THIS CIRCULAR AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY MAY NOT BE DISTRIBUTED, FORWARDED TO OR TRANSMITTED IN OR INTO ANY JURISDICTION IN WHICH THE DISTRIBUTION OR RELEASE OF THIS CIRCULAR AND THE ACCOMPANYING FORM OF PROXY WOULD BE UNLAWFUL.

If you are in any doubt as to what action you should take, you are recommended to consult immediately, in the case of Stockholders resident in Ireland, an organisation or firm authorised or exempted pursuant to the European Communities (Markets in Financial Instruments) Regulations (Nos. 1 to 3) 2007 or the Investment Intermediaries Act 1995 and, in the case of Stockholders resident in the United Kingdom, a firm authorised under the Financial Services and Markets Act 2000 ("FSMA") or another appropriately authorised adviser if you are in a territory outside Ireland or the United Kingdom.

If you sell or have sold or have otherwise transferred all of your Ordinary Stock please send this Circular, together with the accompanying Form of Proxy, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you sell or have sold or have otherwise transferred only part of your holding of Ordinary Stock you should retain this document and consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

Bank of Ireland Group

The Governor and Company of the Bank of Ireland

(Established in Ireland by Charter in 1783 and having limited liability with registered no. C-1)

Proposed securities repurchase transaction between Bank of Ireland and Irish Bank Resolution Corporation Limited, guaranteed by the Minister for Finance

and

Notice of Extraordinary General Court to be held on 18 June 2012

Your attention is drawn in particular to the letter from the Governor of the Bank which is set out in Part I (Letter from the Governor of Bank of Ireland) at pages 5 to 14 of this Circular and which recommends you vote in favour of the Resolution to be proposed at the Extraordinary General Court referred to below. You should read the whole of this Circular and the documents incorporated by reference. For a discussion of certain risk factors which should be taken into account when considering whether to vote in favour of the Resolution, see Part II (Risk Factors) of this Circular.

This Circular does not contain any offer to the public to purchase or subscribe for securities within the meaning of the Prospectus (Directive 2003/71/EC) Regulations 2005, the Prospectus Regulations 2005 of the United Kingdom or otherwise. This Circular does not constitute a prospectus for the purpose of Directive 2003/71/EC.

None of the Minister for Finance, the Department of Finance, the Irish Government, the NTMA, NAMA, the NPRFC, 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, commissioner, officer, official, employee or adviser (including without limitation, legal and financial advisers) 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 Circular or any document referred to in this Circular 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.

IBI Corporate Finance (which is regulated in Ireland by the Central Bank) is acting exclusively for the Bank as transaction co-ordinator and joint financial adviser and no one else in relation to the matters contained in this Circular and will not be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Central Bank or any applicable Irish law, IBI Corporate Finance makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, nor does it authorise, the contents of this Circular or its publication or any other statement made or purported to be made by the Bank, or on its behalf, in connection with the arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person other than the Bank in respect of this Circular or any other statement.

Credit Suisse Securities (Europe) Limited ("**Credit Suisse**"), which is authorised and regulated by the Financial Services Authority in the United Kingdom, is acting for the Bank and for no-one else in connection with the Transaction and will not be responsible to any person other than the Bank for providing the protections afforded to clients of Credit Suisse, nor for providing advice in relation to the Transaction, or any matter referred to herein. Neither Credit Suisse nor any of its subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Credit Suisse in connection with any statement contained herein or otherwise.

J&E Davy (which is regulated in Ireland by the Central Bank) is acting exclusively for the Bank as Irish sponsor and joint UK sponsor and no one else in relation to the matters contained in this Circular and will not regard any other person (including the recipients of this Circular) as a client, nor be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Central Bank, the Financial Services Authority, FSMA, or any applicable Irish law, J&E Davy makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, nor does it authorise, the contents of this Circular or its publication or any other statement made or purported to be made by the Bank, or on its behalf, in connection with the arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person other than the Bank in respect of this Circular or any other statement.

UBS Limited (which is authorised and regulated in the United Kingdom by the Financial Services Authority) is acting exclusively for the Bank as joint UK sponsor and no one else in relation to the matters contained in this Circular and will not regard any other person (including the recipients of this Circular) as a client, nor be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Central Bank, the Financial Services Authority, FSMA, or any applicable Irish law, UBS Limited makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, nor does it authorise, the contents of this Circular or its publication or any other statement made or purported to be made by the Bank, or on its behalf, in connection with the arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person other than the Bank in respect of this Circular or any other statement.

Notice of an Extraordinary General Court of the Bank, to be held at 9.00 a.m. on 18 June 2012 in the Royal Marine Hotel, Marine Road, Dun Laoghaire, Co. Dublin, Ireland, is set out at the end of this Circular. A Form of Proxy for use at the Extraordinary General Court is enclosed. To be valid, **Forms of Proxy** should be completed in accordance with the notes to the Notice of Extraordinary General Meeting (at the end of this Circular) and **returned** either electronically via the internet at www.eproxyappointment.com or via the CREST system or by hand or post to Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland **to arrive by no later than 9.00 a.m. on 16 June 2012.**

Completion and return of Forms of Proxy will not preclude an Ordinary Stockholder from attending and voting at the Extraordinary General Court, should he, she or it, so wish.

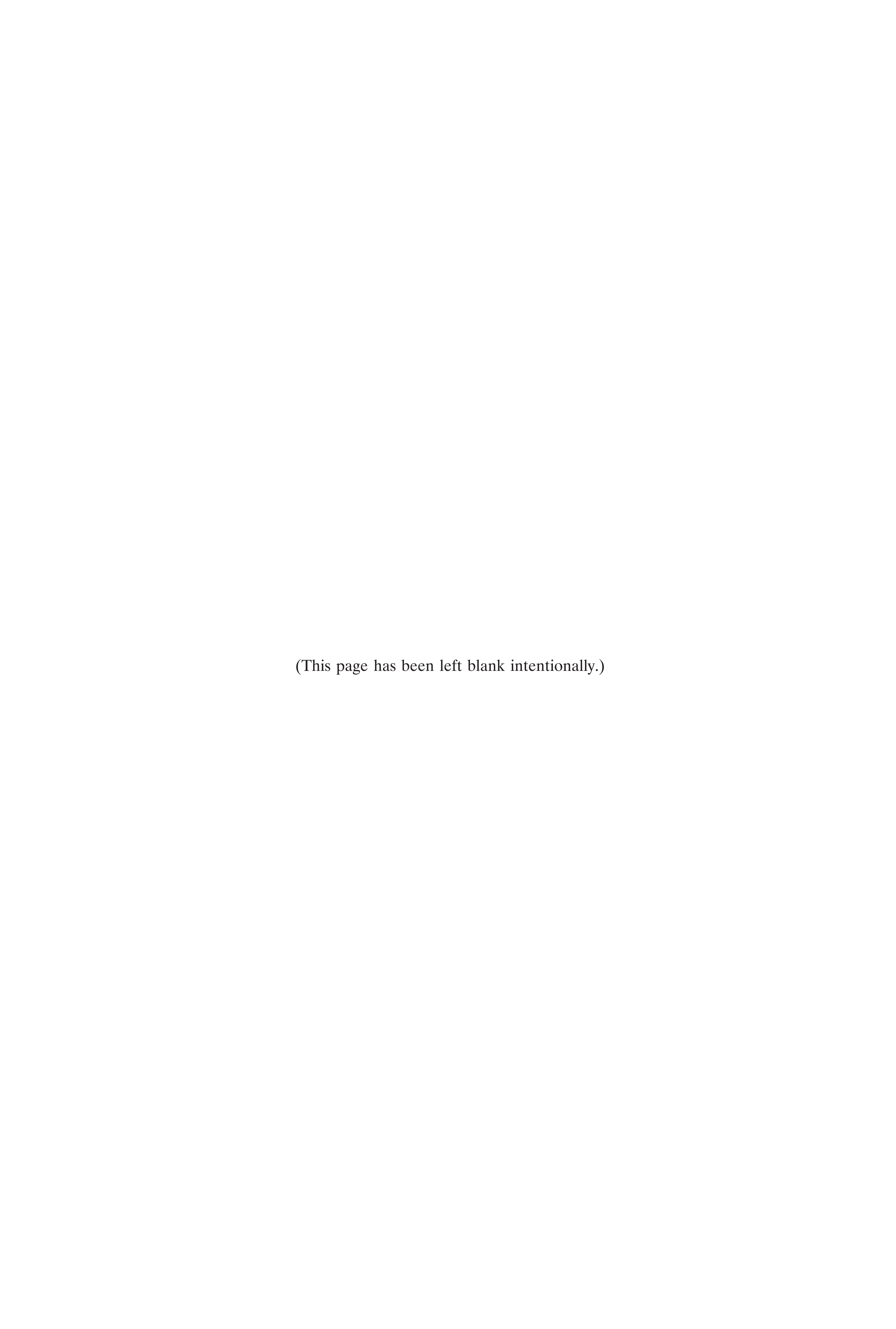

(This page has been left blank intentionally.)

TABLE OF CONTENTS

		Page
EXPECTED TIMETABLE OF PRINCIPAL EVENTS		2
PART I	LETTER FROM THE GOVERNOR OF BANK OF IRELAND	5
PART II	RISK FACTORS	15
PART III	UNAUDITED PRO FORMA FINANCIAL INFORMATION	23
PART IV	CAPITAL RESOURCES AND LIQUIDITY	29
PART V	ADDITIONAL INFORMATION	43
PART VI	DEFINITIONS	71
NOTICE OF EXTRAORDINARY GENERAL COURT		86

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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

Event	Time and date
Posting of the Circular	30 May 2012
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Court	9.00 a.m. on 16 June 2012
Extraordinary General Court	9.00 a.m. on 18 June 2012
Purchase Date in respect of the Bonds	a date not later than 14 Business Days following Stockholder approval of the Transaction

Notes:

(1) The above times and dates are indicative only. The times and dates set out in the expected timetable of principal events above and mentioned throughout this Circular may be adjusted by the Bank, 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, the UK Listing Authority, the New York Stock Exchange, a regulatory information service and, where appropriate, Stockholders.

(2) If you hold your units of Ordinary 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 Form of Proxy or advice from your service provider.

(3) References to times in this Circular are to Irish times unless otherwise stated.

(4) Different deadlines and procedures may apply in respect of stockholdings held in the form of American Depository Shares. Different deadlines and procedures may apply in certain cases. For example, Ordinary Stockholders that hold their Ordinary Stock through a CREST Participant or other nominee may be set earlier deadlines by the CREST Participant or other nominee than the times and dates noted above.

OTHER IMPORTANT INFORMATION

EXCHANGE RATES

The principal rates of exchange used in the preparation of the financial statements are as follows:

one euro: pound sterling **Period**	**Average Rate**	**Period End Rate**
Year ended 31 March 2009	0.8333	0.9308
9 months ended 31 December 2009	0.8851	0.8881
Year ended 31 December 2010	0.8579	0.8607
Year ended 31 December 2011	0.8679	0.8353

one euro: US dollar **Period**	**Average Rate**	**Period End Rate**
Year ended 31 March 2009	1.4321	1.3308
9 months ended 31 December 2009	1.4248	1.4406
Year ended 31 December 2010	1.3258	1.3362
Year ended 31 December 2011	1.3920	1.2939

On 28 May 2012, being the latest practicable date prior to the publication of this Circular, the euro:US dollar exchange rate was €1: $1.2566 and the euro:pound sterling exchange rate was €1: £0.8001 being the daily reference rate set by the European Central Bank for such date.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

As required by the Companies Acts and the European Union IAS Regulation (EC) 1606/2002, the consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. IFRS as adopted by the European Union differ in certain respects from IFRS as issued by the IASB. However, the consolidated financial statements for the financial periods presented comply with both IFRS as adopted by the European Union and IFRS as issued by the IASB.

References to IFRS hereafter should be construed as references to IFRS as adopted by the European Union.

FINANCIAL INFORMATION

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The accounting policies deemed critical to the Group's results and financial position, based upon materiality and significant judgements and estimates, include impairment of financial assets, taxation, fair value of financial instruments, retirement benefits and life assurance operations. If the judgements, estimates and assumptions used by the Group in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a material impact on the Group's results.

PRESENTATION OF FINANCIAL INFORMATION

The Group publishes its financial statements in euro ("€" or "euro"). The abbreviations "€m" and "€bn" represent millions and thousands of millions of euro, respectively, while references to "cent" or "c" represent the monetary unit that represents one-hundredth of a euro.

References to "£" or "sterling" are to pounds sterling. The abbreviations "£m" and "£bn" represent millions and thousands of millions of pounds, respectively.

References to "USD", "dollars" and "$" are to US dollars. The abbreviations "$m" and "$bn" represent millions and thousands of millions of dollars, respectively.

The financial information presented in a number of places in this Circular has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers may not conform exactly to the total figure given. In addition, certain percentages presented in this Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Unless otherwise stated the financial information contained herein was extracted without material adjustment from the 2011 Annual Report.

FORWARD-LOOKING STATEMENTS

This Circular 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 Group'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.

Nothing in this Circular shall constitute a profit forecast and should not be interpreted to mean the earnings per share in any financial period will necessarily match or be lesser or greater than those for the relevant preceding period.

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 Group 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, as set out in the risk factors in Part II (Risk Factors) of this Circular, could cause actual results to differ materially from those contemplated by the forward-looking statements.

See the risk factors described in Part II (Risk Factors) of this Circular for more information on factors that could cause actual results to differ materially from those contemplated by the forward looking statements in this Circular which relate to the Transaction.

It is strongly recommended that Stockholders read Part II (Risk Factors) of the Circular for a more complete discussion of the factors related to the Transaction which could affect the Group's future performance and the industries in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Circular may not occur. Due to such uncertainties and risks, Stockholders should not place undue reliance on such forward-looking statements, which speak only to belief or current expectations as at the date of this Circular.

Except as required by the Central Bank, the Irish Stock Exchange, the FSA, the London Stock Exchange, the New York Stock Exchange, or applicable law, the Group does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the Central Bank, the Irish Stock Exchange, the FSA, the London Stock Exchange, or applicable law, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART I

LETTER FROM THE GOVERNOR OF BANK OF IRELAND

Directors:		**Registered Address:**
		40 Mespil Road Dublin 4
Patrick Molloy	Governor	
Patrick O'Sullivan	Deputy Governor and Senior Independent Director	
Richie Boucher	Group Chief Executive	
Andrew Keating	Group Chief Financial Officer	
Kent Atkinson	Non-Executive Director	
Patrick Butler	Non-Executive Director	
Tom Considine	Non-Executive Director	
Patrick Haren	Non-Executive Director	
Patrick Kennedy	Non-Executive Director	
Patrick Mulvihill	Non-Executive Director	
Joe Walsh	Non-Executive Director	

30 May 2012

PROPOSED SECURITIES REPURCHASE TRANSACTION BETWEEN BANK OF IRELAND AND IRISH BANK RESOLUTION CORPORATION LIMITED, GUARANTEED BY THE MINISTER FOR FINANCE

Dear Stockholder,

1. Introduction

Bank of Ireland (the "**Bank**"), Irish Bank Resolution Corporation Limited ("**IBRC**") and the State have reached a conditional agreement to enter into a securities repurchase transaction. Under the Transaction, it is proposed that:

(i) on a date not later than 14 Business Days following Stockholder approval of the Transaction, if obtained (the "**Purchase Date**"), the Bank will purchase from IBRC up to €3.46 billion in nominal amount of Irish Government bonds for a purchase price of €3.06 billion in cash. A net settlement arrangement has been agreed between the parties which means that the actual cash payment to be made by the Bank to IBRC on the Purchase Date will be reduced by the Margin payable by IBRC to the Bank in cash on the Purchase Date (for further details, see paragraph 3 (Summary of the terms of the Transaction) in this Part I of this Circular); and

(ii) IBRC will purchase from the Bank bonds in an amount and of a type equivalent to the Bonds for €3.06 billion in cash (the "**Repurchase Price**") on a date not later than 364 days after the Purchase Date (the "**Repurchase Date**").

The Transaction will be governed by a Global Master Repurchase Agreement (2000 version) (or GMRA) entered into between the Bank and IBRC on 24 May 2012 (the "**Agreement**"), which incorporates standard market terms including daily margining provisions with respect to changes in the value of the Bonds. All of IBRC's payment obligations to the Bank under the Transaction will be guaranteed by the Minister for Finance of Ireland (the "**Minister**").

The Transaction is capable of being financed by the Bank by using the Bonds, which are Eurosystem eligible, to access standard European Central Bank ("**ECB**") open market operations (the "**OMO Facility**"). It is the Bank's intention to finance the purchase of the Bonds in this manner. The market value of the Bonds will at all times during the term of the Transaction be determined by the ECB. The

Bank will be entitled to receive from IBRC a fee in connection with the Transaction (the "**Transaction Fee**") which will be payable monthly by IBRC to the Bank. The Transaction Fee will be a percentage per annum calculated to cover the Bank's ongoing cost of funds in financing the Bonds through the OMO Facility plus an amount equal to 1.35% of the Purchase Price. The Transaction Fee will be calculated by multiplying: (i) the Purchase Price; by (ii) the Transaction Fee Rate; by (iii) the Day Count Fraction.

The Transaction Fee will represent the return for the Bank in connection with the Transaction. To the extent that the Bank holds Margin in cash in connection with the Transaction from time to time, it will be required to pay to IBRC interest on such cash Margin (also on a monthly basis), calculated at the Transaction Fee Rate. The Agreement provides that all cash amounts due by one party to the other on the same date and in the same currency will be combined so that a single net sum will be payable by one party to the other. This means that the interest payable by the Bank to IBRC in respect of the cash Margin held by the Bank will be offset against the Transaction Fee payable by IBRC to the Bank, so that a net sum only will be payable by IBRC in respect of the Transaction Fee. The holding by the Bank of Margin in cash from time to time will afford protection in respect of fluctuations in the value of the Bonds but will also have the effect of reducing the Bank's return in connection with the Transaction.

In addition to the Transaction Fee, IBRC will pay all of the Bank's reasonable and vouched costs and expenses in connection with the Transaction.

As the National Pensions Reserve Fund Commission ("**NPRFC**") currently holds 15.13% of the Ordinary Stock and is therefore deemed to be a substantial shareholder in the Bank under the Listing Rules, and as the Minister and the NPRFC are together deemed by the Listing Authorities to exercise significant influence over the affairs of the Bank, the Minister and the NPRFC are related parties of the Bank pursuant to the Listing Rules. The entry by the Bank into the Agreement with IBRC, which is wholly owned by the Minister and therefore an associate of the Minister under the Listing Rules, and the receipt by the Bank of the Transaction Fee and other costs and expenses of the Bank associated with the Transaction, is deemed to be a related party transaction and, because of its size, a class 1 transaction under the Listing Rules. As a result, the Listing Rules require that the Transaction is conditional on the approval of Stockholders, other than the NPRFC and its associates.

2. Background to the Transaction

In 2010, €30.6 billion in aggregate of promissory notes (the "**Promissory Notes**") were issued by the Minister for Finance to Anglo Irish Bank Corporation Limited ("**Anglo**") and Irish Nationwide Building Society ("**INBS**") as part of the recapitalisation by the State of both institutions. A joint restructuring plan for Anglo and INBS was approved by the European Commission in June 2011. On 1 July 2011, all of the assets and liabilities (with the exception of certain excluded liabilities) of INBS transferred to Anglo pursuant to a transfer order of the High Court under the Stabilisation Act. On the same date, Anglo announced its intention to change its name to Irish Bank Resolution Corporation Limited with effect from 14 October 2011.

The Promissory Notes were used by IBRC as collateral to access exceptional liquidity assistance ("**ELA**") funding from the Central Bank. The Promissory Notes provide for fixed annual instalments payable by the Minister to IBRC on 31 March each year until 2031. The instalments payable by the Minister to IBRC under the Promissory Notes are used by IBRC for its normal operations, including the repayment of creditors including the Central Bank.

As set out in the speech delivered by the Minister to the Dáil (parliament of Ireland) on 29 March 2012 (the **"Minister's Speech"**), "*the Government has been committed to reviewing the arrangements that were put in place to capitalise IBRC—formerly Anglo Irish Bank and Irish Nationwide. The purpose of this review is to determine if there was a way to reduce the overall cost to the State*". The Government and the Troika (ECB, European Commission and IMF) have been working for some time on proposals to redesign the Promissory Note arrangement with IBRC, in particular in relation to the funding cost and maturity profile.

Following discussions with the Troika, the Minister for Finance has decided to proceed with the approach whereby, rather than using the funds available from the Troika under the Programme, the €3.06 billion payment due from the State to IBRC under the Promissory Notes on 31 March 2012 would be settled by delivery of the Bonds. The net result of this action is, in effect, that the €3.06 billion instalment due from the State to IBRC on 31 March 2012 under the Promissory Notes has been deferred. The use of the Bonds in relation to the Promissory Note payment due on 31 March 2012 is in the interests of the State as it

allows the wider discussions to continue between the Government and the Troika, both on the Promissory Note arrangement and on how to advance the return to normality of the Irish banking system so as to support economic recovery.

In its annual report for the year ended 31 December 2011, IBRC stated that "[*i*]*n October 2011 the Central Bank of Ireland advised [IBRC] not to increase its usage of sale and repurchase facilities provided under open market operations with the ECB*". It is the Bank's understanding that IBRC cannot raise cash funds against the Bonds by using the OMO Facility. Therefore in order for IBRC to raise cash funds to meet its obligations, IBRC and the State proposed that IBRC enter into a repurchase agreement with a third party financial institution who in turn could finance the Bonds through the standard ECB OMO Facility. Accordingly, IBRC and the State approached the Bank and proposed that the Bank enter into a repurchase agreement in respect of the Bonds. The Bank carefully considered the commercial benefits and risks associated with the Transaction (see further paragraphs 6 and 7 of this Part I) and, following negotiations with the State, the key terms of the Transaction were agreed and the Transaction was announced on 29 March 2012.

As Stockholder approval of the Transaction is required, the Transaction could not be completed by 31 March 2012, when the instalment payable under the Promissory Notes was due. Consequently, IBRC has entered into a short term repurchase agreement with the National Asset Management Agency ("**NAMA**") whereby NAMA has facilitated a collaterised financing of the Bonds by IBRC from NAMA's own funds in order to reduce the level of emergency liquidity assistance provided by the Central Bank to IBRC. It is intended that if the Resolution is approved and the Transaction is implemented, this collateralised financing arrangement between NAMA and IBRC will be terminated.

3. Summary of the terms of the Transaction

Overview

A securities repurchase transaction is an agreement whereby one party agrees to sell, and the other to purchase, certain securities together with a concurrent agreement for the seller to buy back at a later date securities in an amount and of a type equivalent to the securities originally transferred by the seller.

The terms of the Transaction have been documented pursuant to the Agreement, which incorporates standard market terms including daily margining provisions with respect to changes in the value of the Bonds. The key provisions of the Agreement, including the provisions relating to Margin, are described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular under the heading "*The Agreement*".

The purchase price of the Bonds will be €3.06 billion (the "**Purchase Price**"). However, because of the margining provisions contained in the Agreement (described further in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular, under the heading "*The Agreement*"), it is expected that IBRC will have an obligation to deliver cash Margin to the Bank on the Purchase Date (and potentially thereafter, during the term of the Agreement). Margining is a standard procedure under global master repurchase agreements, whereby one party to the agreement delivers cash or securities to the other in order to broadly reconcile changes in the market value of securities of the type the subject of the transaction with the ultimate repurchase price of those securities. The purpose of the margining provisions contained in the Agreement is to, among other things, mitigate the risk of the Bank incurring loss should IBRC default on its payment obligations under the Agreement.

It is the Bank's intention to finance the purchase of the Bonds by using the Bonds to access the OMO Facility. The market value of the Bonds will at all times during the term of the Transaction be determined by the ECB. It is anticipated that the ECB will apply a "haircut" or discount (the "**ECB Discount**") to the market value of the Bonds, which as at 28 May 2012, being the last practicable date prior to the date of this Circular, was 5.5%. The Margin payable by IBRC to the Bank on the Purchase Date will be determined by (i) the amount of the ECB Discount; (ii) the market value of the Bonds (as determined by the ECB); and (iii) any value variation allowance, being an amount determined by the Bank, in consultation with IBRC, which is designed to allow for differences between the value of the Bonds as attributed by the Bank when applying to access the OMO Facility and the value actually attributed to the Bonds by the ECB. In accordance with standard market terms for transactions of this nature, under the terms of the Agreement, any interest coupon received by the Bank in respect of the Bonds during the term of the Transaction will be paid by the Bank to IBRC. The Bank will retain the benefit of the Transaction Fee.

Assuming that:

(i) there is no change in the ECB Discount applied to the Bonds between 28 May 2012, being the last practicable date prior to the publication of this Circular and the Purchase Date;

(ii) the market value of the Bonds (as determined by the ECB) on the Purchase Date is the same as the market value of the Bonds (as published by Bloomberg) on 28 May 2012, being the last practicable date prior to the publication of this Circular; and

(iii) the value variation allowance (as determined by the Bank, in consultation with IBRC) is zero,

it is estimated that €226.6 million Margin would be payable by IBRC to the Bank on the Purchase Date. The Margin payable by IBRC on the Purchase Date must be paid by IBRC to the Bank in cash. A net settlement feature has been incorporated into the Agreement which effectively means that, on the basis of the assumptions outlined above, the actual cash payment which the Bank would be required to provide to IBRC for the Bonds on the Purchase Date would be approximately €2.8334 billion, being an amount equal to the Purchase Price, less the cash Margin payable by IBRC to the Bank on the Purchase Date.

For illustrative purposes, if the market value of the Bonds on the Purchase Date (as determined by the ECB) is 5% less than that published by Bloomberg on 28 May 2012, being the last practicable date prior to the publication of this Circular, but there is (i) no change in the ECB Discount applied to the Bonds and (ii) no change in the value variation allowance (which is determined by the Bank, in consultation with IBRC), it is estimated that an increased cash Margin of €390.2 million would be payable by IBRC to the Bank on the Purchase Date. The net settlement feature means that, on the basis of these revised assumptions, the actual cash payment which the Bank would be required to provide to IBRC for the Bonds on the Purchase Date would be approximately €2.6698 billion, being an amount equal to the Purchase Price, less the cash Margin payable by IBRC to the Bank on that date. The margining provisions contained in the Agreement are described in more detail in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular, under the heading "*The Agreement*", within the sub-heading "*Margining requirements*".

IBRC has agreed to purchase Bonds from the Bank for the Repurchase Price on the Repurchase Date. On the Repurchase Date, the parties will be obliged to return any Margin held by either party in connection with the Transaction to one another. In addition, on the Repurchase Date, IBRC will be required to pay to the Bank any accrued but unpaid Transaction Fee. The Agreement provides that all cash amounts due by one party to the other on the same date and in the same currency will be combined so that a single net sum will be payable by one party to the other. For example, this means that the amount of any cash Margin held by the Bank on the Repurchase Date would be deducted from the total amount payable by IBRC to the Bank on the Repurchase Date.

The Agreement contains certain protection mechanisms in favour of the Bank, which enable the Bank to terminate the Agreement early and accelerate the obligation of IBRC to pay the Repurchase Price to the Bank. These protection mechanisms and the circumstances in which the Bank will be entitled to terminate the Agreement early are described further in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular, under the heading, "*The Agreement*". On any date falling not less than three months after the Purchase Date, IBRC will have the option to terminate the Transaction by giving not less than 10 Business Days' notice to the Bank. If the Transaction is terminated early by the Bank, or by IBRC in accordance with the optional termination provisions of the Agreement (as described further in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular, under the heading, "*The Agreement*"), IBRC would be required to complete the purchase of the Bonds on the Early Termination Date designated in accordance with the Agreement and to pay to the Bank the Repurchase Price and any accrued but unpaid Transaction Fee under the terms of the Transaction. The Bank's potential return on the Transaction would be reduced in the event of an early termination of the Transaction as the Bank would not be entitled to receive Transaction Fee payments after the Early Termination Date. Please see paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular for further details in relation to the key terms of the Agreement.

The maximum amount payable by the Bank to IBRC under the Transaction is limited to an amount equal to the Purchase Price, being €3.06 billion.

The Guarantee

IBRC's payment obligations under the Transaction will be guaranteed by the Minister pursuant to a deed of guarantee dated 29 November 2010, executed by the Minister, in favour of certain credit institutions and regulated entities which are party to certain agreements with Anglo (now IBRC) (the "**Guarantee**"). The Agreement is within the terms of the Guarantee and therefore the payment obligations of IBRC to the Bank under the Agreement will be covered by the Guarantee.

The Guarantee is a net payment guarantee. Before making a claim under the Guarantee, the Bank is required to have exercised its rights under the Agreement in respect of the Bonds, which means that under the terms of the Agreement, the Bank must either have sold the Bonds, or received bid quotations in respect of the Bonds under the terms of the Agreement, or if the Bank is unable to sell the Bonds or to get bid quotations in respect of the Bonds, the default market value of the Bonds is the net value of the Bonds as determined by the Bank. The default market value of the Bonds, together with cash Margin held by the Bank under the terms of the Agreement, is excluded from the amount payable by IBRC to the Bank.

If IBRC defaults under the Agreement and the Transaction is terminated in accordance with the Agreement, the Bank (as the non-defaulting party) will: (i) determine, in accordance with the terms of the Agreement, each party's respective obligations to the other at that time (which would include IBRC's obligation to pay the Repurchase Price and any accrued but unpaid Transaction Fee, the Bank's obligation to deliver Bonds and the parties' respective obligations to return Margin); and (ii) attribute a monetary value to each of those obligations. If, as a result of those calculations, there is a net sum owing from IBRC to the Bank which IBRC cannot then satisfy, the Bank would be entitled to claim such amount from the Minister under the Guarantee and the Minister is obliged to promptly pay such amount to the Bank.

The Guarantee is a continuing guarantee and is not due to terminate on any specified date. The Guarantee can be withdrawn by the Minister on 90 days' notice. However, any announcement of a withdrawal of the Guarantee would entitle the Bank to terminate the Transaction early under the terms of the Agreement and each of IBRC's obligations to pay the Repurchase Price and any accrued but unpaid Transaction Fee, the Bank's obligation to deliver Bonds to IBRC and the parties' respective obligations to return Margin would be accelerated to the Early Termination Date designated by the Bank. All payment obligations of IBRC to the Bank under the Agreement, incurred up to the expiry of the Guarantee at the end of the 90 day notice period, remain subject to the Guarantee and, therefore if it is announced that the Guarantee is to be withdrawn and the Bank exercises its rights under the Agreement to terminate the Transaction early (as it is entitled to do under the Agreement in these circumstances), IBRC's payment obligations under the Transaction, including the obligation to pay the Repurchase Price and any accrued but unpaid Transaction Fee, would become due on the Early Termination Date designated by the Bank and these payment obligations would be subject to the Guarantee and could be claimed by the Bank against the Minister in the event that IBRC is unable to meet them, notwithstanding the fact that the Guarantee has been withdrawn.

The Bonds

The Bonds were issued by the NTMA on 2 April 2012 on a fully fungible basis with bonds of that type then existing on that date (meaning the Bonds when issued were interchangeable with the equivalent Government bonds that were already in existence at that time).

The key characteristics of the Bonds are as follows:

Issuer:	Ireland
ISIN:	IE00B4TV0D44
Coupon:	5.40%
Maturity Date:	13 March 2025
Nominal Amount:	Maximum €3,461,307,822.11
Listing:	Irish Stock Exchange

The market value of the Bonds as at 28 May 2012, being the last practicable date prior to the publication of this Circular, was €2.9983 billion (Source: Bloomberg). During the term of the Transaction, the market value of the Bonds will be the daily market value ascribed to such bonds by the ECB and notified to the Bank. The Bank is using the ECB valuations as the reference price because the Bank intends to finance the purchase of the Bonds by using the Bonds to access the OMO Facility.

4. Impact of the Transaction

The Transaction does not have any impact on the capital ratios of the Bank as the collateralised and guaranteed nature of the Transaction results in a nil exposure and a nil risk weighted asset in accordance with regulatory capital rules. If the Resolution is approved and the Transaction is implemented, the Bank's loans and advances to banks will increase by €2.8334 billion and deposits from banks will increase by €2.8334 billion.

On the assumption that:

(i) the Repurchase Date is the date falling 364 days after the Purchase Date;

(ii) there is no change in the ECB Discount of 5.5% (being the ECB Discount as at 28 May 2012, the last practicable date prior to the publication of this Circular) over the period;

(iii) the market value of the Bonds (as determined by the ECB) on the Purchase Date is the same as the market value of the Bonds (as published by Bloomberg) on 28 May 2012, being the last practicable date prior to the publication of this Circular;

(iv) there is no change in the market value of the Bonds (as determined by the ECB) during the term of the Transaction; and

(v) the value variation allowance (as determined by the Bank in consultation with IBRC) during the term of the Transaction is zero,

it is estimated that the Bank will earn €38.7 million under the Transaction.

The financial impact of the Transaction is set out in the unaudited pro forma financial information set out in Part III (Unaudited Pro Forma Financial Information) of this Circular.

5. Key benefits of the Transaction for the State

The benefits to the State (and by extension, the Minister and the NPRFC, being related parties of the Bank) of the Transaction are as follows:

- The Transaction facilitates constructive dialogue to continue between the Government and the Troika on redesigning the Promissory Note arrangement with IBRC. As stated in the Minister's Speech: "*The use of an Irish Government bond in relation to the promissory note payment allows the wider discussions to continue between the Irish Authorities and the Troika, both on the promissory notes arrangement and on how to advance the return to normality of the Irish banking system thus improving the availability of banking services in support of economic recovery*";
- The €3.06 billion Promissory Note payment due on 31 March 2012 was included in Ireland's debt repayment schedule for 2012 and the Transaction would therefore remove the requirement for the Government to settle this instalment in cash, resulting in a cash-flow benefit for the Government in 2012;
- According to the Minister's Speech there is a "*significant cash flow benefit to the Exchequer in 2012 and* [the State's] *long term debt sustainability is enhanced*" as a result of the Transaction;
- As set out in the Minister's Speech, the €3.06 billion of EU/IMF Programme funding that would otherwise have been used to make the payment due by the State under the Promissory Notes on 31 March 2012, "*should potentially allow greater flexibility around when and at what level Ireland returns to the capital markets*".

The Minister's Speech also stated the following as a more general benefit to the State:

> *"While this development in relation to the end March payment is a positive development we must keep our eye on the greater benefits which would derive from the re-engineering of the promissory note and also the potential improvements for the continuing banking sector which could also stem from the ongoing technical discussions.*
>
> *It is for these reasons that we must look at the recent developments as what would be an initial step to facilitate a project where, if we are successful, it will be in the medium term rather than immediately. These discussions will continue and the Government are focused on developing an alternative solution to the promissory note arrangement in IBRC. The ongoing discussions may also explore options to refinance the*

long term Government bond issued in settlement of the March 31 payment. We all want to arrive at a successful conclusion that is in the interests of Ireland and the EU.”

6. Key benefits of the Transaction for the Bank

The Directors consider that the key benefits of the Transaction are as follows:

- ***Anticipated return for the Bank:*** As set out in paragraph 4 (Impact of the Transaction) of this Part I, on the assumption that: (i) the Repurchase Date is the date falling 364 days after the Purchase Date; (ii) there is no change in the ECB Discount of 5.5% (being the ECB Discount as at 28 May 2012, the last practicable date prior to the publication of this Circular) over the period; (iii) the market value of the Bonds (as determined by the ECB) on the Purchase Date is the same as the market value of the Bonds (as published by Bloomberg) on 28 May 2012, being the last practicable date prior to the publication of this Circular; (iv) there is no change in the market value of the Bonds (as determined by the ECB) during the term of the Transaction; and (v) the value variation allowance (as determined by the Bank in consultation with IBRC) during the term of the Transaction is zero, the commercial return for the Bank from the Transaction is estimated at €38.7 million (based on an interest margin of 1.35%). For illustrative purposes, if IBRC is required to deliver additional cash Margin to reflect an average 5% decline in the market value of the Bonds during the term of the Transaction but (i) the Repurchase Date remains 364 days after the Purchase Date; and (ii) there is no change in the ECB Discount of 5.5%, the commercial return for the Bank from the Transaction would be expected to amount to up to €36.4 million (based on an interest margin of 1.35%).

