resolution 4

As a Special Resolution:

“that, subject to Resolutions 2 and 3 of the Notice of this Extraordinary General Court being duly passed, a General Court of the Bank, other than an Annual General Court or an Extraordinary General Court for the purposes of passing a special resolution, may be called on 14 days’ notice where the Bank offers the facility to vote by electronic means accessible to all holders of units of capital stock in the Bank that carry rights to vote at the relevant General Court.”

BY ORDER

H Nolan
Secretary

The Governor and Company of the Bank of Ireland
Head Office
Lower Baggot Street
Dublin 2
Ireland

Dated: 18 December 2009

Notes:

Entitlement to attend and vote

1. Only those Stockholders who are holders of fully paid Ordinary Stock of the Bank and are registered on the Bank’s register of members at:
- (i) 6.00 pm on 10 January 2010 (being the record date specified by the Bank for eligibility for voting pursuant to section 134A of the Companies Act 1963); or
- (ii) if the Extraordinary General Court is adjourned, at 6.00 pm on the day two days prior to the adjourned Extraordinary General Court,

shall be entitled to participate and vote at the Extraordinary General Court.

Website giving information regarding the Extraordinary General Court

2. Information regarding the Extraordinary General Court, including the information required by section 133A(4) of the Companies Act 1963, is available from www.bankofireland.com.

Attending in person

3. The Extraordinary General Court will be held at 11.00 am. If you wish to attend the Extraordinary General Court in person, you are recommended to attend at least 15 minutes before the time appointed for holding of the Extraordinary General Court to allow time for registration. Please bring the attendance card attached to your Form of Proxy and present it at the Stockholder registration desk before the commencement of the Extraordinary General Court.

Electronic Participation

4. Stockholders can vote electronically by logging on to the website of the Bank's registrars, Computershare Investor Services (Ireland) Limited: www.computershare.com/ie/voting/bankofireland. Stockholders will need their 5-digit PIN Number and Stockholder Reference Number printed on the enclosed Form of Proxy.

Voting by Corporate Representatives

5. Any corporation sole or body corporate which is a member of the Bank may, by a document executed by or on behalf of such corporation sole or resolution of its Directors or other governing body of such body corporate, authorise such individual as it thinks fit to act as its representative at any General Court of the Bank.

Any individual so authorised shall not be entitled to appoint a proxy but shall otherwise be entitled to exercise the same powers on behalf of the corporation sole or body corporate which he represents as that representative could exercise if he were an individual member of the Bank present in person.

Appointment of proxies

6. A Stockholder who is entitled to attend, speak, ask questions and vote at the Extraordinary General Court is entitled to appoint a proxy to attend, speak, ask questions and vote instead of him. A Stockholder may appoint more than one proxy to attend, speak, ask questions and vote at the Extraordinary General Court in respect of stock held in different securities accounts. A Stockholder acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees provided each proxy is appointed to exercise rights attached to different stock held by that Stockholder. A proxy need not be a Stockholder of the Bank. If you wish to appoint more than one proxy then please contact the Bank's registrars, Computershare Investor Services (Ireland) Limited, on +353 (1) 2475414.
7. A Form of Proxy for use by Stockholders is enclosed with this Notice of Extraordinary General Court (or is otherwise being delivered to Stockholders). Completion of a Form of Proxy (or submission of proxy instructions electronically) will not prevent a Stockholder from attending the Extraordinary General Court and voting in person should they wish to do so.

Completion of a Form of Proxy

8. To be valid, a Form of Proxy and any power or other authority under which it is executed (or a duly certified copy of any such power or authority) must be lodged with the Bank's registrars, Computershare Investor Services (Ireland) Limited, of Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Republic of Ireland not later than 48 hours before the Extraordinary General Court or adjourned Extraordinary General Court or (in the case of a poll taken otherwise than at or on the same day as the Extraordinary General Court or adjourned Extraordinary General Court) at least 48 hours before the taking of the poll at which it is to be used.

Appointment of proxy electronically

9. To appoint a proxy electronically log on to the website of the registrars, www.computershare.com/ie/voting/bankofireland. Stockholders will need their 5-digit PIN Number and Stockholder Reference Number printed on the enclosed Form of Proxy.

Appointment of a proxy by a CREST member

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Extraordinary General Court and any adjournment(s) thereof by following the procedures laid down in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s) should refer to their CREST Sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.
11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Bank's registrars, Computershare Investor Services (Ireland) Limited, (ID Number **3RA50**) by the latest time(s) for receipt of proxy appointments specified in this notice of Extraordinary General Court. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Computershare Investor Services (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
12. CREST members and where applicable, their CREST Sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the

CREST member concerned to take (or, if the CREST member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Bank may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996.

Questions at the Extraordinary General Court

13. Under section 134C of the Companies Act 1963, the Bank must answer any question you ask relating to the business being dealt with at the Extraordinary General Court unless:
- (i) answering the question would interfere unduly with the preparation for the Extraordinary General Court or the confidentiality and business interests of the Bank;
 - (ii) the answer has already been given on a website in the form of an answer to a question; or
 - (iii) it appears to the Chairman of the Extraordinary General Court that it is undesirable in the interests of good order of the Court that the question be answered.

Stockholders' right to table draft resolutions

14. Stockholders holding 3% or more of the units of Ordinary Stock may table a draft resolution for an item on the agenda in accordance with the terms of section 133B of the Companies Act 1963, subject to the Bank's minimum notice requirements for the issuing of notice for the Extraordinary General Court being capable of being met in respect of any such draft resolution.

Voting on a Poll

15. Pursuant to Section 138 of the Companies Act, 1963 where a poll is taken at the Extraordinary General Court, a Stockholder, present in person or by proxy, holding more than one unit of stock need not cast all his / her votes in the same way.

Documents available for inspection

16. Paper copies of:
- the Bye-Laws;
 - annual reports and audited consolidated accounts of the Group for the two financial years ended 31 March 2009 and 31 March 2008;
 - report on the unaudited pro forma financial information by PricewaterhouseCoopers set out in Part V of this Circular;
 - the 2009 Unaudited Interim Results;
 - the Interim Management Statement of the Bank of 17 September 2009;
 - the written consents referred to in paragraph 11 of Part VI of this Circular;
 - this Circular; and
 - the Act;

will be available for inspection at the following addresses during normal business hours on each Business Day from the date of this Circular up to and including the date of the Extraordinary General Court:

- the principal office of the Bank at Head Office, Lower Baggot Street, Dublin 2, Ireland; and
- the Bank's offices at Bow Bells House, 1 Bread Street, London EC4M 9BE, England.

They will also be available for inspection at the O'Reilly Hall from at least 15 minutes prior to the Extraordinary General Court until the conclusion of that meeting.