ANNOUNCEMENT OF CAPITAL RAISING

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1. Summary

The Governor and Company of the Bank of Ireland ("the Bank" or "Bank of Ireland") today announces proposals intended to meet its current and long term capital requirements ("the Proposals").

- Fully underwritten market based proposals to raise €3.421 billion equity tier 1 capital comprising:
  - Firm institutional placing of €0.5 billion
  - Firm placing to the State of €1.036 billion
  - Rights Issue of up to €1.885 billion, potentially reduced through equity generation and profit impact of debt for equity offers.
- Result in maximum State ownership of 36%, compared with current fully diluted State ownership of 34%[1].
- A strengthened capital position:
  - Increase in pro forma equity tier 1 ratio from 5.3% to 8.0%[2] at 31 December 2009
  - Expected to maintain a minimum equity tier 1 ratio of greater than 7% under Basel II going forward
  - Meets the Financial Regulator stress test
- Provides a strong capital foundation to support the Bank's future growth and over time build value for ordinary stockholders
  - Assists the Bank's prudent disengagement from State guarantees over time
  - Allows the Bank to focus its resources on expanding its business in those areas where it has competitive strengths and capabilities in its chosen core markets of Ireland, the UK and selected international markets
  - Facilitates repayment of the State's preference shares and a return to paying ordinary dividends in the medium term

Patrick Molloy, Governor of Bank of Ireland said "Today's announcement marks a significant turning point for Bank of Ireland and its stockholders. The substantial private sector interest in the capital raising alongside the firm support provided by the State demonstrate the inherent strength of the Bank and confidence in its future. We believe the completion of these proposals will provide strong foundations upon which to build Stockholder value."

A letter from Patrick Molloy to Bank of Ireland stockholders is included in the Circular, a copy of which is being sent to stockholders today. This letter is reproduced at Appendix I below.

2. Availability of the Circular and the Prospectus

The Circular, including a notice convening an Extraordinary General Court of the Bank to be held at 11.00 a.m. on 19 May 2010 at the O'Reilly Hall, University College Dublin, Dublin, Ireland, will be posted to Stockholders today. Copies of the Prospectus, which will contain details of the Proposals, and the Circular are expected to

[1] Fully diluted State ownership calculated taking account of 1,189 million units of ordinary stock already in issue, of which 187 million are held by the NPRFC together with 335 million warrants also held by the NPRFC to subscribe for units of ordinary stock as compared with the total number of units of ordinary stock in issue adjusted for the warrants

[2] Including the Proposals and having adjusted for the €405 million Equity Tier 1 Capital generated from the Lower Tier 2 debt-for-debt exchange in February 2010 and for the €12.2 billion loans expected to transfer to NAMA.

be available on the Bank's website later today. A further announcement in relation to the availability of the Prospectus and the Circular will be made in due course.

The implications of the information contained in the Prospectus and the Circular for Overseas Stockholders may be affected by the laws of the relevant jurisdiction. Such Overseas Stockholders should inform themselves about and observe any applicable legal requirements.

3. Investor Meeting

A meeting for analysts and investors will be held today at 9.30a.m. BST in the Group's Head Office at 40 Mespil Road, Dublin 4. This meeting will be webcast live on the Group's website www.bankofireland.com/investor. Phone details:
UK: +44 (0)20 7138 0815
Ireland: +353 (0)1 4860914
Access code: 1798548

4. Timetable of Principal Events

An expected timetable of principal events is set out in Appendix II

5. Advisers, Underwriters, Bookrunners, Sponsors and Brokers

IBI Corporate Finance ("IBI") and Credit Suisse Securities (Europe) Limited ("Credit Suisse") are acting as financial advisers and transaction co-ordinators. Citigroup Global Markets U.K. Equity Limited ("Citi"), Credit Suisse, Davy, Deutsche Bank AG and UBS Investment Bank are acting as joint bookrunners and underwriters. Davy and UBS are acting as joint sponsors and brokers.

