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20 June 2011



## **ADDITIONAL INFORMATION FOR EXCHANGE OFFERS AND CONSENT SOLICITATIONS**

On 8 June 2011 The Governor and Company of the Bank of Ireland (the "**Bank**") announced that it had made an invitation to certain holders of the securities listed in that announcement (the "**Existing Securities**") to offer to exchange their Existing Securities for Option 1 Consideration (plus any accrued interest) or Option 2 Consideration (without any accrued interest), as further described below (the "**Exchange Offers**").

In conjunction with the Exchange Offers, the holders of the Existing Securities are being invited to consent to certain modifications to the terms of their Existing Securities (the "**Consent Solicitations**" and, together with the Exchange Offers, the "**Offers**").

The full terms and conditions of the Offers are set out in a Consent and Exchange Offer Memorandum dated 8 June 2011 (the "**Consent and Exchange Offer Memorandum**"), which has been made available to eligible Holders from Lucid Issuer Services Limited and Equity Financial Trust Company. Capitalised terms used and not defined in this announcement shall have the meanings given thereto in the Consent and Exchange Offer Memorandum.

The information contained in this announcement updates, and should be read in conjunction with, the information contained in the Consent and Exchange Offer Memorandum. For the avoidance of doubt, this announcement does not impact the timetable for the Offers.

### **Potential Placing of up to 794,912,043 units of Ordinary Stock (being 15% of the current issued share capital of the Bank) to the National Pensions Reserve Fund Commission ("NPRFC") (the "Placing")**

In the Consent and Exchange Offer Memorandum, the Bank noted that it continued to have active discussions with other sources of private capital and the State, concerning the terms and form in which they may participate in the Proposals, which may result in changes to the Proposals including the possibility of a firm placing of Ordinary Stock.

As a result of these discussions, it has now been agreed with the State that the Bank will amend the Proposals as previously announced to include a potential non pre-emptive placing of up to 794,912,043 units of Ordinary Stock (being up to 15% of the current issued share capital of the Bank) to the State at a price of €0.10 per unit of new ordinary stock on a cum rights basis in advance of the launch of the Rights Issue. Whether or not the Placing proceeds is at the discretion of the NPRFC and there is no certainty that the Placing will occur. The maximum gross proceeds of the Placing would amount to €79.5 million (before expenses).

If the State elects to proceed with the Placing, the size of the Rights Issue taking account of the results of the Offers would be reduced by the amount of the Placing (and the State's percentage entitlement to subscribe in that reduced Rights Issue would increase as the Placing is on a cum rights basis). In the event that the Placing does not proceed, the size of the Rights Issue taking account of the results of the Offers will not be reduced. The Placing is subject to shareholder approval under the Listing Rules as it constitutes a transaction with a related party. If the State elects to proceed with the Placing, this will increase the dilution

of existing ordinary stockholders resulting from the Proposals. On 8 July 2011, the State will inform the Bank if it is to proceed with the Placing and, if so, the amount of the Placing.

The State has informed the Bank that the purpose of the Placing is to afford the State the flexibility (i) to facilitate ongoing discussions with other sources of private capital by providing the NPRFC/State with a guaranteed minimum allocation of new Ordinary Stock (in excess of its *pro rata* entitlement in the Rights Issue) capable of being sold by the NPRFC/State to third parties with which the State and the Bank are in discussions; and (ii) separately, to enable the NPRFC/State, if it so elects, to partially mitigate potential dilution of its current proportionate ownership of the Bank resulting from the Proposals.

The Proposals (including the Placing) represent the basis as of today on which the NPRFC is prepared to underwrite a Rights Issue to enable the Bank to raise the required levels of Core Tier 1 capital by 31 July 2011. The Bank continues to have active discussions with other sources of private capital to raise the Core Tier 1 capital required, but, as of the time of this announcement, certainty of underwriting in the required quantum is only available from the State.

#### *Rights Issue Illustrative Scenarios*

If the maximum Placing of up to 794,912,043 units of Ordinary Stock takes place, the minimum State shareholding in each of the scenarios set out in the table below would be 32.8%, 44.4% and 44.4% respectively assuming 100% take up in the Rights Issue. For the avoidance of doubt, the maximum State shareholding in each of the scenarios set out in the table below are 63.0%, 87.7% and 87.0%, assuming 0% take up in the Rights Issue<sup>1</sup>.

The table below sets out for illustrative purposes only a range of potential outcomes of ownership of the Bank based on certain illustrative assumptions including (but not limited to) the maximum Placing of up to 794,912,043 units of Ordinary Stock, Offers and Rights Issue take up assumptions, foreign exchange assumptions together with assumptions concerning the application of the Minister for Finance's powers under the Stabilisation Act:

<b>Scenario</b>	<b>100% Equity Take Up Under Offers</b>	<b>100% Cash Take Up Under Offers</b>	<b>0% Offers Take Up</b>
CT1 requirement (incl. costs)	€4.35bn	€4.35bn	€4.35bn
Offers:			
CT1 generated	€(1.66)bn	€(2.12)bn	NIL
Equity issued	€(0.92)bn	NIL	NIL
CT1 to be generated from subordinated liabilities order pursuant to the Stabilisation Act or other action	NIL	NIL	€(2.28)bn <sup>2</sup>
Placing to State	€(0.08)bn	€(0.08)bn	€(0.08)bn
Rights Issue	€1.69bn	€2.15bn	€1.99bn <sup>3</sup>
Rights Issue Terms	2.8 for 1	3.5 for 1	3.3 for 1
Rights Issue Stock	16.9bn	21.5bn	19.9bn
Placing Stock	0.8bn	0.8bn	0.8bn
Bondholder Stock <sup>4</sup>	8.1bn	NIL	NIL

