

# Announcement of Rights Issue Terms

8 July 2011

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**Bank of Ireland confirms its proposed 18 for 5 Rights Issue of 19,077,889,032 units of New Ordinary Stock at a Rights Issue Price of €0.10 per unit of New Ordinary Stock to raise gross proceeds of €1.91 billion.**

## Introduction

On 18 June 2011, Bank of Ireland published the Prospectus which set out how the Bank proposed to generate €4.2 billion Core Tier 1 Capital (after expenses) and €1.0 billion of contingent capital required to meet the incremental capital requirement arising as a result of the Central Bank of Ireland 2011 Prudential Capital Assessment Review.

The Prospectus set out that the €4.35 billion (including estimated expenses) would be raised by a combination of the following:

- the Debt for Equity Offers (including a cash option) and compulsory acquisition of Eligible Debt Securities (together, the "Liability Management Exercise" or "LME");
- the further burden sharing with remaining subordinated bondholders referred to by the Minister for Finance (the "Minister") as set out in his statement on 31 May 2011;
- a potential State Placing; and
- a Rights Issue fully underwritten by the National Pensions Reserve Fund Commission ("NPRFC").

## Results of LME

Bank of Ireland today announced the results of the Debt for Equity Offers following the closing date of 7 July 2011. These results do not account for (i) the receipt of any tenders under the offer for the Canadian Dollar 2015 Notes (the "Canadian Notes"), where the deadline for receipt of tenders is 8 August 2011 or (ii) any tenders in respect of the 13.375% Unsecured Perpetual Subordinated Bonds (the "13.375% Notes"), the offer for which was revoked on 28 June 2011. Excluding the Canadian Notes and the 13.375% Notes, holders of approximately 78.7% of Eligible Debt Securities have elected to offer to exchange their securities in the Debt for Equity Offers (including the cash option). Approximately 74.3% of Eligible Debt Securities were offered for exchange for allotment instruments convertible into equity in the Bank, and approximately 4.4% of Eligible Debt Securities were tendered for cash. As a consequence of these acceptances, the Debt for Equity Offers (including the cash option) have generated c.€1.88 billion of Core Tier 1 Capital for the Bank, comprising capital gains of c.€1.23 billion and equity issuance of c.€0.65 billion.

In addition, at a series of bondholder meetings held on 7 July 2011, the Group sought the consent of holders of Eligible Debt Securities to grant the Group the right to amend the terms of the Eligible Debt Securities (excluding the Canadian Notes and 13.375% Notes) to insert a call option to compulsorily acquire Eligible Debt Securities for cash at 0.001% of their nominal value. The Group will exercise these call options in respect of c.€0.1 billion of Eligible Debt Securities which remain outstanding following settlement of the relevant Debt for Equity Offers, which is scheduled to occur on 14 July 2011. The exercise of these call options by the Group will generate additional Core Tier 1 Capital for the Bank of c.€0.08 billion (after tax).

Consequently, the LME will generate a total of c.€1.96 billion of Core Tier 1 Capital for the Bank.

### **Completion of Debt for Equity offers and further burden sharing with remaining subordinated bondholders**

Eligible Debt Securities having a nominal value of approximately €0.60 billion will remain outstanding after the settlement of the Debt for Equity Offers and the exercise of the relevant call options by the Group, including €0.18 billion outstanding in respect of the Canadian Notes and the 13.375% Notes. The Bank expects to complete the offer for the Canadian Notes by 12 August 2011 and intends to undertake a new offer in respect of the 13.375% Notes in due course (together the "Remaining LME Offers").

As set out in the Prospectus, to the extent the capital the Minister expected to generate through further burden sharing with remaining subordinated bondholders had not been generated by 8 July 2011, it was expected that the Minister would seek the permission of the Central Bank to extend the deadline for the generation of this expected capital beyond 31 July 2011. The Central Bank today extended the deadline to 31 December 2011 in the amount of €0.51 billion, in respect of Core Tier 1 Capital expected to be generated from a combination of the further burden sharing with bondholders anticipated by the Minister and the Remaining LME Offers (together the "Further Capital Raising Measures") and accordingly this amount has been deducted from the Bank's overall capital requirement in arriving at the final Rights Issue size.

This €0.51 billion is a small element of the overall capital raising of €5.2 billion. The Bank's pro forma Core Tier 1 Capital Ratio would significantly exceed the regulatory minimum of 10.5% following the completion of the capital raise.<sup>1</sup>

### **Future Equity Capital Raising Requirements**

The Bank expects that €0.51 billion in Core Tier 1 Capital will be generated from the Further Capital Raising Measures. The Directors confirm that should the Further Capital Raising Measures generate less Core Tier 1 Capital than expected requiring the generation of further equity capital, the Directors expect that such equity would be raised in a manner which would provide Ordinary Stockholders the opportunity to participate in the capital raising at the same price per stock unit as any stock the State would acquire in such capital raising and pro rata to their stockholding in the Bank.