6. Other

This summary should be read in conjunction with the full text of this announcement and the Circular and Prospectus which are being made available today and it is not a prospectus or a prospectus "equivalent" document. Any investment decision in relation to the Proposals must only be made on the basis of information contained in and incorporated by reference in the Prospectus. Qualifying Stockholders should also read, in full, the risk factors set out in the Prospectus published by the Company relating to the Proposals dated the date of this announcement. Unless otherwise defined, capitalised terms used in this announcement have the same meaning as in the Circular.

Details of other information are set out in Appendix III.

7. Contacts

For further information, please contact:

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APPENDIX I - LETTER FROM PATRICK J. MOLLOY, GOVERNOR OF BANK OF IRELAND

Directors:

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Bank of Ireland, A Block
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Dublin 2

Patrick Molloy	Governor
Dennis Holt	Deputy Governor and Senior Independent Director
Richie Boucher	Group Chief Executive
Des Crowley	Chief Executive, Retail (Ireland and UK)
Denis Donovan	Chief Executive, Capital Markets
John O'Donovan	Group Chief Financial Officer
Tom Considine	Non-Executive Director
Paul Haran	Non-Executive Director
Rose Hynes	Non-Executive Director
Jerome Kennedy	Non-Executive Director
Declan McCourt	Non-Executive Director
Heather Ann McSharry	Non-Executive Director
Terry Neill	Non-Executive Director
Patrick O'Sullivan	Non-Executive Director
Joe Walsh	Non-Executive Director

26 April 2010

PROPOSED INSTITUTIONAL PLACING, NPRFC PLACING, RIGHTS ISSUE (INCLUDING THE NPRFC RIGHTS ISSUE UNDERTAKING), LIABILITY MANAGEMENT EXERCISE BY WAY OF THE DEBT FOR EQUITY OFFERS AND THE WARRANT CANCELLATION

1. Introduction

Today, Bank of Ireland announced Proposals to take significant steps to strengthen further its balance sheet following key developments in recent weeks. Under the Proposals, the Bank will, subject to Stockholder approval, increase Equity Tier 1 Capital by a minimum of €2.8 billion (after expenses and the Warrant Cancellation) by way of the Institutional Placing, the NPRFC Placing, the Rights Issue (including the NPRFC Rights Issue Undertaking) and the Debt for Equity Offers. The proceeds of the Institutional Placing and the Rights Issue, with the exception of the amount covered by the NPRFC Rights Issue Undertaking, will be underwritten pursuant to the Underwriting Agreement. In addition, as part of the Proposals, the Warrants held by the NPRFC will be cancelled in return for the payment of €491 million in cash by the Bank to the NPRFC and the non-cumulative dividend on the NPRFC's remaining 2009 Preference Stock will be increased.

At the Bank's Extraordinary General Court on 12 January 2010, I explained that while the Group's regulatory capital position remained robust, the Directors recognised that market expectations in relation to capital levels had evolved and that the Group intended to address these increased market expectations. I also explained that, in order to facilitate any such capital raising, several areas of material uncertainty would need to be addressed.

The Directors believe that the Group has made significant progress in recent weeks to clarify its investment case through the following:

- *NAMA is now operational:* As stated by the Minister for Finance on 30 March 2010, NAMA is now operational and the Group transferred Tranche 1 NAMA Assets on 2 April 2010 of €1.9 billion (before impairment provisions) for which it received consideration of €1.2 billion in Government guaranteed bonds and non-guaranteed subordinated bonds;

- *Transfer of assets to NAMA:* The transfer of Tranche 1 NAMA Assets on 2 April 2010 coupled with further internal preliminary valuation exercises and recent interaction with NAMA has enabled the Group to estimate with greater certainty the overall capital impact of NAMA participation. At the Extraordinary