Total Stock to be issued	25.8bn		22.3bn		20.7bn	
Pro forma shareholdings <sup>5</sup>						
Rights Issue take up	100%	0%	100%	0%	100%	0%
State	32.8%	63.0%	44.4%	87.7%	44.4%	87.0%
Bondholders	26.1%	26.1%	NIL	NIL	NIL	NIL
Existing private stockholders	41.1%	10.9%	55.6%	12.3%	55.6%	13.0%

<sup>1</sup> If no capital is generated through the Offers or through the proposed amendments to the terms of the Existing Securities and the Core Tier 1 capital to be raised by further burden sharing cannot be taken into account for the purposes of calculating the final Rights Issue size, the maximum size of the Rights Issue would be €4.35 billion, resulting in a potential maximum State shareholding of 93.1% assuming 0% take up in the Rights Issue.

<sup>2</sup> Including estimated tax effects of €0.3 billion.

<sup>3</sup> The size of the Rights Issue of €1.99 billion as set out above is based on the Minister's stated policy that there will be burden sharing with subordinated debt holders through the Offers and, if necessary, action by the Minister under the Stabilisation Act or otherwise. The Directors believe that, in the event that there are no elections for cash or Allotment Instruments convertible into units of Ordinary Stock under the Offers, the further burden sharing with bondholders anticipated by the Minister would result in the generation of Core Tier 1 Capital of approximately €2.28 billion, after taking account of the associated estimated tax costs to the Bank of approximately €0.3 billion.

<sup>4</sup> Based on a Conversion Price of €0.1130, being the minimum level of the range specified in the Consent and Exchange Offer Memorandum.

<sup>5</sup> Based on 5.3 billion units of Ordinary Stock in issue as of 7 June 2011.

<sup>6</sup> The impact of accrued interest is not reflected in the illustrative scenarios.

<sup>7</sup> The estimated Rights Issue sizes set out in the table above are based on the closing foreign exchange rates on 6 June 2011 which were €1.00 = USD 1.4596, €1.00 = CAD 1.4317 and €1.00 = GBP 0.8903. The actual size of the Rights Issue will be impacted to the extent the settlement foreign exchange rates for the Offers are different to these rates.

## Litigation in relation to the Offers and application of the Stabilisation Act

The Bank has received a number of complaints from holders of Existing Securities regarding the Offers and, as described below, one group of holders of Existing Securities has, as of the time of this announcement, commenced legal proceedings against the Bank.

The complaints include allegations relating to the validity of the proposed Extraordinary Resolutions granting the Group the right to insert call options into the terms of the Existing Securities (the "**Proposed Resolutions**"), the fairness of the Offers and the timetable for the Offers. Some of these complaints have included threats of legal proceedings against the Group. The Bank is aware that some of these complaints have also been made or copied to regulatory authorities and other bodies.

The Bank has also received correspondence from a firm of solicitors claiming to act for holders of the 13.375% Unsecured Perpetual Subordinated Bonds (ISIN: GB 0000510312) (the "**13.375% Securities**"), issued by the Bank (in substitution for Bristol and West plc). It alleges on behalf of its clients that the Proposed Resolution in relation to the 13.375% Securities would be invalid and threatens to commence legal proceedings for declarations to this effect and an injunction by way of final relief restraining the Bank from tabling the Proposed Resolution or exercising the call option in relation to the 13.375% Securities. The Bank has responded to the firm stating that it intends to vigorously defend the proceedings if brought.

Separately, a group of parties claiming to hold approximately US\$750 million of Lower Tier 2 Existing Securities commenced legal proceedings in England on 17 June 2011 against the Bank and The Law Debenture Trust Corporation p.l.c. to obtain declarations including that the Proposed Resolutions would be invalid and that any Subordinated Liabilities Order under the Irish Credit Institutions (Stabilisation) Act 2010 in relation to these Existing Securities would not be enforceable under English law. The legal proceedings

also seek an injunction by way of final relief restraining the Bank from accepting offers to participate in the Offers, taking any further steps in relation to the Offers and acting on the outcome of the Offers including tabling the relevant resolutions and exercising the call option. The Bank intends to vigorously defend these proceedings.

## **OFFER RESTRICTIONS**

*This announcement does not constitute an offer of any securities for any purpose.*

*The Consent and Exchange Offer Memorandum does not constitute an offer or an invitation to participate in the Offers in any jurisdiction in or from which, or to any person to whom, it is unlawful to make such offer or invitation under applicable laws, and references in the Consent and Exchange Offer Memorandum to "Holder" or "Holders" should be construed accordingly. No Offer is being made to or may be accepted by any person or entity who is (a) located in the United States or (b) a U.S. Person (as defined in Regulation S under the United States Securities Act of 1933), other than entities who are Qualified Institutional Buyers (as defined in Rule 144A under the Securities Act).*

*The Offers are being conducted subject to the Offer Restrictions set out in the Consent and Exchange Offer Memorandum.*

### **United States**

**None of the securities referred to above, including the Ordinary Stock and the Allotment Instruments, have been, and nor will they be, registered under the Securities Act or the securities laws of any state or jurisdiction of the United States, and none of the securities referred to above may be offered, sold or delivered, directly or indirectly, in the United States or to U.S. Persons absent an applicable exemption from the registration requirements of the Securities Act.**

### **General**

The distribution of this announcement and the Consent and Exchange Offer Memorandum in certain jurisdictions may be restricted. Persons into whose possession this announcement or the Consent and Exchange Offer Memorandum comes are required to inform themselves about and to observe any such restrictions. The Consent and Exchange Offer Memorandum does not constitute, and may not be used for the purpose of, an offer or solicitation to the public or to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.