  In addition, the Bank’s reasonable and vouched costs and expenses in connection with the Transaction will be reimbursed by IBRC.

- ***Overall benefits for the Irish economy which are expected to benefit the Group:*** The quality of the Group’s assets, financial condition and results of operations are heavily dependent on macroeconomic and political conditions prevailing in Ireland. The Governor of the Central Bank, Patrick Honohan, in his speech of 27 March 2012, stated: “... *the sequence of annual cash payment by the Government of €3.06 billion envisaged for the coming years in the Promissory Notes has become a source of risk to financial stability*.” The Transaction relieves the State from the requirement to settle the payment due to IBRC by the State under the Promissory Notes on 31 March 2012 in cash. The Minister’s Speech stated “[*w*]*e have the funds available in our programme to make this scheduled debt payment*”, but, “*the use of an Irish Government bond in relation to the promissory note payment allows the wider discussions to continue between the Irish Authorities and the Troika, both on the promissory notes arrangement and on how to advance the return to normality of the Irish banking system thus improving the availability of banking services in support of economic recovery*”. The Minister’s Speech stated that the funding provided to the State by the EU/IMF Programme which would otherwise have had to be used to meet the €3.06 billion payment due by the State under the Promissory Notes on 31 March 2012, “*should potentially allow greater flexibility around when and at what level Ireland returns to the capital markets”.*

  The Transaction will benefit the State in its management of the overall State finances and is therefore anticipated to be of benefit to the overall Irish economy, and in turn the Group. The Transaction is expected to contribute to an improved financial position for the State, including potentially allowing greater flexibility to the State in relation to access for the State to the capital markets, which would be expected to in turn, benefit the Bank’s ability to access the capital markets.

The Directors have also considered the risks associated with the proposed Transaction including the risks of IBRC defaulting on its payment obligations, Irish sovereign default or downgrade, the Bonds becoming ineligible for the OMO Facility and the Bank’s inability to fully finance the Bonds under the OMO Facility. Having considered the overall risk profile of the Transaction, the Directors believe that, taking into account the protective provisions contained in the Agreement and in particular, the guarantee of all IBRC’s payment obligations under the Transaction by the Minister, the Transaction offers an acceptable commercial return for the Bank, which is estimated, on the basis of the assumptions outlined in paragraph 4 (Impact of the Transaction) and on the basis of an interest margin of 1.35%, at €38.7 million, and is in the best interests of the Bank.

In assessing the benefits of the Transaction for the Bank, the Directors have taken into account the following key protections for the Bank under the Transaction as follows:

- ***Protections under the Agreement:*** The Agreement contains several provisions which protect the Bank against market, liquidity and credit risk. These features include early termination provisions, daily

margining requirements and protections in the event that the Bank is unable to fully finance the purchase of the Bonds under the OMO Facility. Full details of these protection measures are set out in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular, under the heading "*The Agreement*".

- ***The Guarantee:*** All payment obligations of IBRC under the Agreement will be guaranteed by the Minister.

7. Risk factors

Stockholders should consider fully and carefully the risk factors which should be taken into account when considering whether to vote in favour of the Resolution, as set out in Part II (Risk Factors) of this Circular. Stockholders should note that Part II (Risk Factors) contains only the material risks relating to the Transaction, which are relevant for the purpose of consideration by Stockholders of the Resolution and it does not set out all risks to which the Bank is subject.

8. Current trading, trends and prospects

All financial information contained in this paragraph 8 (Current trading, trends and prospects) is sourced from unaudited internal management information.

Economic Environment

Trading conditions in the first quarter of 2012 remained challenging. The exporting sectors of the Irish economy are expected to continue to enjoy growth, underpinned by the improved competitiveness of the Irish economy since 2009. Whilst consumer confidence surveys have shown improvements in the first three months of 2012, domestic economic indicators remained weak, unemployment remained elevated, and residential property prices do not appear as yet to have fully stabilised. Whilst Ireland has been meeting its commitments under the EU/IMF support programme, there has been some heightened concern in the markets in recent weeks about the economic performance of some other Eurozone countries.

Trading Update

The Group's operating income and net interest margin continues to be adversely impacted by the cost of funding, the carry-over impact of intense deposit competition in the Irish market in the second half of 2011, fees payable by the Group under the ELG Scheme and reductions in earning assets in connection with the deleveraging of the balance sheet.

Although the economic environment remains difficult with interest rates expected to remain lower for longer, the Group remains focused on its key priorities and continues to implement initiatives to further strengthen the Group's balance sheet and improve product margins, whilst proactively managing credit risks and the Group's cost base.

Since the start of 2012, the Group has begun the process of reducing deposit pricing in the intensely competitive Irish deposit market. The Group is also continuing to re-price its lending portfolios where appropriate, including having notified relevant customers in the Group's UK intermediary mortgage business that the Group's standard variable rate cap will increase by 150 basis points during 2012. The Group's participation in the ECB's March 2012 LTRO to the extent of €4.8 billion (€1.5 billion of which related to the funding of a net incremental investment in Irish Government/guaranteed bonds since year end) was primarily focused on increasing the term of existing Monetary Authority funding. In line with the Group's strategy of prudently disengaging from the ELG Scheme, the Group's UK banking subsidiary announced its withdrawal from the ELG Scheme from 1 April 2012 and the total quantum of the Group's funding covered by the ELG Scheme has reduced further since the year end. The benefits of these initiatives are expected to positively impact the Group's net interest margin in the second half of 2012, offset somewhat by further reductions in Euribor/Libor rates since the year end.

Operating costs remain under strict control and the strong cost discipline implemented across the Group continues to deliver cost savings as anticipated.

Asset Quality

Asset quality remains broadly in line with the Group's expectations. The Group maintains its expectation that impairment charges will reduce from the elevated levels experienced in 2011, with the pace of

reduction dependent on the performance of the Group's Irish residential mortgage book and of commercial real estate markets. Arrears in the Group's Irish residential mortgage book have continued to increase reflecting the difficult economic environment in Ireland and elevated levels of unemployment. The Group is engaging with residential mortgage customers who are in difficulty, and the Group is seeking to provide sustainable mortgage restructuring where appropriate and possible, and is continuing to enhance its product range and restructuring solutions. Given the continued difficult conditions in the Irish economy, the Group's Irish business customers who have a high dependency on the domestic economy continue to face challenges. Asset quality across the Group's other portfolios has also remained in line with expectations.

Balance Sheet Update

The Group has made further progress towards its target of €10 billion of divestments in the Group's non-core loan portfolios. During 2011, the Group announced the divestment of €8.6 billion of loans of which €8.4 billion has now completed with the balance to be completed over the next couple of months. The Group has contracted for the divestment of a further €0.9 billion of international corporate and residential mortgage loan portfolios (including €0.6 billion of residential mortgages to ITL Limited, a subsidiary of Coventry Building Society) which are due to complete over the coming months. Consequently the Group's completed/contracted divestments to date amount to €9.5 billion or 95% of the Group's target at an average discount of 7.6%.

The combined capital impacts of the above remain within the base case discounts assumed as part of the 2011 Prudential Capital Assessment Review ("**PCAR**") processes. The divestments set out above are expected to have a marginal net positive impact on the Group's Core Tier 1 Capital Ratio. The Bank expects that it will be able to complete the target divestments of €10 billion within the overall base case discount assumptions used as part of the 2011 PCAR.

Redemptions and repayments in the Group's other non-core portfolios remain in line with the Group's expectations.

Primarily reflecting the initiatives the Group has been taking in accordance with its deleveraging plans, the Group's loans and advances to customers have reduced by 3% since 31 December 2011 to €99 billion at 31 March 2012. Customer deposits at €70 billion, at 31 March 2012, are broadly in line with the 31 December 2011 level, having taken account of the seasonal fluctuations in current account balances. The Group's loan to deposit ratio has improved to 142% at 31 March 2012 compared to 144% at 31 December 2011, with wholesale funding reducing from €51 billion at December 2011 to €50 billion at 31 March 2012. The Group's Core Tier 1 Ratio at 31 March 2012 has remained in line with the 31 December 2011 level with benefits from Risk Weighted Asset reductions due to deleveraging offsetting the impact of the Group's operating loss.

9. Extraordinary General Court and summary of the Resolution

The Extraordinary General Court, which is being held in the Royal Marine Hotel, Marine Road, Dun Laoghaire, Co. Dublin, Ireland at 9.00 a.m. on 18 June 2012 is being held for the purpose of considering and, if thought appropriate, approving the Resolution, and the Transaction is conditional upon the Resolution being passed. The Notice of Extraordinary General Court is set out on pages 86 to 89.

The Resolution proposes to approve the Transaction as a related party transaction and a class 1 transaction for the purposes of the Listing Rules. If passed, the Resolution will approve the Transaction and authorise the Directors and any member of the Group to implement and complete the provisions of the Transaction Documents and to perform the obligations of the Group arising under the Transaction Documents.

10. Voting entitlements

As the NPRFC currently holds 15.13% of the Ordinary Stock of the Bank and is therefore deemed to be a substantial shareholder in the Bank under the Listing Rules, and as the Minister and the NPRFC are together deemed by the Listing Authorities to exercise significant influence over the affairs of the Bank, the Minister and the NPRFC are related parties of the Bank pursuant to the Listing Rules. The entry by the Bank into the Agreement with IBRC, which is wholly owned by the Minister for Finance and therefore an associate of the Minister under the Listing Rules, and the receipt by the Bank of the Transaction Fee and other fees and expenses of the Bank associated with the Transaction, is deemed to be a related party transaction under the Listing Rules. As a result, neither the NPRFC nor the Minister will vote on the

Resolution and they will take all reasonable steps to ensure that their associates will not vote on the Resolution.

11. Action to be taken by Stockholders

A Form of Proxy is enclosed which covers the Resolution to be proposed at the EGC and which is for use by holders of Ordinary Stock.

Completed Forms of Proxy should be returned in accordance with the instructions printed on them as soon as possible, but in any event no later than 9.00 a.m. on 16 June 2012. In addition, it is possible to appoint and instruct your proxy electronically by following the instructions on the enclosed Form of Proxy. Completion of a Form of Proxy will not prevent you from attending and voting at the EGC if you so wish. To appoint more than one proxy (each of whom must be appointed to exercise rights attached to the different units of stock held by you), see Note 2 on the front of the Form of Proxy.

Voting at the EGC in respect of the Resolution will be conducted by way of a poll. The Directors believe it is important that the intentions of all members who register a vote are fully taken into account. Voting on a poll is more transparent and equitable, since it allows the votes of all Stockholders who wish to vote to be taken into account, and it reflects evolving best practice. Stockholders who attend the EGC will still be able to ask questions relevant to the business of the EGC prior to voting on the Resolution.

12. Recommendation from the Court of Directors

The Court of Directors, which has been so advised by Credit Suisse, the Bank's independent financial adviser, considers the Transaction, being a related party transaction and a class 1 transaction for the purposes of the Listing Rules, to be fair and reasonable so far as the Stockholders are concerned. In providing advice to the Court of Directors, Credit Suisse has taken into account the Court of Directors' commercial assessments of the Transaction. The Court of Directors considers the Transaction to be in the best interests of the Stockholders as a whole. Accordingly, the Court of Directors recommends that the Stockholders vote in favour of the Resolution.

Mr. Tom Considine and Mr. Joe Walsh, the two Directors nominated by the Minister for Finance pursuant to the CIFS Guarantee Scheme, have not taken part in the Court of Directors' consideration of the approval of the Transaction, will not vote on the Resolution and will take all reasonable steps to ensure that their associates will not vote on the Resolution which approves the Transaction.

13. Further information

Your attention is drawn to the additional information set out in Part V (Additional Information) of this Circular. You should read the whole of this document and not rely solely on the information set out in this letter.

Yours faithfully,

PATRICK J. MOLLOY

PART II

RISK FACTORS

The following risks should be considered carefully by Stockholders. This section addresses only the material risks relating to the Transaction, which are relevant for the purpose of consideration by Stockholders of the Resolution. Some risks are not yet known and some risks that are not currently deemed material could later turn out to be material. This section does not set out all risks to which the Bank is subject.

Stockholders should read this section in conjunction with the Letter from the Governor of Bank of Ireland contained in Part I (Letter from the Governor of Bank of Ireland) of this Circular.

The purchase of the Bonds by the Bank exposes the Bank to an increased risk in the event of Irish sovereign downgrade or default.

At 31 December 2011, the Group held Irish Government bonds with a carrying value of €4.7 billion (and a nominal value of €5.1 billion) which represented 3.0% of the Group's total assets. This included approximately €0.5 billion of Irish Government bonds held by Bank of Ireland Life, being bonds held for solvency purposes (€0.2 billion), bonds that back non-linked liabilities to Bank of Ireland Life policyholders (€0.2 billion) and bonds that are linked to Bank of Ireland Life policyholder liabilities (€0.1 billion). The remaining €4.2 billion of Irish Government bonds are classified as available for sale financial assets. The Group increased its holdings of Irish Government bonds accounted for as available for sale financial assets by a nominal value of €1.2 billion during 2012 to date (Source: Internal unaudited management information). In addition, at 31 December 2011 the Group had holdings of NAMA senior bonds, which are issued by NAMA and guaranteed by the Irish Government with a carrying value of €5.0 billion (Source: 2011 Annual Report).

Accordingly, the quality of the Group's assets, financial condition and results of operations are already heavily dependent on macroeconomic and political conditions prevailing in Ireland. The purchase of the Bonds will further increase the exposure of the Bank to the risk of Irish sovereign downgrade or default.

Further downgrades to the Irish sovereign credit ratings (please see Part IV (Capital Resources and Liquidity) of this Circular for details regarding the credit ratings of the Irish sovereign) or outlook or the restructuring of, or inability to meet Irish sovereign liabilities, would be likely to further delay a return to normal market funding for the State. A downgrade or series of downgrades in the credit rating of the Government debt or Government guaranteed bonds could adversely impact the terms on which the Group can access the liquidity provision operations offered by Monetary Authorities or secured borrowing from wholesale markets and could restrict refinancing of wholesale funding. Downgrades may affect the marketability of any State guaranteed bonds held by the Group, including the Bonds proposed to be purchased pursuant to the Transaction, and the Group's ability to use the bonds as collateral or sell them which could make it more difficult and/or more expensive for the Group to access private sources of capital and funding. While on 31 March 2011, the ECB announced the suspension of minimum credit rating thresholds in the collateral eligibility requirements for the purposes of the Eurosystem's credit operations in the case of marketable debt instruments issued or guaranteed by the Government, there remains the risk that the suspension could be rescinded and Government guaranteed debt could be no longer sufficiently rated to be eligible for standard ECB money market operations.

If the State defaults on its sovereign debt obligations, this would have a material adverse effect on the value of the Bonds, and if IBRC defaults on its obligations to repurchase the Bonds and the Guarantee is not in full force and effect, the Bank could suffer a loss arising from the reduced value of the Bonds (see the risk factor entitled "*If an event of default occurs in relation to IBRC and the Guarantee is not then in full force and effect, the Bank would suffer a loss if it cannot rely on the Guarantee*").

Any further sovereign downgrades are likely to impact adversely on the Group's credit rating (please see Part IV (Capital Resources and Liquidity) of this Circular for details regarding the credit ratings of the Group). Any further downgrades in the credit ratings of the Group, whether as a result of the Transaction or otherwise, could have a negative impact on the volume and pricing of its funding and its financial position, further restrict the Group's access to the capital and funding markets, could result in the Group having to seek more expensive alternative sources of funding, trigger material collateral requirements or associated obligations in derivative contracts or other secured-funding arrangements, make ineligible or lower the liquidity value of pledged securities and weaken the Group's competitive position in certain markets. The availability of deposits is often dependent on credit ratings and further downgrades for the Group could lead to further withdrawals of corporate and/or retail deposits. Such a change in the Group's funding and liquidity position could further restrict the Group's access to funding and could result in the

Group having to seek more expensive alternative sources of funding. These risks are further described in the risk factor entitled "*The Group may suffer periods of market-wide and/or firm-specific liquidity constraints and is exposed to the risk that liquidity is not made available to it even if its underlying business remains strong*".

There is a risk that, following the entry into the Agreement, the ECB may decide that the Bonds no longer comprise eligible assets for the purposes of the ECB's open market operations.

If the ECB were to decide that the Bonds no longer comprise eligible assets for the purposes of the OMO Facility, the Bank would not be able to access funding in respect of the Bonds under the OMO Facility. In such circumstances, the Bank may under the Agreement, by notice to IBRC, accelerate, to a day not earlier than one Business Day after the date of the notice, IBRC's obligation to pay to the Bank the Repurchase Price and any accrued but unpaid Transaction Fee owed by IBRC to the Bank in connection with the Transaction. If the Transaction were to terminate early, the Bank's return on the Transaction would be reduced, as the Bank would not be entitled to receive Transaction Fee payments after the Early Termination Date.

If an event of default occurs in relation to IBRC and in such circumstances, the Guarantee is not then in full force and effect, the Bank would suffer a loss if it cannot rely on the Guarantee.

If an event of default under the Agreement occurs in relation to IBRC and the Bank serves a default notice on IBRC, then the Transaction will be terminated in accordance with the terms of the Agreement.

The Guarantee is a net payment guarantee. Before making a claim under the Guarantee, the Bank is required to have exercised its rights in respect of the Bonds under the Agreement, which means that under the terms of the Agreement, the Bank must either have sold the Bonds, or received bid quotations in respect of the Bonds under the terms of the Agreement, or if the Bank is unable to sell the Bonds or to get bid quotations in respect of the Bonds, the default market value of the Bonds is the net value of the Bonds as determined by the Bank. The default market value of the Bonds, together with cash Margin held by the Bank under the terms of the Agreement, is excluded from the amount payable by IBRC to the Bank. If IBRC defaults under the Agreement and the Transaction is terminated in accordance with the Agreement, the Bank (as the non-defaulting party) will: (i) determine, in accordance with the terms of the Agreement, each party's respective obligations to the other at that time (which would include IBRC's obligation to pay the Repurchase Price and any accrued but unpaid Transaction Fee, the Bank's obligation to deliver Bonds and the parties' respective obligations to return Margin); and (ii) attribute a monetary value to each of those obligations. If, as a result of those calculations, there is a net sum owing from IBRC to the Bank which IBRC cannot then satisfy, the Bank would be entitled to claim such amount from the Minister under the Guarantee and the Minister is obliged to promptly pay such amount to the Bank.

If the Guarantee cannot, for any reason, be enforced by the Bank against the Minister, the Bank would suffer a loss equal to the net sum due to it under the Agreement.

There is a risk that it may not be possible for the Bank to obtain funding against all or a portion of the Bonds in the standard ECB open market operations.

The Bank intends to fund the Bonds through standard ECB open market operations. Such funding will likely need to be renewed on an ongoing basis which, it is currently anticipated, will be weekly. Fluctuations in the cost to the Bank of funding the purchase of the Bonds will be passed on to IBRC through the Transaction Fee.

As at 28 May 2012, the last practicable date prior to the publication of this Circular, funding arrangements under the OMO Facility are determined on a fixed rate full allotment basis, which means that the ECB specifies the interest rate in advance, the Bank bids for the funds required on the basis of the specified interest rate and funding is generally available provided the Bank is willing to pay the specified interest rate.

The Agreement sets out the procedure to be followed if, following the Purchase Date, the manner in which funding is allocated under the OMO Facility changes or if the Bank is unable to obtain funding for all or a portion of the Bonds through the OMO Facility.

If the manner in which funding is allocated under the OMO Facility changes from a fixed rate full allotment basis to variable rate tender (such an event being an "**Allotment Event**" under the terms of the Agreement), the Bank and IBRC will be required to consult together with a view to agreeing appropriate pricing for the bid(s) to obtain funding. As a failure to obtain funding for the Bonds under the OMO Facility will constitute an Early Termination Event (as described in more detail in paragraph 7

(Material Contracts) of Part V (Additional Information) of this Circular, under the heading "*The Agreement*"), following the occurrence of an Allotment Event, the Bank and IBRC, acting in good faith and in a commercially reasonable manner, will consult with a view to agreeing a contingency plan for alternative funding for the Bonds on a temporary basis should the Bank be unsuccessful in funding all or a portion of them through the OMO Facility. If, following the occurrence of an Allotment Event, the Bank is unsuccessful in obtaining funding for all or a portion of the Bonds through the OMO Facility and alternative funding arrangements satisfactory to the Bank (but not necessarily provided by the Bank) are in place within the timeframe required by the Bank, which, under the terms of the Agreement, is not later than 4.00 p.m. (Dublin time) two Business Days prior to the next Refinancing Date, then the Bank and IBRC, acting in good faith and in a commercially reasonable manner, will agree to amend the Agreement to reflect any such revised funding arrangements. If, following the occurrence of an Allotment Event, a portion only of the Bonds are accepted for funding through the OMO Facility and alternative funding arrangements acceptable to the Bank are then in place, the Cost of Funds in respect of that portion of the Bonds funded under the OMO Facility will be as determined by the variable rate tender process and the cost of funds of the residual portion of the Bonds will be agreed between the Bank and IBRC and determined by the alternative funding arrangements.

If, following the occurrence of an Allotment Event, alternative funding arrangements satisfactory to the Bank are not in place by 4.00 p.m. (Dublin time) two Business Days prior to the next Refinancing Date, this will constitute an Early Termination Event under the terms of the Agreement, which will accelerate to the next Refinancing Date IBRC's obligation to pay to the Bank the Repurchase Price and any accrued but unpaid Transaction Fee.

If it is not possible for the Bank to obtain funding in connection with the Bonds in accordance with the Agreement, an Early Termination Event will have occurred and as described in more detail in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular, under the heading "*The Agreement*", termination of the Transaction will be automatic and the next Refinancing Date shall be the Early Termination Date in respect of the Transaction.

As set out in the risk factor entitled "*There is a risk that, following the entry into the Agreement, the ECB may decide that the Bonds no longer comprise eligible assets for the purposes of the ECB's open market operations*", if, during the term of the Transaction, the Bonds cease to qualify as eligible assets for the purposes of accessing the OMO Facility, this would constitute an Early Termination Event, and the Bank may by notice accelerate IBRC's payment obligations to a day not earlier than one Business Day after the date of the notice.

As such, the liquidity risk for the Bank arising from an inability to obtain funding under the OMO Facility in respect of the Transaction is significantly mitigated by the prospect of either the agreement of alternative funding arrangements no later than two Business Days prior to the next Refinancing Date following the occurrence of an Allotment Event, or by the accelerating of the payment obligations of IBRC to the next Refinancing Date. Any potential funding gap for the Bank is mitigated by the fact that the Early Termination Date on which IBRC's payment obligations would become due would coincide with the next Refinancing Date on which the Bank would seek to obtain funding in respect of the Bonds and therefore it is not anticipated that the Bank would be exposed to any funding gap arising from an inability to obtain funding under the OMO Facility. If the Transaction were to terminate early, the Bank's return on the Transaction would be reduced, as the Bank would not be entitled to receive Transaction Fee payments after the Early Termination Date.

The Group may suffer periods of market-wide and/or firm-specific liquidity constraints and is exposed to the risk that liquidity is not made available to it even if its underlying business remains strong.

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. This risk is inherent in banking operations and the Group's liquidity may be impacted due to a reluctance of the Group's counterparties or the market to finance the Group's operations due to actual or perceived weaknesses in the Group's businesses. Such impacts can also arise from circumstances unrelated to the Group's businesses and outside its control, such as, but not limited to, sovereign credit ratings, disruptions in the financial markets, negative developments concerning other financial institutions, negative views about the financial services industry in general, disruptions in the markets for any specific class of assets, any burden sharing that may be imposed on senior bank bondholders in Ireland, the disorderly withdrawal or the withdrawal in circumstances of turbulent financial markets of the ELG Scheme, or major events or disasters of global significance. The risk can be

heightened by an over-reliance on a particular source of funding (including, for example, short-term and overnight funding, securitisations and covered bonds). As the Bank proposes to fund the purchase of the Bonds by accessing the OMO Facility, this increases the Bank's reliance on that particular source of funding.

The Group qualifies for access to the liquidity operations offered by the Monetary Authorities for so long as it meets certain eligibility criteria relating to collateral which it can provide to the Monetary Authorities. As a result of the challenging funding markets, the Group has extended its usage of liquidity facilities provided by Monetary Authorities by means of both its pool of eligible collateral with the ECB and the additional liquidity facilities introduced by the Central Bank. If the quality of the Group's collateral materially deteriorates; if the quantity of the Group's available collateral were to significantly reduce; or if Monetary Authorities materially change eligibility criteria; the Group's ability to access Monetary Authorities' liquidity operations may become less flexible or restricted, which could adversely affect the Group's costs of funding. This risk could potentially be increased as a result of the Transaction as the Bank proposes to fund the purchase of the Bonds through the OMO Facility, (see risk factor entitled "*There is a risk that, following the entry into the Agreement, the ECB may decide that the Bonds no longer comprise eligible assets for the purposes of the ECB's open market operations*").

Furthermore, the quality of the Group's collateral and therefore the ability of the Group to access funding from Monetary Authorities may be influenced by the sovereign rating of Ireland as set out in the risk factor entitled "*The purchase of the Bonds by the Bank exposes the Bank to an increased risk in the event of Irish sovereign downgrade or default*", the purchase of the Bonds will further increase the exposure of the Bank to the potential consequences of Irish sovereign downgrade or default. A downgrade or series of downgrades in the credit rating of the Government debt or Government guaranteed bonds could adversely impact the terms on which the Group can access the liquidity provision operations offered by Monetary Authorities or secured borrowing from wholesale markets and could restrict refinancing of wholesale funding.

Any of these circumstances would negatively impact on the Group's ability to fund its operations and, in extreme circumstances, if the Group's ability to access the liquidity provision operations offered by Monetary Authorities were to be severely restricted, the Group may not be in a position to continue to operate without additional funding support, which support could be reasonably expected to be provided by the State in circumstances where the Group continues to be designated as a pillar bank by the State, being a bank of systemic importance to the Irish economy.

Bank of Ireland (UK) plc is subject to liquidity regulations imposed by the FSA, including the requirement to hold liquid assets for use by Bank of Ireland (UK) plc which cannot be used by other members of the Group for other purposes. Bank of Ireland (I.O.M.) Limited is subject to similar liquidity regulations set by the Isle of Man Financial Supervision Commission. Liquid assets in excess of regulatory liquidity requirements were held in Bank of Ireland (UK) plc at 31 March 2012 as the Group awaits regulatory approval for the transfer of loans to Bank of Ireland (UK) plc. If regulatory approval is received in respect of the transfer of loans to Bank of Ireland (UK) plc, the Group expects its excess holdings of liquid assets in the UK to reduce. If regulatory approval is not forthcoming or is delayed, this excess liquidity will be retained in Bank of Ireland (UK) plc and will not be available for use elsewhere in the Group, which would delay the Group's planned reduction in wholesale funding and borrowings from Monetary Authorities.

The Group's businesses are heavily dependent on general and sector specific economic conditions in Ireland and a further deterioration in these conditions could result in a downgrade or series of downgrades in the credit rating of the Government debt or Government guaranteed bonds which could in turn have an effect on the value of the Bonds.

Ireland is currently experiencing a challenging recessionary environment and period of fiscal adjustment following a prolonged period of over-reliance on construction and property-related activity to fund Government expenditure and the generation of economic growth. The standardised unemployment rate stands at 14.3% in April 2012 (Source: CSO, Live Register, 2 May 2012) and the consensus forecasts a rate of 14.1% by the end of 2012 and 13.5% by the end of 2013 (Source: Reuters Poll, 11 May 2012).

The residential property market has suffered a very significant decline, with average residential property prices in Ireland, as at April 2012, estimated to be 49.9% below their peak in September 2007 (Source: CSO Residential Property Price Index, 24 May 2012). Consensus forecasts anticipate a further fall in 2012 of 12% and a fall of 5% in 2013 (Source: Reuters Poll, 11 May 2012). Commercial property prices have fallen by 64.7% between the third quarter of 2007 and the final quarter of 2011 (Source: IPD Irish Commercial Property Index, 9 February 2012). Irish Gross Domestic Product ("**GDP**") increased by 0.7% in 2011, which follows three successive annual declines between 2008 and 2010 (Source: CSO, Q4 National

Accounts 2011 (Preliminary), 22 March 2012). The Government finances show a significant deficit with an estimated general Government deficit of 13.1% of GDP in 2011 (Source: Department of Finance, Ireland—Stability Programme Update, April 2012). €3.8 billion in adjustments were introduced in Budget 2012 with €1.6 billion in revenue consolidation of which €1 billion were new tax measures (Source: Medium-Term Fiscal Statements, Department of Finance, November 2011). These measures may have a dampening effect on the economy.

In late November 2010 the then Government agreed to the EU/IMF Programme, jointly supported by (i) Member States of the European Union, (ii) bilateral loans from the UK, Sweden and Denmark and (iii) the IMF. As part of the EU/IMF Programme the Government agreed to a period of fiscal adjustment comprising public expenditure reductions and tax increases to cut the budget deficit to below 3% by 2015 (Source: Department of Finance Statement, 28 November 2010). In 2011, the newly elected Government also committed to reaching the 3% of GDP target for the budget deficit by the target date of 2015 (Source: Programme for Government). The Group believes that whether or not the Transaction is implemented will not adversely affect this target date deadline. The planned fiscal adjustment agreed as part of the EU/IMF Programme is expected to have a dampening effect on household incomes and consumer spending. The Government expects consumer spending to fall by 1.7% in real terms in 2012 and to remain flat in 2013 (Source: Department of Finance, Ireland—Stability Programme Update, April 2012). The negative impact on consumer spending of the 2012 budget measures (including an increase in VAT, carbon taxes and increases in motor tax as well as increases in capital acquisitions tax, capital gains tax and DIRT) and contractions in numbers employed could result in lower than expected GDP growth (the current consensus forecast is for growth in GDP of 0.5% in 2012 and 2% in 2013 (Source: Reuters Poll, 11 May 2012)) with negative implications for economic activity, unemployment and the public finances.

These conditions have already materially adversely affected the Group, have exerted downward pressure on stock prices, liquidity and availability of credit for financial institutions, including the Group, and other corporations, and have left the Irish banking system facing serious structural and funding issues. If these economic conditions continue or worsen, or if the Irish economy recovers at a slower rate than anticipated, the Group may experience further reductions in business activity, increased funding costs, decreased asset values, additional write-downs and impairment charges with consequent adverse effects on profitability and financial condition.

The Central Bank has identified two key risks to the Irish economy as (i) domestic credit risk driven by property price declines, continued economic weakness and over-indebted private and public sectors, and (ii) threats to sovereign solvency due to crisis related bank debt (Source: CBI Macro-Financial Review).

A further deterioration in the economic conditions in Ireland would be likely to result in further downgrades to the Irish sovereign debt ratings, which could have a material adverse effect on the value of the Bonds and, in turn, on the Group (see the risk factor "*The purchase of the Bonds by the Bank exposes the Bank to an increased risk in the event of Irish sovereign downgrade or default*").

Concerns regarding the stability of the Eurozone and concerns regarding the ratification of the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union could have material adverse consequences for the Group.

Since the commencement of the credit crisis, sovereign debt as a percentage of GDP has risen, particularly in peripheral Eurozone countries, including Ireland. This has resulted in widening of yields, constrained liquidity and reduced appetite for sovereign debt due to heightened concerns on the ability of sovereign nations to meet future financial obligations. As a result of these concerns, the European Financial Stability Facility ("**EFSF**") and the European Financial Stability Mechanism ("**EFSM**") were created by the European Commission in order to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism ("**ESM**") which will replace or complement the EFSF. On 2 February 2012, the Eurozone countries signed the treaty establishing the ESM, (the "**ESM Treaty**"). This new crisis mechanism is aimed at safeguarding financial stability in the Eurozone and is intended to enter into force on 1 July 2012, once Eurozone countries representing 90% of the capital commitments have ratified it. It is proposed that Ireland will ratify the ESM Treaty by means of legislation.

Despite the establishment of the EFSF, the EFSM and the ESM in order to provide funding to Eurozone countries in financial difficulty, concerns persisted regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations.

Plans have been developed for tighter new budgetary rules to enforce economic discipline and deepen economic integration, commonly referred to as a "fiscal compact", the main provisions of which include a percentage GDP cap on countries' structural deficits and automatic consequences for those countries whose public deficits exceed specified percentages of GDP. These tighter rules are to be embedded into national laws by the ratification and implementation of a new intergovernmental treaty between certain Eurozone countries, including Ireland, the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (the "**Fiscal Stability Treaty**"). The Fiscal Stability Treaty is, subject to its ratification by at least 12 Eurozone countries, expected to come into effect on 1 January 2013. The Government has announced that a referendum will be held in Ireland on 31 May 2012 under which an amendment to the Irish Constitution will be proposed to enable Ireland to ratify the Fiscal Stability Treaty and to enable the Oireachtas to adopt legislation to implement it.

If the Fiscal Stability Treaty is not ratified and implemented by at least 12 Eurozone countries, it cannot come into effect and it is expected that this would lead to adverse implications for the Eurozone and for the State. The full implications for the Eurozone and for the State of the Fiscal Stability Treaty not coming into effect are unknown, but may include the limitation of refinancing options for borrowings at acceptable cost levels by Eurozone countries, including the State, which may result in adverse implications for the recovery of fragile economic and financial systems; and possible further downgrading of the Irish sovereign credit rating (for a description of the risk of Irish sovereign credit ratings see further the risk factor entitled "*The purchase of the Bonds by the Bank exposes the Bank to an increased risk in the event of Irish sovereign downgrade or default*").

The Fiscal Stability Treaty provides that existing financial assistance arrangements for Eurozone countries, including Ireland, will remain in place and unchanged whether or not those countries ratify the Fiscal Stability Treaty. However, from 1 March 2013, any future new assistance, involving the use of funds from the ESM, will be granted only to those countries which have ratified and implemented the Fiscal Stability Treaty. A failure by Ireland to ratify and implement the Fiscal Stability Treaty will deprive the State of any future access to new financial assistance under the ESM with effect from 1 March 2013 and this is likely to have material adverse implications for the State in the event that further financial assistance is required by the State.

The quality of the Group's assets, financial condition and results of operations are heavily dependent on macroeconomic and political conditions prevailing in Ireland. Any adverse consequences for the State which arise from either a failure by Ireland to ratify and implement the Fiscal Stability Treaty, or from the Fiscal Stability Treaty otherwise not coming into effect, would be likely to adversely impact the terms on which the Group can access the liquidity provision operations offered by Monetary Authorities or secured borrowing from wholesale markets and could restrict refinancing of wholesale funding and weaken the Group's competitive position (see the risk factor entitled "*The Group may suffer periods of market-wide and/or firm-specific liquidity constraints and is exposed to the risk that liquidity is not made available to it even if its underlying business remains strong*"). Any such adverse consequences for the State, in particular any further downgrades to the Irish sovereign credit rating, would also affect the marketability and pricing of the State guaranteed bonds held by the Group (which amounts to approximately €11 billion), and also the Bonds proposed to be purchased pursuant to the Transaction, and the Group's ability to use these bonds as collateral or sell them which would make it more difficult and/or more expensive for the Group to access private sources of capital and funding. In addition, the Group's return on the Transaction would be negatively impacted if such adverse rating or pricing impacts on the Bonds proposed to be purchased pursuant to the Transaction, led to a lower advance rate of liquidity from the Monetary Authorities or to the Bonds becoming ineligible for the OMO Facility. (See further the risk factors entitled "*The purchase of the Bonds by the Bank exposes the Bank to an increased risk in the event of Irish sovereign downgrade or default*"; and "*The Group may suffer periods of market-wide and/or firm-specific liquidity constraints and is exposed to the risk that liquidity is not made available to it even if its underlying business remains strong*").

There is no certainty that ratification of the Fiscal Stability Treaty will resolve the current market dislocation. Any threat to the overall stability of the euro system may have profound recessionary impacts, particularly on a small open economy such as Ireland.