General Court of 12 January 2010 the Group set out that the loss on the transfer to NAMA should not be greater than €4.8 billion, representing a discount of 30% on the Minister's estimate of €16 billion of loans expected to transfer. The Group now expects to transfer approximately €12.2 billion of loans to NAMA and applying the level of discount (approximately 36%) on the disposal of the Tranche 1 NAMA Assets to this portfolio would result in a loss of €4.4 billion (before impairment provisions of €2.8 billion at 31 December 2009) and therefore the loss is expected to be within the guidance provided at the Extraordinary General Court on 12 January 2010. This is discussed in greater detail in paragraph 10 (NAMA) of this Part I of this Circular;

- *Non-NAMA Impairment:* In addition, the Group has confirmed that the outlook for impairment charges on the Group's non-NAMA bound loans remains as expected and therefore, re-affirms previously issued guidance of €4.7 billion of impairment charges on these assets for the three years ending 31 March 2011. The Group believes that the impairment charge on its non-NAMA loans and advances to customers peaked in 2009 and will reduce progressively in each of 2010, 2011 and 2012. These views on impairment charges have been independently reviewed by Oliver Wyman, a leading international management consulting firm, which confirmed that, on the basis of the work it has performed and subject to limitations and qualifications set out in the Oliver Wyman report, it believes the Group's non-NAMA impairment estimates to be reasonable. This is discussed in greater detail in paragraph 11 (Re-affirmation of non-NAMA related loan impairment estimates) of this Part I of this Circular;

- *EU Restructuring Plan:* The Group has been involved in detailed negotiations through the Department of Finance with the European Commission in relation to the terms of the EU Restructuring Plan which is required in the context of a review by the European Commission resulting from the State aid which has been received by the Group. The Group expects that the decision regarding the approval of the proposed measures, including the final terms of the EU Restructuring Plan, will be taken by the European Commission by mid-2010. Therefore, at the date of this Circular, there can be no certainty as to the outcome of the State aid proceedings and the content of the final EU Restructuring Plan. While this process has not concluded, the Directors believe, based on the status of negotiations with the European Commission, that the final EU Restructuring Plan is likely to include, among other items, the disposal of New Ireland Assurance Company plc, Bank of Ireland Asset Management Limited, ICS Building Society (Irish intermediary sourced mortgage business), Foreign Currency Exchange Corporation (US foreign exchange businesses) and the Group's stakes in Paul Capital Top Tier Investments LLC (US asset management business) and in the Irish Credit Bureau Limited and the wind-down or disposal of the Group's UK intermediary sourced mortgage business and certain discontinued international corporate lending portfolios. It will also include certain behavioural measures, including commitments relating to the non-payment of discretionary coupons and the non-exercise of voluntary call options on hybrid capital securities for a specified period, a commitment relating to the non-payment of dividends on Ordinary Stock for a specified period, a commitment not to make any material acquisitions and measures to facilitate competition in the Irish banking market. The Directors do not expect that the proposed EU Restructuring Plan would be materially detrimental to the long term interests of the Group. Further details are provided in paragraph 12 (State aid and EU Restructuring Plan) of this Part I of this Circular;

- *Financial Regulator:* The Group has worked closely with the Financial Regulator to assess the Group's capital requirements going forward and the Financial Regulator has carried out an exercise to determine the forward-looking prudential capital requirements of certain Irish credit institutions including the Group. As announced by the Financial Regulator on 30 March 2010, this exercise determined that the Group requires an additional €2.66 billion of Equity Tier 1 Capital by the end of 2010 to meet the base case target of a minimum 7% Equity Tier 1 Capital Ratio. Assuming implementation of the Proposals, going forward the Group expects to maintain a minimum Equity Tier 1 Capital Ratio of greater than 7% and a Core Tier 1 Capital Ratio of greater than 8%, both ratios under Basel II, which should ensure that the Group's capital position remains resilient and well positioned to meet its core business priorities;

- *Pensions:* As announced on 7 April 2010 the Group has completed a review of its defined benefit pension schemes. The proposals from this review involve changes to the schemes, primarily relating to future pension increases and how future salary increases qualify for pension which together would eliminate approximately 50% of the 31 December 2009 IAS 19 deficit of €1.6 billion. If such proposals are implemented, the Group will increase its cash contributions, above existing cash contributions, to the schemes so as to eliminate the approximate 50% balance of the 31 December 2009 IAS 19 deficit over approximately 6 years. The implementation of these proposed changes would lower the underlying pension costs and would therefore be positive to the income statement of the Group. Further details are provided in paragraph 15 (Pensions) of this Part I of this Circular.