Since this expectation has only been confirmed today, it was not referred to in the original Prospectus. A Supplementary Prospectus has been published today to supplement and update the original Prospectus for this development.

### **State Placing**

As set out in the Prospectus, the NPRFC has the option to require the Bank to make a direct placing of up to 794,912,043 units of New Ordinary Stock to the NPRFC at €0.10 per unit of New Ordinary Stock, representing approximately 15% of the Existing Ordinary Stock on 16 June 2011. The NPRFC has today informed the Bank that it will not exercise its option to proceed with the State Placing.

The Bank has had extensive discussions with a number of private equity firms and has received proposals for material investments in the Bank. As at the date of this announcement these proposals, which had certain conditions, have not been brought to a successful conclusion.

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<sup>1</sup> Based on unaudited management accounts to 31 May 2011 adjusted for the proceeds of the Proposals

The Proposals including the LME are subject to Stockholder approval at the Extraordinary General Court convened for 11.00 a.m. on 11 July 2011. A Circular in connection with the Proposals was posted to Stockholders on 18 June 2011.

### **Rights Issue Size and Terms**

The Bank now announces that the Rights Issue size will be €1.91 billion which is calculated as follows:

	<b>€bn</b>
Central Bank requirement per 2011 PCAR	4.20
<i>Plus</i>	
Expenses relating to the Proposals	0.15
<i>Less</i>	
Capital gain arising on Debt for Equity Offers	(1.23)
New Ordinary Stock to be issued pursuant to the Debt for Equity Offers	(0.65)
Capital gain arising from the exercise of the call options	(0.08)
Core Tier 1 Capital expected to be generated from Further Capital Raising Measures	(0.51)
Rounding	<u>0.03</u>
Size of Rights Issue	<u>1.91</u>

The Rights Issue of €1.91 billion comprises the offer of 19,077,889,032 units of New Ordinary Stock at a Rights Issue Price of €0.10 per unit on the basis of 18 units of New Ordinary Stock for every 5 existing units of Ordinary Stock held by Qualifying Stockholders as at the Record Date.

The NPRFC has agreed to underwrite the Rights Issue in full. Any units of New Ordinary Stock offered but not taken up by Existing Ordinary Stockholders in the Rights Issue or not placed with placees under the Rump Placing (the proposed placing by the Joint Bookrunners of New Ordinary Stock not taken up under the Rights Issue expected to take place after the latest time for acceptance and payment in full under the Rights Issue) will be purchased by the NPRFC at €0.10 per unit, thereby guaranteeing that the capital in the Rights Issue will be raised.

By way of illustration, the above terms and pricing will result in a holder of 1,000 existing units of Ordinary Stock held at the Record Date being entitled to subscribe for 3,600 units of New Ordinary Stock at a total cost of €360.

The below table sets out the resultant State shareholding following implementation of the Proposals based on the assumptions of 100% and 0% take up by Stockholders in the Rights Issue:

CT1 Requirement (incl. costs)	€4.35bn	
LME		
CT1 Generated	€(1.31)bn <sup>(1)</sup>	
Equity Issued	€(0.65)bn	
CT1 expected to be generated from Further Capital Raising Measures	€(0.51)bn	
Rounding	<u>0.03</u>	
Rights Issue	<u>€1.91bn</u>	
Rights Issue Terms	18 for 5	
Rights Issue Stock	19.1bn	
Bondholder Stock <sup>(2)</sup>	<u>5.7bn</u>	
Total Stock to Be Issued	<u>24.8bn</u>	
<i>Pro Forma</i> Shareholdings <sup>(3)</sup>		
<i>Rights Issue Take-Up</i>	100%	0%
State	29.2%	69.7%
Bondholders through the LME	19.1%	19.1%
Existing Private Stockholders	51.7%	11.2%

<sup>1</sup> Including approximately €0.08 billion (net of estimated tax) anticipated from the compulsory acquisition of Eligible Debt Securities

<sup>2</sup> Based on the equity conversion price of €0.1156, being the Estimated Ex-Rights price, determined in accordance with the Debt for Equity Offers

<sup>3</sup> Based on c. 5.3 billion units of ordinary stock in issue today

### Key Dates

Forthcoming key dates include:

- |   |                            |
|---|----------------------------|
| 1. Despatch of Provisional Allotment Letters  | 11 July 2011               |
| 2. Dealings in Nil Paid Rights and Fully Paid Rights commence   | 8.00 a.m. on 12 July 2011  |
| 3. Latest time and date for acceptance, payment in full and registration or renunciation of Provisional Allotment Letters | 11.00 a.m. on 26 July 2011 |

A table of Rights Issue Statistics and an Expected Timetable of Principal Events are attached to this announcement.

Unless otherwise defined, capitalised terms used in this announcement have the same meaning as in the Prospectus.

