

## SIGNIFICANT INVESTMENT IN BANK OF IRELAND

25 JULY 2011

The Governor and Company of the Bank of Ireland ("Bank of Ireland" or "the Bank") welcomes today's announcement by the State of an investment of up to €1.123 billion in the Bank by a group of significant institutional investors and fund managers. As part of the agreement between the State and these investors, the State has agreed to sell c. 4.2 billion units of ordinary stock, representing approximately 14.0 per cent of the Bank's fully diluted ordinary stock\*, at a price of 10 cent per unit as follows (i) a sale of c. 2.4 billion units on completion of the rights issue and (ii) a sale of c. 1.8 billion units conditional on the receipt of certain regulatory clearances. In addition, these investors have agreed with the State that, to the extent that the State acquires ordinary stock pursuant to the rights issue underwriting agreement and subject to certain conditions being satisfied, they will purchase up to a further c. 7.0 billion units of ordinary stock from the State, representing approximately 23.3 per cent. of the fully diluted ordinary stock\*, at a price of 10 cent per unit. The conditions to this further purchase of 7.0 billion units of ordinary stock include the receipt of certain regulatory consents by these investors and to the extent that the resultant combined stockholdings of these investors exceed 29.9 per cent. of the Bank's then fully diluted ordinary stock, prior approval by independent stockholders. The Bank has been advised that each of these investors will manage their individual stockholdings independently. The Bank has made detailed presentations to and facilitated the due diligence of each of these investors over recent weeks in relation to the Bank's business and strategy and the progress which the Bank has made in repositioning and refocusing itself, including the Bank's pivotal role in helping revitalise the Irish economy.

The Bank has been advised that, should the regulatory and other conditions to all of the above transactions be satisfied and the transactions concluded, the State's maximum stockholding in the Bank would be 32.4 per cent. of the fully diluted ordinary stock\* while the State's stockholding will not fall below 15 per cent. The maximum combined stockholding of these investors would be 37.3 per cent. while their minimum combined stockholding would be 14.0 per cent. The precise stockholdings can only be determined upon completion of the rights issue and rump placing and after all regulatory and other approvals necessary for the investment are obtained. The Bank will announce further details of the stockholdings of the State and these investors on completion of the rights issue and rump placing in the coming days.

In order to facilitate this investment, the Bank has given certain commitments to these investors including to assist them obtain the regulatory approvals required for their investment, to conduct business in the ordinary course and to ensure pre-emption. The overall costs of the capital raising, including certain expenses of these investors, will remain within the costs figure previously advised to stockholders. The Bank has also agreed, subject to stockholder approval, to place additional stock up to a maximum of approximately 6 per cent. of the Bank's then fully diluted ordinary stock, with these investors and the State, at 10 cent per unit where their stockholdings following the above transactions are less than 25 per cent. and 15 per cent. respectively. The Bank intends to use the proceeds of any such placings to redeem an equivalent capital value of the 2009 Preference Stock held by the NPRFC.

The Bank stated *"The Bank is very pleased to see this major endorsement of the Bank's strategy and the confidence which these investors share with the Bank in the future for the Irish economy. The Bank very much appreciates the opportunity which the Minister has provided to the Bank to seek private capital sources to support its capital raising programme and to enable its existing stockholders to participate in the rights issue component of the capital raising programme."*

ENDS

\* Based on c. 30.1 billion units of ordinary stock, being the number of units of ordinary stock that will be in issue on completion of the Rights Issue and the issuance of new ordinary stock pursuant to the Debt for Equity Offers and excluding any potential issue of new ordinary stock pursuant to the proposed placing

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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.

The securities that may be offered in the Debt for Equity Offers 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.

Neither the content of Bank of Ireland's website nor any website accessible by hyperlinks on Bank of Ireland's website is incorporated in, or forms part of, this announcement.

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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 the Prospectus. 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.

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