A significant deterioration in the stability or perceived stability of the Eurozone could materially adversely affect the Group by increasing its costs of funding, reducing its access to the wholesale funding markets and/or increasing its reliance on funding from Monetary Authorities, thereby adversely impacting the Group's funding profile and composition of funding, which could materially adversely affect the Group's results, financial condition and prospects. A further escalation of political uncertainties following elections

in France and Greece could give rise to such instability particularly if expectations were to rise as to a Greek exit from the Eurozone or of a change in French policy towards the Eurozone.

The Transaction could be subject to a review at any time by the European Commission under EU State aid rules, the outcome of which could be uncertain and could involve the prohibition of some or all elements of any State aid provided to the Group by the State, the requirement for the Group to repay any State aid, or the imposition of conditions and obligations on the Group that could be materially adverse to its interests.

The Group believes that the proposed Transaction does not involve the provision of State aid in favour of the Group, does not conflict with the Group's obligations under the Revised 2011 EU Restructuring Plan and associated commitments (as approved by the European Commission in its final decision of 20 December 2011), and would not involve a reopening of the Group's Revised 2011 EU Restructuring Plan. Therefore there is a low probability of the Bank receiving State aid incompatible with EU law either through the Transaction generally or the Guarantee in particular because: (a) the Bank has received confirmation that the application of the Guarantee to the Transaction is in compliance with EU State aid rules; and (b) the Bank has satisfied itself that the risk of State aid arising in the Transaction other than through the Guarantee is low. More legal certainty could only be obtained by a final decision of the European Commission holding either that the Transaction does not contain State aid or that the State aid contained therein is compatible with the internal market. In the unlikely event that the European Commission were to consider that the Transaction contains State aid, and/or if the European Commission were to consider that the Transaction constitutes, or leads to, a deviation from the Group's obligations under the Revised 2011 EU Restructuring Plan and associated commitments (as approved by the European Commission in its final decision of 20 December 2011), it could find that there is State aid which ought not to have been granted by the State and/or re-open the 2011 EU Restructuring Plan and make its approval of any such aid/deviation from the Group's obligations dependent on compliance with conditions and obligations. This may therefore result in an adverse outcome for the Group, for example, it could impose conditions and obligations that are materially more disadvantageous to the Group than those contained in the Revised 2011 EU Restructuring Plan. Any State aid element conferred to the Group which is not declared to be compatible with the internal market by a decision of the European Commission may be subject to recovery with interest. If an investigation is commenced to enquire whether the Guarantee or the Transaction is in compliance with EU laws relating to State aid, the Bank is entitled, under the terms of the Agreement to terminate the Transaction early and designate an Early Termination Date under the Agreement. If the Transaction were to terminate early, IBRC's obligation to pay to the Bank the Repurchase Price (and any accrued but unpaid Transaction Fee owed by IBRC to the Bank in connection with the Transaction), the Bank's obligation to transfer the Bonds to IBRC and both parties' obligations to return Margin, would become due and the Bank's return on the Transaction would be reduced, as the Bank would not be entitled to receive Transaction Fee payments after the Early Termination Date. Even if the Bank were to terminate the Transaction early following the commencement of an investigation, it would be at the discretion of the European Commission as to whether or not to continue the investigation.

The unexpected termination or non-renewal of, or material changes to the operation of, or the participation by the Group in, the ELG Scheme or changes in the terms of the Group's participation in this scheme could have an adverse effect on the Group's results, financial condition and prospects.

The ELG Scheme facilitates participating institutions, including the Group, in issuing debt securities and taking deposits. The ELG Scheme was approved by the European Commission under EU State aid rules on 20 November 2009 and by the Houses of the Oireachtas (parliament of Ireland) on 3 December 2009 and commenced on 9 December 2009. The Bank became a participating institution in the ELG Scheme on 11 January 2010.

The Government has extended the ELG Scheme for a further period of one year to 31 December 2012. The extension is subject to, as normal, EU State aid approval every six months, which is the maximum period permitted for such approval under the European Commission's policy on guarantee schemes in the financial sector. The European Commission has approved the first six month extension to 30 June 2012. Debt securities and deposits issued under the ELG scheme prior to 30 June 2012 will be covered up to maturity, subject to a maximum maturity of five years.

The Group has commenced a number of initiatives to disengage from the ELG Scheme in a prudent manner, as market conditions allow. The Group received approval to accept non-ELG Scheme covered deposits from corporate customers. Since the beginning of 2012, the Group has begun to offer such deposit

products to corporate customers. In addition, at the end of February 2012, Bank of Ireland UK plc informed impacted customers that it would be limiting its participation under the ELG Scheme in that all deposit accounts renewed after 30 March 2012 would no longer be covered by the ELG Scheme.

While the Group does not expect the ELG Scheme to be cancelled, ceased or materially amended at any stage prior to or on the scheduled expiry of the Issuance Window on 30 June 2012, there is a risk that this could occur in the event that there is a change in policy by either the Government or the European Commission in relation to the scheme. Such an outcome could, particularly if it occurs in a disorderly manner or against the backdrop of turbulent financial markets, adversely affect the terms on which the Group would be able to access funding, introduce systemic weakness to the Irish banking sector and remove an important element of liquidity support for the Group and the sector as a whole. The unexpected cancellation or material amendment of the ELG Scheme following a change in policy by either the Government or the European Commission, or the removal of the Group from the ELG Scheme prior to the completion of the Group's initiatives to disengage could therefore adversely affect the terms on which the Group would be able to access funding which would in turn have an adverse effect on the Group's results, financial condition and prospects.

The Group may be subject to litigation proceedings and regulatory investigations which could have a material adverse impact on its results, financial condition and prospects.

The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. As a result, the Group is involved in various disputes and legal proceedings in Ireland, the United Kingdom, the United States and other jurisdictions, including litigation and regulatory investigations. These disputed and legal proceedings are subject to many uncertainties, and their outcome is often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse regulatory action against the Group or adverse judgements in litigation to which the Group is a party could result in restrictions or limitations on the Group's operations or result in a material adverse effect on the Group's reputation or results of operations. Currently, the Group is responding to regulatory inquiries and investigations and is involved in litigation arising from its operations. For details about certain litigation and regulatory investigations in which the Group is involved, see paragraph 9 (Litigation) of Part V (Additional Information) of this Circular.

PART III

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A

Effect of the Transaction

The unaudited pro forma financial information set out in this Part III is based on the audited results of the Group for the year ended 31 December 2011, prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS and with the European Communities (Credit Institutions: Accounts) Regulations, 1992, after applying the adjustments described in the notes set out below, and in accordance with item 10.3.3 of the Listing Rules of the Irish Stock Exchange and item 13.3.3 of the Listing Rules of the UK Listing Authority.

The unaudited pro forma financial information has been prepared to illustrate the effect of the Transaction as if it had occurred on 31 December 2011. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the pro forma financial information addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

1. Unaudited pro forma balance sheet as at 31 December 2011

	Adjustments		
	Reported position as at 31 December 2011[(1)]	Transaction[(2)]	Pro forma adjusted position as at 31 December 2011[(3)]
	€ million	€ million	€ million
ASSETS			
Cash and balances at central banks	8,181	—	8,181
Items in the course of collection from other banks	443	—	443
Trading securities	6	—	6
Derivative financial instruments	6,362	—	6,362
Other financial assets at fair value through profit or loss	8,914	—	8,914
Loans and advances to banks	8,059	2,833	10,892
Available for sale financial assets	10,262	—	10,262
NAMA senior bonds	5,016	—	5,016
Loans and advances to customers	99,314	—	99,314
Other assets classified as held for sale	2,446	—	2,446
Interest in associates	31	—	31
Interest in joint ventures	245	—	245
Intangible assets-other	393	—	393
Investment properties	1,204	—	1,204
Property, plant and equipment	336	—	336
Current tax assets	9	—	9
Deferred tax assets	1,381	—	1,381
Other assets	2,270	—	2,270
Retirement benefit asset	8	—	8
Total assets	**154,880**	**2,833**	**157,713**

	Reported position as at 31 December 2011[1]	Adjustments Transaction[2]	Pro forma adjusted position as at 31 December 2011[3]
	€ million	€ million	€ million
EQUITY AND LIABILITIES			
Deposits from banks	31,534	2,833	34,367
Customer accounts	70,506	—	70,506
Items in the course of transmission to other banks	271	—	271
Derivative financial instruments	6,018	—	6,018
Debt securities in issue	19,124	—	19,124
Liabilities to customers under investment contracts	4,954	—	4,954
Insurance contract liabilities	7,037	—	7,037
Other liabilities	3,111	—	3,111
Current tax liabilities	86	—	86
Provisions	38	—	38
Deferred tax liabilities	88	—	88
Retirement benefit obligations	422	—	422
Subordinated liabilities	1,426	—	1,426
Other liabilities classified as held for sale	13	—	13
Total liabilities	**144,628**	**2,833**	**147,461**
Equity			
Capital stock	2,452	—	2,452
Stock premium account	5,127	—	5,127
Retained earnings	3,507	—	3,507
Other reserves	(869)	—	(869)
Own shares held for the benefit of life assurance policyholders	(15)	—	(15)
Stockholders' equity	**10,202**	**—**	**10,202**
Non-controlling interests	50	—	50
Total equity	**10,252**	**—**	**10,252**
Total equity and liabilities	**154,880**	**2,833**	**157,713**

Notes:

(1) Information on the assets, liabilities and equity of the Group as at 31 December 2011 has been extracted without adjustment from the audited consolidated balance sheet included in the 2011 Annual Report as approved by the Court of Directors on 19 February 2012.

(2) The Transaction reflects the Bank's purchase of long term Irish Government Bonds (the "**Bonds**") from IBRC for the Purchase Price of €3,060 million, less any cash Margin payable by IBRC to the Bank on the Purchase Date. It is estimated that a cash Margin of €226.6 million will be payable by IBRC to the Bank on the Purchase Date. A net settlement feature has been incorporated into the Agreement which effectively means that, on the basis of the assumptions outlined below, the actual net cash payment which the Bank will be required to make to IBRC for the Bonds on the Purchase Date will be approximately €2,833.4 million, being an amount equal to the Purchase Price, less the cash Margin payable by IBRC to the Bank on the Purchase Date.

For the purposes of estimating the cash Margin expected to be payable on the Purchase Date, it has been assumed that:

(i) there is no change in the discount applied by the ECB (the "**ECB Discount**") to the Bonds between 28 May 2012, being the last practicable date prior to the publication of this Circular, and the Purchase Date;

(ii) the market value of the Bonds (as determined by the ECB) on the Purchase Date is the same as the market value of the Bonds (as published by Bloomberg) on 28 May 2012, being the last practicable date prior to the publication of this Circular; and

(iii) the value variation allowance (as determined by the Bank, in consultation with IBRC) is zero.

The cash Margin may vary between the Purchase Date and the Repurchase Date as a function of changes in the three variables set out in the previous paragraph, that is, the ECB Discount applied to the Bonds, the market value of the Bonds (as determined by the ECB) and the value variation allowance. The Bank has an obligation to return any cash Margin held on the Repurchase Date.

IBRC has agreed to purchase Bonds from the Bank for the Repurchase Price on the Repurchase Date. In accordance with the Group's accounting policies this transaction, being the purchase of these securities with an agreement to resell, is treated as a collateralised loan and recorded as loans and advances to banks.

To the extent that the Bank holds Margin in cash on the Repurchase Date, the Agreement states that that the amount of such Margin will be offset against the Repurchase Price, so that IBRC will only be required to pay a sum equal to the Repurchase Price of €3,060 million, less any cash Margin held by the Bank on that date. The purchase of the Bonds for €3,060 million and the cash Margin of €226.6 million therefore meet the criteria set out in IAS32 to be offset and the net amount presented in the Group's balance sheet. This is reflected in the net increase in loans and advances to banks of €2,833.4 million shown in column (2).

The Transaction is to be financed by the Bank through standard ECB open market operations using the Bonds as collateral. It is anticipated that the ECB will apply a "haircut" or discount (the "ECB Discount") to the market value of the Bonds, as determined by the ECB. As at 28 May 2012, being the last practicable date prior to the publication of this Circular, the anticipated ECB Discount is estimated to be 5.5%. After applying this anticipated ECB Discount to the market value of the Bonds as at the last practicable date prior to the publication of this Circular of €2.9983 billion (as published by Bloomberg), it is estimated that deposits from banks will increase by €2,833.4 million.

For the purposes of estimating the increase in deposits from banks of €2,833.4 million, it has been assumed that:

(i) there is no change in the ECB Discount to the Bonds between 28 May 2012, being the last practicable date prior to the publication of the Circular, and the Purchase Date;

(ii) the market value of the Bonds (as determined by the ECB) on the Purchase Date is the same as the market value of the Bonds (as published by Bloomberg) on 28 May 2012, being the last practicable date prior to the publication of this Circular; and

(iii) the value variation allowance (as determined by the Bank, in consultation with IBRC) is zero.

(3) This column is the sum of columns (1) and (2) and represents the unaudited pro forma consolidated balance sheet as at 31 December 2011 based on the assumption that the Transaction set out in column (2) took place on 31 December 2011.

(4) No account has been taken of the interest margin of 1.35%, calculated as the difference between the Transaction Fee payable to the Bank by IBRC and the cost of ECB funding, expected to be earned under the terms of the Transaction, estimated at €38.7 million. This is because the income is not earned until post 31 December 2011 and thus it is not appropriate to recognise on the pro forma balance sheet as at 31 December 2011.

(5) The Bank will be entitled to receive from IBRC its reasonable and vouched costs and expenses in connection with the Transaction and consequently the net costs borne by the Bank are not expected to be significant. For the purposes of the pro forma it is assumed that those costs have been settled and recovered from IBRC as at 31 December 2011.

(6) No account has been taken of the trading results of the Group since 31 December 2011.

2. Unaudited pro forma regulatory capital ratios as at 31 December 2011

		Adjustments	
	Reported position as at 31 December 2011[(1)]	Transaction[(2)]	Pro forma adjusted position as at 31 December 2011[(3)]
Key Balance Sheet metrics			
Total Risk Weighted Assets (€ million)	67,135	—	67,135
Core tier 1 capital (€ million)	10,106	—	10,106
Core tier 1 capital (PCAR/EBA stress test basis) (€ million)[(4)]	9,608	—	9,608
Total tier 1 capital (€ million)	9,700	—	9,700
Total capital (€ million)	9,892	—	9,892
Core tier 1 capital (ratio)	15.1%	—	15.1%
Core tier 1 capital (PCAR/EBA stress test basis) (ratio)[(4)]	14.3%	—	14.3%
Total tier 1 capital (ratio)	14.4%	—	14.4%
Total capital (ratio)	14.7%	—	14.7%

Notes:

(1) Information on the RWA, capital amounts and capital ratios of the Group as at 31 December 2011 has been extracted without adjustment from the 2011 Annual Report as approved by the Court of Directors on 19 February 2012.

(2) The Transaction is not expected to impact on the Group's capital ratios as the collateralised and guaranteed nature of the Transaction results in a nil exposure and a nil risk weighted asset in accordance with regulatory capital rules. See footnotes (2) to (4) of the "Unaudited pro forma balance sheet as at 31 December 2011" set out above for further details on the Transaction.

(3) This column is the sum of columns (1) and (2) and represents the unaudited pro forma Total Risk Weighted Assets, Core Tier 1 Capital, Core Tier 1 Capital (PCAR/EBA stress test basis), Total tier 1 capital, Total capital, Core Tier 1 Capital Ratio, Core Tier 1 Capital Ratio (PCAR/EBA stress test basis), Total tier 1 capital ratio, and Total capital ratio based on the assumption that the Transaction as set out in column (2) took place on 31 December 2011.

(4) Core Tier 1 Capital (PCAR/EBA stress test basis) is calculated in line with methodology used for the 2011 PCAR and EBA stress tests. As stated in the Financial Measures Programme, "*the Central Bank applied capital requirement rules and a definition of Core tier 1 capital as prescribed by the Capital Requirements Directive, which is the prevailing regulatory standard in the EU. To increase conservatism, the Central Bank has included all supervisory deductions, including 50:50 deductions*".

(5) The Bank will be entitled to receive from IBRC its reasonable and vouched costs and expenses in connection with the Transaction and consequently the net costs borne by the Bank are not expected to be significant. For the purposes of the pro forma it is assumed that those costs have been settled and recovered from IBRC as at 31 December 2011.

(6) No account has been taken of the trading results of the Group since 31 December 2011.

SECTION B

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The Directors
The Governor and Company
of the Bank of Ireland,
40 Mespil Road
Dublin 4
Ireland ("**the Bank**")

The Directors
J&E Davy
Davy House
49 Dawson Street
Dublin 2
Ireland

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

30 May 2012

Ladies and Gentlemen,

Accountants Report in respect of the pro forma unaudited financial information

We report on the unaudited pro forma financial information (the "**Pro forma Information**") set out in Section A of Part III of the Bank's circular dated 30 May 2012 (the "**Circular**") which has been prepared on the basis described in the notes to the Pro forma Information, for illustrative purposes only, to provide information about how, the Transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Bank in preparing the financial statements for the financial period ended 31 December 2011. This report is required by item 10.3.3 of the listing rules of the Irish Stock Exchange (the "**Listing Rules**") and item 13.3.3R of the listing rules of the UK Listing Authority (the "**UK Listing Rules**") and is given for the purpose of complying with those rules and for no other purpose.

Responsibilities

It is the responsibility of the Directors of the Bank to prepare the Pro forma Information in accordance with item 10.3.3 of the Listing Rules and item 13.3.3R of the UK Listing Rules.

It is our responsibility to form an opinion, as required by item 10.3.3 of the Listing Rules and item 13.3.3R of the UK Listing Rules as to the proper compilation of the Pro forma Information and to report our opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to stockholders of the Bank as a result of the inclusion of this report in the Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, required by and given solely for the purposes of complying with items 10.4.1(6) of the Listing Rules and item 13.4.1R(6) of the UK Listing Rules, consenting to its inclusion in this Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and published by the Institute of Chartered Accountants in Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma Information with the Directors of the Bank.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Bank.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

(a) the ***Pro forma Information*** has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Bank.

Yours faithfully,

PricewaterhouseCoopers
Dublin, Ireland

Chartered Accountants

PART IV

CAPITAL RESOURCES AND LIQUIDITY

1. Capital

The objectives of the Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy. The policy seeks to minimise refinancing risk by managing the maturity profile of non equity capital, whilst the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised.

The capital adequacy requirements advised by the Central Bank which reflect the requirements as set out in the Capital Requirements Directive ("**CRD**") and its preceding directives, as well as specific requirements set by the Central Bank are used by the Group as the basis for its capital management. These requirements set a floor under which capital levels must not fall. The Group seeks to maintain sufficient capital to ensure that even under stressed conditions these requirements are not breached.

The Group also looks at other methodologies of capital measurement including the capital definitions set out by rating agencies. It also calculates economic capital based on its own internal models as part of its Internal Capital Adequacy Assessment Process under Pillar II of the Capital Requirements Directive described below. Economic capital measures the Group's internal assessment of the loss absorbing Tier 1 Capital that is required to support the risk profile of its business.

Bank of Ireland (UK) plc is authorised and licensed by the FSA and is required to meet the regulatory capital requirements of the FSA and in the event of any shortfall, the required capital may need to be provided by the Group.

The CRD came into force on 1 January 2007 and is divided into three sections commonly referred to as Pillars. Pillar I introduced the Internal Ratings Based Approach ("**IRBA**") which permits banks to use their own internal rating systems to calculate their capital requirements for credit risk. Use of IRBA is subject to regulatory approval. Where credit portfolios are not subject to IRBA, the calculation of the minimum capital requirements is subject to the standardised approach (i.e. using risk weightings prescribed by asset class in the CRD), which is a more granular approach to the calculation of risk weightings than under Basel I, albeit less granular than under IRBA. Pillar II of the CRD deals with the regulatory response to the first pillar whereby banks undertake an Internal Capital Adequacy Assessment Process ("**ICAAP**") which is then subject to supervisory review. Pillar III of the CRD (Market Discipline) involves the disclosure of a range of qualitative and quantitative information relating to capital and risk. The Group most recently disclosed this information for the year ended 31 December 2011, on 29 March 2012. The CRD also introduced a requirement to calculate capital requirements, and to set capital aside, with respect to operational risk. In assessing capital adequacy the Group is also required to set capital aside for market risk.

The Group stress tests the capital held to ensure that under difficult conditions, it continues to comply with regulatory minimum ratios.

A number of regulatory initiatives have recently been proposed or enacted such as CRD II, III, IV, Basel III and the Solvency II Directive which have had or will have a future impact on the Group's capital ratios.

The following table sets out the Group's capital resources:

	31 March 2012	31 December 2011	31 December 2010
	€ million	€ million	€ million
Group Capital Resources			
Equity (including other equity reserves)	9,894	10,177	7,326
Non-cumulative preference stock	25	25	25
Non-controlling interests—equity	62	50	56
Undated subordinated loan capital	162	162	769
Dated subordinated loan capital	1,272	1,264	2,006
Total capital resources	**11,415**	**11,678**	**10,182**

(Source: extracted without material adjustment from the 2011 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2012).

In the year ended 31 December 2011 the Group's total capital resources increased by €1.5 billion to €11.7 billion due primarily to:

- the generation of €4.2 billion equity capital following the 2011 recapitalisation of the Bank together with the issue of a €1.0 billion Contingent Capital Note to the Minister;

partly offset by

- the underlying loss after tax arising during the year ended 31 December 2011 driven by impairment charges on loans and advances to customers;
- a charge of €0.6 billion relating to the loss on deleveraging; and
- reduction in subordinated debt due to various liability management exercises (Source: 2011 Annual Report).

Other than the expected commercial return for the Bank in connection with the Transaction, the Transaction is not expected to impact on the Group's capital ratios as the collateralised and guaranteed nature of the Transaction results in a nil exposure and a nil risk weighted asset in accordance with regulatory capital rules.

Regulatory initiatives and capital stress testing

2011 PCAR

On 31 March 2011, the Central Bank announced the results of the 2011 PCAR. The Directors believe that the capital raised and generated by the Group over the past three years should facilitate the Group's objective of ensuring a sustainable, robust future for Bank of Ireland as a systemically important bank, continuing to support its customers and contributing to economic growth.

The result of the 2011 PCAR was that the Group was required to generate additional Core Tier 1 Capital of €4.2 billion (including a regulatory buffer of €0.5 billion) and €1.0 billion in contingent capital, leading to a strongly capitalised Group with a Core Tier 1 Capital Ratio at 31 December 2011 of 15.1% (or a Core Tier 1 Capital Ratio (PCAR/EBA stress test basis) of 14.3%).

The equity capital requirement has been set to cover:

- the higher capital ratios required by the Central Bank of a minimum Core Tier 1 Capital Ratio of 10.5% on an ongoing basis and a minimum Core Tier 1 Capital Ratio of 6% (PCAR/EBA stress test basis);
- an additional Core Tier 1 Capital regulatory buffer of €0.5 billion reflecting additional conservatism;
- the adverse stress scenario loan loss estimates based on what the Directors consider to be aggressively conservative assumptions;
- notwithstanding that the land and development loans of the Group where an individual customer/sponsor exposure is less than €20 million at 31 December 2010 are not expected to transfer to NAMA, the 2011 PCAR process was prepared under an assumption that the relevant loans would transfer to NAMA using conservative loss on disposal assumptions; and

- what the Central Bank described as a "prudent" estimate of losses arising from deleveraging under an adverse stress scenario.

€1.0 billion of contingent capital was also required and which was raised via the issue to the Minister for Finance of the Contingent Capital Notes which, under certain circumstances, will convert in its entirety to Core Tier 1 Capital in the form of Ordinary Stock. The Contingent Capital Notes are described in detail in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular.

European Banking Authority stress testing

The European Banking Authority ("**EBA**") was established on 1 January 2011 with a broad remit that includes safeguarding the stability of the EU financial system. The EBA is required, in cooperation with the European Systemic Risk Board ("**ESRB**"), to initiate and coordinate EU-wide stress tests to assess the resilience of financial institutions to adverse market developments. Building on experience of two previous EU-wide stress tests undertaken by the EBA's predecessor, the Committee of European Banking Supervisors ("**CEBS**"), the EBA conducted a stress test on a wide sample of banks (including the Group) in the first half of 2011. This exercise was undertaken in coordination with national supervisory authorities, the ESRB, the ECB and the European Commission.

The EBA stress test was carried out across 91 banks, covering over 65% of the EU banking system total assets, to assess the resilience of European banks to severe shocks and their specific solvency to hypothetical stress events under certain restrictive conditions.

The methodology applied in the EBA stress test incorporated a number of differences to that applied in the 2011 PCAR which assessed the capital requirements of Irish banks under a base and adverse stress scenario as well as including specific deleveraging objectives for Irish banks in order to reduce their reliance on short term wholesale funding and achieve a loan to deposit ratio of 122.5% by December 2013. As with any stress test, the adverse stress scenario is designed to cover "what-if" situations reflecting even more stressed macroeconomic conditions than might reasonably be expected to prevail.

The EBA stress test set a 5% Core Tier 1 Capital requirement in the adverse stress scenario over a two year time frame (2011–2012) whereas the 2011 PCAR applied a 6% Core Tier 1 Capital requirement under the adverse stress scenario over a three year timeframe (2011–2013). In addition, the EBA methodology also applied a significantly different approach in relation to future changes in the balance sheet, the calculation of loan losses, the application of funding constraints, and treatment of sovereign and bank credit losses.

On 15 July 2011, the EBA announced the results of the 2011 EBA stress test. Bank of Ireland passed the stress test, where, the Group's Core Tier 1 Capital Ratio (PCAR/EBA stress test basis) would be 7.1% at 31 December 2012, which is 2.1% or €1.3 billion in excess of the 5% Core Tier 1 Capital requirement in the adverse stress scenario. The result confirms the adequacy of the Group capital raising proposals and the ability of the Group to remain above the required minimum capital ratio under the EBA severe adverse stress scenario. Furthermore, the €1 billion of contingent capital would, if converted, add a further 1.6% to the Group's Core Tier 1 Capital Ratio (PCAR/EBA stress test basis), bringing it up to 8.7% at 31 December 2012.

On 8 December 2011, the EBA announced the results of its capital exercise incorporating a capital buffer against sovereign debt exposures. Bank of Ireland passed the capital exercise with a Core Tier 1 Capital Ratio (PCAR/EBA stress test basis) of 12.9% which was 3.9% or €2.7 billion in excess of the 9% Core Tier 1 Capital requirement set by the EBA.

2. Liquidity and funding

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven, among other things, by the maturity structure of loans and investments held by the Group, while cash outflows are driven by the term of the debt issued by the Group and the outflows from deposit accounts held for customers. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt which are often associated with times of distress or adverse events such as a credit rating downgrade(s) or economic or financial turmoil.

Liquidity risk measurement

The Group's cash flow and liquidity reporting processes provide the Group's management with daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on balance sheet and off balance sheet transactions. The Group measures liquidity risk by adjusting the contractual cash flows on retail deposit books to reflect their inherent stability.

Liquidity risk management

The Group's exposure to liquidity risk is governed by the Group's Risk Appetite Statement and associated limits and the Group's liquidity and funding policy, both of which are recommended by the Group Risk Policy Committee ("**GRPC**") and approved by the Court. The objective of the policy is to ensure that the Group can meet its obligations, including deposit withdrawals and funding commitments, as they fall due. The operation of this policy is delegated to the Group's Asset and Liability Committee ("**ALCO**") who are responsible for monitoring the liquidity risk of the Group and for the development and monitoring of liquidity policy. Under ALCO, Bank of Ireland Global Markets is responsible for the day to day execution of the Group's wholesale liquidity position under the direction of the Group Treasurer.

Liquidity management within the Group focuses on the overall balance sheet structure together with the control, within prudent limits, of risk arising from the mismatch of maturities of assets and liabilities and the risks arising from undrawn commitments and other contingent liabilities.

Liquidity management consists of two main activities:

- Tactical liquidity management focuses on monitoring current and expected daily cash flows to ensure that the Group's liquidity needs can be met. This takes account of the Group's access to unsecured funding (customer deposits and wholesale funding) and the liquidity characteristics of a portfolio of highly marketable assets and a portfolio of contingent assets that can be readily converted into funding to cover unforeseen cash outflows; and
- Structural liquidity management focuses on assessing an optimal balance sheet structure taking account of the expected maturity profile of assets and liabilities and the Group's debt issuance strategy.

In addition, the Group is required to comply with the liquidity requirements of the Central Bank and also with the requirements of local regulators in those jurisdictions where such requirements apply to the Group. The Central Bank requires that banks have sufficient resources (cash inflows and marketable assets) to cover 100% of expected cash outflows in the zero to eight day time horizon and 90% of expected cash outflows in the 9 day to 30 day time horizon.

Compliance with the regulatory liquidity ratios prescribed by the Central Bank can be adversely impacted by a range of factors including the term of borrowings, the split between unsecured and secured funding and the mix of liquidity facilities made available by Monetary Authorities including the Central Bank. The Group notified the Central Bank of temporary breaches of regulatory liquidity requirements in January, April, June and September 2011 (which were subsequently remediated). The breaches have been associated with the contraction in unsecured wholesale funding, changes in the eligibility criteria of the ECB and increased usage of short-term Monetary Authority funding. As at 28 May 2012, being the last practicable date prior to the publication of this Circular, the Group was in compliance with regulatory liquidity ratio requirements.

Bank of Ireland (UK) plc is subject to FSA liquidity regulations, including the requirement to hold liquid assets for its use which cannot be used by other members of the Group for other purposes. Bank of Ireland (I.O.M.) Limited is subject to similar liquidity regulations set by the Isle of Man Financial Supervision Commission. Liquid assets in excess of regulatory liquidity requirements were held in Bank of Ireland (UK) plc at 31 March 2012 as the Group awaits regulatory approval for the transfer of loans to Bank of Ireland (UK) plc. If regulatory approval is received in respect of the transfer of loans to Bank of Ireland (UK) plc, the Group expects its excess holdings of liquid assets in the UK to reduce. If regulatory approval is not forthcoming or is delayed, this excess liquidity will be retained in Bank of Ireland (UK) plc and will not be available for use elsewhere in the Group.

Stress testing and scenario analysis

The Group performs stress testing and scenario analysis to evaluate the impact of stresses on its liquidity position. These stress tests incorporate Group specific risks and systemic risks. Tactical actions and

strategies available to mitigate the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, GRPC and the Court.

Liquidity Risk Mitigation: Balance sheet Deleveraging and PLAR 2011

Loan Deleveraging

The 2011 PLAR, undertaken by the Central Bank together with the EU, IMF and ECB, was an assessment of measures to be implemented with a view to steadily deleveraging the banking system and reducing reliance on short term wholesale funding and liquidity support from Monetary Authorities. The 2011 PLAR has set specific funding targets for the Group consistent with the proposals developed by the Basel Committee on Banking Supervision, a forum for regular co-operation on banking supervisory matters (known as "**Basel III**"), and other international measures to improve the stability and quality of bank funding structures. The PLAR incorporates the Deleveraging Plan which requires a loan to deposit ratio of 122.5% for the Group by 31 December 2013. The Group under the PLAR committed to disposals of €10 billion in the period to December 2013.

During 2011, the Group announced divestments totalling €8.6 billion representing 86% of the required three year (2011–2013) target of €10 billion. At 24 April 2012, the Group announced €8.4 billion of this total had completed and that the total of contracted divestments had risen to €9.5 billion or 95% of the target (Source: unaudited internal management information).

Customer Deposits

The Group's customer deposit strategy is focussed on growing high quality "sticky" deposits by leveraging the Group's extensive retail and corporate customer franchise in Ireland and by accessing the UK retail market through Bank of Ireland (UK) plc and particularly the Group's joint venture with the UK Post Office. The Group continues to focus on the growth of retail deposits and relationship-based corporate deposits which arise from the Group's broader lending and treasury risk management activities with a view to further reducing its dependence on wholesale funding and reducing its customer loan to deposit ratio (Source: 2011 Annual Report). The Group's loan to deposit ratio was 144% at 31 December 2011, compared to 175% at 31 December 2010 which is in line with the targets that were set out in the 2011 PCAR/PLAR (Source: 2011 Annual Report).

	31 March 2012	31 December 2011	31 December 2010
	€ billion	€ billion	€ billion
Customer Deposits			
Retail Ireland	35	36	35
Retail UK	27	27	21
Corporate and treasury	8	8	9
Total Customer Deposits	70	71	65
Loan to Deposit Ratio	142%	144%	175%

(Source: extracted without material adjustment from the 2011 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2012).

On a constant currency basis the Group's customer deposits at 31 December 2011 grew by 7% (€4.3 billion) when compared to the Group's customer deposits at 31 December 2010 (Source: 2011 Annual Report).

During 2011, despite continuing intense competition, the Group's retail customer deposit base in Ireland increased by €1 billion or 2% supported by the launch of a number of successful personal and business deposit products and ongoing management of maturing deposits and new business opportunities. The Group did not purchase any deposit books in 2011.

The Group's retail deposit gathering activities in its joint venture with the UK Post Office has continued to exceed expectations on both retention rates and new deposit growth as balances amounted to £16 billion at 31 December 2011, which represents an increase of approximately £5 billion or 44% since 31 December 2010. The Group's deposit gathering strategy in the UK has been successfully underpinned by the incorporation in November 2010 of the Group's UK licensed banking subsidiary—Bank of Ireland (UK) plc.

Deposits in Bank of Ireland (I.O.M.) Limited declined by €0.6 billion in 2011, however deposit volumes stabilised in the second half of the year following the recapitalisation of the Group (Source: 2011 Annual Report).

Corporate and Treasury deposits amounted to €7.7 billion at 31 December 2011 as compared with €9.4 billion at 31 December 2010. The net decrease of €1.7 billion is a result of the disposal of BOISS whose customers had placed deposits of approximately €1 billion with the Group at 31 December 2010, and a reduction in corporate balances. Corporate balances experienced growth of approximately €1 billion in the second half of the year following the recapitalisation of the Group indicating a stabilisation of the Group's core corporate deposit base (Source: 2011 Annual Report).

Customer deposits at 31 December 2011 of €71 billion (31 December 2010: €65 billion) do not include €2.2 billion (31 December 2010: €1.9 billion) of savings and investment-type products sold by Bank of Ireland Life. These products have a fixed term (typically of five years) and consequently are an additional stable source of retail funding for the Group (Source: 2011 Annual Report).

At 31 December 2011, €43 billion of the Group's customer deposits are guaranteed under the Irish Deposit Guarantee Scheme ("**DGS**") and the UK Financial Services Compensation Scheme ("**FSCS**") (31 December 2010: €35 billion) (Source: 2011 Annual Report). €26 billion of customer deposits are covered by the ELG Scheme (31 December 2010: €29 billion), which guarantees certain liabilities of Irish financial institutions. As at the end of March 2012, new deposits in Bank of Ireland (UK) plc are no longer covered by the ELG Scheme.

Wholesale Funding

	31 March 2012		31 December 2011		31 December 2010	
	€ billion	%	€ billion	%	€ billion	%
Wholesale Funding						
Secured Funding						
Monetary authority (gross)	25	50	23	45	33	47
Covered bonds (asset backed securities)	6	12	6	12	7	10
Securitisations	4	8	4	8	5	7
Private market repo	6	12	7	14	8	11
Total secured funding	41	82	40	78	53	76
Unsecured Funding						
Senior debt	7	14	9	18	13	19
Bank deposits	2	4	2	4	3	4
Commercial paper and Certificates of Deposit	—	—	—	—	1	1
Total unsecured funding	9	18	11	22	17	24
Total wholesale funding	50	100	51	100	70	100
Wholesale funding > 1 year to maturity	31	62	28	55	22	32
Wholesale funding < 1 year to maturity	19	38	23	45	48	68
Drawings from Monetary Authorities (net)	24	—	22	—	31	—

(Source: extracted without material adjustment from the 2011 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2012).

Wholesale funding requirements reduced from €70 billion at 31 December 2010 to €51 billion at 31 December 2011 primarily due to:

- loan book divestments;
- loan repayments and redemptions;

- an increase in Group customer deposits; and
- recapitalisation proceeds.

The Group's senior unsecured debt at 31 December 2011 of €9 billion has reduced by €4 billion from €13 billion at 31 December 2010 (Source: 2011 Annual Report).