In light of these developments, the Directors have considered a range of options available to the Group to strengthen its capital position and to support the growth of the Group's core business franchises.

Stockholder approval is required to implement the Proposals and the Circular explaining the requisite approvals sought and convening an Extraordinary General Court on 19 May 2010 is being posted to Stockholders today.

Stockholder approval of the Proposals is required by the Listing Rules for a number of reasons, including that the NPRFC Placing, the NPRFC Rights Issue Undertaking, the amendment of the dividend and voting rights attaching to the 2009 Preference Stock and the Warrant Cancellation constitute related party transactions under the Listing Rules on the basis that the NPRFC is a significant stockholder in the Bank. In addition, the Listing Rules require such approval as the Placing Stock will be issued in the Institutional Placing at a discount of greater than 10% to the market price of Ordinary Stock. Stockholder approval is also required because the Proposals comprise the issue of additional capital stock (including on a non-pre-emptive basis); the issue of the Allotment Instruments pursuant to the Debt for Equity Offers; an increase in the authorised capital stock of the Bank; the Renominalisation of units of Ordinary Stock; and the amendment of the Bye-Laws.

The Proposals, if implemented, will result in Ordinary Stockholders' proportionate holding in the Bank being diluted. This is because the issue of the Placing Stock, the Ordinary Stock issued under the NPRFC Placing and the Ordinary Stock issued pursuant to the Debt for Equity Offers are not being offered to Existing Stockholders who are not Placees, part of the NPRFC Placing or noteholders. This dilution could be increased depending on a number of variables, the main ones being whether or not Stockholders take up their Rights to subscribe for Ordinary Stock under the Rights Issue and the level of participation by noteholders in the Debt for Equity Offers. A table setting out the maximum potential dilutive impact (based on a set of assumptions) is set out in paragraph 5 (Maximum Potential Dilutive Impact of the Proposals) in the Appendix to this Part I of this Circular.

As at 23 April 2010, the last practicable date prior to the date of the publication of this Circular, the Irish Government, through the NPRFC, held 15.73% of the Bank's Existing Stock. The NPRFC also holds, as at the date of this Circular, the Warrants to subscribe for additional Ordinary Stock which, if exercised (assuming no other increases to the capital stock of the Bank or to the NPRFC's stockholding), would result in the NPRFC holding a total of 34.3% of the Bank's issued Ordinary Stock as enlarged by the exercise of the Warrants. If the Proposals are implemented (with the NPRFC subscribing fully for its rights in relation to the NPRFC Coupon Ordinary Stock and the Ordinary Stock issued pursuant to the NPRFC Placing), and the NPRFC subscribes fully for its rights in relation to its other Existing Stock (i.e. the Ordinary Stock held pursuant to its other investment activities in addition to the NPRFC Coupon Ordinary Stock), the NPRFC will increase its holding of Ordinary Stock, but will have its Warrants cancelled. This will result in the NPRFC holding up to a maximum 36% of the Bank's Ordinary Stock following the implementation of the Proposals, with no right to purchase additional Ordinary Stock pursuant to the Warrants.