Copies of this announcement are available, free of charge and in printed form, at Bank of Ireland's registered office at 40 Mespil Road, Dublin 4, Ireland.

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## RIGHTS ISSUE STATISTICS

Rights Issue Price per unit of New Ordinary Stock	€0.10
Number of units of Ordinary Stock in issue today	5,299,413,620
Number of units of New Ordinary Stock to be issued pursuant to the Debt for Equity Offers	5,741,927,474
Number of units of New Ordinary Stock to be issued by the Bank pursuant to the Rights Issue	19,077,889,032
Number of units of Ordinary Stock in issue on completion of the Rights Issue and the Debt for Equity Offers	30,119,230,126
Discount of Rights Issue Price to the Closing Price on 7 July 2011 (being the last practicable date before the publication of this announcement)	13.0%
Basis of Rights Issue	18 units of New Ordinary Stock for every 5 existing units of Ordinary Stock

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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

Record Date for entitlement under the Rights Issue for Qualifying CREST Stockholders and Qualifying Non-CREST Stockholders	5.00 p.m. on 8 July 2011
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Court	11.00 a.m. on 9 July 2011
<b>Extraordinary General Court</b>	<b>11.00 a.m. on 11 July 2011</b>
Renominalisation becomes effective	Close of business on 11 July 2011
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Stockholders only)	11 July 2011
Admission of the Nil Paid Rights and the Fully Paid Rights	8.00 a.m. on 12 July 2011
<b>Dealings in the Nil Paid Rights and the Fully Paid Rights commence</b>	<b>8.00 a.m. on 12 July 2011</b>
Start of subscription period	8.00 a.m. on 12 July 2011
Record Date Stock marked “ex-rights” by the Irish Stock Exchange and the London Stock Exchange	8.00 a.m. on 12 July 2011
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Stockholders only)	as soon as possible after 8.00 a.m. on 12 July 2011
Nil Paid Rights and Fully Paid Rights, enabled in CREST	as soon as possible after 8.00 a.m. on 12 July 2011
The latest time and date for Cashless Take-up or disposal of Nil Paid Rights through the Computershare Dealing Facility	3.00 p.m. on 19 July 2011
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 20 July 2011
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on 21 July 2011
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 22 July 2011
<b>Latest time and date for acceptance, payment in full and registration or renunciation of Provisional Allotment Letters</b>	<b>11.00 a.m. on 26 July 2011</b>
<b>Announcements of results of Rights Issue</b>	<b>26 July 2011</b>
Dealings in New Ordinary Stock commence on the Irish Stock Exchange and the London Stock Exchange	By 8.00 a.m. on 29 July 2011
New Ordinary Stock credited to CREST accounts	By 29 July 2011
Settlement of the Rump Placing	29 July 2011
Despatch of definitive stock certificates for New Ordinary Stock in certificated form	By 5 August 2011
Debt for Equity Stock credited to Crest Accounts	By 12 August 2011
Conversion of Allotment Instruments into Debt for Equity Stock	By 12 August 2011

### Notes:

- (1) The ability to participate in the Rights Issue is subject to certain restrictions relating to Qualifying Stockholders with registered addresses outside Ireland and the United Kingdom, details of which are set out in Part IX (Terms and Conditions of the Rights Issue) of the Prospectus dated 18 June 2011.
- (2) The above times and dates are indicative only. The times and dates set out in the expected timetable of principal events above and mentioned above may be adjusted by the in which event details of the new times and dates will be notified to the Central Bank, the Irish Stock Exchange, the FSA, the London Stock Exchange and, where appropriate, Qualifying Stockholders.
- (3) If you hold your Existing Stock through one of the Employee Stock Schemes, please note that certain of the latest dates set out in the timetable above may not be applicable to you. Where this is the case, the latest such dates which are applicable to you will be set out in your Provisional Allotment Letter or advice from your service provider.
- (4) References to times in this table are to Irish times unless otherwise stated.

This announcement is not and should not be read as an offer to acquire or sell or exchange securities in connection with the Rights Issue or otherwise. It is not a prospectus or a prospectus “equivalent” document. Any investment in respect of

the Rights Issue by a Qualifying Stockholder should only be made on the basis of information contained in or incorporated by reference in the Prospectus and the Supplementary Prospectus. Qualifying Stockholders should also read, in full, the risk factors set out in the Prospectus published by the Bank relating to the Proposals.

The securities that may be offered in the LME or the Rights Issue have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act") or the securities laws of any State or other jurisdictions of the United States, or any other Excluded Territory and may not be offered or sold in the United States or any other Excluded Territory or to US Persons (as defined in Regulation S under the US Securities Act) absent registration or an applicable exemption from registration requirements of the US Securities Act and in compliance with any applicable securities laws of any State or other jurisdiction of the United States or any other Excluded Territory. There will be no public offer in the United States or in any Excluded Territory.

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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"), the Joint Bookrunners, 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.

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