During 2011, the Group has raised secured term funding from private market sources amounting to approximately €4.2 billion with an average maturity (at date of issue) of 2.4 years and an average spread equivalent to 250 basis points over three month Euribor (Source: 2011 Annual Report).

On 21 November 2011, the Bank announced an invitation to holders of all outstanding tranches of the residential mortgage backed securities issued by Kildare Securities Limited and Brunel Residential Mortgage Securitisation No.1 plc., to tender their notes, subject to offer restrictions, for purchase by the Bank for cash pursuant to Modified Dutch Auctions. The Bank announced that it would not call these notes on the relevant call dates in March 2012 and April 2012 (and it has not done so) and that it intends that any future redemption decisions in respect of these notes will be taken on an economic basis and having regard to prevailing market conditions. The effect of this decision extends the term of these notes, thereby reducing the refinancing risk to the Group.

The Group has access to the liquidity operations offered by Monetary Authorities using its pool of contingent collateral. In January 2011, following changes to the ECB eligibility criteria for sterling denominated collateral, the Group issued and retained Government guaranteed own-use bonds which are eligible for ECB monetary policy operations. These bonds have a liquidity value of €8.45 billion. The bonds have consistently rolled over on a quarterly basis and the current maturity date is July 2012 (Source: unaudited internal management information). The Group has decreased its usage of liquidity facilities made available by Monetary Authorities by asset deleveraging, growing customer deposits and the use of collateralised market term funding. The Group's funding from Monetary Authorities decreased to €22 billion (net) at 31 December 2011 from €31 billion (net) at 31 December 2010. While borrowings from Monetary Authorities will increase as a result of the Transaction, it remains a key priority of the Group to reduce its reliance on Monetary Authorities over time as market conditions improve and the Group's wholesale funding requirement reduces.

In December 2011, the Group participated in the ECB three year LTRO raising approximately €7.5 billion funding with a maturity in January 2015 by converting the term of its existing drawings from short term to longer term. In March 2012, the Group participated in the second ECB three year LTRO when it converted approximately €4.8 billion of mainly shorter term funding to three year funding with a maturity of February 2015 (Source: unaudited internal management information). At 31 March 2012, 62% of wholesale funding had a term to maturity of greater than one year compared with 32% at 31 December 2010, reflecting secured term funding raised and the participation in the ECB three year LTRO. The Group's remaining unsecured maturities from 31 March 2012 are €0.5 billion in 2012 and €2.6 billion in 2013 (Source: unaudited internal management information).

The drawings under the exceptional liquidity assistance from the Central Bank at 31 December 2010 of €8 billion were repaid during the financial year such that drawings at 31 December 2011 were nil (Source: 2011 Annual Report).

Credit ratings of the Irish sovereign and of the Group

As at 28 May 2012, the last practicable date prior to the publication of this Circular, the long-term (outlook)/short-term sovereign credit ratings for Ireland were BBB+ (Negative)/A−2 from Standard & Poor's, Ba1 (Negative)/Not-Prime from Moody's Investor Service, BBB+ (Negative)/F2 from Fitch Ratings, and A (Low) (Under Review with Negative implications)/(N/A) from DBRS. These current ratings reflect a number of ratings downgrades of the sovereign credit ratings following market dislocation in early 2009, prior to which, the long-term (outlook) sovereign ratings for Ireland were: AAA (Stable) from Standard & Poor's, Aaa (Stable) from Moody's Investor Services, AAA (Stable) from Fitch Ratings and AA (Stable) from DBRS (in July 2010 when DBRS commenced rating the sovereign credit rating for Ireland).

As at 28 May 2012, the last practicable date prior to publication of this Circular, the long-term (outlook)/ short-term (outlook) credit ratings for the Group were BB+ (Negative)/B (N/A) from Standard & Poor's, Ba2 (Negative)/N−P (Not Prime) (N/A) from Moody's Investor Service, BBB (Negative)/F2(N/A) from

Fitch Ratings and BBB high (Negative)/R – 2 (High) from DBRS. These current ratings are the result of a number of downgrades, the most recent of which having occurred in April 2011.

Impact of the Transaction

The financial impact of the Transaction is set out in the unaudited pro forma financial information set out in Part III (Unaudited Pro Forma Financial Information) of this Circular to illustrate the effect of the Transaction as if it had occurred on 31 December 2011.

As the unaudited pro forma financial information illustrates, the Transaction will result in an increase in the Group's loans and advances to banks of €2.8334 billion, which will be matched by a corresponding increase in deposits from banks, namely the ECB.

The Bank intends to finance the purchase of the Bonds by using the Bonds, which are Eurosystem eligible, to access liquidity from the OMO Facility. The purchase of the Bonds pursuant to the Transaction will further increase the exposure of the Bank to the risk of Irish sovereign downgrade or default. If the State defaults on its sovereign debt obligations, this would have a material adverse effect on the value of the Bonds, and the Bank could suffer a loss arising from the reduced value of the Bonds, which could have an impact on the Bank's liquidity.

The maximum amount payable by the Bank to IBRC under the Transaction is limited to an amount equal to the Purchase Price, being €3.06 billion. Fluctuations in the cost to the Bank of funding the purchase of the Bonds will be passed on to IBRC through the Transaction Fee. The Agreement incorporates Early Termination Events whereby the Bank can terminate the Transaction in a number of circumstances (as set out in more detail in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular, under the heading "*The Agreement*"), including if the Bonds become ineligible to access the OMO Facility. In addition, IBRC's payment obligations are guaranteed by the Minister. As a result, the Bank's liquidity risk arising under the Transaction has been largely mitigated given the features outlined above. Following completion of the Transaction, the Monetary Authority funding relating to the Transaction will be repaid.

As the unaudited pro forma financial information illustrates, the Transaction is not expected to have any impact on the Group's key balance sheet metrics including (i) total Risk Weighted Assets; (ii) Core Tier 1 Capital; (iii) total Tier 1 Capital; (iv) Total Capital; (v) Core Tier 1 Capital Ratio; (vi) total Tier 1 Capital Ratio; and (vii) Total Capital Ratio.

3. Working Capital

Background

This Transaction is deemed to be a related party transaction and, because of its size, a class 1 transaction under the Listing Rules. Under the Listing Rules for a class 1 transaction, an issuer is required to include a statement regarding sufficiency of working capital, that is for a period of at least twelve months from the date of such statement, in certain types of shareholder documents, including this Circular.

For a bank, working capital is comprised of both capital and liquidity. An assessment of capital can be made by comparing regulatory capital requirements against projected financial performance and ensuring that there is sufficient headroom over at least the twelve month period even in a reasonable downside scenario. Liquidity for a bank is considered to be access to various sources of funding in order to ensure continued viability over at least the requisite twelve month period. However banks do not generally have guaranteed access to funding over such a period as they rely on the behavioural attitudes of depositors, access to wholesale money markets and corporate deposits; certain of which are influenced, to varying degrees, by the macro environment, the relevant sovereign credit ratings, the bank's actual credit ratings and its financial performance. The credit crisis has added an extra dimension for many banks as they can be heavily reliant on local and supranational support mechanisms and are more heavily susceptible to concerns around political and macroeconomic factors than would have been the case prior to the credit crisis in 2008. These factors make a working capital statement for a bank more complex in the current environment than for a more traditional company and make it more difficult for some banks to provide an unqualified working capital statement.

An assessment of working capital can usually result in one of two possible outcomes: (a) an unqualified statement; or (b) a qualified statement. In exceptional circumstances, regulators such as the Irish Stock Exchange and the UK Listing Authority have the discretion to waive the requirement to produce a working capital statement.

(a) Unqualified working capital statement

In order to provide an unqualified working capital statement the Bank must carry out a comprehensive review of its working capital position. This review must conclude that the bank has sufficient working capital for at least the requisite twelve month period, having completed due diligence in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular.

Working capital statement

Similar to previous circulars published by the Bank (dated 18 December 2009, 26 April 2010 and 18 June 2011), the Bank believes that it is currently not possible to perform due diligence on certain assumptions in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular, specifically around:

- continued access to exceptional Government liability guarantee schemes;
- continued access to Monetary Authority liquidity schemes;
- downgrades to Ireland's credit rating by credit rating agencies due to factors outside of the Bank's control; and
- the impact of a failure to ratify and implement the Fiscal Stability Treaty.

In particular, since certain of the exceptional Monetary Authority liquidity schemes roll over on a short term basis, the Bank is therefore unable to obtain documentary confirmations evidencing contractual commitments from the relevant authorities that the schemes will be in place for the entirety of the working capital period.

Working capital assumptions

Continued access to exceptional Government liability guarantee schemes

The Minister for Finance announced details of the ELG Scheme in September 2009, which facilitates participating institutions, including the Bank, in issuing debt and securities and taking deposits which are due to mature after the expiry of the CIFS Guarantee Scheme which was introduced in September 2008 to guarantee certain liabilities of covered institutions, including the Bank, until 29 September 2010. The ELG Scheme was approved by the European Commission under State aid rules and the Houses of the Oireachtas (parliament of Ireland) in December 2009 and the Bank announced its participation in the ELG Scheme on 11 January 2010 and noted that its participation would further support the Bank's objective of achieving more conservative balance sheet metrics. The ELG Scheme is subject to six monthly review under which the European Commission could require the amendment or cessation of the scheme. The ELG Scheme was originally expected to conclude on 29 September 2010. On 28 June 2010, following a request from the Minister for Finance, the European Commission approved a modification of the ELG Scheme to provide a prolongation of the Issuance Window from 29 September 2010 to 31 December 2010 for certain instruments. On 21 September 2010, following a request from the Minister for Finance, the European Commission approved a further modification of the ELG Scheme to provide an extension of the Issuance Window from 29 September 2010 to 31 December 2010 with respect to inter-bank deposits and short-term liabilities (zero to three months, including corporate deposits). On 10 November 2010, the European Commission announced the approval of the extension of the ELG Scheme until 30 June 2011, the maximum additional extension period permitted at any one time under the European Commission's current policy on guarantee schemes in the financial sector. On 1 June 2011, the European Commission announced the approval of the extension of the ELG Scheme until 31 December 2011 (again the maximum additional extension period). The Government has extended the ELG Scheme for a further period of one year to 31 December 2012 which extension is subject to European Commission approval every six months. The current verifiable date of European Commission approval is 30 June 2012.

As at 31 March 2012, the Bank's funding position was as follows:

	€ billion
Retail deposits	62
Corporate and treasury deposits	8
Total customer deposits	70
Wholesale funding	50
Other (subordinated and other liabilities and equity)	21
Total	141*

* *excludes life assurance related activities*

Source: unaudited internal management information

Of the funding above, approximately €42.3 billion is covered by the ELG Scheme (representing approximately 30% of total funding) of which €20 billion relates to retail deposits, €7.0 billion relates to corporate and treasury deposits and €15.3 billion relates to wholesale funding. It remains an objective of the Bank to reduce its reliance on this scheme and its firm target is to return as soon as practicable to non-reliance on government backed schemes. To this end, as of the beginning of April 2012, the Group's subsidiary, Bank of Ireland UK plc, has disengaged from the ELG Scheme for new deposits and rollovers of existing products and since the beginning of 2012, the Bank has been offering corporate deposits outside the ELG Scheme from other Group business units.

As noted above, the ELG Scheme is scheduled to expire on 31 December 2012 but it is subject to European Commission approval every six months (the next such review being on 30 June 2012). Debt securities and deposits issued under the ELG Scheme prior to 30 June 2012 will be covered to maturity, subject to a maximum maturity of five years. However, there still exists uncertainty as to whether the ELG Scheme will be extended by the State beyond 31 December 2012, and by the European Commission beyond 30 June 2012.

In overall terms, the material amendment or withdrawal from the ELG Scheme against a disorderly market backdrop could introduce systemic weakness to the Irish banking sector and remove an important element of support for the sector as a whole. As such, material amendment to, or withdrawal from, the ELG Scheme, or the unplanned removal of the Bank from the ELG Scheme prior to its termination could adversely affect the terms on which the Bank would be able to access funding. While there has been no suggestion that there could be a material amendment to, or cancellation of, the ELG Scheme, there is a risk that this could occur in the event that there is a change in policy by either the Government or the EU Commission in relation to the scheme and the possible consequences of such an event occurring are difficult to incorporate into the working capital exercise for the Bank in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular.

Continued access to the Monetary Authority liquidity schemes

The global financial turmoil and constraints on liquidity experienced by financial institutions in September 2008 placed a significant strain on the funding position of banks internationally. The extremely distressed market conditions of the time led Monetary Authorities including the ECB and the Bank of England to announce a broad range of special measures intended to ease the strain on the liquidity positions of the banks and to reduce the level of turbulence being experienced in financial markets.

Since 2008, the ECB has introduced various measures including special term refinancing operations to improve the overall liquidity position of the euro area banking system. The ECB also broadened the eligibility criteria for collateral for its monetary policy operations over this period.

Certain Government guaranteed securities are currently eligible for liquidity management purposes. By reason of prevailing and continuing adverse market conditions for Irish banks, the Bank has access to a range of liquidity facilities from Monetary Authorities, which includes exceptional liquidity assistance ("**ELA**") from the Central Bank. ELA is a mechanism available to central banks to support, on a case by case basis, temporarily illiquid but solvent financial

institutions. The Bank had drawings under exceptional liquidity facilities from the Central Bank at 31 December 2010 of €8 billion which were repaid during the year ended 31 December 2011 such that drawings at 31 December 2011 were €nil and remain €nil as at 28 May 2012, being the last practicable date prior to the publication of this Circular (Source: unaudited internal management information). The Bank acknowledges that the usage of other liquidity support from Monetary Authorities (approximately €24 billion at 31 March 2012 (Source: unaudited internal management information)) is currently of fundamental importance as it restructures its balance sheet, reducing loan assets and increasing customer deposits. The Bank believes that access to such schemes underpins market confidence in the Bank and therefore the removal of such support could be materially detrimental to the Bank's funding position and balance sheet restructuring.

Downgrades to Ireland's credit rating by credit rating agencies due to factors outside of the Bank's control

As at 28 May 2012, the last practicable date prior to the publication of this Circular, the long-term (outlook) / short-term (outlook) sovereign credit ratings for Ireland were BBB+ (Negative)/A-2 from Standard & Poor's, Ba1 (Negative)/Not-Prime from Moody's Investor Service, BBB+ (Negative)/ F2 from Fitch Ratings and A (low) (Under Review with Negative implications)/(N/A) from DBRS. These current ratings reflect a number of ratings downgrades of the sovereign credit ratings following market dislocation in early 2009, prior to which, the long-term (outlook) sovereign ratings for Ireland were: AAA(Stable) from Standard & Poor's, Aaa(Stable) from Moody's Investor Services, AAA (Stable) from Fitch Ratings and AA (Stable) from DBRS (in July 2010 when DBRS commenced rating the sovereign credit rating for Ireland).

Further downgrades in the sovereign rating of Ireland could be expected to have a systemic effect on the Irish banking sector and would likely result in a further downgrading of the Bank. Such an event would be driven by events outside of the Bank's control such as fiscal difficulties (non-delivery of the planned austerity measures or an increased stringency thereof, greater than anticipated capital issues in the banks relying on Government support, lower than expected tax revenues or increased public expenditure), public sector or electorate disquiet, adverse changes in Government policy or a change in Government which could jeopardise the EU/ IMF Programme.

The quality of the Group's collateral and therefore the ability of the Group to access funding from Monetary Authorities may be influenced by the sovereign rating of Ireland. A downgrade or series of downgrades in the credit rating of the Government debt or Government guaranteed bonds could adversely impact the terms on which the Group can access the liquidity provision operations offered by Monetary Authorities or secured borrowing from wholesale markets and could restrict refinancing of wholesale funding.

The purchase of the Bonds pursuant to the Transaction will further increase the exposure of the Bank to the risk of Irish sovereign downgrade or default. If the State defaults on its sovereign debt obligations, this would have a material adverse effect on the value of the Bonds, and the Bank could suffer a loss arising from the reduced value of the Bonds, which could have an impact on the Bank's liquidity.

While Moody's have lowered the rating of the Irish sovereign to Ba1, which is below their investment grade rating of Baa3, Ireland's rating remains at investment grade with Fitch, Standard & Poor's and DBRS. Further ratings downgrades, particularly if the sovereign credit ratings for Ireland fell below investment grade for Standard & Poor's, Fitch and DBRS, could adversely impact the financial condition and prospects for the Group. It is not possible to make assumptions around such an event in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular, given the highly unpredictable timing of such a decision by the rating agencies and the inability of the Bank to accurately model the impact on the Bank, given that there is insufficient data available to the Bank due to the unprecedented nature of downgrades below the investment grade threshold.

The impact of a failure to ratify and implement the Fiscal Stability Treaty

The Fiscal Stability Treaty is, subject to its ratification by at least 12 Eurozone countries, expected to come into effect on 1 January 2013. The Government has announced that a referendum will be held in Ireland on 31 May 2012, which is within the working capital period, under which an amendment to the Irish Constitution will be proposed to enable Ireland to ratify the Fiscal

Stability Treaty and to enable the Oireachtas to adopt legislation to implement it. If the Fiscal Stability Treaty is not ratified and implemented by at least 12 Eurozone countries, it cannot come into effect and it is expected that this would lead to adverse implications for the Eurozone and for the State. The full implications for the Eurozone and for the State of the Fiscal Stability Treaty not coming into effect are unknown, but may include the limitation of refinancing options for borrowings at acceptable cost levels by the State, which may result in adverse implications for the recovery of the Irish economic and financial systems; and possible further downgrading of the Irish sovereign credit rating and credit downgrades of the Bank.

Again, such an event is difficult to incorporate into the working capital exercise for the Bank in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular.

(b) Qualified working capital statement

A qualified working capital statement arises where an issuer is of the opinion that it does not have sufficient working capital for a period of at least 12 months from the date of such statement. The inclusion of a qualified working capital statement would likely have serious detrimental consequences for a bank including:

(i) Increased cost of liquidity and liquidity constriction

The potential loss of confidence in a bank that might arise from a qualified working capital statement could result in a significant increase in the price of liquidity and/or liquidity may become more constrained to the point that it has a material adverse effect on the bank's results, financial condition and prospects.

(ii) Credit rating implications

The potential increase in cost of liquidity, constrained liquidity and deposit erosion that might arise as a result of the inclusion of a qualified working capital statement might in turn lead to a reduction in long-term credit ratings. Such an event could have a circular effect of further undermining confidence in the bank and trigger a further round of increased cost of liquidity and liquidity constriction.

(iii) Systemic/contagion risk

A material loss of confidence in a significant bank would cause instability within the relevant banking system, increasing the reliance on Monetary Authority funding and could result in adverse pressure on the sovereign's own fiscal position and possible contagion into the banking systems of other countries.

The Bank is of the view that such a statement could potentially be misinterpreted by the market or customers to suggest that it is not appropriate for the Bank to prepare its financial statements on an unmodified going concern basis rather than it not being possible to diligence certain assumptions (as set out above in sub-paragraph (a) entitled "*Unqualified working capital statement*" of this paragraph 3) in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular. Therefore, were the inclusion of a qualified working capital statement deemed appropriate, this could have serious detrimental consequences for the Bank, the Irish banking system and potentially the Irish economy and potentially for stability of the UK and EU banking sector. These potential negative impacts could far outweigh the benefits of the proposed Transaction for the Bank and the public interest of Ireland and the UK and could result in the Bank not proceeding with the Transaction.

(c) Waiver of requirement for working capital statement

In previous circulars published by the Bank (dated 18 December 2009, 26 April 2010 and 18 June 2011) which related to transactions designed to ultimately improve the Bank's financial position, it was not possible to diligence the uncertainties set out in sub-paragraph (a) entitled "*Unqualified working capital statement*" of this paragraph 3 in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular and as a result, the Irish Stock Exchange and UK Listing Authority waived the requirement for the Bank to produce a statement regarding the adequacy of working capital and determined that the omission of a working capital statement would not be likely to mislead the public with regard to the facts and circumstances essential for an informed assessment of the Bank and the subject matter of the Circular.

Given the specific circumstances of this Transaction, in that it is not a transaction designed to ultimately improve the Bank's financial position in a material manner, and given the UK Listing Authority's view that market participants now have a better understanding of the working capital issues facing banks, it is considered that a waiver would be unlikely to be granted on the same basis as previous Bank waivers. Accordingly, the Bank has applied to the Irish Stock Exchange for a working capital waiver to be granted on the grounds that it is not possible to adequately diligence the working capital assumptions referred to in sub-paragraph (a) entitled "*Unqualified working capital statement*" of this paragraph 3 in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular, and in addition, that the Transaction and the grant of such a waiver are in the public interest and that the omission of the working capital statement would not be likely to mislead the public with regard to the facts and circumstances essential for an informed assessment of the Transaction. The Bank has separately applied to the UK Listing Authority for a working capital waiver to be granted on the grounds that the Transaction and the grant of such a waiver are in the public interest and that the omission of the working capital statement would not be likely to mislead the public with regard to the facts and circumstances essential for an informed assessment of the Transaction.

In support of such an application formal representations have been made by the Department of Finance to the Irish Stock Exchange and the UK Listing Authority that the Transaction and the waiver are in the Irish public interest and formal representations have been made from HM Treasury to the UK Listing Authority that the Transaction and the waiver are in the UK public interest.

The Directors believe that the public interest benefits to the State include the following:

- The Transaction facilitates constructive dialogue to continue between the Government and the Troika on redesigning the Promissory Note arrangement with IBRC. As stated in the Minister's Speech: "*The use of an Irish Government bond in relation to the promissory note payment allows the wider discussions to continue between the Irish Authorities and the Troika, both on the promissory notes arrangement and on how to advance the return to normality of the Irish banking system thus improving the availability of banking services in support of economic recovery*";
- The €3.06 billion Promissory Note payment due on 31 March 2012 was included in Ireland's debt repayment schedule for 2012 and the Transaction would therefore remove the requirement for the Government to settle this instalment in cash, resulting in a cash-flow benefit for the Government in 2012;
- According to the Minister's Speech there is a "*significant cash flow benefit to the Exchequer in 2012 and [the State's] long term debt sustainability is enhanced*" as a result of the Transaction; and
- As set out in the Minister's Speech, the €3.06 billion of EU/IMF Programme funding that would otherwise have been used to make the payment due by the State under the Promissory Notes on 31 March 2012, "*should potentially allow greater flexibility around when and at what level Ireland returns to the capital markets*".

The Minister's Speech also stated the following as a more general benefit to the State:

> "*While this development in relation to the end March payment is a positive development we must keep our eye on the greater benefits which would derive from the re-engineering of the promissory note and also the potential improvements for the continuing banking sector which could also stem from the ongoing technical discussions.*
>
> *It is for these reasons that we must look at the recent developments as what would be an initial step to facilitate a project where, if we are successful, it will be in the medium term rather than immediately. These discussions will continue and the Government are focused on developing an alternative solution to the promissory note arrangement in IBRC. The ongoing discussions may also explore options to refinance the long term Government bond issued in settlement of the March 31 payment. We all want to arrive at a successful conclusion that is in the interests of Ireland and the EU.*"

The Directors believe that the public interest benefits to the UK include the following:

- The UK granted a bilateral loan of £3.5 billion to Ireland as part of the overall package of international support.

- In delivering the third installment of this loan to Ireland, Treasury Minister Mark Hoban said on 17 April 2012 "*the government believes that it is in our national interest that the Irish economy is successful and the banking system is stable*".
- The Chancellor of the Exchequer stated the following in the House of Commons on 15 December 2010 "*An interesting way for the House to think about it is that every man, woman and child in Ireland spends an average of £3,600 per year on British goods-that is how connected our economies are. Indeed, as has often been pointed out, we export more to Ireland than to Brazil, Russia, India and China put together, although we are trying to increase our exports to those four very large emerging markets. For some of our industrial sectors, such as food and drink or clothing and footwear, Ireland is our top export market. Ireland is also the only country with which we share a land border, and in Northern Ireland our economies are particularly linked, with two-fifths of exports going to the Republic*."
- The Bank has a substantial presence in the UK economy including:
  - Lending of approximately £40 billion;
  - More than 3 million customers;
  - Employing approximately 2,000 staff in the UK; and
  - A universal bank in Northern Ireland (44 branches and approximately 200,000 customers);
- Major UK banks have considerable businesses in Ireland and are therefore exposed to the Irish economy and the stability of the Irish banking system.

Waiver applied to the specific circumstances of this Transaction

The Bank's application for a working capital waiver and the supporting formal representations which have been made by the Department of Finance to the Irish Stock Exchange and the UK Listing Authority that the Transaction and the waiver is in the Irish public interest and the formal representations which have been made by HM Treasury to the UK Listing Authority that the Transaction and the waiver is in the UK public interest have been accepted by the Irish Stock Exchange and the UK Listing Authority as a basis for agreeing that a statement regarding the adequacy of working capital for at least the next 12 months should not be required in this Circular as it is in the public interest to facilitate the Transaction. The Irish Stock Exchange also based its waiver on the grounds that it is not possible to adequately diligence the working capital assumptions referred to in sub-paragraph (a) entitled "*Unqualified working capital statement*" of this paragraph 3, in order to give the Directors sufficient assurances to make an unqualified working capital statement in the context of a class 1 circular. There is, therefore, no working capital statement in this Circular.

PART V

ADDITIONAL INFORMATION

1. Responsibility Statement

The Bank and the Directors whose names and positions are set out in paragraph 3 (Directors and Secretary) of this Part V (Additional Information) accept responsibility for the information contained in this Circular and to the best of the knowledge of the Bank and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Information on the Group

The Bank was established as a chartered corporation by an Act of the Irish Parliament of 1781/2 and by a Royal Charter of King George III in 1783. The Bank is registered in Ireland with registered no. C-1 and has limited liability.

The address of the registered office of the Bank is 40 Mespil Road, Dublin 4, Ireland (Telephone No.: +353 1 637 8000).

3. Directors and Secretary

Patrick Molloy	Governor
Patrick O'Sullivan	Deputy Governor and Senior Independent Director
Richie Boucher	Group Chief Executive
Andrew Keating	Group Chief Financial Officer
Tom Considine	Non-Executive Director
Patrick Kennedy	Non-Executive Director
Joe Walsh	Non-Executive Director
Patrick Mulvihill	Non-Executive Director
Patrick Butler	Non-Executive Director
Patrick Haren	Non-Executive Director
Kent Atkinson	Non-Executive Director
Helen Nolan	Group Secretary

4. Directors', Secretary's and Senior Executives' interests

Save as set out in this paragraph 4, no Director, Secretary or senior executive has any interest (beneficial or non-beneficial) in the stock units or options of the Bank or the Group.

Directors' interests in capital stock

The table below sets out the interests of the Directors in the Bank's Ordinary Stock as at 28 May 2012, the last practicable date prior to the publication of this Circular:

	No. of Units of Ordinary Stock
Patrick Molloy	2,794,170
Patrick O'Sullivan	115,000
Richie Boucher	380,957
Andrew Keating	56,014
Patrick Kennedy	254,642
Patrick Mulvihill	5,000
Patrick Butler	1,000
Patrick Haren	1,000
Kent Atkinson	2,000
Tom Considine	57,500
Joe Walsh	123,427

Secretary and Senior Executives' interests in capital stock

The table below sets out the interests of the Secretary and senior executives in the Bank's Ordinary Stock as at 28 May 2012, the last practicable date prior to the publication of this Circular:

	No. of Units of Ordinary Stock
Helen Nolan	80,043
Des Crowley	1,515,253
Denis Donovan	2,141,606
Liam McLoughlin	82,933
Peter Morris	100,072
Vincent Mulvey	337,197
Julie Sharp	Nil
Senan Murphy	Nil

Stock options held by Directors, Secretary and Senior Executives

Executive stock options

Options to subscribe for Ordinary Stock in the Bank granted to the Directors, Secretary and senior executives, as at 28 May 2012, the last practicable date prior to the publication of this Circular, are set out in the following table:

	Date of grant	Earliest exercise date	Expiry date	Exercise Price	No. of Options
				€	
Richie Boucher	26 July 2004	26 July 2007	26 July 2014	10.76	26,000
	21 June 2005	21 June 2008	21 June 2015	12.85	23,000
					49,000
Andrew Keating					Nil
Des Crowley	24 June 2002	24 June 2005	24 June 2012	12.50	25,000
	18 June 2003	18 June 2006	18 June 2013	10.77	50,000
	26 July 2004	26 July 2007	26 July 2014	10.76	35,000
	21 June 2005	21 June 2008	21 June 2015	12.85	32,500
					142,500
Denis Donovan	24 June 2002	24 June 2005	24 June 2012	12.50	30,000
	18 June 2003	18 June 2006	18 June 2013	10.77	50,000
	26 July 2004	26 July 2007	26 July 2014	10.76	35,000
	21 June 2005	21 June 2008	21 June 2015	12.85	32,500
					147,500
Helen Nolan	18 June 2003	18 June 2006	18 June 2013	10.77	10,000
	26 July 2004	26 July 2007	26 July 2014	10.76	12,000
	21 June 2005	21 June 2008	21 June 2015	12.85	11,000
					33,000
Vincent Mulvey	24 June 2002	24 June 2005	24 June 2012	12.50	10,000
	18 June 2003	18 June 2006	18 June 2013	10.77	12,000
	26 July 2004	26 July 2007	26 July 2014	10.76	14,000
	21 June 2005	21 June 2008	21 June 2015	12.85	10,500
					46,500
Peter Morris	24 June 2002	24 June 2005	24 June 2012	12.50	15,000
	26 July 2004	26 July 2007	26 July 2014	10.76	14,000
	21 June 2005	21 June 2008	21 June 2015	12.85	9,500
					38,500
Liam McLoughlin					Nil
Julie Sharp					Nil
Senan Murphy					Nil

The vesting of options granted in 2008 were conditional upon underlying earnings per share achieving a cumulative growth of at least 5% per annum compounded above the increase in the Consumer Price Index over the three year performance period. These options lapsed in June 2011 as the performance conditions were not achieved.

Long Term Performance Stock Plan ("LTPSP")

Conditional awards of units of Ordinary Stock were made under the Long Term Performance Stock Plan ***("LTPSP")*** in 2002 and these awards vested in 2005. Under the rules of the LTPSP, a minimum of 80% of the vested stock must be retained for two years from the maturity of the award. After the two year retention period, an additional award of 20% is made. If the award is retained for an additional five years, a further award of 30% is made. Matching awards due on 21 May 2011, relating to the 2001 award and matching awards due on 24 June 2012, relating to the 2002 award, under the LTPSP, were waived by the Directors.

The LTPSP was replaced by the Long Term Incentive Plan ("**LTIP**") in 2004. There are no outstanding awards under the LTIP.

5. Directors' Service Contracts & Letters of Appointment

Executive Director's Service Contract

Richie Boucher has a service contract with the Bank. Mr. Boucher's service contract is a permanent contract which may be terminated by the Bank giving not less than twelve months' written notice of termination. Mr. Boucher is entitled to terminate the contract by giving not less than twelve months' notice of termination, or such lesser period as may be mutually agreed. The service contract reserves the right of the Bank to make a payment in lieu of the notice period. It may be terminated by the Bank on giving the applicable statutory notice only (or payment in lieu thereof) in certain prescribed circumstances to include fraud, dishonesty, gross misconduct or willful neglect in the discharge of duties on Mr. Boucher's part. The service contract terminates automatically on Mr. Boucher's sixtieth birthday. Mr. Boucher is entitled to receive a pension from the Bank Staff Pensions Fund for Executives on retirement. Save as set out in this paragraph 5, the service contract does not provide for any payments or benefits on termination.

Andrew Keating has a service contract with the Bank. Mr. Keating's service contract is a permanent contract which may be terminated by the Bank giving not less than six months' written notice of termination. Mr. Keating is entitled to terminate the contract by giving not less than six months' notice of termination, or such lesser period as may be mutually agreed. The service contract reserves the right of the Bank to make a payment in lieu of the notice period. It may be terminated by the Bank on giving the applicable statutory notice only (or payment in lieu thereof) in certain prescribed circumstances to include fraud, dishonesty, gross misconduct or willful neglect in the discharge of duties on Mr. Keating's part. The service contract terminates automatically on Mr. Keating's sixtieth birthday. Mr. Keating is entitled to receive a pension from the Bank Staff Pensions Fund for Executives on retirement. Save as set out in this paragraph 5, the service contract does not provide for any payments or benefits on termination.

Non-Executive Directors' Letters of Appointment

Each of the Non-Executive Directors has a letter of appointment with the Bank. Each letter of appointment is for a fixed period of three years, subject to the provisions of the Bye-Laws or other applicable law or at the discretion of either party. The letters of appointment provide that Non-Executive Directors are typically expected to serve a second three year term subject to satisfactory performance, the needs of the business and stockholder re-election as required at Annual General Courts. The letters also provide that Non-Executive Directors may, in exceptional circumstances, be invited to serve a further and final term of up to three years. Save as set out in this paragraph 5, the letters of appointment of the Non-Executive Directors do not provide for any payments or benefits on termination.

6. Significant Stockholdings

As at 28 May 2012, the last practicable date prior to publication of this Circular, the NPRFC held 15.13% of the Issued Ordinary Stock. The 2009 Preference Stock held by the NPRFC carries the right to "top-up" the NPRFC's total voting rights to 25% of the total voting rights on any resolution proposed at a General Court in relation to the appointment, re-election or removal of a Director of the Bank or any Control Resolutions, where the NPRFC's ordinary voting rights through its holding of Ordinary Stock (or other securities issued in future) falls below this level. This entitlement applies to the NPRFC for so long as it

holds any units of 2009 Preference Stock. Further details of the NPRFC's stockholding are set out in paragraph 8 (Related Party Transactions) of this Part V (Additional Information) of this Circular under the heading "*Government*".

In the event that the Contingent Capital Notes are converted into Ordinary Stock, the State, as holder of the Contingent Capital Notes would hold up to a maximum of 48.99% of the Issued Ordinary Stock (assuming the Issued Ordinary Stock at the time of the conversion is equal to the Issued Ordinary Stock plus the new Ordinary Stock issued upon the conversion of the Contingent Capital Notes and assuming such new Ordinary Stock is issued at the lowest permissible issue price).

As at 28 May 2012, the last practicable date prior to publication of this Circular, the Bank had received notification of the following other significant interests in the Issued Ordinary Stock:

Hamblin Watsa Investment Counsel Ltd: 2,807,463,858 units of Ordinary Stock comprising 9.32% of the Issued Ordinary Stock.

Wilbur L. Ross, Jr./WLR Recovery Fund IV, L.P.: 2,807,463,858 units of Ordinary Stock comprising 9.32% of the Issued Ordinary Stock.

FMR LLC: 2,710,210,136 units of Ordinary Stock comprising 8.99% of the Issued Ordinary Stock.

Capital Research and Management Company: 1,798,436,208 units of Ordinary Stock comprising 5.97% of the Issued Ordinary Stock.

Harris Associates L.P.: 1,877,374,068 units of Ordinary Stock comprising 6.23% of the Issued Ordinary Stock.

Friedberg Global Macro Hedge Fund Limited Partnership: 912,346,577 units of Ordinary Stock comprising 3.03% of the Issued Ordinary Stock.

As at 28 May 2012, the last practicable date prior to the publication of this Circular, the Bank had not been notified of any holding of capital stock in the Bank carrying greater than 3% of voting rights in the Bank save as set out in this paragraph 6 of this Part V (Additional Information) of this Circular.