2. Background to the Proposals

Government and Regulatory Initiatives

In the latter part of 2008 and in the early part of 2009, the continuing dislocation in financial markets, the sharp downturn in economic conditions, the substantial deterioration in credit conditions and the severe liquidity constraints, negatively impacted financial institutions around the world. In addition to these unprecedented trading conditions, Irish financial institutions experienced more severe and more rapidly deteriorating economic conditions in Ireland than elsewhere, due in large part to the severe contraction of the Irish property market. As a result of these factors, a number of measures were implemented by the Irish Government in order to enhance the availability of liquidity and improve access to funding for the Group and other systemically important financial institutions in Ireland including:

- *CIFS Guarantee Scheme:* In September 2008, the Minister for Finance introduced the CIFS Guarantee Scheme which guarantees certain liabilities of covered institutions, including the Group, until 29 September 2010. Further details of the CIFS Guarantee Scheme are contained in Part XI (Regulation and Supervision) of the Prospectus;

- *NPRFC Investment:* On 31 March 2009, the investment by the NPRFC, pursuant to a direction from the Minister for Finance, of €3.5 billion in the form of the 2009 Preference Stock and the Warrants, as detailed further in Part XI (Regulation and Supervision) of the Prospectus;

- *ELG Scheme:* On 9 December 2009, the Minister for Finance commenced the ELG Scheme which is intended to facilitate participating institutions issuing debt securities and taking deposits which are due to mature after the expiry of the CIFS Guarantee Scheme on 29 September 2010. The Group announced on 11 January 2010 that it had joined the ELG Scheme. The ELG Scheme, as notified to the European Commission, was approved by the European Commission under the EU State aid rules on 20 November 2009, is subject to a review by the European Commission by 1 June 2010, under which the European Commission could require the amendment or cessation of the ELG Scheme. The Issuance Window of the ELG Scheme is scheduled to expire on 29 September 2010 (bonds and deposits issued under the ELG Scheme before 29 September 2010 will be covered up to maturity, subject to a maximum maturity of five years). On 30 March 2010, the Minister for Finance announced that he would be seeking European Commission approval for an extension of a modified ELG Scheme consistent with its phasing out over a realistic period of time. Further details on the ELG Scheme are contained in Part XI (Regulation and Supervision) of the Prospectus;

- *Establishment and operation of NAMA:* NAMA, which is acquiring land and development loans and certain associated loans from Participating Institutions, including Bank of Ireland, was established on 21 December 2009. On 12 January 2010, Stockholders approved the Group's application to participate in NAMA (a class 1 and related party transaction under the Listing Rules). On 12 February 2010, the Minister for Finance confirmed the Group's designation as a Participating Institution. Tranche 1 NAMA Assets transferred on 2 April 2010 as detailed above and discussed further in paragraph 10 (NAMA) of this Part I of this Circular.

In addition, the Financial Regulator undertook the following review:

- *Financial Regulator capital targets:* On 30 March 2010, the Financial Regulator published the results of its review of the capital requirements of certain institutions in the Irish banking sector, including the Group. New capital levels were set as a long term solution to help ensure that Irish banks move to a strong capital position to speed up their recovery and that of the Irish economy. Further detail is contained in paragraph 13 (Financial Regulator) of this Part I of this Circular and in Part XI (Regulation and Supervision) of the Prospectus.

Group Initiatives

In addition to the Government and Regulatory initiatives outlined above, the Group itself responded to the progressively deteriorating market conditions in 2008 and 2009 by implementing a number of measures to stabilise its capital and funding:

- *Ordinary dividend cancellation:* On 13 November 2008, in light of the deteriorating economic conditions and its determination to preserve capital, the Bank announced its decision to cancel dividend payments on Ordinary Stock for the financial year ended 31 March 2009 and stated that it did not expect to resume paying dividends on Ordinary Stock until more favourable economic and financial conditions returned;

