

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

**Update on Capital Raising
23 June 2011**

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On 18 June 2011, Bank of Ireland published a Prospectus which sets out how the Bank proposes to generate the €4.2bn Core Tier 1 Capital (after estimated expenses of €150m) and €1.0bn of contingent capital required to meet regulatory requirements by 31 July 2011.

The €4.35 billion (including estimated expenses) will be raised by a combination of:

- the Debt for Equity Offers (including a cash option) and compulsory acquisition of Eligible Debt Securities (“Liability Management Exercise” or “LME”)
- the further burden sharing with remaining subordinated bondholders anticipated by the Minister for Finance as set out in his statement on 31 May 2011;
- potential State Placing (if it occurs); and
- a Rights Issue fully underwritten by the NPRFC.

Bank of Ireland today announced the early participation indicative results of the LME. To date, 72.4% of eligible holders have elected to accept the offer to exchange their bonds for cash or new ordinary stock. 95.4% of accepting bondholders elected to receive new ordinary stock and 4.6% of accepting bondholders elected to receive cash. As a consequence of this, the LME is expected to generate at least €1.98 billion of equity capital for Bank of Ireland. The final closing date for the LME (other than the Canadian Dollar 2015 Notes) is 7 July 2011.

Commenting on the results of the LME, Bank of Ireland stated:

“We are pleased with the successful outcome thus far of the LME and, in particular, the very high demand for equity in the Bank. This represents the first step in our capital raising proposals and significantly reduces the amount of capital we will be seeking to raise from the Rights Issue or other sources of capital”.

Rights Issue Illustrative Scenarios

The table below sets out for illustrative purposes only a range of potential outcomes of ownership of the Bank, taking into account the early participation indicative results of the LME and based on certain illustrative assumptions including LME and Rights Issue take up, potential State Placing, foreign exchange assumptions together with assumptions concerning the application of the Minister for Finance’s powers under the Stabilisation Act or otherwise:

Scenario	Indicative LME outcome	
CT1 Requirement (incl. estimated costs)	€4.35bn	
LME		
CT1 Generated	€(1.32)bn ⁽¹⁾	
Equity Issued	€(0.66)bn	
CT1 which may be generated from Subordinated Liabilities Order Pursuant to the Stabilisation Act or Other Action	€(0.51)bn ⁽²⁾	
Potential State Placing ⁽⁶⁾	€(0.08)bn	
Rights Issue	€1.78bn ⁽³⁾	
Rights Issue Terms	2.9 for 1	
Rights Issue Stock	17.8bn	
Placing Stock ⁽⁶⁾	0.8bn	
Bondholder Stock ⁽⁴⁾	5.7bn	
Total Stock to Be Issued	24.3bn	
Pro Forma Shareholdings ⁽⁵⁾		
Rights Issue Take-Up	100%	0%
State	35.8%	69.2%
Bondholders	19.3%	19.3%
Existing Private Stockholders	44.9%	11.5%

¹ Including approximately €0.11 billion (net of estimated tax) anticipated from the compulsory acquisition of Eligible Debt Securities

² In the event that there are no further 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 €0.51 billion, after taking account of the associated estimated tax costs to the Bank of approximately €0.06 billion

³ The size of the rights issue of €1.78 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. If no further 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 €2.29 billion, resulting in a potential maximum State shareholding of 73.8% assuming 0% take up in the rights issue.

⁴ Based on the equity conversion price of €0.1156, being the Estimated Ex-Rights price, determined in accordance with the Offers

⁵ Based on 5.3 billion units of ordinary stock in issue as of 7 June 2011

⁶ The potential placing to the State of up to 794,912,043 units of new ordinary stock at €0.10 per unit of ordinary stock. Whether or not the State Placing proceeds is at the discretion of the State and there is no certainty that the State Placing will occur.

⁷ The impact of accrued interest is not reflected in the illustrative scenarios

⁸ The estimated rights issue size set out in the table above is based on the foreign exchange rates as at 10.00am on 23 June 2011 which were €1.00 = USD 1.4279, €1.00 = CAD 1.388 and €1.00 = GBP 0.89233. 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.

Unless otherwise defined, capitalised terms used in this announcement have the same meaning as in the Prospectus dated 18 June 2011.

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. 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 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

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Bank of Ireland

John O'Donovan	Group Chief Financial Officer	+353 (0) 766 23 4703
Andrew Keating	Director of Group Finance	+353 (0) 1 637 8141
Sean Crowe	Group Treasurer	+353 (0) 76 623 4720
Brian Kealy	Head of Group Capital Management	+353 (0) 76 623 4719
Colin Reddy	Capital Management	+353 (0) 76 623 4722
Diarmaid Sheridan	Financial Analyst, Group Investor Relations	+353(0) 76 623 4730
Dan Loughrey	Head of Group Corporate Communications	+353 (0) 766 23 4770

IBI Corporate Finance

Tom Godfrey	+353 1 637 7800
Mark Spain	+353 1 637 7800

Credit Suisse

Chris Williams	+44 (0) 20 7888 8888
Lewis Burnett	+44 (0) 20 7888 8888
Paul Hemings	+44 (0) 20 7888 8888