7. Material Contracts

The following are all of the material contracts, other than contracts entered into in the ordinary course of business, that have been entered into by members of the Group (a) within the two years immediately preceding the date of this Circular which are, or may be, material to the Group; or (b) at any time and contain obligations or entitlements which are material to the Group as at the date of this Circular:

The Agreement

The key provisions of the Agreement are as follows:

- ***Purchase:*** Under the terms of Agreement, the Purchase Price will be €3.06 billion payable by the Bank to IBRC on the Purchase Date. As a result of the margining provisions contained in the Agreement (described further under the heading "*Margining requirements*" below), it is expected that IBRC will have an obligation to deliver cash Margin to the Bank on the Purchase Date in an amount anticipated to be approximately €226.6 million. The Margin requirements for the Purchase Date will be determined by: (i) the amount of the ECB Discount; (ii) the market value of the Bonds (as determined by the ECB), and (iii) any value variation allowance, which is an amount determined by the Bank, in consultation with IBRC, which is designed to allow for differences between the value of the Bonds as attributed by the Bank and the value actually attributed to the Bonds by the ECB. Assuming that: (i) there is no change in the ECB Discount between 28 May 2012, the last practicable date prior to the publication of this Circular and the Purchase Date; (ii) the market value of the Bonds (as determined by the ECB) on the Purchase Date, is the same as the market value of the Bonds (as published by Bloomberg) on 28 May 2012, being the last practicable date prior to the publication of this Circular; and (iii) a value variation allowance of zero is determined by the Bank (in consultation with IBRC), it is estimated that €226.6 million Margin would be payable by IBRC to the Bank on the Purchase Date. The Margin payable by IBRC on the Purchase Date must be paid by IBRC to the Bank in cash. A net settlement feature has been incorporated into the Agreement which effectively means that, on the basis of the assumptions outlined above, the actual cash payment which the Bank would be required to provide to IBRC for the Bonds on the Purchase Date would be approximately

€2.8334 billion, being an amount equal to the Purchase Price, less the cash Margin payable by IBRC to the Bank on the Purchase Date.

- ***Repurchase:*** On the Repurchase Date, IBRC will be required to pay to the Bank the Repurchase Price in cash in an amount equal to €3.06 billion and the Bank will be required to transfer to IBRC the Bonds. On the Repurchase Date, the parties will be obliged to return to one another any Margin held by either party in connection with the Transaction. In addition, IBRC will be required to pay to the Bank any accrued but unpaid Transaction Fee. In certain prescribed circumstances, the Transaction may be terminated early in which case the obligation of IBRC to pay the Repurchase Price (together with any accrued but unpaid Transaction Fee), the obligation of the Bank to deliver Bonds and the obligations of both parties to return Margin held by either party, will be accelerated to the Early Termination Date. These circumstances are described further below under the heading "*Early Termination*". The Agreement provides that all cash amounts due by one party to the other on the same date and in the same currency will be combined so that a single net sum will be payable by one party to the other. For example, this means that the amount of any cash Margin held by the Bank on the Repurchase Date would be deducted from the total amount payable by IBRC to the Bank on the Repurchase Date.
- ***Transaction Fee:*** The Bank will be entitled to receive from IBRC a fee in connection with the Transaction (the "**Transaction Fee**") which will be payable monthly by IBRC to the Bank. The Transaction Fee will be a percentage per annum calculated to cover the Bank's ongoing cost of funds in financing the Bonds through the OMO Facility plus an amount equal to 1.35% of the Purchase Price. The Transaction Fee will be calculated by multiplying: (i) the Purchase Price; by (ii) the Transaction Fee Rate; by (iii) the Day Count Fraction. If IBRC provides cash Margin to the Bank during the term of the Transaction, the Bank will be required to pay interest to IBRC on such cash Margin (also on a monthly basis), calculated at the Transaction Fee Rate. The Agreement provides that all cash amounts due by one party to the other on the same date and in the same currency will be combined so that a single net sum will be payable by one party to the other. This means that the interest payable by the Bank to IBRC in respect of the cash Margin held by the Bank will be offset against the Transaction Fee payable by IBRC to the Bank, so that a net sum only will be payable by IBRC in respect of the Transaction Fee. This would have the effect of reducing the expected net economic return for the Bank on the Transaction. If, for whatever reason, the Transaction were to terminate early, the Bank's expected return on the Transaction would be reduced, as the Bank would not be entitled to receive Transaction Fee payments after the Early Termination Date.
- ***Expenses:*** The Bank will be entitled to receive from IBRC its reasonable and vouched costs and expenses in connection with the Transaction.
- ***Margining requirements:*** The purpose of the margining provisions contained in the Agreement is to, among other things, mitigate the risk of the Bank incurring loss should IBRC default on its payment obligations under the Agreement. Eligible Margin under the Agreement is cash denominated in euro or, in certain circumstances, the Bonds.

  The basis of the calculation of the Margin requirement in respect of the Purchase Date is set out above under the sub-heading "*Purchase*". Any obligation of IBRC to provide Margin to the Bank on the Purchase Date must be satisfied in cash.

  The market value of the Bonds (as determined by the ECB) will be reviewed, and Margin calls determined by the Bank, on a daily basis. The margining provisions require that if, on any Business Day during the term of the Transaction, the aggregate amount of:

  (i) the market value of the Bonds (as determined by the ECB) (less the amount of any ECB Discount and value variations reasonably determined by the Bank, in consultation with IBRC); and

  (ii) the Margin (if any) delivered by IBRC and then held by the Bank,

  is *less* than the aggregate amount of:

  (i) the Repurchase Price; and

  (ii) any accrued but unpaid fees owed by IBRC to the Bank at such time,

  then IBRC will be required to deliver Margin to the Bank in an amount sufficient to eliminate the shortfall.

IBRC will be required to provide Margin to the Bank in cash, save in very limited circumstances. IBRC will be entitled to provide Margin to the Bank in the form of securities where:

(i) those securities are the Bonds; and

(ii) IBRC has previously received Margin from the Bank in the form of Bonds and the amount of the Margin in the form of Bonds proposed to be delivered by IBRC does not exceed the amount of the Bonds previously received by IBRC from the Bank.

In accordance with market practice, the Agreement provides for two-way margining. This means that the Bank may have to provide Margin to IBRC if on any Business Day during the term of the Transaction, the aggregate amount of the Repurchase Price and any accrued but unpaid fees owed by IBRC to the Bank at such time is *less* than the aggregate amount of (i) the market value of the Bonds (as determined by the ECB) (less any ECB Discounts and value variations reasonably determined by the Bank in consultation with IBRC); and (ii) the Margin (if any) delivered by IBRC and then held by the Bank. The Margin that the Bank would be required to provide to IBRC in such circumstances would be in an amount sufficient to eliminate the excess.

The Bank will have discretion as to the type of Margin that it wishes to deliver under the Agreement. As is normal in repurchase transactions of this nature, the Bank will have an obligation to pay to IBRC interest (to be calculated on the same basis and at the same rate as the Transaction Fee Rate) on any cash Margin paid by IBRC to the Bank which is held by the Bank. The Agreement provides that all cash amounts due by one party to the other on the same date and in the same currency will be combined so that a single net sum will be payable by one party to the other. This means that the interest payable by the Bank to IBRC in respect of the cash Margin held by the Bank will be offset against the Transaction Fee payable by IBRC to the Bank, so that a net sum only will be payable by IBRC in respect of the Transaction Fee. Also, the amount of any cash Margin held by the Bank on the Repurchase Date will be deducted from the total amount payable by IBRC to the Bank on the Repurchase Date.

- ***Termination:*** The Transaction shall terminate on the earliest of (i) the Repurchase Date, being the date falling not less than 357 days and not more than 364 days after the Purchase Date; (ii) an Early Termination Date; and (iii) an Optional Termination Date. The Transaction may also be terminated as a result of the occurrence of an event of default, or in the event that either party notifies the other that action by a taxing authority or change in a fiscal or regulatory regime has, or will have, in the notifying party's reasonable opinion a material adverse effect on that party in the context of the Transaction.

- ***Early termination:*** Each of the following circumstances will constitute an Early Termination Event under the terms of the Agreement:

  (i) ***Material adverse effect:*** any event or circumstance occurs which the Bank, acting in good faith and in a commercially reasonably manner, believes has a material adverse effect. For these purposes, "material adverse effect" means a material adverse effect on the market (including credit ratings), regulatory, accounting, funding or capital implications of the Transaction for the Bank;

  (ii) ***Eligibility of the Bonds:*** if the Bonds cease to qualify as eligible assets for the purposes of accessing the OMO Facility;

  (iii) ***Bank counterparty:*** if IBRC ceases to be the holder of a banking licence issued by the Central Bank under the Central Bank Act 1971;

  (iv) ***Regulatory capital:*** if the Bank would be required to allocate incremental capital as a result of its participation in the Transaction;

  (v) ***Force majeure:*** if, since the date of the Transaction there has been, in the reasonable opinion of the Bank, after such consultation with IBRC as is practicable in the circumstances, such a change in national or international financial, political or economic conditions or currency exchange rates or exchange controls as would, in its view, be likely to materially adversely affect its continued participation in the Transaction;

  (vi) ***Guarantee:*** if the Minister announces that the Guarantee is to be withdrawn or amended or the Guarantee expires or otherwise ceases to be in full force and effect;

  (vii) ***State aid:*** if an investigation is commenced to enquire whether the Guarantee or the Transaction is in compliance with EU laws and regulations relating to State aid; or

(viii) ***Funding:*** if it is not possible for the Bank to obtain funding in connection with the Bonds in accordance with the Agreement.

If an Early Termination Event occurs under paragraph (i), (ii), (iii), (iv), (v), (vi) or (vii) above, the Bank may, at its sole discretion, by written notice to IBRC, designate a day not earlier than one Business Day after the date of the notice as the Early Termination Date.

If an Early Termination Event arises under paragraph (viii) above, then termination of the Transaction will be automatic and, as described in more detail below under the heading "*Funding*", the next Refinancing Date shall be the Early Termination Date in respect of the Transaction.

If, following the occurrence of an Early Termination Event, the Transaction is terminated early, then IBRC's obligation to pay the Repurchase Price and the Bank's obligation to transfer the Bonds will be accelerated and IBRC will be required to pay to the Bank any accrued but unpaid Transaction Fee then outstanding up to the Early Termination Date.

- ***Optional Termination:*** On any date falling not less than three months after the Purchase Date, IBRC may by not less than ten Business Days' written notice to the Bank designate a date as the date on which the Transaction is to terminate (such early termination date being an "**Optional Termination Date**"). If this option is exercised, IBRC's obligation to pay the Repurchase Price and the Bank's obligation to transfer the Bonds will be accelerated and IBRC will be required to pay to the Bank any accrued but unpaid Transaction Fee then outstanding up to the Optional Termination Date.

- ***Funding:*** The Bank intends to finance the acquisition and holding of the Bonds through standard ECB open market operations. As at 28 May 2012, the last practicable date prior to the publication of this Circular, funding arrangements under the OMO Facility are determined on a fixed rate full allotment basis, which means that the ECB specifies the interest rate in advance and parties bid for the funds required on the basis of the specified interest rate. Funding is generally available provided a party is willing to pay the specified interest rate. Since the ECB conducts its money market operations weekly, the Bank's ability to access such funding will be determined weekly. The principal consequences of this are as follows:

  (i) If, after the date of the Agreement, the manner in which the ECB operates the OMO Facility changes from a fixed rate full allotment to variable rate tender (such an event being an "**Allotment Event**"), then, the Bank and IBRC will be required to consult together with a view to agreeing appropriate pricing for the bid(s) to obtain funding. Furthermore, because a failure to obtain funding for the Bonds will constitute an Early Termination Event (as described above), the Bank and IBRC, acting in good faith and in a commercially reasonable manner, will consult with a view to agreeing a contingency plan for alternative funding for the Bonds on a temporary basis should the Bank be unsuccessful in funding all or a portion of them through the OMO Facility;

  (ii) If, following the occurrence of an Allotment Event:

    (a) the Bank is unsuccessful in obtaining funding for all or a portion of the Bonds through the OMO Facility; and

    (b) alternative funding arrangements satisfactory to the Bank (but not necessarily provided by the Bank) are in place within the timeframe required by the Bank (which, under the terms of the Agreement is not later than 4.00 p.m. (Dublin time) two Business Days before the next Refinancing Date,

    then the Bank and IBRC, acting in good faith and in a commercially reasonable manner, will agree to amend the Agreement to reflect any such revised funding arrangements.

    If a portion only of the Bonds are accepted for funding through the OMO Facility, then the Cost of Funds in respect of that portion of the Bonds funded under the OMO Facility will be as determined by the variable rate tender process and the cost of funds in respect of the residual portion of the Bonds funded under the alternative funding arrangements will be as agreed between the Bank and IBRC. The Bank intends that all of the Bonds would subsequently be financed under the OMO Facility, following the termination of any of the foregoing alternative funding arrangements.

  (iii) If, following the occurrence of an Allotment Event, alternative funding arrangements satisfactory to the Bank are not in place within the timeframe required by the Bank (which, under the terms

of the Agreement is not later than 4.00 p.m. (Dublin time) two Business Days before the next Refinancing Date, then an Early Termination Event will have occurred under the Agreement and the next following Refinancing Date shall be the Early Termination Date in respect of the Transaction.

(iv) If it is not possible for the Bank to obtain funding in connection with the Bonds in accordance with the Agreement, an Early Termination Event will have occurred, termination of the Transaction will be automatic and the next Refinancing Date shall be the Early Termination Date in respect of the Transaction. In these circumstances, IBRC's obligation to pay to the Bank the Repurchase Price and any accrued but unpaid Transaction Fee then outstanding up to that date, the Bank's obligation to transfer the Bonds and both parties' obligations to return Margin will become due on the Early Termination Date. Any potential funding gap for the Bank is mitigated by the fact that the Early Termination Date on which IBRC's payment obligations would become due would coincide with the next Refinancing Date on which the Bank would seek to obtain funding in respect of the Bonds and therefore it is not anticipated that the Bank would be exposed to any funding gap arising from an inability to obtain funding under the OMO Facility.

- ***Events of Default:*** The Agreement will be subject to customary events of default including non-payment and insolvency. In addition, an event of default for cross default has been incorporated into the Agreement. This means that a default by a party under a third party financing arrangement could trigger an event of default under the Agreement.
- ***Conditions:*** The Transaction is subject to certain conditions, including the following confirmations and/or approvals having been obtained:

  (i) the consent of Stockholders through the passing of the Resolution;

  (ii) the approval of the Central Bank;

  (iii) confirmation from the Central Bank that the Bonds will be eligible for the OMO Facility;

  (iv) legal opinions satisfactory to the Bank to be delivered on or prior to the date of the implementation of the Transaction; and

  (v) confirmation from the Department of Finance that the Guarantee as it applies to the Transaction will not be in contravention of EU laws and regulations relating to State aid.

  The Bank does not intend to waive any of the conditions.
- ***Governing law:*** The Agreement is governed by English law.

Guarantee

The key terms of the Guarantee are described in paragraph 3 (Summary of the terms of the Transaction) in Part I (Letter from the Governor of Bank of Ireland) of this Circular.

The Guarantee is governed by Irish law.

Relationship Framework

The Relationship Framework dated 30 March 2012 governs the relationship between the Minister and the Bank and is required pursuant to the State undertakings made to the European Commission for competition law purposes and in the context of deliverables to the Troika pursuant to the EU/IMF Programme. It does not create material new obligations on the part of the Bank.

The Minister's obligations and responsibilities under the Relationship Framework aim to ensure that the management of the State's interests in the Bank and other Irish credit institutions do not contravene merger control or competition law rules. The Relationship Framework requires that the Minister's engagement with the Bank must be in accordance with best institutional shareholder practice in a manner proportionate to the State's stockholding in the Bank.

In the Relationship Framework, the Minister recognises that the Bank remains a separate economic unit with independent powers of decision. The Relationship Framework also makes provision to ensure that the State's investment in the Bank is managed on a commercial basis.

The Relationship Framework describes the Minister's obligations and responsibilities as including:

- managing and maintaining its interest and exercising its rights in each credit institution separately from the management of its interests in other credit institutions in a manner which would not result in a prevention, restriction, distortion or significant lessening or impediment of effective competition or an abuse of dominance;
- ensuring that there are no cross-directorships between the Bank and other credit institutions in which the State has interests;
- putting in place effective barriers to prevent sensitive commercial information passing via the State between the Bank and any other credit institution in which the State has an interest as a result of State intervention; and
- dealing with requests for consent or consultation in the manner prescribed in the Relationship Framework.

The Relationship Framework describes the Bank's obligations and responsibilities as including:

- determining the Bank's strategy and commercial policies and conducting its day-to-day operations in a prudent and sustainable manner;
- ensuring compliance with the regulatory and legal obligations of the Bank including those under the Subscription Agreement, the 2010 Government Transaction Agreement, the 2011 Transaction Agreement, the Underwriting Agreement relating to the 2010 Capital Raising and the Minister's Letter;
- preparing a business plan encompassing the Bank's strategy and appropriate financial targets and updating the Department of Finance on its progress in meeting these targets;
- complying with the terms of the Revised 2011 EU Restructuring Plan; and
- using the procedure set out in the Relationship Framework in circumstances where consultation with, or the consent of, the Minister is required.

Deed of Undertaking

On 24 July 2011, the Bank entered into the Deed of Undertaking with a group of private investors and fund managers, Fidelity Management & Research Company, Fairfax Financial Holdings Limited, Capital Research and Management Company, WL Ross & Co. LLC and Kennedy-Wilson, Inc. (the "**Investors**"), in connection with the acquisition of units of Ordinary Stock by the Investors from the NPRFC. The Deed of Undertaking contains certain commitments from the Bank to the Investors, including, to request, obtain and/or assist the Investors in obtaining all regulatory approvals, authorisations, permits, consents and waivers as may be required in connection with their investment, to obtain stockholder approval of the investment, to issue relevant securities of the Bank only on a pre-emptive basis up to 29 July 2016, subject to certain specified exceptions, including any issue pursuant to existing or future authorities granted by Stockholders at an Annual General Court or an Extraordinary General Court to permit the Bank to issue relevant securities on a non pre-emptive basis. Pursuant to the stock purchase agreements between the Investors and the NPRFC, the Minister, the NPRFC and the NTMA agreed with the Investors to assign and transfer to the Investors the benefit of the warranties and indemnity which were given by the Bank to the State entities pursuant to the 2011 Transaction Agreement, in respect of every unit of Ordinary Stock acquired by the Investors. Pursuant to the Deed of Undertaking, the Bank consented and agreed to the assignment and transfer of the warranties and indemnity and acknowledged that the Investors are entitled to rely on the warranties and the indemnity in respect of every unit of Ordinary Stock acquired by the Investors under the stock purchase agreements with the NPRFC.

In consideration of the Investors entering into stock purchase agreements in respect of their investment in the Bank, the Bank agreed to pay each of the Investors a fee of 0.5 per cent. of the price paid by such Investor pursuant to the stock purchase agreements (plus VAT, to the extent applicable). In addition, the Bank agreed to reimburse the vouched costs and expenses of the Investors in connection with the investment up to an aggregate amount of €4 million, excluding irrecoverable VAT upon such costs and expenses.

The Deed of Undertaking shall expire on 29 July 2016.

Issuer Agreement

Under the terms of the Contingent Capital Notes, in certain circumstances, the Bank can solicit third party investors in respect of the Contingent Capital Notes. On 24 July 2011, the Bank entered into the Issuer Agreement with the Investors whereby the Bank agreed with each of the Investors that prior to the Bank soliciting any third party investors in respect of the sale of the Contingent Capital Notes, it will notify each of the Investors of its intention to do so and if the Bank solicits third party investors, in accordance with the terms of the Contingent Capital Notes, it shall include each of the Investors in the negotiation process in relation to the price at which the Contingent Capital Notes might be sold. In addition, pursuant to the Issuer Agreement, the Bank has agreed not to materially amend or modify the Note Purchase Agreement (as described below under the heading "*Note Purchase Agreement*") or the Agency Deed (as described below in this paragraph 7 under the heading "*Agency Deed*") without the prior written consent of each of the Investors. The Bank has acknowledged that pursuant to an agreement between the Minister for Finance and the Investors, each of the Investors are entitled to a right of first refusal in respect of its pro rata share of the Contingent Capital Notes, such share to be calculated on the basis of the number of units of Ordinary Stock purchased by each Investor under the stock purchase agreements between the Investors and the NPRFC, in the event of any solicitation for sale by the Minister or the Bank of the Contingent Capital Notes.

Note Purchase Agreement

The Note Purchase Agreement dated 8 July 2011 and made between the Bank and the Minister for Finance, sets out the agreement between the Bank and the Minister in respect of the issue of the Contingent Capital Notes by the Bank to the Minister. Under the Note Purchase Agreement, the Bank has provided certain undertakings to the Minister for Finance, for so long as the Minister is a holder of the Contingent Capital Notes and the Contingent Capital Notes remain outstanding. These undertakings include, other than with the approval of the Minister, (i) and other than in connection with a reorganisation or liability management exercise, not issuing or paying up any Ordinary Stock or other securities, by way of capitalisation of profits or reserves other than in certain specific exceptions; (ii) not, in any way, modifying the rights attaching to, or the nominal value of the Ordinary Stock or issuing any securities carrying rights which are more favourable than the rights attaching to the Ordinary Stock or taking any steps that could lead to the liquidation or winding up of the Bank; (iii) not redeeming, purchasing or otherwise acquiring for any consideration any Ordinary Stock or other securities; (iv) not effecting any return of capital, except the reduction of the Bank's preference capital stock and stock premium accounts in respect of the Bank's preference capital stock. Under the Note Purchase Agreement, the Minister has absolute discretion as to whether to sell the Contingent Capital Notes.

Agency Deed

The Agency Deed dated 29 July 2011 and made between the Bank and Citibank, records certain arrangements between the Bank and Citibank as fiscal agent, calculation agent and registrar in respect of the issue of the Contingent Capital Notes by the Bank to the Minister for Finance. The Agency Deed provides that the principal amount of the Contingent Capital Notes is €1,000,000,000 and that the notes shall be issued and delivered subject to and with the benefit of the Agency Deed and the conditions of the Contingent Capital Notes, which are appended to the Agency Deed. The arrangements set out in the Agency Deed include, the terms of the appointment of Citibank as agents, the payment of interest and principal amounts to the Minister in respect of the Contingent Capital Notes and the redemption, cancellation, transfer and conversion of the Contingent Capital Notes in accordance with their conditions. The Agency Deed provides that the Contingent Capital Notes shall, subject to any obligations which are mandatorily preferred by law, rank (i) junior to the claims of all holders of unsubordinated obligations of the Bank, (ii) *pari passu* with the claims of holders of all other dated subordinated obligations of the Bank which qualify as consolidated Tier 2 Capital of the Group for regulatory capital purposes, and (iii) senior to the claims of holders of all other subordinated obligations of the Bank expressed to rank junior to the subordinated obligations of the Bank including any subordinated obligations which qualify as Tier 1 Capital of the Group for regulatory purposes or which are expressed to rank junior to the Contingent Capital Notes.

The terms of the Contingent Capital Notes provide that they will convert or be exchanged immediately and mandatorily in their entirety into units of Ordinary Stock of the Bank in the event that a capital deficiency event occurs. A capital deficiency event will occur where:

(i) the Group's Adjusted Core Tier 1 Capital Ratio falls below 8.25% or, following the implementation of the Capital Requirements Directive IV in Ireland, the Group's CET 1 Ratio falls below 8.25%; or

(ii) if the Central Bank, in its sole discretion, notifies the Bank that it has determined that the Group's financial and solvency condition is deteriorating in such a way that a fall below the ratios described above is likely to occur in the short term.

No conversion will occur following one of the events above if, notwithstanding the Group's Adjusted Core Tier 1 Capital Ratio or CET 1 Ratio being below 8.25%, the Central Bank, at the request of the Bank, has agreed that a conversion shall not occur because it is satisfied that circumstances or events have had, or imminently will have during the next 90 days, the effect of restoring the Group's Adjusted Core Tier 1 Capital Ratio or CET 1 Ratio to a level above 8.25% that the Central Bank deems to be adequate at such time.

The Contingent Capital Notes will also convert immediately and mandatorily into units of Ordinary Stock of the Bank in the event that a non-viability event occurs which shall be deemed to occur at the earliest of the following events:

(i) the Central Bank in its sole discretion determines that a conversion of the Contingent Capital Notes, together with the conversion or write off of holders' claims in respect of any Tier 1 Securities or Tier 2 Securities of the Group that, pursuant to their terms or by operation of laws are capable of being converted into equity or written off at that time, is required because customary measures to improve the Group's capital adequacy are at the time inadequate or unfeasible, an essential requirement to prevent the Group from becoming insolvent, bankrupt, unable to pay its debts as they fall due, from ceasing to carry on its business or from failing to meet its minimum capital adequacy requirements; or

(ii) customary measures to improve the Group's capital adequacy being at the time inadequate or unfeasible, the Group has received an irrevocable commitment of extraordinary support from State entities (beyond customary transactions and arrangements in the ordinary course) that has, or imminently will have, the effect of improving the Group's capital adequacy and, without which, in the determination of the Central Bank, the Group would have become insolvent, bankrupt, unable to pay its debts as they fall due, ceased to carry on its business or failed to meet its minimum capital adequacy requirements.

The conversion price for the conversion of the Contingent Capital Notes into Ordinary Stock will be the greater of:

(i) the volume-weighted average price of a unit of Ordinary Stock of the Bank over the thirty business days prior to the date of an event triggering the conversion; or

(ii) the floor price of a unit of Ordinary Stock on the date of the conversion (being a floor price of €0.05 on the date of issue of the Contingent Capital Notes, which floor price is subject to adjustment in accordance with condition 4(e) of the terms of the Contingent Capital Notes set out in the Agency Deed).

At any time when the Bank's Ordinary Stock is not admitted to trading on a recognised stock exchange the conversion price will be the floor price per unit of Ordinary Stock of the Bank.

The Contingent Capital Notes will be subject to standard anti-dilution adjustments, such that the Contingent Capital Notes may provide that they are proportionately adjusted for certain specified events impacting on the capital stock of the Bank.

The Contingent Capital Notes carry a fixed mandatory interest rate of 10% of its principal amount, payable annually. The Minister may, where he remains the holder of 100% of the Contingent Capital Notes, in order to facilitate the sale of the Contingent Capital Notes to third party investors, at any time (but becoming effective only from the date of such sale being completed and settled) increase the interest rate to a new level determined by an independent investment bank nominated by the State, not exceeding 18% per annum. The Bank will have the option prior to any such sale of the Contingent Capital Notes being completed and settled to source third party investors at a potentially lower interest rate, but only if it has sourced sufficient investors to purchase an amount equal to the principal amount paid by the Minister for the Contingent Capital Notes on equivalent or better overall terms. The Minister shall have discretion

as to whether to sell to any such investors. Pursuant to the Issuer Agreement (described above in this paragraph 7 under the heading "*Issuer Agreement*"), the Bank has acknowledged that pursuant to an agreement between the Minister for Finance and the Investors, each of the Investors are entitled to a right of first refusal in respect of its pro rata share in the event of any solicitation for sale by the Minister or the Bank of the Contingent Capital Notes.

2011 Transaction Agreement

Pursuant to the 2011 Transaction Agreement, the NPRFC agreed to subscribe for all units of New Ordinary Stock not (or deemed not to have been or are otherwise treated as not having been) taken up pursuant to the State Placing, the Rights Issue or Rump Placing and the Bank and the State agreed that the Rights Issue price and issue price per unit of Ordinary Stock under the State Placing would be €0.10 per unit of New Ordinary Stock.

In consideration for the NPRFC and the Minister's obligations under the 2011 Transaction Agreement, including the underwriting of the Rights Issue, the State Placing and the subscription for the Contingent Capital Notes, the Bank agreed to pay certain fees to the NPRFC and/or the Minister.

The Bank agreed to pay all costs and expenses of the State, or in connection with the Debt for Equity Offers, the Rights Issue, the State Placing, the July 2011 EGC, the entry into the 2011 Transaction Agreement, the issue of the New Ordinary Stock and the issue of the Contingent Capital Notes in the amount of €4.0 million.

In consideration of their services under the 2011 Transaction Agreement, including in respect of procuring placees under the Rump Placing, the Bank agreed to pay the Joint Bookrunners the following fees:

(i) a fixed fee of 0.4% of the gross proceeds of the Rights Issue (excluding in respect of those securities that the NPRFC was entitled to take up pursuant to its proportionate entitlement);

(ii) an incentive fee of 1% of the gross proceeds of the Rights Issue (excluding any Rights Issue Stock subscribed for by the NPRFC) and the Rump Placing;

(iii) a transaction co-ordinator/financial adviser fee of €4.0 million; and

(iv) a sponsor fee of €1.0 million,

in each case together with any applicable value-added tax.

The Bank agreed to pay all the Joint Sponsors and Joint Bookrunners' costs and expenses of, or in connection with, the Rump Placing.

The Bank gave certain representations, warranties, undertakings and indemnities to the Minister, the NPRFC and the NTMA. The liabilities of the Bank in respect of such representations, warranties, undertakings and indemnities are unlimited as to time and amount.

The Bank gave certain representations, warranties, undertakings and indemnities to the Joint Sponsors and the Joint Bookrunners. The liabilities of the Bank in respect of such representations, warranties, undertakings and indemnities are unlimited as to time and amount.

It was a condition of the Transaction Agreement that by 31 July 2011 the Bank would give a number of commitments to the Minister for Finance in respect of its lending, corporate governance, preference dividend payment and remuneration practices to be set out in the Minister's Letter. The Minister's Letter includes the following commitments from the Group:

- The Group has committed to promote the availability of credit and the development of the Irish economy. Specifically, the Group committed to use all reasonable efforts to meet a lending target of €3 billion per annum for new or increased credit facilities to SMEs in Ireland in the twelve month period commencing 1 January 2011, €3.5 billion in the twelve month period commencing 1 January 2012 and €4.0 billion in the twelve month period commencing 1 January 2013. The Group is also expected to provide €20 million for domestic venture capital purposes (this is in addition to the commitments previously met under the 2010 Government Transaction Agreement in respect of seed capital), with the fund criteria to be agreed with Enterprise Ireland, and to make available a lending fund of €100 million for two years to support environmental, clean energy and innovation projects.
- The Bank has also undertaken to use all reasonable steps to remove any obstacles to the payment of cash dividends on the 2009 Preference Stock, including the release of any "dividend stoppers".

- The Minister's Letter contains a number of undertakings by the Bank in respect of the corporate governance of the Group, including in respect of the maintenance of monitoring, reporting, risk management and audit controls and the provision to the Minister and/or the NTMA of reasonable access to the Bank's records and personnel. The corporate governance commitments include an undertaking by the Bank to develop and implement a medium term funding plan (with the Central Bank) and a directors/management renewal plan (with the Minister and the NTMA).
- The Minister's Letter contains restrictions on the Group from paying to any director or employee of the Group a bonus for the two years commencing 8 July 2011 (save pursuant to a court order to do so), any termination payment, any compensation for the pensions cap imposed by the Finance Act 2006 or any pension benefit enhancement (subject to certain permitted exceptions, such as where the enhancement does not result in a cost to the Group), in each case without the prior consent of the NTMA and the Minister. The Minister's Letter also imposes a restriction for two years commencing 8 July 2011, subject to certain exceptions, on the Group paying any aggregate remuneration to a director or employee that exceeds €500,000 per annum (or, if lower, the amount recommended by the CIROC Report).

Underwriting Agreement relating to the 2010 Capital Raising

The Bank entered into an underwriting agreement on 26 April 2010 with J&E Davy, UBS Limited, Citigroup, Credit Suisse and Deutsche Bank in connection with the underwriting of the institutional placing and rights issue components of 2010 Capital Raising.

In consideration for their underwriting services under this agreement, the Bank agreed to pay a commission of 2% of the gross proceeds of the institutional placing component of the 2010 Capital Raising, an underwriting fee of 2.75% of the maximum possible proceeds under the rights issue component of the 2010 Capital Raising (excluding the proceeds from the NPRFC's take up of the rights issue) and a discretionary incentive fee of up to 0.5% of the proceeds of the rights issue (excluding the proceeds from the NPRFC's take up of the rights issue). The Bank also agreed to pay all costs and expenses of the underwriters in connection with the 2010 Capital Raising.

The Bank gave certain representations, warranties, undertakings and indemnities to the underwriters under this underwriting agreement. The liabilities of the Bank in respect of such representations, warranties, undertakings and indemnities are unlimited as to time and amount.

2010 Government Transaction Agreement

The Bank entered into a government transaction agreement with the NPRFC and the Minister for Finance dated 26 April 2010 in relation to the NPRFC's rights and obligations under the 2010 Capital Raising.

Under this agreement, the NPRFC agreed to subscribe for 575,555,556 units of Ordinary Stock at a price of €1.80 per unit of Ordinary Stock effected by way of the conversion of 1,036,000,000 units of 2009 Preference Stock (at their subscription price of €1.00 per unit of 2009 Preference Stock) to units of Ordinary Stock (the "**2010 Placing**").

The NPRFC also agreed to take-up its entitlement to Ordinary Stock pursuant to the rights issue component of the 2010 Capital Raising arising in respect of its holding of Ordinary Stock resulting from the 2010 Placing and the Ordinary Stock previously issued to the NPRFC in lieu of the cash dividend on the 2009 Preference Stock (the "**NPRFC Rights Issue Undertaking**"). The take-up of the Ordinary Stock pursuant to the NPRFC Rights Issue Undertaking was effected by way of the conversion of the number of units of 2009 Preference Stock held by the NPRFC to units of Ordinary Stock, based on the subscription price of the 2009 Preference Stock of €1.00 each, as would be equal to the cash amount which the NPRFC would have been obliged to pay to the Bank in the event it was to pay cash to take-up its full entitlement under the rights issue component of the 2010 Capital Raising.

The NPRFC was paid a fee of 1% of the subscription price of the units of 2009 Preference Stock converted to Ordinary Stock under the 2010 Placing. In addition the Bank agreed to pay the NPRFC a commission in respect of the Ordinary Stock issued pursuant to the NPRFC Rights Issue Undertaking calculated on the same basis as the commission being paid to the underwriters pursuant to the underwriting component of the 2010 Capital Raising. The NPRFC was also paid a transaction fee of €22 million payable by the Bank.

The agreement also provided for the cancellation of the warrants held by the NPRFC to subscribe for 334,737,148 units of Ordinary Stock in consideration for the payment of €491 million in cash by the Bank to the NPRFC.

Pursuant to the 2010 Government Transaction Agreement, the NPRFC agreed to vote in favour of each of the resolutions at the Extraordinary General Court held on 19 May 2010 (to the extent it was permitted to do so), including the resolutions to adopt new Bye-Laws resulting in the amendment of the NPRFC's voting rights and the increase of the non-cumulative dividend on the 2009 Preference Stock from 8% to 10.25% per annum. The agreement also included identical representations and warranties as those provided to the underwriters under the Underwriting Agreement entered into in respect of the 2010 Capital Raising.

The Bank also committed to promote the availability of credit and the development of the Irish economy. Specifically, the Bank committed to use all reasonable efforts to meet a lending target of €3 billion per annum for new or increased credit facilities to SMEs in Ireland in each of the twelve month periods commencing 1 April 2010 and 1 April 2011. The Bank reports on its lending to SMEs to the Minister for Finance on a monthly basis. In addition, the Bank committed to use all reasonable efforts to provide €20 million for seed capital to Enterprise Ireland supported ventures and €100 million for environmental, clean energy and innovation projects (this is in addition to the commitments previously met under the Subscription Agreement). The Bank is also required to work with Enterprise Ireland and the Irish Banking Federation to develop sectoral expertise in the modern growth sectors of the Irish economy and to work with Enterprise Ireland to develop a range of banking services to meet the needs of Irish SMEs trading internationally. The Bank has also undertaken to take a number of steps to develop new credit products in areas where cashflow, rather than property or assets, is relied on as the basis for business lending. These commitments are in addition to those previously given by the Bank pursuant to the terms of the Subscription Agreement. The commitments given by the Bank pursuant to the terms of the Subscription Agreement are discussed below in this paragraph 7 under the heading "*Subscription Agreement relating to the NPRFC Investment*".

Master Loan Repurchase Deed

The Master Loan Repurchase Deed dated 17 November 2010 and made between the Bank and the Central Bank provides for arrangements for the sale and repurchase of certain loan assets of the Bank with the Central Bank. Such arrangements have been used by the Central Bank to provide short-term liquidity to the Bank, with the purchase and repurchase price for loans that are the subject of any transaction under the deed agreed between the parties.