- *Wind-down of certain non-core business segments:* On 8 January 2009, the Group announced its intention to withdraw from its intermediary sourced mortgage business in the United Kingdom, which would result over time in a significant reduction in the size of its UK intermediary sourced mortgage portfolio. In addition the Group commenced the process of winding down a number of non-core international niche lending businesses including film finance, shipping and international syndicated corporate loans. These initiatives were designed to reduce the Group's balance sheet over time (as at 31 December 2009, assets in these activities totalled approximately €34 billion) and to reduce the quantum of wholesale funding required. Commitments regarding the continued wind-down or sale of these loan books have been given to the European Commission as part of the EU Restructuring Plan. Further details are provided in paragraph 12 (State aid and EU Restructuring Plan) of this Part I of this Circular;
- *Debt re-purchase programme:* On 17 June 2009, the Bank announced the successful completion of a debt re-purchase programme of a nominal value of €1.7 billion equivalent in euro, Sterling and US Dollar denominated Tier 1 securities. The debt repurchase involved a cash tender offer for six Tier 1 securities at

an average discount of 59% to their nominal value. The gain generated from the repurchase increased Equity Tier 1 Capital by €1.0 billion;

- *Non-payment of dividends on Tier 1 Securities and Upper Tier 2 Securities:* On 19 January 2010, following communications from the European Commission that the Bank should not make coupon payments on its Tier 1 Securities and Upper Tier 2 Securities unless under a binding legal obligation to do so, the Bank announced that the non-cumulative distribution on the LP2 Securities and the LP3 Securities, which would otherwise have been payable on 1 February 2010 and 4 February 2010 respectively, would not be paid. The effect of this decision by the Bank was to trigger the "dividend stopper" provisions of the LP2 Securities. Under the "dividend stopper", the Bank is precluded, for a period of one calendar year, from and including 1 February 2010, from declaring and making any distribution or dividend payments on its Ordinary Stock, the 1992 Preference Stock, the 2009 Preference Stock, the Hybrid/Preferred Securities and the ACSM Hybrids. As a consequence of this, the Bank issued the NPRFC Coupon Ordinary Stock to the NPRFC on Monday 22 February 2010 in lieu of the cash dividend otherwise due on the 2009 Preference Stock;

- *Debt for Debt Exchange:* On 11 February 2010, the Bank announced the successful completion of the exchange of certain of its Lower Tier 2 Securities for a new series of longer dated Lower Tier 2 Securities. This yielded a gain to Equity Tier 1 Capital of €405 million, whilst leaving the total net capital position unchanged. Approximately €1.6 billion in nominal value of Lower Tier 2 Securities were exchanged for €1.2 billion (an average discount of 26%) in nominal value of higher coupon Lower Tier 2 Securities, giving rise to the €405 million gain;

- *Term Funding:* Between January 2009 and March 2010, the Bank raised approximately €14 billion of term funding (wholesale funding with a maturity of one year or greater) in total;

- *EU Restructuring Plan:* The Group has been involved in detailed negotiations through the Department of Finance with the European Commission in relation to the terms of the EU Restructuring Plan which is required in the context of a review by the European Commission resulting from the State aid which has been received by the Group. The Group expects the decision regarding the approval of the proposed measures, including the final terms of the EU Restructuring Plan, will be taken by the European Commission by mid-2010. Therefore, at the date of this Circular, there can be no certainty as to the outcome of the State aid proceedings and the content of the final EU Restructuring Plan. While this process has not concluded, the Directors believe, based on the status of negotiations with the European Commission, that the final EU Restructuring Plan is likely to include, amongst other actions, the disposal of New Ireland Assurance Company plc, Bank of Ireland Asset Management Limited, ICS Building Society (Irish intermediary sourced mortgage business), Foreign Currency Exchange Corporation (US foreign exchange business), and the Group's stakes in Paul Capital Top Tier Investments LLC (a US asset management business) and in the Irish Credit Bureau Limited, and the wind-down or disposal of, the Group's UK intermediary sourced mortgage business and certain discontinued international corporate lending portfolios. It will also include certain behavioural measures, including commitments relating to the non-payment of discretionary coupons and the non-exercise of voluntary call options on hybrid capital securities for a specified period, a commitment relating to the non-payment of dividends on Ordinary Stock for a specified period, a commitment not to make any material acquisitions and measures to facilitate competition in the Irish banking market. The Directors do not expect that the proposed EU Restructuring Plan would be materially detrimental to the long term interests of the Group. Further details are provided in paragraph 12 (State aid and EU Restructuring Plan) of this Part I of this Circular; and

