

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

Availability of the Circular and the Prospectus

Capital Raising Proposals Update

18 June 2011

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Availability of the Circular and the Prospectus

On 8 June 2011, the Bank announced further details of its capital raising which incorporated a liability management exercise (“LME”), further bondholder burden sharing, a rights issue and the issue of a contingent capital instrument (the “Proposals”).

The Circular, including a notice convening an Extraordinary General Court of the Bank to be held at 11.00am on 11 July 2011 at the O’Reilly Hall, University College Dublin, Dublin, Ireland, will be posted to Stockholders today. The Prospectus, which will contain details of the Proposals (including the Placing), and the Circular are expected to be available on the Bank’s website today.

The availability of the Prospectus and the Circular for overseas stockholders may be affected by the laws of the relevant jurisdiction which may also affect participation by such stockholders in the Proposals. Such overseas stockholders should inform themselves about and observe any applicable legal requirements.

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 announcement on 8 June 2011, 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 LME 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 LME 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 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 today, 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 which would compare to 26.6%, 36.0% and 36.0% as set out in the announcement of 8 June 2011 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%, which remain unchanged from the position as set out in the announcement of 8 June 2011, assuming 0% take up in the rights issue¹.

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, LME 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:

Scenario	100% Equity Take Up Under LME		100% Cash Take Up Under LME		0% LME Take Up	
CT1 requirement (incl. costs)	€4.35bn		€4.35bn		€4.35bn	
LME						
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 ²	
Placing to State	€(0.08)bn		€(0.08)bn		€(0.08)bn	
Rights Issue	€1.69bn		€2.15bn		€1.99bn ³	
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 ⁴	8.1bn		NIL		NIL	
Total Stock to be issued	25.8bn		22.3bn		20.7bn	
Pro forma shareholdings ⁵						
<i>Rights Issue take up</i>	<i>100%</i>	<i>0%</i>	<i>100%</i>	<i>0%</i>	<i>100%</i>	<i>0%</i>
State	32.8%	63.0%	44.4%	87.7%	44.4%	86.9%
Bondholders	26.1%	26.1%	NIL	NIL	NIL	NIL
Existing private stockholders	41.1%	10.9%	55.6%	12.3%	55.6%	13.1%

- ¹ If no capital is generated through the LME or through the proposed amendments to the terms of subordinated bonds 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.
- ² Including estimated tax effects of €0.3 billion
- ³ 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 LME 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 LME, 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
- ⁴ Based on an equity conversion price of €0.1130, being the minimum level of the range announced on 8 June 2011
- ⁵ Based on 5.3 billion units of ordinary stock in issue as of 7 June 2011
- ⁶ The impact of accrued interest is not reflected in the illustrative scenarios
- ⁷ 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 LME are different to these rates.

Timetable of Principal Events

An expected timetable of principal events is set out in Appendix I.

This announcement is not and should not be read as an offer to acquire or sell or exchange securities in connection with the LME, the rights issue or otherwise. It is not a prospectus or a prospectus "equivalent" document. Any investment decision by a bondholder eligible to participate in the LME must only be made on the basis of information contained in or incorporated by reference in the Consent and Exchange Offer Memorandum. Any investment in respect of the rights issue by a qualifying shareholder should only be made on the basis of information contained in or incorporated by reference in the Prospectus when published. Qualifying stockholders should also read, in full, the risk factors set out in the Prospectus published by the Bank relating to the Proposals, when published.

The securities that may be offered in the LME or the rights issue or the Placing have not been and will not be registered under the US Securities Act of 1933 and may not be offered or sold in the United States or to US Persons (as defined in Regulation S under the US Securities Act of 1933) absent registration or an applicable exemption from registration requirements.

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This announcement contains or incorporates by reference certain "forward looking statements" regarding the belief or current expectations of the Group, the Directors and other members of its senior management about the Bank's financial condition, results of operations and business and the transactions described in this Circular. Generally, but not always, words such as "may", "could", "should", "will", "expect", "intend", "estimate", "anticipate", "assume", "believe", "plan", "seek", "continue", "target", "goal", "would" or their negative variations or similar expressions identify forward looking statements. Such forward looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Bank and are difficult to predict, that may cause the actual results, performance, achievements or developments of the Group or the industries in which it operates to differ materially from any future results, performance, achievements or developments expressed or implied from the forward looking statements. A number of material factors could cause actual results to differ materially from those contemplated by the forward looking statements.

None of the Minister for Finance, the Department of Finance, the Irish Government, the National Pensions Reserve Fund Commission, the National Treasury Management Agency, IBI Corporate Finance ("IBI"), Credit Suisse Securities (Europe) Limited ("Credit Suisse") or any person controlled by or controlling any such person, or any entity or agency of or related to the Irish State, or any director, officer, official, employee or adviser (including without limitation legal and financial advisors) of any such person (each such person, a "Relevant Person") accepts any responsibility for the contents of, or makes any representation or warranty as to the accuracy, completeness or fairness of any information in, this announcement or any document referred to in this announcement or any supplement or amendment thereto (each a "Transaction Document"). Each Relevant Person expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of any Transaction Document. No Relevant Person has authorised or will authorise the contents of any Transaction Document, or has recommended or endorsed the merits of the offering of securities or any other course of action contemplated by any Transaction Document.

IBI and Credit Suisse are acting exclusively for the Bank in connection with the Proposals and no one else and will not regard any other person as a client in relation to the Proposals and will not be responsible to anyone other than the Bank for providing the protections afforded to their clients or for providing advice in relation to the Proposals or any matters referred to in this announcement. Apart from the responsibilities and liabilities, if any, which may be imposed on each of IBI and Credit Suisse by the Financial Services and Markets Act 2000, the European Communities (Market in Financial Instruments) Regulations (Nos 1 to 3) 2007 of Ireland or the Investment Intermediaries Act 1995 of Ireland, IBI and Credit Suisse accept no responsibility whatsoever for the contents of any of the Transaction Documents.

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APPENDIX I: EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the dates in the table below is indicative only and may be subject to change.¹

Posting of the Circular	18 June 2011
Publication of Prospectus	18 June 2011
Announcement of LME early bird results and announcement of equity conversion price for bondholders opting for equity alternative under LME	23 June 2011
Latest date for receipt of acceptances under LME ²	7 July 2011
Bondholder meetings for holders of eligible debt securities	7 July 2011
Expected announcement of the results of the LME	8 July 2011
State informs the Bank of the amount of Placing (if any)	8 July 2011
Announcement of rights issue size	8 July 2011
Extraordinary General Court	11 July 2011
Dealings in the nil paid rights and the fully paid rights commence	12 July 2011
Settlement for cash payments for LME	12 July 2011
Latest time and date for acceptance, payment in full and registration or renunciation of provisional allotment letters	26 July 2011
Announcements of results of rights issue	26 July 2011
Conversion of allotment instruments into debt for equity stock	By 12 August 2011

¹ The above times and dates are indicative only. The times and dates set out in the expected timetable of principal events above may be adjusted by the Bank, in which event details of the new times and dates will be notified to the CBI, the Irish Stock Exchange, the FSA, the London Stock Exchange and, where appropriate, qualifying stockholders.

² Other than for the Canadian Dollar 2015 Notes.