Facility Deed

The Facility Deed dated 23 December 2010 and made between the Bank and the Central Bank ("**Facility Deed**") provides an uncommitted facility, guaranteed by the Minister for Finance and to a maximum amount of €10 billion or such increased amount as the Central Bank may, in its absolute discretion, determine (subject only to the prior written consent of the guarantor, as more particularly referenced in this paragraph 7 under the heading "*Counter-Indemnity Agreement*" below). Its initial term was one month from the date of execution, which has subsequently been extended to 30 June 2012. The facility reached a maximum amount of €14 billion during the year ended 31 December 2011. At 31 December 2011, the amount of the facility was €10 billion, and this was subsequently reduced to €5 billion as at 28 May 2012, being the last practicable date prior to the publication of this Circular (Source: unaudited internal management information).

Counter-Indemnity Agreement

The Counter-Indemnity Agreement dated 23 December 2010 and made between the Bank and the Minister for Finance indemnifies the Minister for Finance in respect of any payments made by him under a guarantee in favour of the Central Bank in respect of any indebtedness under the Facility Deed. It is co-terminous with payment of interest and prepayment of principal in full under the Facility Deed.

Special Master Repurchase Agreement

The Special Master Repurchase Agreement (Trust Account) dated 17 November 2010 and made between the Bank and the Central Bank provides for arrangements for the sale and repurchase of certain eligible securities of the Bank with the Central Bank. Such arrangements have been used by the Central Bank to

provide short-term liquidity to the Bank, with the purchase and repurchase price for securities that are the subject of any transaction under the agreement agreed between the parties.

Post Office Joint Venture Agreements

The Bank has joint ventures with Post Office Limited ("**POL**"), which operates the Post Office network in the United Kingdom.

POL and a wholly owned subsidiary of the Bank jointly own First Rate Exchange Services Limited which provides foreign currency through Post Office branches in the United Kingdom, through other outlets and direct to businesses. The foreign currency joint venture is principally regulated by a joint venture and foreign currency services agreement, both dated 28 March 2002 (as amended).

The foreign exchange joint venture agreement is terminable by POL in, amongst others, the following circumstances: (a) certain deadlock situations; (b) material unremedied breach of the agreement; (c) insolvency and similar events in relation to certain Bank entities; and (d) change of control of the Bank or the wholly owned subsidiary which owns the joint venture company including where the acquiror is a competitor of POL or will not or is unlikely to form a relationship with POL permitting the joint venture to continue providing the services, have a genuine and realistic ability to enter into the relationship and continue the business, have a credit rating, or be able to procure a guarantee by a person who has a credit rating equal to or greater than that of the Bank or be a credible and reputable financial institution so that an effective transfer of customer accounts and database information can occur and a similar level of customer service provided in order for the integrity and reputation of POL and its affiliates to be preserved. The foreign exchange joint venture agreement is terminable by the subsidiary of the Bank in substantially equivalent circumstances (in relation to POL) to those set out above.

Subject to the termination provisions set out above, the agreement continues without specific end date although it can be terminated by either party on six months' notice in the event that a termination notice is validly served in respect of the foreign currency services agreement. The foreign currency services agreement can be terminated in circumstances similar to those provided in the joint venture agreement (other than deadlock), with additional termination events in the event of: (a) misconduct of the Bank's contracting entity or its employees, agents or associates (including, without, limitation breach of trust, dishonesty, theft or fraud relating to or materially affecting the performance of the services under the agreement) which threatens the integrity or reputation of POL; (b) a continuing force majeure event or industrial action; (c) a market force event which materially affecting the costs or profits of one party which cannot be resolved by negotiation; or (d) the termination of the joint venture agreement.

POL and a subsidiary of the Bank jointly own Midasgrange Limited which arranges for insurance, savings accounts, mortgages, credit cards and personal loans by the Bank, its subsidiaries or third party providers through POL branches and the POL website. This financial services joint venture is regulated by a shareholders' agreement dated 23 December 2003 (as amended) and related documents including a deed of variation, an intermediary agreement, a manufacturing support and intermediation agreement and a brand licence.

The financial services joint venture shareholders' agreement has termination events enabling POL to terminate in, amongst others, the following circumstances: (a) events occurring in relation to certain Bank entities adversely effecting the terms on which the entity is able to obtain funding which damages materially the joint venture; (b) change of control in certain circumstances including where the acquiror is a competitor of POL, is unlikely to form a relationship with POL, does not have a credit rating equal to or greater than that of the Bank, is not a reputable financial institution or is likely to prejudice the Post Office's reputation; (c) certain major disputes arising between the parties which cannot be settled; (d) material unremedied breach of the agreement or related agreements; (e) certain serious breaches of regulatory requirements; and (f) insolvency and similar events in relation to certain Bank entities. The Bank has the ability to terminate the shareholders' agreement in similar circumstances (in relation to POL) to those set out in (b), (c), (d) and (f) above and also if a material deterioration occurs in the Post Office branch network which materially impairs the extent to which the network is able to provide intermediary services in relation to certain products that results in a material adverse effect on the business or if any event occurs which has the direct effect of fundamentally damaging the Post Office brand and as a result thereof does or will materially damage the business.

Subject to the termination provisions set out above, the agreement runs to March 2020 at which time it can be terminated by either party on twelve months' notice.

Master IT Services Agreement with IBM

The Master IT Services Agreement dated 22 October 2010 and made between the Bank and IBM Ireland Limited (together with certain ancillary agreements) deals with the provision to the Bank and designated members of the Group of information technology infrastructure support services through local country agreements. Subject to the termination provisions set out in the agreement, its initial term is five years from 1 April 2011, with an option to extend by subsequent one year periods.

Master Services Agreement (Training and Procurement)

The Master Services Agreement dated 25 November 2005 and made between the Bank and Accenture deals with the provision by Accenture to the Bank of certain training services for staff and procurement services to support designated purchasing activities of the Bank. Subject to the termination provision set out in the agreement, as amended and extended, the agreement will expire on 31 May 2017.

Network Services Agreement (Telecommunications)

The Network Services Agreement (as amended and restated) dated 26 February 2004 between the Bank and BT plc concerns the provision of certain telecommunications and network services to the Bank and certain Group companies. Subject to rights of earlier termination set out in the agreement, it runs to May 2013.

Master Services Agreement with HCL

The Master Services Agreement dated 4 November 2010 and made between the Bank and HCL Technologies Limited and HCL Great Britain Limited (together HCL) deals, initially, with the provision to the Bank and designated members of the Group, via a subsidiary local country agreement, of business processing services. It is envisaged that HCL will also provide, via additional subsidiary local country agreements or statements of work, non-infrastructure information technology support services. Subject to the termination provisions set out in the agreement, the minimum term is five years from 4 November 2010.

TSYS Outsourcing Agreement (Payment Processing)

The agreement dated 16 April 2004 entered into between the Bank and Total Systems Services Inc concerns the outsourcing of its payment card processing services. The agreement covers all of the Bank's credit cards and charge cards as well as some ATM and debit cards. The agreement is for a period of eight years subject to the termination rights of the parties. On 13 August 2010, the agreement was extended by four years to terminate on 31 May 2016, subject to the termination provisions set out in the agreement.

Disposal of Bank of Ireland Asset Management Ltd and Bank of Ireland Unit Trust Managers Limited ("BIAM")

In accordance with the requirements under the Approved 2010 EU Restructuring Plan, the Bank entered into an agreement to dispose of its shares in BIAM to State Street Global Advisors in October 2010 for a total consideration of €57 million (including net assets of approximately €14 million) to be paid upon completion. This sale completed in January 2011 following the receipt of the relevant regulatory consents.

The agreement includes customary warranties and indemnities granted by the Bank to State Street Corporation, including in respect of taxation matters and other BIAM liabilities arising from pre-completion events together with certain specific indemnities relating to current litigation or disputes involving BIAM, employee benefits and payments. Under the agreement, neither the Bank, nor any member of the Group, is permitted to acquire any interest in any business which carries out similar activities to BIAM for a period of two years after the completion date. The agreement also lists certain "permitted activities" which the Bank, and any member of the Group, may carry out during the two year period.

Under the agreement, the Bank has guaranteed an income to BIAM from New Ireland, a subsidiary of the Bank, of up to approximately €12 million per annum for three years from completion of the transaction. This guaranteed income is subject to market performance and other factors and becomes payable if New Ireland terminates its relationship with BIAM without cause.

The Group will support the disposal by providing a range of services to BIAM under a transitional services agreement for a period of up to 27 months from completion.

Disposal of Bank of Ireland Securities Services Limited, Bank of Ireland Nominees Limited, IBI Nominees Limited and the Bank's custody and securities business ("BOISS")

The Bank entered into an agreement to dispose of BOISS to the Northern Trust Company and Northern Trust (Ireland) Limited ("**Northern Trust**") on 23 February 2011 for a total consideration of up to €60 million. This sale completed in June 2011 following the receipt of the relevant regulatory consents and satisfaction of other conditions.

The agreement includes customary warranties and indemnities granted to Northern Trust, including in respect of taxation matters and other BOISS liabilities arising from pre-completion events. Under the agreement, neither the Bank, nor any member of the Group, is permitted to acquire any interest in any business which carries out similar activities to BOISS for a period of two years after the completion date save as regards certain permitted activities.

The Group will support the disposal by providing a range of services to BOISS under a transitional services agreement for a period of up to 18 months from completion which Northern Trust may extend by up to 12 months.

Under the agreement, the Bank has guaranteed an income to BOISS from New Ireland, a subsidiary of the Bank, of up to approximately €3.5 million per annum for five years from completion of the transaction. This guaranteed income is subject to certain factors and becomes payable if New Ireland terminates its relationship with BOISS without cause.

Guarantee Acceptance Deeds in respect of the CIFS Guarantee Scheme

The CIFS Guarantee Scheme gave effect to the bank guarantee announced by the Government on 30 September 2008. Under the CIFS Guarantee Scheme, the Minister for Finance guaranteed certain types of liabilities ("covered liabilities") of certain participating named institutions ("covered institutions") for the period from 30 September 2008 to 29 September 2010, whereby if a covered institution defaulted in respect of a covered liability, the Minister for Finance was obliged to pay to the creditor, on demand, an amount equal to the unpaid covered liabilities, with no monetary cap. Each of the Bank, Bank of Ireland Mortgage Bank, Bank of Ireland (I.O.M.) Limited and ICS Building Society executed guarantee acceptance deeds in respect of the CIFS Guarantee Scheme in favour of the Minister for Finance on 24 October 2008, whereby each of the Bank, Bank of Ireland Mortgage Bank, Bank of Ireland (I.O.M.) Limited and ICS Building Society consented to all of the terms and conditions of the CIFS Guarantee Scheme and agreed to indemnify the Minister for Finance against any payments the Minister for Finance was required to make under the CIFS Guarantee Scheme in respect of covered liabilities of the Bank, Bank of Ireland Mortgage Bank, Bank of Ireland (I.O.M.) Limited and ICS Building Society. The terms of the guarantee acceptance deeds relating to the CIFS Guarantee Scheme survive notwithstanding the expiry of the CIFS Guarantee Scheme.

ELG Scheme

On 11 January 2010, the Group joined the ELG Scheme (other than Bank of Ireland (UK) plc which joined the ELG Scheme on 21 July 2010) by executing an eligible liabilities guarantee scheme agreement in favour of the Minister for Finance and has been issued "participating institution certificates" (as defined in regulation 3.15 of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009) pursuant to the ELG Scheme. Pursuant to the eligible liabilities guarantee scheme agreement, the Bank has given certain covenants in favour of the Minister and also given an indemnity for costs incurred by the Minister in respect of the ELG Scheme.

Application to be designated a Participating Institution in NAMA

On 12 February 2010, the Bank's application pursuant to section 62 of the NAMA Act to become a Participating Institution under the NAMA Act was accepted. Under section 206 of the NAMA Act, the Central Bank may, with the approval of the Minister for Finance, give a direction to a Participating Institution in order to achieve the purposes of the NAMA Act. A direction under this section may restrict balance sheet growth, restrict the institution's ability to take over other credit institutions, require balance sheet reductions, or restrict or require consolidation and merger of Participating Institutions. Under section 207 of the NAMA Act the Central Bank may also direct a Participating Institution in writing to

make any report that the Central Bank considers necessary to monitor the Participating Institution's compliance with the obligations under or by virtue of the NAMA Act. Pursuant to section 208 of the NAMA Act, a Participating Institution may also be directed by the Minister for Finance to draw up, or amend, a restructuring or business plan and take reasonable steps to ensure that any draft business plan submitted to the Minister for Finance accurately contains all relevant information. If the Minister for Finance approves a draft business plan, the Participating Institution is obliged to take reasonable steps to implement that plan.

Section 131 of the NAMA Act provides that a Participating Institution from which NAMA has acquired an Eligible Bank Asset may be obliged to continue to service (i.e. manage) the Eligible Bank Asset and a Participating Institution must comply with directions given by NAMA in respect of servicing such assets. In addition, Section 133 of the NAMA Act provides that NAMA may, for the furtherance of the achievement of its purposes under the Act, give directions to a Participating Institution to deal in a specified way with an Eligible Bank Asset which was not acquired. In exercising servicing obligations for NAMA, a Participating Institution must ensure that all relevant authorisations, consents and licences are in place. It is also possible that NAMA may itself service Eligible Bank Assets that it acquires.

Subscription Agreement relating to the NPRFC Investment

The Bank entered into a Subscription Agreement with the NPRFC and the Minister for Finance dated 31 March 2009, under which, in consideration for the payment of €3.5 billion, the Bank issued to the NPRFC the 2009 Preference Stock and the Warrants. Under the terms of the agreement, the Bank is restricted from using these proceeds to make a contribution to a pension fund in excess of an amount which the Bank is required to contribute by law. The Bank provided warranties in respect of certain matters relating to the financial position and commercial activities of the Group. In addition, this agreement required the Bank to consult with the Minister for Finance in respect of matters reasonably expected to have a public interest dimension. The Bank also agreed to use all reasonable efforts to comply with the customer package set out in Appendix I to the announcement issued by the Department of Finance on 11 February 2009 in connection with the recapitalisation of the Bank. The Bank is also restricted from entering into "cash box" transactions (that is the issue of shares for shares which are readily realisable for cash, the effect of which is to enable an issuer to issue shares for cash without complying with the pre-emption rights of Stockholders of an issue of shares for cash) or the issue of shares in any Group company for non-cash consideration without the consent of the Minister for Finance. The Bank also committed to certain undertakings pursuant to the Subscription Agreement, including commitments to increase lending capacity to small to medium enterprises and provide additional mortgage lending capacity for first time buyers, compliance with the Code of Conduct for Business Lending to Small and Medium Enterprises and compliance with the Code of Conduct for Mortgage Arrears.

The Subscription Agreement provides that the Bank shall ensure that the aggregate remuneration of a defined group of senior executives employed by the Group at any time during the year ended 31 March 2010 for that year shall be 33% less than the aggregate remuneration of each of such senior executives or their predecessors for the year ended 31 March 2008 for that year and the aggregate fees paid to any Non-Executive Director during the year ended 31 January 2010 for that year shall be 25% less than the aggregate fees paid to that Non-Executive Director during the year ended 31 January 2009. The fees payable to any new Non-Executive Director appointed during the year ended 31 January 2010 were also to be adjusted accordingly. The Subscription Agreement also provides that, except where there is a conflict with a statutory or pre-existing contractual right of the employee, no bonus calculated on the basis of, or related to, the performance of any individual shall be paid to any such senior executives in respect of the financial year ended 31 March 2010. The Subscription Agreement also provides that the annual base salary of any employee or services provider of the Group shall not, for a period of two years from 31 March 2009, exceed a maximum amount equal to the lower of €500,000 or the amount recommended by the CIROC Report in any financial year other than where there is a conflict with a statutory or pre-existing contractual right of the employee or the amount has been agreed by the NPRFC and the Minister for Finance. Further, from 31 March 2011, any proposal to increase base salary of any employee or service provider affected by the annual base salary cap referred to above or to pay an annual bonus to any senior executive calculated on the basis of the performance of any individual or department or division of the Bank or the Group will be subject to agreement between the Bank and the NPRFC. No pension augmentation which enhances the retirement benefits of a senior executive under the current rules of the Group's pension schemes of which he is a member may be awarded by the Bank without the prior consent of the NPRFC.

The Group considers that all the requirements listed in the paragraph above have been complied with and, where relevant, are in effect for the current financial year.

8. Related Party Transactions

The related party transactions which must be disclosed in accordance with the standards adopted pursuant to Commission Regulation (EC) No. 1606/2002 are set out below.

Other than the Agreement (a summary of which is set out in paragraph 7 (Material Contracts) of this Part V of this Circular), the Relationship Framework (a summary of which is set out in paragraph 7 (Material Contracts) of this Part V of this Circular), the Note Purchase Agreement (a summary of which is set out in paragraph 7 (Material Contracts) of this Part V of this Circular), the 2011 Transaction Agreement (a summary of which is set out in paragraph 7 (Material Contracts) of this Part V of this Circular), the 2010 Government Transaction Agreement relating to the 2010 Capital Raising (a summary of which is set out in paragraph 7 (Material Contracts) of this Part V of this Circular), the issue of the Contingent Capital Notes (a summary of which is set out in note 42 of the 2011 Annual Report), the Facility Deed (a summary of which is set out in paragraph 7 (Material Contracts) of this Part V of this Circular); see also notes 56 and 57 of the 2011 Annual Report); the Counter-Indemnity Agreement (a summary of which is set out in paragraph 7 (Material Contracts) of this Part V of this Circular); see also notes 56 and 57 of the 2011 Annual Report; and the payment of fees to the Investors (a summary of which is set out below in this paragraph 8 under the heading "*Payment of fees to the Investors*"; or as otherwise disclosed in this paragraph 8 (Related Party Transactions) of this Part V, as set out below, no related party transactions were entered into by the Bank or any other member of the Group during the financial periods ended 31 March 2009, 31 December 2009, 31 December 2010, 31 December 2011 or during the period between 1 January 2012 and 28 May 2012, the last practicable date prior to publication of this Circular.

Associated undertakings and joint ventures

The Group provides and receives from its associates and joint ventures certain banking and financial services, which are not material to the Group, on similar terms to third party transactions. These include loan, deposit and foreign currency transactions. The volumes outstanding as at 28 May 2012, the last practicable date prior to the publication of this Circular, are set out below:

	Associates and joint ventures
	(€m)
Loans and advances to customers	113
Customer accounts	18

(Source: unaudited internal management information)

Government

Throughout the 12 months ended 31 December 2011, the Government through both the Group's participation in the CIFS Guarantee Scheme and the ELG Scheme and the investment by the NPRFC in the 2009 Preference Stock and in units of Ordinary Stock, is a related party of the Bank.

An amount of €105 million has been paid to the Government for fees due under the CIFS Guarantee Scheme for the period from 1 April 2009 to 31 December 2009. This payment was disclosed in the December 2009 Annual Report (see note 6 to the financial statements). For the period from 1 January 2010 to 31 December 2010, an amount of €68 million has been expensed in respect of the CIFS Guarantee Scheme and €275 million in respect of the ELG Scheme. This payment was disclosed in the 2010 Annual Report (see note 4 to the financial statements). For the period from 1 January 2011 to 31 December 2011, an amount of €449 million has been expensed in respect of the ELG Scheme. This payment was disclosed in the 2011 Annual Report (see note 57(e) to the financial statements). For the period from 1 January 2012 to 28 May 2012, the last practicable date prior to the date of this Circular, an amount of €142 million has been expensed in respect of the ELG Scheme (Source: unaudited internal management information).

A summary of the relations with the Irish Government is set out in note 57 to the financial statements in the 2011 Annual Report.

The Bank entered into a transaction agreement with the NPRFC and the Minister for Finance dated 26 April 2010 in relation to the NPRFC's rights and obligations under the capital raising exercise carried out by the Bank between April and June 2010. Under this agreement, the NPRFC agreed to subscribe for 575,555,556 units of Ordinary Stock at a price of €1.80 per unit of Ordinary Stock effected by way of the conversion of 1,036,000,000 units of 2009 Preference Stock (at their subscription price of €1.00 per unit of 2009 Preference Stock) to units of Ordinary Stock. On 31 March 2009, the Bank issued 3,500,000,000 units of non-cumulative Preference Stock of €0.01 each (the 2009 Preference Stock) in the capital of the Bank to the NPRFC, of which 1,837,041,304 units remain in issue as at 28 May 2012, the last practicable date prior to the date of this Circular.

The repayment of the capital paid up (inclusive of premium) on the 2009 Preference Stock ranks *pari passu* with the repayment of the paid up nominal value (excluding premium) of the Ordinary Stock on a winding up or other return of capital of the Bank. The 2009 Preference Stock ranks ahead of the Ordinary Stock as regards dividends and as regards the repayment of premium on the Ordinary Stock or a winding up or other return of capital of the Bank. The 2009 Preference Stock ranks *pari passu* as regards dividends with other stock or bonds which constitute Core Tier 1 Capital of the Bank (other than Ordinary Stock and other than dividends to minority interests). The 2009 Preference Stock entitles the holder to receive a non-cumulative dividend at a fixed rate of 10.25% of the issue price comprising €0.01 nominal value and €0.99 premium per annum, payable annually at the discretion of the Bank.

If a cash dividend is not paid by the Bank, the Bank must issue units of Ordinary Stock in the Bank to holders of units of 2009 Preference Stock (the "**Bonus Stock**"). The number of units of Bonus Stock that the Bank would be required to issue to the holders of units of 2009 Preference Stock in the event of non-payment of a cash dividend, is calculated by reference to the net amount of the unpaid dividend amount divided by:

(i) 100% of the average daily Closing Price of Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, in the event that the Bonus Stock is issued on the originally scheduled dividend payment date; or

(ii) 95% of the average daily Closing Price of Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, in the event that the Bonus Stock is issued later than the originally scheduled dividend payment date.

The Bonus Stock will be issued on a date determined by the Bank, provided that the date of issue is not later than the date on which the Bank subsequently redeems or repurchases or pays a dividend on the 2009 Preference Stock or any other class of capital stock. If any Bonus Stock becomes due, but is not issued to the Bank, the holders of units of 2009 Preference Stock will be entitled, at a General Court of the Bank, to cast up to the number of votes that would have attached to the Bonus Stock had it been so issued on the relevant dividend payment date.

The issue of units of Bonus Stock in the event of non-payment of dividends will result in the dilution of existing Ordinary Stockholders' proportionate ownership and voting interests in the Bank.

As announced by the Bank on 19 February 2010, the Bank issued 184,394,378 units of Ordinary Stock (the NPRFC Coupon Ordinary Stock) to the NPRFC in lieu of a cash dividend on the 2009 Preference Stock, which was otherwise due on 20 February 2010.

The 2009 Preference Stock may be repurchased at the option of the Bank, in whole or in part, at a price per unit equal to the issue price of €1.00 per unit of the 2009 Preference Stock within the first five years from the date of issue and thereafter at a price per unit of €1.25, provided in either case that the consent of the Central Bank to the repurchase of the 2009 Preference Stock is obtained. The 2009 Preference Stock will not be capable of being repurchased if it would breach or cause a breach of Irish banking capital adequacy requirements applicable to the Bank. The 2009 Preference Stock may be repurchased from profits available for distribution or from the proceeds of any issue of stock or bonds that constitute Core Tier 1 Capital.

The 2009 Preference Stock held by the NPRFC carries the right to "top-up" the NPRFC's total voting rights to 25% of the total voting rights on any resolution proposed at a General Court in relation to the appointment or removal of a Director of the Bank or any Control Resolutions where the NPRFC's ordinary voting rights through its holding of Ordinary Stock (or other securities issued in future) falls below this level. This entitlement applies to the NPRFC for so long as it holds any units of 2009 Preference Stock.

As the holder of the units of 2009 Preference Stock the NPRFC currently has the right to directly appoint 25% of the directors of the Bank (such 25% to include any directors nominated by the Minister for Finance pursuant to the CIFS Guarantee Scheme) where the total number of Directors is 15 or less, or four Directors where the total number of Directors is 16, 17 or 18. The tabling of any resolution at a General Court of the Bank to alter the capital structure of the Group requires the prior approval in writing of the Minister for Finance. These rights apply in full for so long as the NPRFC or any Government Preference Stockholder holds any units of 2009 Preference Stock and they are not reduced in line with any reduction in the number of units of 2009 Preference Stock held.

In June 2011 the Bank entered into a transaction agreement with the NPRFC, the NTMA, the Minister for Finance, J&E Davy and UBS Limited (as Joint Sponsors) and Credit Suisse, UBS Limited, J&E Davy, and Deutsche Bank (as Joint Bookrunners) pursuant to which the NPRFC agreed to subscribe for all units of New Ordinary Stock not taken up pursuant to the State Placing, the Rights Issue or Rump Placing. In consideration for the NPRFC and the Minister's obligations under the 2011 Transaction Agreement, including the underwriting of the Rights Issue, the State Placing and the subscription for the Contingent Capital Notes, the Bank agreed to pay certain fees to the NPRFC and/or the Minister. The Bank also agreed to pay all costs and expenses of the State in connection with the Debt for Equity Offers, the Rights Issue, the State Placing, the July 2011 EGC, the entry into the 2011 Transaction Agreement, the issue of the New Ordinary Stock and the issue of the Contingent Capital Notes in the amount of €4.0 million. Further information in relation to this agreement is set out in paragraph 7 (Material Contracts) of this Part V (Additional Information) of this Circular, under the heading "*2011 Transaction Agreement*".

In July 2011 the Bank issued the Contingent Capital Notes to the Minister for Finance, satisfying the requirement under the 2011 PCAR for the Bank to issue €1 billion of contingent capital. The nominal value of this note is €1 billion and cash proceeds of €985 million were received by the Bank (net of a fee paid to the State of €15 million). The note has a term of five years and a coupon of 10%, which can be increased to a maximum of 18% if the State sells the note to a third party. If the Core Tier 1 Capital Ratio of the Group (as calculated under the terms of the Contingent Capital Notes) falls below 8.25%, the note automatically converts to units of Ordinary Stock. Further information in relation to the Contingent Capital Notes is set out in paragraph 7 (Material Contracts) of this Part V (Additional Information) of this Circular.

As at 31 December 2011, the State's holding of the Ordinary Stock in the Bank was 15.13%.

In March 2012 the Minister specified a Relationship Framework to provide the basis on which the relationship between the Minister and the Bank shall be governed. The Relationship Framework also provides safeguards as to the separate management of each of the State's interests in Irish credit institutions including the Bank in order to ensure that those interests and the management of those interests do not lead to a prevention, restriction or distortion of competition. It does not create material new obligations on the part of the Bank. Further information in relation to the Relationship Framework is set out in paragraph 7 (Material Contracts) of this Part V (Additional Information) of this Circular, under the heading "*Relationship Framework*".

As at 28 May 2012, the last practicable date prior to the publication of this Circular, the Group held Government bonds totalling €5,836 million and bonds issued by NAMA totalling €5,136 million (Source: unaudited internal management information). On 25 January 2012, the NTMA offered bondholders the opportunity to exchange their existing holdings of 4% Government treasury bonds maturing in 2014 for a new 4.5% Government treasury bond maturing in February 2015. The Group converted €1.3 billion of its holding of Government treasury bonds maturing in 2014 into the new 4.5% treasury bond maturing in February 2015.

The Group also held bonds issued by entities which are considered to be related parties of the Group due to their relationship and the Group's relationship with the Government, as follows:

	Balance as at 28 May 2012
	(€m)
Allied Irish Banks plc	198
Irish Bank Resolution Corporation Limited	16
Irish Life and Permanent plc	91
Total	**305**

In addition, as at 28 May 2012, being the last practicable date prior to the publication of this Circular, the Group had loans to Allied Irish Banks plc of €19 million, loans to IBRC of €1 million and loans to Irish Life and Permanent plc of €6 million, which were included in loans and advances to banks, and deposits from Allied Irish Banks plc of €71 million, which were included in deposits from banks.

National Asset Management Agency Investment Limited ("NAMAIL")

On 30 March 2010, the Group, through its wholly-owned subsidiary, New Ireland, acquired 17 million "B" shares in NAMAIL, corresponding to one third of the 51 million "B" shares issued by NAMAIL. The cost to the Group of acquiring these "B" shares was €17 million. The balance of NAMAIL's "B" shares are held in equal proportions by Irish Life Assurance and major pension and institutional clients of AIB Investment Managers. NAMAIL have also issued 49 million "A" shares to NAMA. As a result, the Group holds 17% of the total ordinary share capital of NAMAIL. NAMAIL is a holding company and its subsidiaries are the entities to which Participating Institutions transfer Eligible Bank Assets and which issue the NAMA senior bonds and NAMA subordinated debt as consideration for those assets.

The "A" shares and "B" shares generally rank equally, except as otherwise provided in the articles of association of NAMAIL. NAMA may appoint up to six directors to the board of NAMAIL. In total, the "B" shareholders may also jointly appoint up to six directors. As holder of the "A" shares, NAMA has veto rights in relation to: the declaration of dividends; the appointment or removal of directors; the exercise of voting rights in respect of any subsidiary of NAMAIL and the appointment of a Chairman. In addition NAMA can veto any actions by NAMAIL which NAMA considers in any manner to be inconsistent with its objectives. A holder of the "B" shares may not sell the shares without the consent of NAMA.

A discretionary non-cumulative dividend on the capital invested may be paid on an annual basis and this is limited to the yield on ten year Irish Government bonds. A dividend of €1.7 million was received by the Group on 1 April 2011. On a winding-up of NAMAIL, the return on "B" shares is capped at 110% of the capital invested, which is €18.7 million in the case of the Group and the maximum loss that may be suffered by the Group is limited to the original amount invested (€17 million in the case of the Group).

The Group had no involvement with NAMAIL prior to 30 March 2010. As at 28 May 2012, the last practicable date prior to the publication of this Circular, the Group continues to hold its shareholding in NAMAIL.

NAMA

Information on NAMA is outlined in note 16 and note 29 of the financial statements in the 2011 Annual Report.

During the year ended 31 December 2011, the Group sold €498 million of assets (before impairment provisions) to NAMA. The fair value of the consideration received for these assets amounted to €246 million.

During the year ended 31 December 2011, the Group completed the transfer of the remaining Eligible Bank Assets to NAMA, such that at 31 December 2011 the Group did not have any assets classified as held for sale to NAMA.

Pension funds

As at 28 May 2012, the last practicable date prior to the publication of this Circular, the Group provides a number of normal banking and financial services to various pension funds operated by the Group for the

benefit of its employees (principally for the Bank of Ireland Staff Pension Fund), which are conducted on similar terms to third party transactions and are not material to the Group.

The Group occupies a number of premises owned by the Group's pension schemes; the total value of these properties as at 31 December 2011 was €24 million (Source: 2011 Annual Report). The total rental income paid to the Group's pension schemes during the year ended 31 December 2011 was €2.1 million.

Transactions with Key Management Personnel

Key Management Personnel comprises the Directors of the Court, the members of the Group Executive Committee ("**GEC**") and the Group Secretary. In addition to the Executive Directors, the GEC comprises the Chief Governance Risk Officer; the Chief Credit and Market Risk Officer; the Head of Group Human Resources; the Head of Group Manufacturing; the Chief Executive (Retail) Ireland; the Chief Executive (Retail) UK; the Chief Executive (Corporate and Treasury); and the Head of Group Non-Core Division.

Other than as disclosed in the financial information incorporated by reference into this Circular for the financial periods ended 31 March 2009 (as set out in *Note 52(d) Related Party Transactions* on pages 193 to 194 and the *Remuneration Report* on pages 79 to 88 of the 2009 Annual Report), 31 December 2009 (as set out in *Note 51(d) Related Party Transactions* on pages 247 to 250 and the *Remuneration Report* on pages 119 to 130 of the December 2009 Annual Report), 31 December 2010 (as set out in *Note 55(d) Related Party Transactions* on pages 298 to 302 and the *Remuneration Report* on pages 173 to 184 of the 2010 Annual Report) and 31 December 2011 (as set out in *Note 56(d) Related Party Transactions* on pages 295 to 302 and the *Remuneration Report* on pages 157 to 169 of the 2011 Annual Report) no transactions with Key Management Personnel were entered into by the Group during the financial periods ended 31 March 2009, 31 December 2009, 31 December 2010 or 31 December 2011.

Other than the changes in loans and deposits to Key Management Personnel set out below, no transactions with Key Management Personnel were entered into during the period between 1 January 2012 and 28 May 2012 (being the last practicable date prior to the publication of this Circular). The Bank maintains a register of Directors' loans constituting related party transactions, as required by the licence condition imposed by the Central Bank on 20 May 2010.

The aggregate amounts outstanding and the number of persons concerned, in respect of all loans, quasi-loans, credit transactions and deposits between the Bank and its Key Management Personnel, as defined above, including members of their close families and entities influenced by them together with the disclosure of the balances as at 28 May 2012 (being the last practicable date prior to the publication of this Circular) are shown in the table below:

Key Management Personnel in office as at 28 May 2012	Balance as at 28 May 2012	Number of KMP as at 28 May 2012
	(€'000)	
Loans*	7,257	13
Deposits	4,406	16

(Source: unaudited internal management information)

* In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €25,400.

There have been no material changes in the guarantees entered into by Key Management Personnel in favour of the Bank since 31 December 2011 (Source: unaudited internal management information).

There are no provisions in respect of any failure or anticipated failure to repay any of the above loans or interest thereon. There is no interest which having fallen due on the above loans has not been paid.

Payment of fees to Investors

On 27 July 2011, the Group announced the investment of up to €1.123 billion Ordinary Stock in the Bank by the Investors. This occurred by way of purchases by the Investors from the NPRFC of units of Ordinary Stock of the Group at a price of €0.10 per unit pursuant to stock purchase agreements entered into between the NPRFC and the Investors.

As disclosed in the circular to Stockholders dated 24 August 2011, the Group agreed to pay each of the Investors a fee of 0.5% of the price paid by such Investors pursuant to the stock purchase agreements. In

addition, the Group agreed to reimburse the vouched costs and expenses of the Investors in connection with their investment in the Bank, which amounted to €2.7 million in aggregate.

9. Litigation/proceedings

Save as disclosed in this paragraph 9, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of the Bank or its subsidiaries.

Procom litigation

In May 2007, the Bank, through Bank of Ireland Private Banking, entered into an agreement with Procom Desarollos Urbanos, SA and Cecosa Hipermercados S.L.U (the "**Plaintiff**") to purchase the entire issued share capital of Procom Desarrollo Comercial de Zaragoza, SA, which is a Spanish incorporated company involved in the development of a shopping centre and retail park in Zaragoza, Spain. The agreement contained a number of pre-conditions. The Bank contends that one of the pre-conditions was not satisfied and accordingly did not proceed to purchase Procom Desarrollo Comercial de Zaragoza, SA. In February 2009, the Plaintiff initiated legal proceedings against Bank of Ireland Private Banking and the Bank for specific performance or, failing this, damages in relation to the terminated agreement claiming €142 million in damages. On 10 February 2010, the Madrid Court of First Instance ruled in favour of the Plaintiff and awarded damages of €90.87 million. This was appealed by both parties. The Court of Appeal awarded the Plaintiff additional damages in the amount of €12 million in December 2011. An appeal has been lodged by the Bank with the Supreme Court in Madrid. The Plaintiff has not appealed. The Supreme Court will initially, within twelve months, determine, if the appeal merits consideration. If admitted, the final Supreme Court judgment is likely to take a further two to three years.

Investigation into the banking system

On 19 January 2010, the Minister for Finance announced a framework for an investigation into the factors which contributed to the Irish banking crisis within the context of the international economic and financial environment at that time.

As part of the first stage of the investigation into the banking system, the Government commissioned two preliminary investigatory reports. A report on the functions of the Central Bank over the period from the establishment of the Financial Regulator (now the Central Bank) in May 2003 to the end of September 2008 was prepared by the Governor of the Central Bank. A second report, dealing with an investigation into the specific factors within the Irish banking sector which exacerbated the impact of the international financial crisis for Ireland, was prepared by independent experts appointed by the Minister for Finance. The preliminary report by the independent experts involved an inquiry into the conduct, management and corporate governance of individual financial institutions, including the Group.

Both preliminary reports were published on 31 May 2010 and their findings formed the basis for the terms of reference of a formal statutory investigation (the "**Statutory Commission of Investigation**") which was established by the Government on 21 September 2010 pursuant to the Commissions of Investigation Act, 2004. The Statutory Commission of Investigation examined the performance of individual banks and bank directors, the performance of regulatory authorities, the response of Government and Government agencies and the structure of the banking system in Ireland generally. The Statutory Commission of Investigation presented its report to the Minister for Finance on 22 March 2011 and it was forwarded to the Attorney General. The report was published on 19 April 2011. Further inquiry may result from the findings of the Statutory Commission of Investigation, including the possibility of public hearings. The Group may be exposed to criminal sanctions and/or fines in connection with a range of offences under the Commissions of Investigation Act 2004, which offences include the making of statements material in the investigation concerned knowing them to be false or not believing them to be true, the failure to comply with directions of the Statutory Commission of Investigation and intentionally obstructing its work (which offences could result in the Group, or an officer of the Group, being subject to a fine of up to €300,000 on conviction on indictment).

Litigation in relation to the Debt for Equity Offers and application of the Stabilisation Act

As described below, two groups of holders of Eligible Debt Securities commenced legal proceedings against the Bank regarding the Debt for Equity Offers launched in June 2011.

In June 2011, a firm of solicitors acting for a holder of the 13.375% Unsecured Perpetual Subordinated Bonds (ISIN: GB 0000510312) (the "**13.375% Bonds**") brought proceedings on behalf of its client claiming that the Proposed Resolutions in relation to the 13.375% Bonds would be invalid and sought 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% Bonds. The matter was later resolved to the parties' mutual satisfaction through a settlement agreement, the details of which are confidential.

On 28 June 2011, the Bank terminated a debt for equity offer in respect of the 13.375% Bonds in light of the continued difficulties holders of the 13.375% Bonds experienced in participating in the offer. On 24 August 2011, the Bank launched a new voluntary cash offer in respect of the 13.375% Bonds. On 23 September 2011, the Bank announced that £29,096,400 in aggregate nominal amount of the 13.375% Bonds were tendered pursuant to this offer.

A group of parties claiming to hold approximately US$750 million of Lower Tier 2 Eligible Debt 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 in relation to these Eligible Debt Securities would be invalid and that a subordinated liabilities order under the Stabilisation Act in relation to these Eligible Debt Securities would not be enforceable under English law. The legal proceedings also sought an injunction by way of final relief restraining the Bank from accepting offers to participate in the Debt for Equity Offers, taking any further steps in relation to the Debt for Equity Offers and acting on the outcome of the Debt for Equity Offers including tabling the Proposed Resolutions and exercising the call option. On 7 September 2011, the claimants in the proceedings (who by that date claimed to hold approximately UD$359 million of Lower Tier 2 Eligible Debt Securities) amended the proceedings so as to seek only declarations in relation to a subordinated liabilities order made under the Stabilisation Act in relation to these Eligible Debt Securities, including that such an order would not be enforceable under English law. On 2 December 2011, the Minister for Finance publicly announced that he was no longer considering the use of the powers available to him under the Stabilisation Act at that time. The claimants have now applied to discontinue these proceedings.

Examination by the Central Bank into CTA level compliance by Bank of Ireland Mortgage Bank

The downgrade of one of the Bank's credit ratings during 2011 resulted in certain deposits held with the Bank by the Bank's subsidiary, Bank of Ireland Mortgage Bank, being re-categorised from substitution assets to credit transaction assets ("**CTA**") (each as defined in the Asset Covered Securities Acts 2001 and 2007 (the "**ACS Acts"**)). The ACS Acts prescribe a limit on the level of CTA that may be held by a designated credit institution such as Bank of Ireland Mortgage Bank and as a result of this re-categorisation Bank of Ireland Mortgage Bank was not in compliance with this limit. This non-compliance by Bank of Ireland Mortgage Bank was fully remediated, and enhancements to existing controls have been put in place to prevent its re-occurrence. The integrity of Bank of Ireland Mortgage Bank's covered assets pool was not impacted and no financial loss occurred to the Bank, Bank of Ireland Mortgage Bank or any third party by reason of the noncompliance with the limit.

Bank of Ireland Mortgage Bank provided full details of the non-compliance to the Central Bank in its capacity as regulator of Bank of Ireland Mortgage Bank, and the matter is currently the subject of an examination by the Central Bank. This examination could result in a range of possible outcomes, from no further action being taken, to the imposition of administrative sanctions on Bank of Ireland Mortgage Bank, which may in turn have adverse reputational consequences for the Group. Fines of up to €5 million can be imposed under the administrative sanctions regime but it is too early to determine if administrative sanctions will be imposed, or, if such sanctions are imposed, the level of fine. Bank of Ireland Mortgage Bank is cooperating fully with the Central Bank in its examination of the issue.

Request for a skilled person report for Bank of Ireland UK plc

In mid April 2012 Bank of Ireland UK plc, the main UK subsidiary of the Group, was advised by the FSA that, in accordance with powers available to it under FSMA, it required the appointment of a skilled person to produce a report into the current and historic quality, valuation, measurement, accounting treatment, impairment provisions and the value of underlying collateral of certain assets which were transferred from the Bank to Bank of Ireland UK plc on its incorporation in 2010. The report is also required to address the effectiveness of the oversight by the board of Bank of Ireland UK plc in respect of those transfers.

This matter is at a very early stage and Bank of Ireland UK plc is in the process of arranging for the preparation of a report in accordance with this requirement.

The FSA may use the report and associated materials in connection with the exercise of its functions under FSMA. This may include, amongst other things, for the purposes of deciding whether to appoint investigators to investigate any of the matters considered in the report and deciding whether to take any disciplinary or other action following such an investigation. It may also include relying on the report, or any part of it, in any subsequent disciplinary or other action that the FSA decides to take in exercising its functions under FSMA. Given the very early stage of this matter, the outcome is difficult for the Bank to predict.

Indemnity claim in connection with the sale of BIAM

The Bank has received notice of an indemnity claim under the sale agreement in respect of BIAM (which is described in paragraph 7 (Material Contracts) of this Part V, under the heading "*Disposal of Bank of Ireland Asset Management Ltd and Bank of Ireland Unit Trust Managers Limited ("BIAM")*"). The indemnity was given by the Bank to the purchaser of BIAM, State Street Global Advisors, in connection with the sale of BIAM and covers claims against BIAM relating to a drop in performance of an investment fund that was managed by BIAM prior to completion of the sale.

The indemnity claim which has been notified to the Bank arises from a claim against BIAM by a third party, relating to the performance of that investment fund for which the third party was the investment adviser and BIAM was the fund manager.

The claim against BIAM is dependent on the outcome of a claim brought against the third party by another party, which is currently the subject of private arbitration proceedings to which the Bank is not a party. The claim against BIAM by the third party is for indemnity and/or contribution in respect of any award made against the third party arising out of these private arbitration proceedings. The third party's proceedings against BIAM have been suspended pending the outcome of the arbitration. In the event that an award is made against the third party in the arbitration proceedings and the third party is in turn successful in its claim against BIAM for contribution towards any such award, BIAM could attempt to rely on the Bank's indemnity under the BIAM sale agreement in respect of part or all of the amount of this claim.

The overall loss claimed against the third party in the arbitration proceedings is €25 million, but at this stage in the proceedings, the potential liability of BIAM (if any) to the third party arising from the arbitration proceedings and, in turn, of the Bank in respect of the indemnity claim under the BIAM sale agreement, cannot yet be quantified.

10. No significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2011 (the date to which the latest published audited financial information of the Group was prepared).

11. Consent to inclusion of names

Credit Suisse, whose address is 1 Cabot Square, London E14 4QJ, United Kingdom has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which they appear.

IBI Corporate Finance, whose address is 2 Burlington Plaza, Burlington Road, Dublin 4, Ireland has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which they appear.

J&E Davy, whose address is Davy House, 49 Dawson Street, Dublin 2, Ireland has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which they appear.

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1 has given and has not withdrawn its written consent to the inclusion in this Circular of its report as set out in Part III (Unaudited Pro Forma Financial Information) of this Circular in the form and context in which it appears.

UBS Limited of 1 Finsbury Avenue, London EC2M 2PP, United Kingdom has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which they appear.

12. Documents available for inspection

Paper copies of:

- the Bye Laws;
- the 2011 Annual Report, the 2010 Annual Report, the December 2009 Annual Report and the 2009 Annual Report;
- consent letters referred to in paragraph 11 (Consent to inclusion of names) of this Part V (Additional Information);
- this Circular;
- the Agreement;
- the Guarantee; and
- the report on the unaudited pro forma financial information by PricewaterhouseCoopers set out in Part III (Unaudited Pro Forma Financial Information) of this Circular,

will be available for inspection at the following addresses during normal business hours on each Business Day from the date of this Circular up to and including the date of the Extraordinary General Court:

- the registered offices of the Bank at Bank of Ireland, 40 Mespil Road, Dublin 4, Ireland; and
- the Bank's offices at Bow Bells House, 1 Bread Street, London EC4M 9BE, England.

They will also be available for inspection in the Royal Marine Hotel, Marine Road, Dun Laoghaire, Co. Dublin from at least 15 minutes prior to the Extraordinary General Court until the conclusion of that meeting.

13. Documents incorporated by reference

The table below sets out the various sections of such documents which are incorporated by reference into this Circular so as to provide the information required under the Listing Rules and to ensure that Stockholders and others are aware of all information which, according to the particular nature of the Bank, is necessary to enable Stockholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank.

Document	Section	Page numbers in such document
2011 Annual Report	Sections 3.1, 3.2, 3.3, 3.4, 4 and 5 of the Risk Management Report*	62–128
	Remuneration Report *	157–169
	Independent Auditors' Report	172–173
	Consolidated income statement	174
	Consolidated statement of other comprehensive income	175
	Consolidated balance sheet	176
	Consolidated statement of changes in equity	177–179
	Consolidated cash flow statement	180–181
	Group accounting policies	182–209
	Notes to the Consolidated financial statements	210–310

Document	Section	Page numbers in such document
2010 Annual Report	Sections 2.1, 2.2, 2.3, 2.4 and 3 of the Risk Management Report*	104–150
	Remuneration Report*	173–184
	Independent Auditors' Report	187–188
	Consolidated income statement	189
	Consolidated statement of other comprehensive income	190
	Consolidated balance sheet	191
	Consolidated statement of changes in equity	192–193
	Consolidated cash flow statement	194–195
	Group accounting policies	196–222
	Notes to the Consolidated financial statements	223–316
December 2009 Annual Report	Sections 2.1, 2.2, 2.3, 2.4 and 3 of the Risk Management Report*	71–108
	Remuneration Report*	119–130
	Independent Auditors' Report	147–148
	Consolidated income statement	149
	Consolidated statement of other comprehensive income	150
	Consolidated balance sheet	151
	Consolidated statement of changes in equity	152–153
	Consolidated cash flow statement	154–155
	Group accounting policies	156–179
	Notes to the Consolidated financial statements	180–260
2009 Annual Report	Risk Management*	38–68
	Remuneration Report*	79–88
	Independent Auditors' Report	101–102
	Consolidated income statement	103
	Consolidated balance sheet	104
	Consolidated statements of recognised income and expense	105
	Consolidated cash flow statement	106–107
	Group accounting policies	108–127
	Notes to the Consolidated financial statements	128–200

**** Only the audited sections within the Risk Management Report and Remuneration Report are incorporated by reference into the Circular. In respect of the December 2011 Annual Report, the December 2010 Annual Report and the December 2009 Annual Report these sections are identified by the following statement which precedes an audited section:***

> ***"The information below forms an integral part of the audited financial statements as described in the Basis of preparation...".***

In respect of the 2009 Annual Report, these sections are identified by the following statement which precedes an audited section:

> ***"(Audited)"***

The parts of the documents other than those incorporated by reference (as per the table above) are either not relevant or covered elsewhere in this Circular. Information that is itself incorporated by reference in the above documents is not incorporated by reference into this Circular. It should be noted that, except as set forth above, no other parts of the above documents are incorporated by reference into this Circular.

Dated: 30 May 2012

PART VI

DEFINITIONS

Note: In this Circular, the term "Bonds" is used interchangeably to refer to the bonds which the Bank has conditionally agreed to purchase on the Purchase Date, being the 5.40% coupon Irish Government bonds with nominal amount up to €3.46 billion issued by the State, through the NTMA, on 2 April 2012 to IBRC, with ISIN number IE00B4TV0D44 and having a maturity date of 13 March 2025, and to the equivalent bonds which IBRC will be obliged to repurchase from the Bank on the Repurchase Date. Notwithstanding this terminology, all rights, title and interest in and to the bonds to be purchased by the Bank on the Purchase Date will pass to the Bank upon transfer and the Bank will have an obligation to transfer equivalent bonds to those bonds on the Repurchase Date. Furthermore, if any bonds are transferred by way of Margin from time to time in connection with the Transaction, the obligation of the party receiving those bonds as Margin will be to transfer Margin in the form of equivalent bonds in accordance with the requirements of the Agreement.

13.375% Bonds	13.375% Unsecured Perpetual Subordinated Bonds (ISIN: GB 0000510312);
1992 Preference Stock	the preference capital stock of the Bank, other than the 2009 Preference Stock and the 2005 Preference Stock, as at the date of this Circular;
2005 Preference Stock	new units of preference stock which may be allotted by the Directors pursuant to Bye-Law 7 and which can be either redeemable or non-redeemable and can be denominated in US dollars, in euro or in Sterling;
2009 Annual Report	the Bank's annual report and accounts for the year ended 31 March 2009;
2009 Preference Stock	the 3,500,000,000 units of 10.25% non-cumulative preference stock of €0.01 each in the capital of the Bank issued to the NPRFC as part of the NPRFC Investment;
2010 Annual Report	the Bank's annual report and accounts for the year ended 31 December 2010;
2010 Capital Raising	the capital raising exercise carried out by the Bank between April and June 2010;
2010 Government Transaction Agreement	the transaction agreement dated 26 April 2010 between the Bank, the NPRFC and the Minister for Finance entered into in connection with the 2010 Capital Raising, as more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;
2010 Placing	the placing component of the 2010 Capital Raising as more particularly described under the heading "*2010 Government Transaction Agreement*" in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;
2010 Reform Act	the Central Bank Reform Act 2010;
2011 Annual Report	the Bank's annual report and accounts for the year ended 31 December 2011;
2011 Capital Raising	the capital raising exercise carried out by the Bank between June and September 2011;
2011 PCAR	a prudential capital assessment review undertaken by the Central Bank the results of which were announced on 31 March 2011;

2011 PLAR	a prudential liquidity assessment review being undertaken by the Central Bank the results of which were announced on 31 March 2011;
2011 Transaction Agreement	means the transaction and underwriting agreement dated 18 June 2011 between the Bank, the NPRFC, the NTMA, the Minister for Finance, J&E Davy and UBS Limited (as Joint Sponsors) and Credit Suisse, UBS Limited, J&E Davy, and Deutsche Bank (as Joint Bookrunners);
Adjusted Core Tier 1 Capital Ratio	means, in respect of any semi-annual reporting period, the ratio of the Core Tier 1 Amount (as defined under the terms of the Contingent Capital Notes) divided by the RWA Amount, as at the date of the financial statements contained in the semi-annual reporting period, as calculated by the Bank and appearing in its relevant semi-annual financial report as "Core Tier 1 Ratio" or such other term having the same meaning (the calculation is similar to that for the Core Tier 1 Capital Ratio (PCAR/EBA stress test basis));
Agency Deed	the agency deed dated 29 July 2011 between the Bank and Citibank as more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;
Agreement	the global master repurchase agreement or GMRA in respect of the Transaction dated 24 May 2012 and made between the Bank and IBRC, as more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;
AIB	Allied Irish Banks plc;
ALCO	Group Asset and Liability Committee;
Allotment Event	the occurrence of a change in the manner in which funding is allocated under the OMO Facility changes from a fixed rate full allotment basis to a variable rate tender basis, as set out in the Agreement;
American Depository Shares	the units of Ordinary Stock which are traded on the New York Stock Exchange;
Anglo	Anglo Irish Bank Corporation Limited (now IBRC);
Annual General Court	an annual general court of the Bank;
Approved 2010 EU Restructuring Plan	the EU restructuring plan for the Group for the period to 31 December 2014 approved by the European Commission on 15 July 2010;
ATM	automated teller machine;
the Bank or **Bank of Ireland**	the Governor and Company of the Bank of Ireland, established in Ireland by Charter in 1783 and having limited liability;
Bank Staff Pensions Fund	the defined benefit pension scheme for employees of the Bank which was closed to new employees of the Bank with effect from 1 October 2006;
Basel I	the International Convergence of Capital Measurements and Capital Standards published by the Basel Committee in July 1988;
Basel III	the proposed updated guidelines for capital and banking regulations prepared by the Basel Committee on Banking Supervision, which were published on 16 December 2010 entitled "*Basel III: A Global regulatory framework for more*

resilient banks and banking systems", and which are to be phased in from 1 January 2013, together with (where the context so permits) any amendments, development or subsequent drafts of such guidelines and any legislative measures to implement any of the foregoing;

Basel Committee
the Basel Committee on Banking Supervision;

BIAM
Bank of Ireland Asset Management Ltd.;

BOISS
Bank of Ireland Securities Services Limited, Bank of Ireland Nominees Limited, IBI Nominees Limited and the Bank's custody and securities business;

Bonds
please refer to the note at the beginning of this Part VI (Definitions) for an explanation of the definition of Bonds;

Bonus Stock
units of Ordinary Stock in the Bank issued to the NPRFC if a cash dividend is not paid by the Bank pursuant to the rights attaching to the 2009 Preference Stock;

Business Days
a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in London and Dublin and where the reference to Business Days relates to business days in connection with the Agreement, it shall mean any day on which banks are open for business in Dublin and on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (TARGET2) is open;

Bye-Laws
the bye-laws of the Bank, as amended from time to time;

Capital Requirements Directive or **CRD**
Directive 2006/48/EC of the European Parliament and the Council of the European Union of 14 June 2006, together, relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions;

Capital Requirements Directive II or **CRD II**
Directive 2009/111/EC of the European Parliament and of the Council of the European Union of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management;

Capital Requirements Directive III of CRD III
Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2009/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies;

Capital Requirements Directive IV or **CRD IV**
proposal for a Directive of the European Parliament and of the Council of the European Union amending Directives 2006/48/EC, 2006/49/EC supplementing the two sets of revisions adopted by the Commission in October 2008 and July 2009 as regards liquidity standards, definition of capital, leverage ratio, counterparty credit risk, countercyclical measures, systemically important financial institutions and single rule book in banking;

Capital Requirements Directives
Capital Requirements Directive; Capital Requirements Directive II; Capital Requirements Directive III; and Capital Requirements Directive IV;

CCSS
the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities;

CEBS	the Committee of European Banking Supervisors;
Central Bank	the Central Bank of Ireland;
certificated or **in certificated form**	where stock or other security is not in uncertificated form;
CET 1 Amount	means, at any time, as calculated by the Bank on a consolidated basis and expressed in the Bank's reporting currency, the sum of all amounts (whether positive or negative) of Common Equity Tier 1 Capital of the Group as at that time;
CET 1 Ratio	means, in respect of any semi-annual reporting period, the ratio (expressed as a percentage) of the CET 1 Amount divided by the RWA Amount, as at the date of the financial statements contained in the semi-annual published financial report, as calculated by the Bank and appearing in its relevant semi-annual published financial report;
CIFS Guarantee Scheme	the Credit Institutions (Financial Support) Scheme 2008 (S.I. No. 411 of 2008);
Circular	this Circular;
CIROC Report	the Covered Institution Remuneration Oversight Committee report to the Minister dated 27 February 2009;
Citibank	Citibank, N.A., London Branch;
Citigroup	Citigroup Global Markets U.K. Equity Limited;
Closing Price	the closing middle-market quotation of a unit of Ordinary Stock as derived from the Daily Official List;
Code of Conduct for Business Lending to Small and Medium Enterprises	Code of Conduct for Business Lending to Small to Medium Enterprises published by the Financial Regulator (such functions now being carried out by the Central Bank) on 13 February 2009 (as amended or replaced from time to time);
Code of Conduct for Mortgage Arrears	Code of Conduct for Mortgage Arrears published by the Financial Regulator (such functions now being carried out by the Central Bank) on 13 February 2009 (as amended or replaced from time to time);
Common Equity Tier 1 Capital	all items that constitute common equity tier 1 capital less deductions from and any other adjustments to common equity tier 1 capital, in each case within the meaning of these terms or equivalent in the Capital Requirements Directive IV and as implemented in Ireland;
Companies Acts	the Companies Acts, 1963 to 2009 (as amended) of Ireland (insofar as they apply to Bank of Ireland having regard to the Ninth Schedule to the Companies Act, 1963);
Computershare	Computershare Investor Services (Ireland) Limited, Registrars and Receiving Agents for the Bank;
Contingent Capital Notes	the €1,000,000,000 10 per cent. Contingent Capital Tier 2 Notes 2016 issued by the Bank to the Minister for Finance pursuant to the Note Purchase Agreement and having ISIN number SIN IE00B658RR60;
Control	the holding, whether directly or indirectly, of stock of the Bank that confer, in aggregate, more than 50% of the voting rights in the Bank;
Control Resolution	a resolution of those Stockholders who are entitled to so vote for the approval of any agreement or transaction (including a merger) whereby, or in consequence of which, Control of the

	Group, or substantially all of the Group's business, is or may be acquired by any person or persons (excluding any government concert party) acting in concert and which for the avoidance of doubt shall include any resolution to approve a scheme of arrangement pursuant to section 201 of the Companies Act 1963 pursuant to which a takeover of the Group (within the meaning of the Irish Takeover Panel Act 1997 Takeover Rules (as amended, replaced or substituted from time to time)) would be effected or approved or a merger or division of the Bank pursuant to the European Communities (Mergers and Divisions of Companies) Regulations, 1987 (S.I. No. 137 of 1987) or a merger of the Bank pursuant to the European Communities (Cross-Border Mergers) Regulations 2008 (S.I. No. 157 of 2008);
Core Tier 1 Amount	means, if at any time, as calculated by the Bank on a consolidated basis and expressed in the Group's reporting currency, the aggregate amounts of capital elements prescribed by the EBA in the "Supporting Document 2: Capital Definition Criteria" published on 8 April 2011 and released to be the benchmark to be used in the 2011 EU-wide stress test for the purposes of computing the "Core Tier 1 including existing government support measures (CT1)" as at such time. For the avoidance of doubt, Core Tier 1 Amount includes any capital instruments injected at any time by the Minister and any State entity who may from time to time be the holder of the Contingent Capital Notes to strengthen the capital base of the Group and deemed by the Central Bank to be eligible to count towards Core Tier 1 Amount;
Core Tier 1 Capital	Tier 1 Capital excluding innovative and non-innovative Tier 1 Securities and before deductions required from Tier 1 Capital;
Core Tier 1 Capital Ratio	the amount of the Bank's Core Tier 1 Capital as a proportion of its Risk Weighted Assets on a consolidated basis;
Core Tier 1 Capital (PCAR/EBA stress test basis)	Tier 1 Capital excluding innovative and non-innovative Tier 1 Securities and after deductions required from Tier 1 Capital which is calculated in line with methodology used for the 2011 PCAR and EBA stress test. As stated in the Financial Measures Programme "*The Central Bank applied capital requirement rules and a definition of Core Tier 1 Capital as prescribed by the Capital Requirements Directive, which is the prevailing regulatory standard in the EU. To increase conservatism, the Central Bank has included all supervisory deductions, including 50:50 deductions";*
Core Tier 1 Capital Ratio (PCAR/EBA stress test basis)	the amount of the Bank's Core Tier 1 Capital (PCAR/EBA stress test basis) as a proportion of its Risk Weighted Assets on a consolidated basis;
Council of the European Union	the EU's legislative body which consists of one representative at ministerial level from each Member State (also informally known as the Council of Ministers or the EU Council);
Cost of Funds	the rate certified by the Bank to IBRC as the average rate at which the ECB has provided funding to the Bank against the Bonds under the OMO Facility, for the relevant period;
Counter-Indemnity Agreement	the counter-indemnity agreement dated 23 December 2010 between the Bank and the Minister for Finance as more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;

Court or **Court of Directors**	the Court of Directors of the Bank;
Credit Suisse	Credit Suisse Securities (Europe) Limited of One Cabot Square, London E14 4QJ;
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms);
CREST Member	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations);
CREST Participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
CREST Personal Member	a CREST Member admitted to CREST as a personal member;
CREST Regulations or **Regulations**	the Companies Act 1990 (Uncertified Securities) Regulations 1996 (S.I. No. 68 of 1996) of Ireland, as amended by S.I. No. 693 of 2005;
CREST Sponsor	a CREST Participant admitted to CREST as a CREST Sponsor;
CREST Sponsored Member	a CREST Member admitted to CREST as a sponsored member;
CTA	credit transaction assets;
Daily Official List	the daily Official List of the Irish Stock Exchange;
Day Count Fraction	the quotient of (a) the actual number of days in the relevant Fee Period and (b) 360;
DBRS	DBRS Limited;
Debt for Equity Offers	the offer to certain holders of certain Tier 1 and Tier 2 securities completed in 2011;
December 2009 Annual Report	the Bank's annual report and accounts for the nine month period ended 31 December 2009;
Deed of Undertaking	the agreement between the Bank and the Investors dated 24 July 2011, as more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;
Deleveraging Plan	the Group's plan for certain loan portfolios / lending businesses to be delevered or disposed of on an orderly basis which commits the Group to significantly further deleverage the balance sheet, requiring a loan to deposit ratio of 122.5% by 31 December 2013;
Department of Finance	Department of Finance of Ireland;
Deposit Guarantee Scheme or DGS	the statutory depositor protection scheme established under the European Communities (Deposit Guarantee Schemes) Regulations, 1995 (as amended);
Deutsche Bank	Deutsche Bank AG, London Branch of Winchester House, 1 Winchester Street, London EC2N 2DB;
Directors	the Executive Directors and Non-Executive Directors of the Bank;

DIRT	deposit interest retention tax;
Early Termination Date	the date on which the Transaction terminates following the occurrence of an Early Termination Event in accordance with the terms of the Agreement;
Early Termination Event	any of the events more particularly described in the description of the Agreement set out in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular under the sub-heading "*Early Termination*" under the heading "*The Agreement*";
EBA	the European Banking Authority;
ECB	the European Central Bank;
ECB Discount	the haircut or discount applied by the ECB to the market value of the Bonds (as determined by the ECB);
EFSF or **European Financial Stability Facility**	the facility agreed by the Member States of the European Union on 9 May 2010, aiming at preserving financial stability in Europe by providing financial assistance to members of the Eurozone in economic difficulty;
EFSM or **European Financial Stability Mechanism**	the emergency funding programme reliant upon funds raised on the financial markets and guaranteed by the European Commission using the budget of the European Union as collateral which runs under the supervision of the European Commission and aims at preserving financial stability in Europe by providing financial assistance to Member States in economic difficulty;
Exceptional Liquidity Assistance or **ELA**	credit granted by the Central Bank to a financial institution under exceptional circumstances in emergency situations, usually against collateral;
ELG Scheme	the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. No. 490 of 2009), as amended by S.I. No. 546 of 2010, S.I. No. 470 of 2010 and S.I. No. 634 of 2011;
Eligible Bank Assets	those classes of assets prescribed as eligible bank assets by the Minister for Finance, in accordance with section 69 of the NAMA Act;
Eligible Debt Securities	the Tier 1 and Tier 2 Securities that were the subject of the Debt for Equity Offers;
Employee Stock Issue Scheme	the employee stock issue scheme of the Bank;
Employee Stock Schemes	the LTIP, the LTPSP, the ESOS, the Stock Alternative Scheme, the Employee Stock Issue Scheme and the SAYE Scheme;
ESM or **European Stability Mechanism**	the permanent rescue funding programme to succeed the temporary EFSF and EFSM, which is due to be launched in mid-2013;
ESM Treaty	the treaty establishing the European Stability Mechanism, signed by the Euro area Member States on 2 February 2012, which revised the original ESM Treaty signed on 11 July 2011;
ESOS	the executive stock option scheme of the Bank;
ESRB	the European Systemic Risk Board;
EU or **European Union**	the European Union;
EU Restructuring Plan	a restructuring plan for a bank for submission to the European Commission under EU State aid rules for the purpose of

	establishing long term viability without State support, adequate burden sharing and measures to minimise any distortion of competition arising from State aid provided to the bank;
EU/IMF Programme	the Programme of Financial Support for Ireland as announced by the EU and IMF on 1 December 2010 as updated and supplemented on 17 May 2011, 28 July 2011, 28 November 2011 and 10 February 2012;
Euribor	Euro Interbank Offer Rate;
euro	the single currency of the EU member states that adopt or have adopted the euro as their lawful currency under the legislation of the European Union or European Monetary Union;
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST;
European Commission	the Commission of the EU;
European Council	an EU body which consists of national heads of state or government from each Member State, a president and the president of the European Commission;
European Parliament	the parliament of the EU;
Eurosystem	the ECB and the national central banks of the Eurozone;
Eurozone	the member states of the EU which have adopted the euro as their common currency;
Executive Directors	the executive directors of the Bank;
Extraordinary General Court or **EGC**	an extraordinary general court of the Bank and, unless otherwise specified, the extraordinary general court of the Bank to be held on 18 June 2012;
Facility Deed	the facility deed dated 23 December 2010 made between the Bank and the Central Bank as more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;
Fee Payment Date	the fourth Business Day of each month following the Purchase Date and the Repurchase Date;
Fee Period	the period from, and including, one Fee Payment Date (or, in the case of the first Fee Period, the Purchase Date) to, but excluding, the next Fee Payment Date;
Financial Measures Programme	the financial measures programme announced by the Central Bank on 31 March 2011 comprising the independent loan loss assessment exercise carried out by BlackRock Solutions, the 2011 PCAR and the 2011 PLAR;
Financial Regulator	the Irish Financial Services Regulatory Authority which was dissolved on 1 October 2010 pursuant to the 2010 Reform Act and its existing functions were merged into the Central Bank;
Financial Services Compensation Scheme or FSCS	the UK financial services compensation scheme established under FSMA;
Fiscal Stability Treaty	the treaty on Stability, Coordination and Governance in the Economic and Monetary Union, which signed by 25 Eurozone countries on 2 March 2012;
Form(s) of Proxy	a form or forms of proxy relating to the Extraordinary General Court;
FSA or **Financial Services Authority**	Financial Services Authority of the United Kingdom;

FSMA	Financial Services and Markets Act 2000, as amended;
GDP	Gross Domestic Product;
GEC	the group executive committee of the Bank;
General Court	an AGC or an EGC;
GMRA	the global master repurchase agreement (2000 version);
Government or **Irish Government**	the Government of Ireland;
Government Preference Stockholder	a Government Body holding 2009 Preference Stock;
Great Britain	the territories of England, Scotland and Wales;
Group	the Bank and each of its subsidiaries and subsidiary undertakings from time to time;
GRPC	the Group Risk Policy Committee;
Guarantee	a deed of guarantee executed by the Minister dated 29 November 2010 in favour of certain credit institutions and regulated entities which are party to certain agreements with Anglo, further details of which are set out under the heading "*The Guarantee*" in paragraph 3 (Summary of the terms of the Transaction) of Part I (Letter from the Governor of Bank of Ireland) of this Circular;
High Court	the High Court of Ireland;
HM Treasury	UK economics and finance ministry;
IAS	International Accounting Standards;
IASB	the International Accounting Standards Board;
IBI Corporate Finance	IBI Corporate Finance Limited of 2 Burlington Plaza, Burlington Road, Dublin 4, which is a subsidiary of the Bank;
IBRC	Irish Bank Resolution Corporation Limited;
ICAAP	Internal Capital Adequacy Assessment Process;
IFRIC	International Financial Reporting Interpretations Committee;
IFRS	International Financial Reporting Standards as adopted for use in the EU;
IMF	International Monetary Fund;
INBS	Irish Nationwide Building Society;
Investors	Fidelity Management & Research Company, Fairfax Financial Holdings Limited, Capital Research and Management Company, WL Ross & Co. LLC and Kennedy-Wilson, Inc.;
IRBA	Internal Ratings Based Approach;
Ireland	means Ireland, excluding Northern Ireland, and the word "Irish" shall be construed accordingly;
Irish Stock Exchange or **ISE**	Irish Stock Exchange Limited;
Issuance Window	in respect of the ELG Scheme, the period of time during which securities and other obligations can be issued that are covered by the ELG Scheme;
Issued Ordinary Stock	the units of Ordinary Stock of the Bank in issue at 28 May 2012, the last practicable date prior to the publication of this Circular;
Issuer Agreement	the issuer agreement dated 24 July 2011 between the Bank and the Investors as more particularly described in paragraph 7

	(Material Contracts) of Part V (Additional Information) of this Circular;
J&E Davy	J&E Davy of Davy House, 49 Dawson Street, Dublin 2, trading as Davy or, as the context so requires, any affiliate thereof or company within its group;
Joint Bookrunners	Credit Suisse, J&E Davy, Deutsche Bank and UBS Limited;
Joint Sponsors	J&E Davy and UBS Limited;
Key Management Personnel or **KMP**	the Directors of the Court, the members of the Group Executive Committee and the Group Secretary;
LIBOR	London Interbank Offered Rate;
Listing Authorities	the Irish Stock Exchange and the UK Listing Authority;
Listing Rules	the listing rules of the Irish Stock Exchange and/or where appropriate the UK listing rules made under section 73A of the FSMA;
London Stock Exchange	London Stock Exchange plc;
Lower Tier 2	fixed-maturity subordinated notes with a minimum initial maturity of five years, with no deferral of coupon payments and no loss absorption through the write-down of principal or interest;
LTIP	the Long Term Incentive Plan of the Bank which was approved by the stockholders at the AGC in July 2004;
LTPSP	the Long Term Performance Stock Plan of the Bank as described in paragraph 4 (Directors', Secretary's and Senior Executives Interests) of Part V (Additional Information);
LTRO or **Long Term Refinancing Operation**	liquidity provision operations offered by Monetary Authorities;
Margin	an amount to be provided by the Bank to IBRC or vice versa, on any Business Day, in the form of either cash or Bonds, in accordance with the Agreement, as described more particularly in paragraph 3 (Summary of the terms of the Transaction) of Part I (Letter from the Governor) and paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;
Member State	a member state of the EU;
Minister for Finance or **Minister**	the Minister for Finance of Ireland;
Minister's Letter	the letter of agreement between the Minister for Finance and the Bank pursuant to the 2011 Transaction Agreement in which the Bank gave a number of commitments to the Minister for Finance in respect of its lending, corporate governance, preference dividend payment and remuneration practices, as more particularly described in the summary of the 2011 Transaction Agreement in paragraph 7 (Material Contracts) of Part V (Additional Information);
Minister's Speech	the speech delivered by the Minister to the Dáil (parliament of Ireland) on 29 March 2012 in which the background to the Transaction was outlined;
Modified Dutch Auction	a procedure by which the purchase price of an item is set by the purchaser and the item is purchased at the lowest offer below the set purchase price, subject to such an offer being higher than a minimum reserve price;

Monetary Authorities	the ECB, the Central Bank, the Bank of England and the US Federal Reserve;
NAMA	the National Asset Management Agency and, where the context permits, other members of NAMA's group including subsidiaries and associated companies;
NAMA Act	the National Asset Management Agency Act 2009 (as amended);
NAMAIL	National Asset Management Agency Investment Limited;
National Pensions Reserve Fund	the fund established by the National Pensions Reserve Fund Act, 2000 (as amended) to meet (insofar as possible) the costs of Ireland's social welfare and public service pensions from 2025 onwards;
New Ireland	New Ireland Assurance Company plc, a wholly-owned subsidiary of the Bank;
New Ordinary Stock	the units of Ordinary Stock of €0.05 each in the capital of the Bank issued pursuant to the Rights Issue and the units of Ordinary Stock of €0.05 which were proposed to be issued pursuant to the State Placing (which did not proceed) as part of the 2011 Capital Raising;
Non-Executive Directors	the non-executive directors of the Bank;
Northern Trust	the Northern Trust Company and Northern Trust (Ireland) Limited;
Note Purchase Agreement	the note purchase agreement dated 8 July 2011 between the Bank and the Minister for Finance as more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;
Notice of Extraordinary General Court	the notice of EGC which is appended to this Circular;
NPRFC	the National Pensions Reserve Fund Commission, established by the National Pensions Reserve Fund Act 2000 (as amended) to, inter alia, control, manage and invest the assets of the National Pensions Reserve Fund. References herein to the NPRFC mean the NPRFC acting in its capacity as controller and manager of the National Pensions Reserve Fund;
NPRFC Coupon Ordinary Stock	184,394,378 units of Ordinary Stock issued to the NPRFC on Monday 22 February 2010 in lieu of the cash dividend otherwise due on the 2009 Preference Stock;
NPRFC Investment	the subscription by the NPRFC for €3.5 billion of 2009 Preference Stock in the Bank and the issue of the Warrants completed on 31 March 2009;
NPRFC Rights Issue Undertaking	the NPRFC's agreement to take-up its entitlement to Ordinary Stock pursuant to the rights issue component of the 2010 Capital Raising arising in respect of its holding of Ordinary Stock resulting from the placing of Ordinary Stock under 2010 Placing and the Ordinary Stock previously issued to the NPRFC in lieu of the cash dividend on the 2009 Preference Stock;
NTMA	the National Treasury Management Agency as established by the National Treasury Management Agency Act, 1990 (as amended);
OMO Facility	standard ECB open market operations;

Optional Termination Date	a date designated by IBRC, in accordance with the terms of the Agreement, as the date of early termination of the Agreement;
Ordinary Stock or **units of Ordinary Stock**	the units of ordinary stock having a nominal value of €0.05 in the capital stock of the Bank;
Ordinary Stockholder	a holder of a unit of Ordinary Stock;
Participating Institution	a credit institution designated by the Minister for Finance as a participating institution in accordance with the provisions of section 67 of the NAMA Act;
PCAR or **Prudential Capital Assessment Review**	a prudential capital assessment review undertaken by the Central Bank;
Plaintiff	Procom Desarollos Urbanos, SA and Cecosa Hipermercados S.L.U, the plaintiff in the proceedings more particularly described in paragraph 9 (Litigation) of Part V (Additional Information) of this Circular under the heading "*Procom litigation*";
PLAR or **Prudential Liquidity Assessment Review**	a prudential liquidity assessment review being undertaken by the Central Bank;
POL	Post Office Limited;
Preference Stock	means the 2009 Preference Stock and the 1992 Preference Stock;
Preference Stockholders	means the registered holders of Preference Stock from time to time;
Programme for Government	the document published by the Government on 6 March 2011 entitled "Programme for Government for National Recovery 2011-2016";
Promissory Notes	the €30.6 billion in aggregate of promissory notes which were issued in 2010 by the State to Anglo and INBS (now together IBRC) as part of the recapitalisation by the State of IBRC;
Proposed Resolutions	the proposed resolutions granting the Group the right to insert call options into the terms of the Eligible Debt Securities as more particularly described in paragraph 9 (Litigation) of Part V (Additional Information) of this Circular, under the heading "*Litigation in relation to the Debt for Equity Offers and application of the Stabilisation Act";*
Purchase Date	a date not later than 14 Business Days following Stockholder approval of the Transaction;
Purchase Price	€3.06 billion payable by the Bank to IBRC;
Refinancing Date	the date on which the Bank obtains funding in respect of the Bonds under the OMO Facility or the date on which funding made available under the OMO Facility must be repaid by the Bank;
Regulatory Information Service	one of the regulatory information services authorised by the Irish Stock Exchange and/or UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;
Relationship Framework	the relationship framework specified by the Minister on 30 March 2012 to provide the basis on which the relationship between the Minister and the Bank shall be governed and more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;

Relevant Person	the Minister for Finance, the Department of Finance, the Irish Government, the NTMA, NAMA, the NPRFC, or any person controlled by or controlling any such person, or any entity or agency of or related to the State, or any director, officer, official, employee or adviser of any such person;
Repurchase Date	the date on which, among other things, IBRC is required to pay the Repurchase Price and the Bank is required to deliver the Bonds, being a date falling not later 364 days after the Purchase Date;
Repurchase Price	€3.06 billion payable by IBRC to the Bank;
Resolution	the resolution to be proposed at the Extraordinary General Court on 18 June 2012 as set out in this Circular;
Revised 2011 EU Restructuring Plan	the revised EU restructuring plan for the Group for the period to 31 December 2015 approved by the European Commission on 20 December 2011;
Risk Appetite Statement	a statement which sets out the Bank's attitude to risk taking and which is approved annually by the Court;
Rights Issue	the offer to qualifying Stockholders to acquire New Ordinary Stock in the 2011 Capital Raising;
Rights Issue Stock	the new Ordinary Stock issued and allotted by the Bank pursuant to the Rights Issue;
Risk Weighted Assets or RWA	assets which are weighted for credit risk according to a formula used by banks that conform to the Capital Requirements Directives;
Rump Placing	the placing of units of New Ordinary Stock not (or deemed not to be or otherwise treated as not having been) taken up under the Rights Issue in the 2011 Capital Raising;
RWA Amount	in the context of the Contingent Capital Notes, at any date, the aggregate amount of all Risk Weighted Assets of the Group calculated on a consolidated basis pursuant to the Capital Requirements Directives;
SAYE Scheme	the SAYE Scheme or sharesave scheme established by the Bank in 1999 for all eligible employees of the Bank;
SMEs	small and medium enterprises;
Solvency II Directive	Council Directive 2009/138/EC of 25 November 2009;
Stabilisation Act	the Credit Institutions (Stabilisation) Act 2010 (as amended);
State	Ireland excluding Northern Ireland;
State Placing	the proposed placing of up to 794,912,043 units of New Ordinary Stock with the NPRFC under the terms of the 2011 Transaction Agreement, which did not proceed;
Statutory Commission of Investigation	the commission of investigation established by the Government pursuant to the Commissions of Investigation Act, 2004 (as amended);
Sterling or £	Sterling, the lawful currency of the United Kingdom;
Stock Alternative Scheme	the scheme approved by Ordinary Stockholders at the AGC in 2006 which gave Stockholders the choice to receive dividends by way of cash or in units of Ordinary Stock;
Stockholder	an Ordinary Stockholder and/or Preference Stockholder (as the context so requires) and, in the context of references to

	Stockholder approval, the Ordinary Stockholders and the Preference Stockholders, when such stockholders have active entitlements to vote at a general court of the Bank;
Subscription Agreement	a subscription agreement with the NPRFC and the Minister for Finance dated 31 March 2009, under which, in consideration for the payment of €3.5 billion, the Bank issued to the NPRFC the 2009 Preference Stock and the Warrants;
Term Wholesale Funding	wholesale funding with a maturity of greater than one year;
Tier 1 Capital	Tier 1 capital instruments (within the meaning of the Central Bank's requirements at such time or equivalent) which includes Stockholders' funds and innovative and non-innovative Tier 1 Securities;
Tier 1 Capital Ratio	the amount of Tier 1 Capital as a proportion of Risk Weighted Assets on a consolidated basis;
Tier 2 Capital	undisclosed reserves, revaluation reserves, general provisions and loan loss reserves and subordinated long-term debt;
Tier 1 Securities	the securities issued by the Group that constitute Tier 1 Capital;
Tier 2 Securities	the securities issued by the Group that constitute Tier 2 Capital;
Total Capital	Tier 1 Capital plus Tier 2 Capital less regulatory deductions;
Total Capital Ratio	Total Capital (including Tier 1 Capital) divided by Risk Weighted Assets;
Transaction	the proposed securities repurchase transaction between the Bank and IBRC as more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular, under the heading "*The Agreement*", and guaranteed by the Minister (subject to the terms set out in paragraph 3 (Summary of the terms of the Transaction) of Part I (Letter from the Governor of Bank of Ireland) of this Circular under the heading "*The Guarantee*");
Transaction Document(s)	the Agreement and any other documents required for the purpose of implementing the Transaction;
Transaction Fee	a monthly fee payable by IBRC to the Bank in connection with the Transaction calculated by multiplying: (i) the Purchase Price; by (ii) the Transaction Fee Rate; by (iii) the Day Count Fraction;
Transaction Fee Rate	a percentage per annum equal to the sum of (i) the Cost of Funds and (ii) 1.35% of the Purchase Price;
Troika	the European Commission, the IMF and the ECB;
UBS Limited	UBS Limited of 1 Finsbury Avenue, London EC2M 2PP;
UK Listing Authority or **UKLA**	the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of the FSMA;
uncertificated or **in uncertificated form**	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
Underwriting Agreement	the underwriting agreement relating to the 2010 Capital Raising dated 26 April 2010 and more particularly described in paragraph 7 (Material Contracts) of Part V (Additional Information) of this Circular;

United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland;
United States or **US**	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
US Dollar or **$**	US Dollar, the lawful currency of the United States;
Warrants	the detachable warrants issued to the NPRFC as part of the NPRFC Investment.

Notes:

(i) Unless otherwise stated in this Circular, all reference to statutes or other forms of legislation shall refer to statutes or forms of legislation of Ireland. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

(ii) The symbols "**€**" and "**c**" refer to euro and cent respectively, the lawful currency of Ireland pursuant to the provisions of the Economic and Monetary Union Act 1998. The symbols "**Stg£**" or "**£**" or "**p**" refer to Pounds Sterling and the symbols "**US$**" or "**$**" refer to US dollars.

(iii) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

(iv) Expressions defined in the manual published by Euroclear from time to time in connection with the operation of CREST bear the same meaning when used in this Circular.

(v) Terms defined in the Companies Acts and in the European Communities (Companies: Group Accounts) Regulations, 1992 and used in this Circular shall have the same meaning when used in this Circular.

NOTICE OF EXTRAORDINARY GENERAL COURT OF THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

NOTICE IS HEREBY GIVEN that an Extraordinary General Court of the Bank will be held at 9.00 am on 18 June 2012 in the Royal Marine Hotel, Marine Road, Dun Laoghaire, Co. Dublin, Ireland, to consider and, if thought fit, pass the following resolution:

RESOLUTION

As an Ordinary Resolution:

"That the Transaction (as defined in the Circular issued by the Governor and Company of the Bank of Ireland (the "**Bank**") dated 30 May 2012 (the "**Circular**")), between the Bank and Irish Bank Resolution Corporation Limited ("**IBRC**"), being a related party transaction and a class 1 transaction for the purposes of the Listing Rules of the Irish Stock Exchange Limited and the Listing Rules of the UK Listing Authority, be and is hereby approved and any member of the Bank of Ireland Group (the "**Group**") be and is hereby authorised to perform the obligations of the Group arising under the Agreement and to do all such other acts and execute such other documents arising from the entry into the Transaction."

BY ORDER

Helen Nolan
Secretary

The Governor and Company of the Bank of Ireland
40 Mespil Road
Dublin 4
Ireland

Dated: 30 May 2012

Notes:

Entitlement to attend and vote

1. Only those Stockholders who are holders of fully paid units of capital stock of the Bank and are registered on the Bank's register of members at:
   - 6.00 pm on 16 June 2012 (being the record date specified by the Bank for eligibility for voting pursuant to section 134A of the Companies Act 1963 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations, 1996); or
   - if the Extraordinary General Court is adjourned, at 6.00 pm on the day two days prior to the adjourned Extraordinary General Court,

   shall be entitled to participate and vote at the Extraordinary General Court to the extent permitted to do so under the Listing Rules.

Website giving information regarding the Extraordinary General Court

2. Information regarding the Extraordinary General Court, including the information required by section 133A(4) of the Companies Act 1963, is available from www.bankofireland.com/investor.

Attending in person

3. The Extraordinary General Court will be held at 9.00 am. If you wish to attend the Extraordinary General Court in person, you are recommended to attend at least 15 minutes before the time appointed for holding of the Extraordinary General Court to allow time for registration. Please bring the attendance card attached to your Form of Proxy and present it at the Stockholder registration desk before the commencement of the Extraordinary General Court.

Electronic Participation

4. Stockholders can vote electronically by logging on to the website of the Bank's registrars, Computershare Investor Services (Ireland) Limited *www.eproxyappointment.com*. Stockholders will need their 5-digit PIN Number, Stockholder Reference Number and the Control Number which are all printed on the enclosed Form of Proxy.

Voting by Corporate Representatives

5. Any corporation sole or body corporate which is a member of the Bank may, by a document executed by or on behalf of such corporation sole or resolution of its Directors or other governing body of such body corporate, authorise such individual as it thinks fit to act as its representative at any General Court of the Bank.

   Any individual so authorised shall not be entitled to appoint a proxy but shall otherwise be entitled to exercise the same powers on behalf of the corporation sole or body corporate which he represents as that representative could exercise if he were an individual member of the Bank present in person.

Appointment of proxies

6. A Stockholder who is entitled to attend, speak, ask questions and vote at the Extraordinary General Court is entitled to appoint a proxy to attend, speak, ask questions and vote instead of him. A Stockholder may appoint more than one proxy to attend, speak, ask questions and vote at the Extraordinary General Court in respect of stock held in different securities accounts. A Stockholder acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees provided each proxy is appointed to exercise rights attached to different stock held by that Stockholder. A proxy need not be a Stockholder of the Bank. If you wish to appoint more than one proxy then please contact the Bank's registrars, Computershare Investor Services (Ireland) Limited, by sending an email to clientservices@computershare.ie.

7. A Form of Proxy for use by Ordinary Stockholders is enclosed with this Notice of Extraordinary General Court (or is otherwise being delivered to Stockholders). Completion of a Form of Proxy (or submission of proxy instructions electronically) will not prevent a Stockholder from attending the Extraordinary General Court and voting in person should they wish to do so.

Completion of Forms of Proxy

8. To be valid, Forms of Proxy and any power or other authority under which it is executed (or a duly certified copy of any such power or authority) must be lodged by hand or by post with the Bank's registrars, Computershare Investor Services (Ireland) Limited, P.O. Box 954, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland not later than 48 hours before the Extraordinary General Court or adjourned Extraordinary General Court or (in the case of a poll taken otherwise than at or on the same day as the Extraordinary General Court or adjourned Extraordinary General Court) at least 48 hours before the taking of the poll at which it is to be used.

Appointment of proxy electronically

9. To appoint a proxy electronically log on to the website of the registrars, *www.eproxyappointment.com*. Stockholders will need their 5-digit PIN Number, Stockholder Reference Number and the Control Number, all of which are printed on the enclosed Form of Proxy.

Appointment of a proxy by a CREST Member

10. CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Extraordinary General Court and any adjournment(s) thereof by following the procedures laid down in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s) should refer to their CREST Sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.

11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Bank's registrars, Computershare Investor Services (Ireland) Limited, (ID Number **3RA50**) by the latest time(s) for receipt of proxy appointments specified in this notice of Extraordinary General Court. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Computershare Investor Services (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

12. CREST Members and where applicable, their CREST Sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST Sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Bank may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996.

Questions at the Extraordinary General Court

13. Under section 134C of the Companies Act 1963, the Bank must answer any question you ask relating to the business being dealt with at the Extraordinary General Court unless:

    (i) answering the question would interfere unduly with the preparation for the Extraordinary General Court or the confidentiality and business interests of the Bank;

    (ii) the answer has already been given on a website in the form of an answer to a question; or

    (iii) it appears to the Chairman of the Extraordinary General Court that it is undesirable in the interests of the good order of the Court that the question be answered.

Submission of questions

14. If you wish to submit a question in advance of the Extraordinary General Court, please send your question(s) in writing by email to *egcquestions@boi.com* or send it in writing with your Form of Proxy to the Registrar by no later than 4 days in advance of the Extraordinary General Court.

Stockholders' right to table draft resolutions

15. Stockholders holding 3% or more of the units of Ordinary Stock may table a draft resolution for an item on the agenda in accordance with the terms of section 133B of the Companies Act 1963, subject to the Bank's minimum notice requirements for the issuing of notice for the Extraordinary General Court being capable of being met in respect of any such draft resolution.

Voting on a Poll

16. Pursuant to Section 138 of the Companies Act, 1963 where a poll is taken at the Extraordinary General Court, a Stockholder, present in person or by proxy, holding more than one unit of stock need not cast all his / her votes in the same way.

1992 Preference Stockholders

17. Holders of the 1992 Preference Stock, although entitled to receive Notice of any General Court, are not entitled to attend and vote at the Extraordinary General Court due to the fact that the dividend on the 1992 Preference Stock was paid by the Bank to such Stockholders on 20 February 2012.

Documents available for inspection

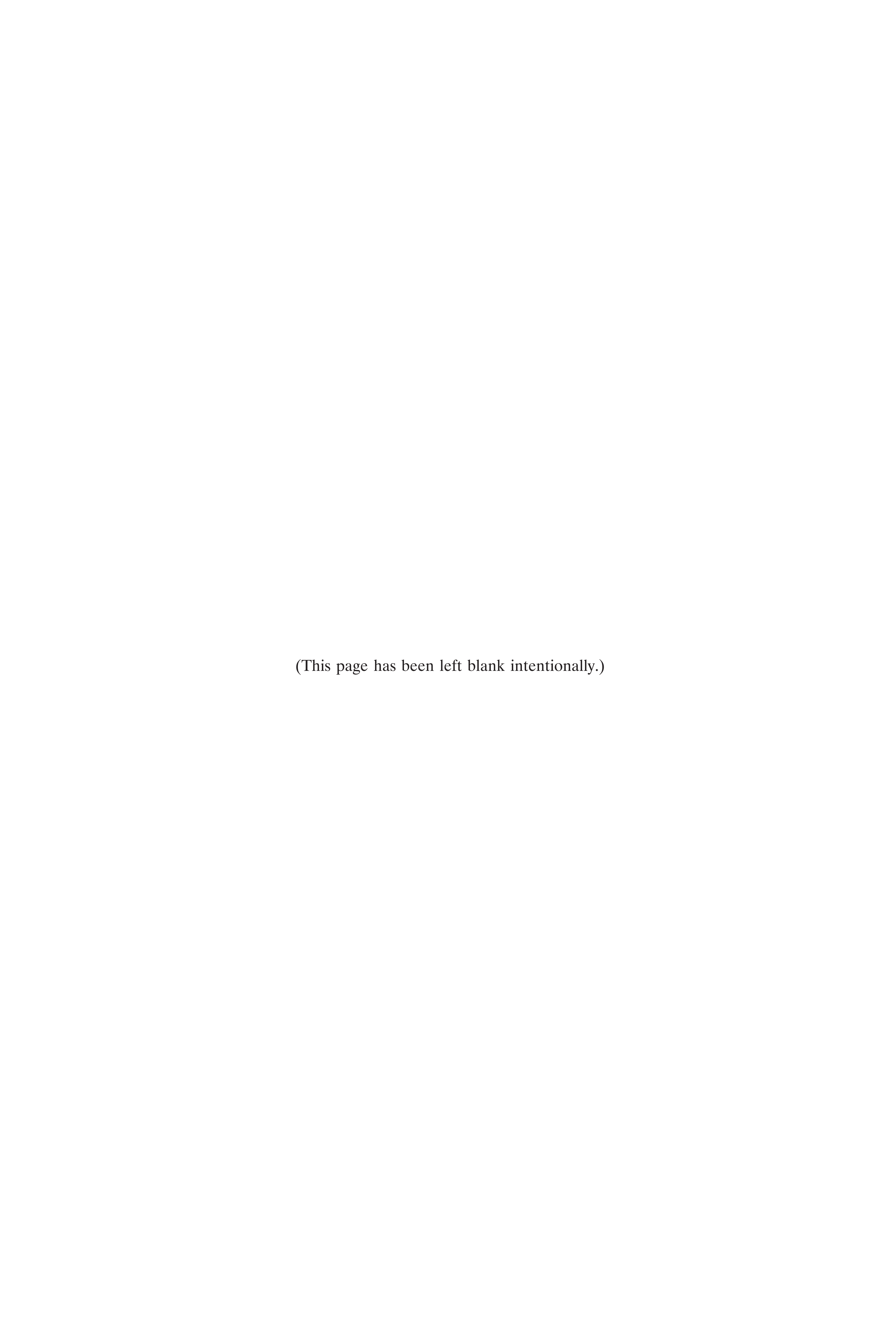
18. Paper copies of:

    - the Bye Laws;
    - the 2011 Annual Report, the 2010 Annual Report, the December 2009 Annual Report and the 2009 Annual Report;
    - the Agreement;
    - the Guarantee;
    - the Circular;
    - consent letters referred to in paragraph 11 (Consent to Inclusion of Names) of Part V (Additional Information) of the Circular;
    - the report on the unaudited pro forma financial information by PricewaterhouseCoopers set out in Part III (Unaudited Pro Forma Financial Information) of the Circular,

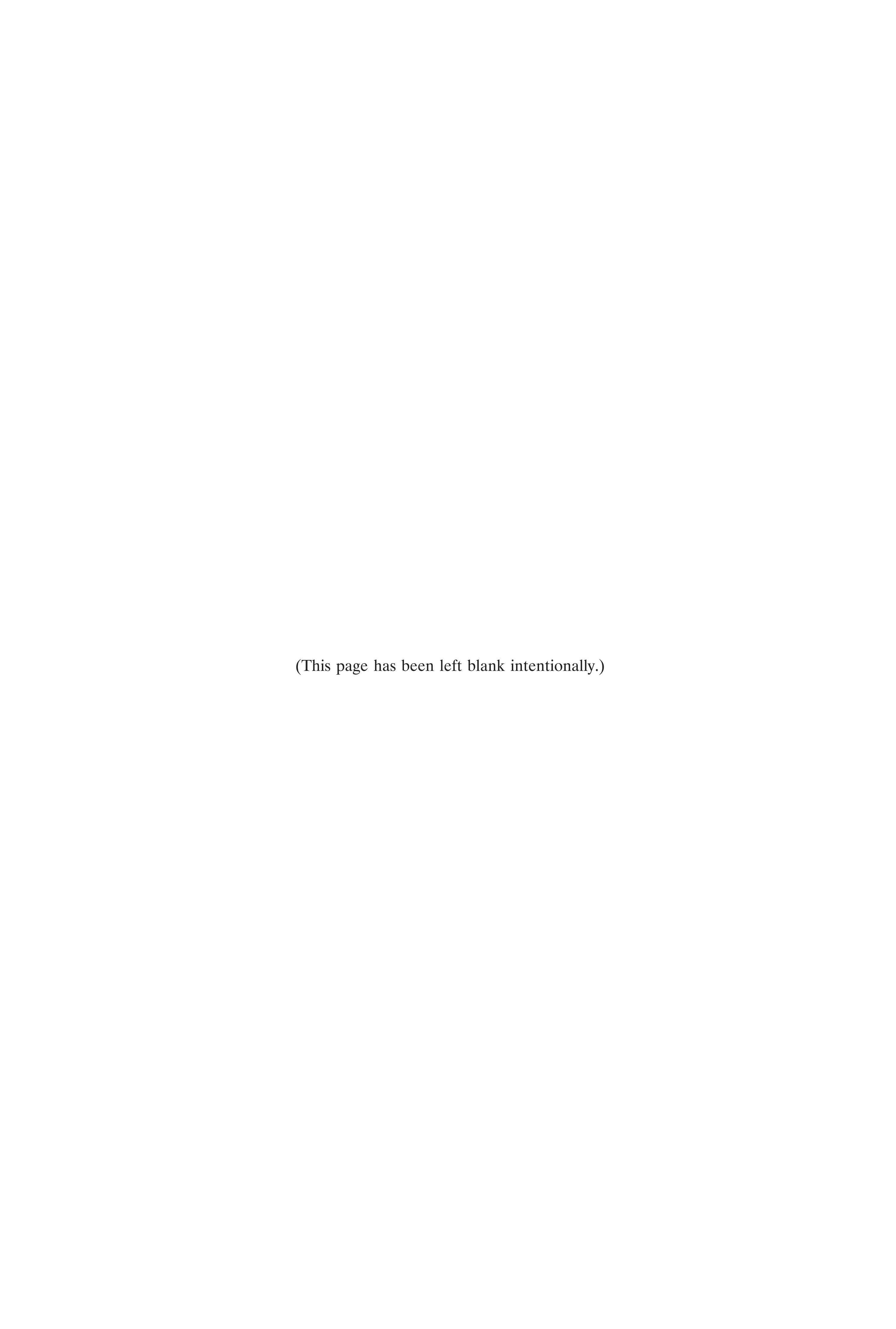
    will be available for inspection at the following addresses during normal business hours on each Business Day from the date of the Circular up to and including the date of the Extraordinary General Court:

    - the registered office of the Bank at 40 Mespil Road, Dublin 4, Ireland; and
    - the Bank's offices at Bow Bells House, 1 Bread Street, London EC4M 9BE, England.

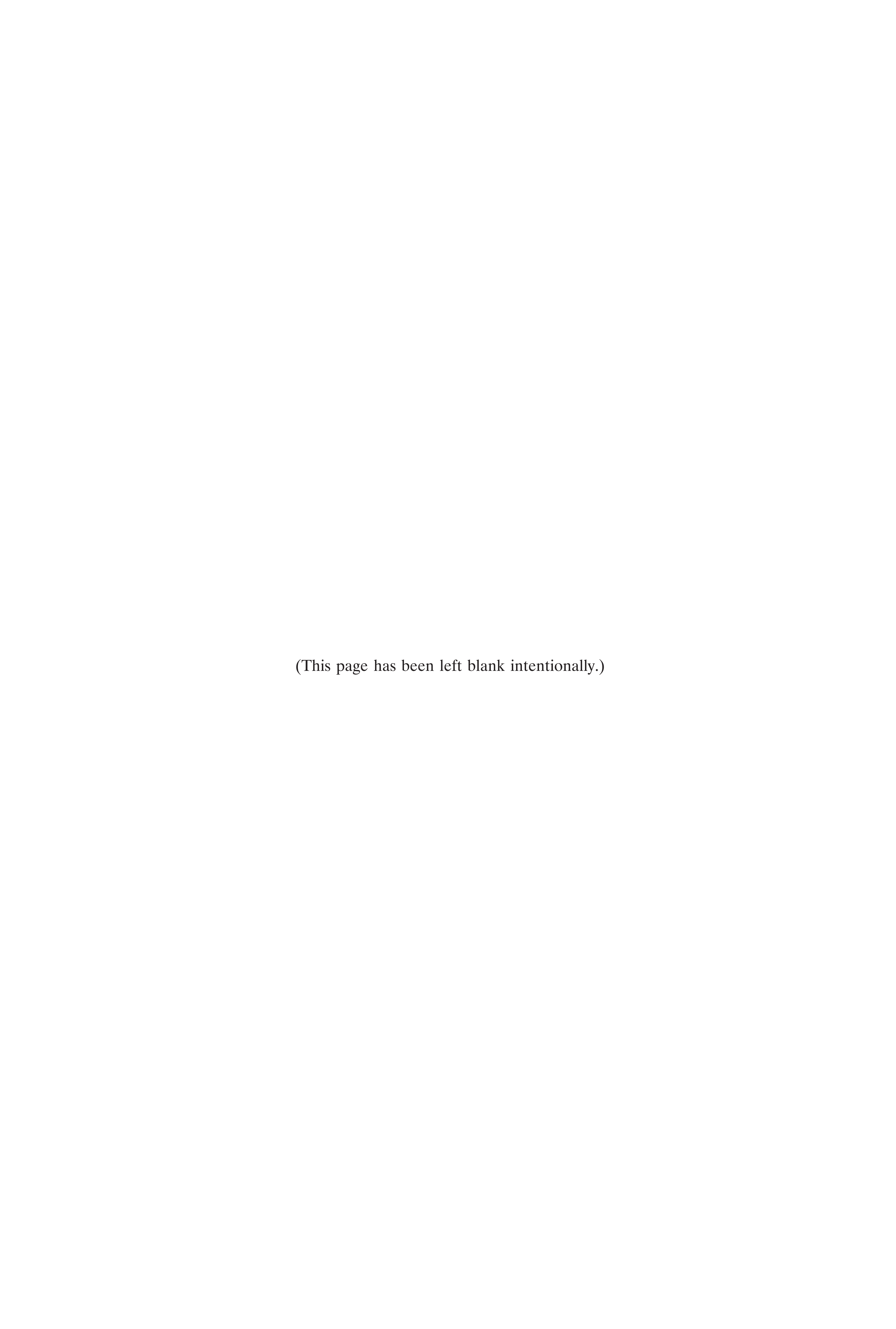
They will also be available for inspection in the Royal Marine Hotel, Marine Road, Dun Laoghaire, Co. Dublin from at least 15 minutes prior to the Extraordinary General Court until the conclusion of that meeting.



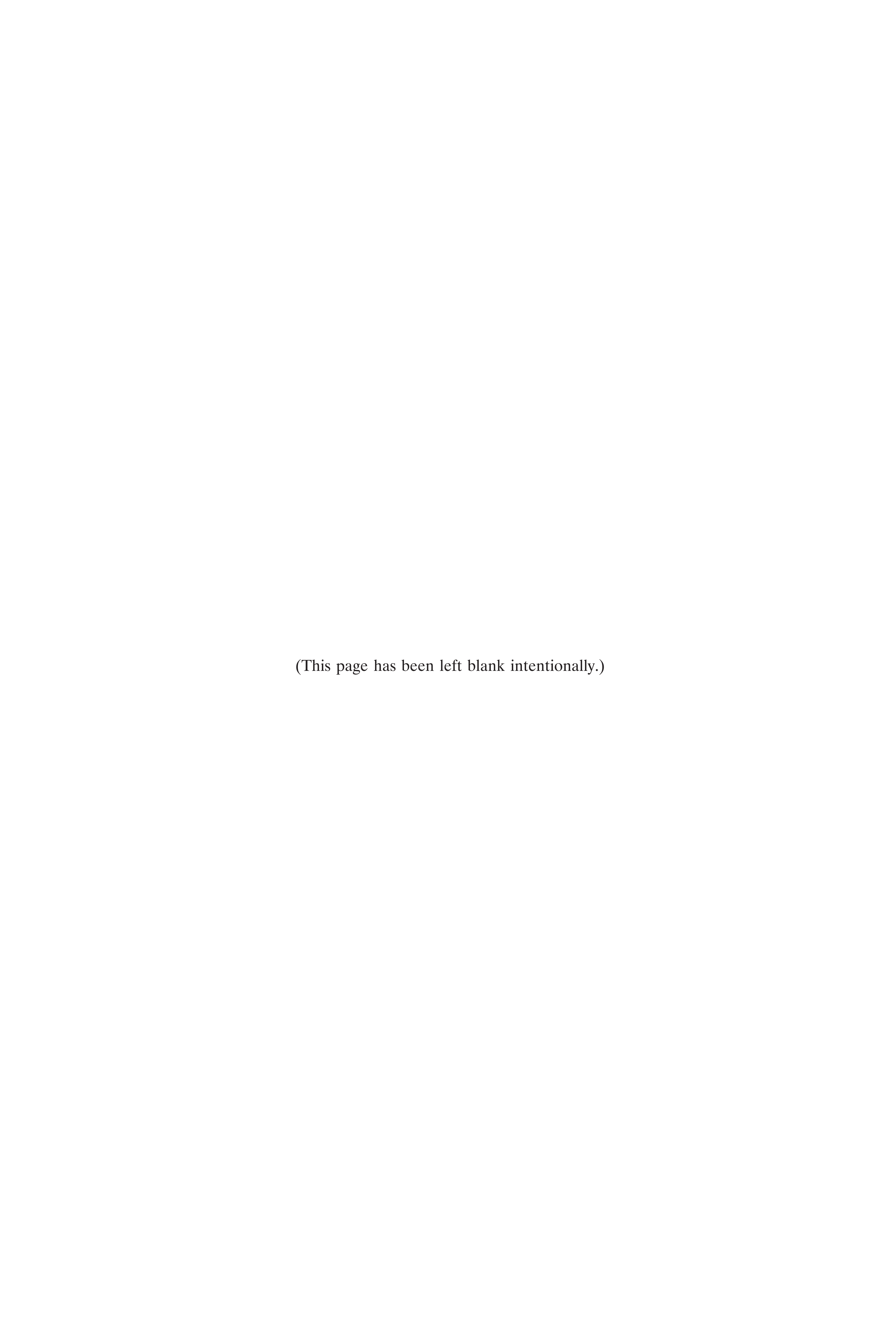
(This page has been left blank intentionally.)



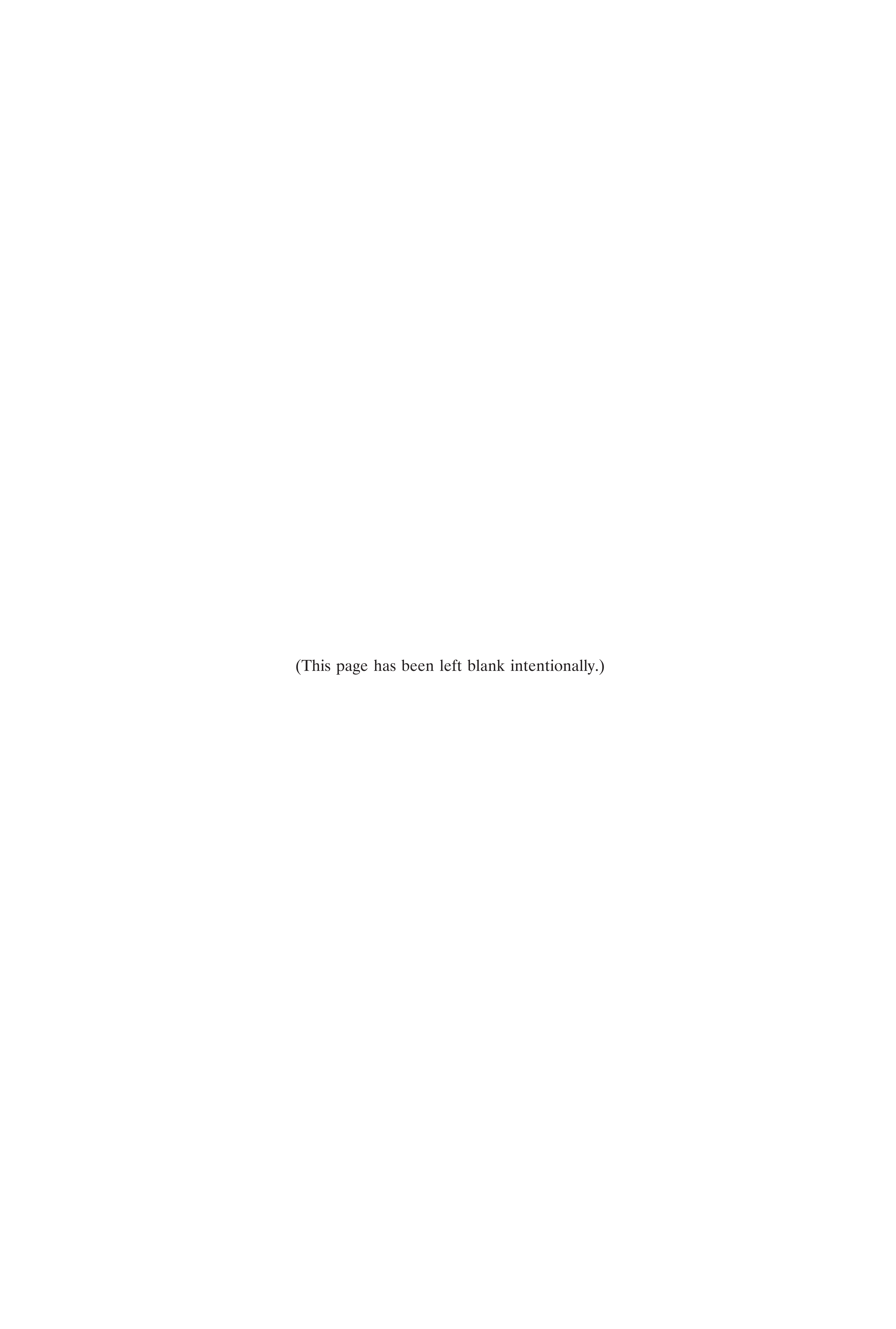
(This page has been left blank intentionally.)



(This page has been left blank intentionally.)



(This page has been left blank intentionally.)



(This page has been left blank intentionally.)

Merrill Corporation Ltd, London
12ZBB79601