- *Pensions:* The deficit (on an IAS 19 basis) across all the Group defined benefit pension schemes was €1.6 billion at 31 December 2009. In January 2010, the Group launched a pension review to address this deficit. As announced on 7 April 2010, the Group is proposing to make a number of changes affecting pension benefits. The proposed changes affecting the Group's pension schemes and the benefits available to members of the schemes require engagement with the trustees and members of these schemes. Extensive discussions have taken place with staff representative bodies and the Group's proposed approach has been agreed (following its recommendation by an independent third party chairman) with the main bank union, the IBOA, in relation to the main scheme (which accounts for approximately 85% of the total deficit). Full implementation of the amendments to the Group's pension schemes would eliminate approximately 50% of the 31 December 2009 IAS 19 deficit. If such proposals are implemented, the Group will increase its cash contributions to the schemes so as to eliminate the remaining approximate 50% of the 31 December 2009 IAS 19 deficit over approximately 6 years. The proposed changes would lower the underlying pension costs and would therefore have a positive effect on the income statement of the Group. Further details are provided in paragraph 15 (Pensions) of this Part I of this Circular.

Recent economic environment in Ireland and the UK

The Directors believe that the economic environments in the Group's key operating geographies (being Ireland and the UK) have recently shown signs of stabilisation after the substantial fall in economic output from early in 2008.

Domestic demand in Ireland has been very weak, driven initially by a significant contraction in construction output and a decline in business spending, followed by a substantial fall in consumer spending which fell by 7.2% in 2009 (Source: CSO, *Quarterly National Accounts,* Q4 2009). The weakness in domestic demand is also reflected in the number of company insolvencies, which rose by 82% in 2009 on the previous year (Source: InsolvencyJournal.ie). Irish employment fell by 166,900, or 8.1%, in the 12 months to 31 December 2009 (Source: CSO, *Quarterly National Household Survey,* Q4 2009). The unemployment rate rose rapidly, from under 5% in early 2008 to 13.2% by the end of 2009 and was 13.4% in each of the three months January to March 2010 (Source: CSO, *Live Register,* March 2010). The ESRI forecasts a savings ratio of 10.25% in 2010 which is a decline from its figure of 10.6% for 2009 but a significant increase from the 2007 ratio of 2.3% (Source: ESRI, *Quarterly Economic Commentary,* Spring 2010).

Ireland's GDP fell by 7.1% in 2009 (Source: CSO, *Quarterly National Accounts,* Q4 2009). However, the rate of economic decline has slowed and expectations for the near-term outlook have improved, with an expected return to growth in the second half of 2010 leading to a fall in GDP of 0.5% for 2010 overall (Source: *Reuters Poll, March 2010*). The consensus expectation for 2011 is for a 3% growth in GDP (Source: *Reuters Poll,* March 2010).

The market's perception of Irish sovereign risk has also improved in recent months: the 10-year yield spread (incremental interest cost) over Germany had narrowed to 1.71% as at 23 April 2010 from a recent high of 2.84% in March 2009. Since late December 2009, concerns regarding the fiscal stability of some Eurozone countries unsettled investor confidence but Ireland's bonds have outperformed those countries on a relative basis during this period.

Exports are a primary driver of economic activity in Ireland, with the value of merchandise exports falling by just 3% in 2009 against a 22% decline in imports (Source: CSO, *External Trade*). The general view amongst forecasters is that exports should start to grow again this year, given the global recovery and in response to a fall in wages in Ireland, which is expected to boost competitiveness. The EU forecasts a fall in Irish unit labour costs in 2010 in absolute terms and relative to other EU member states (Source: European Commission, *Autumn 2009 Forecasts*).

The recession in Ireland has been deeper than the average across the European Union and this, together with the euro appreciation against Sterling (30% of Irish imports are from the United Kingdom (Source: CSO External Trade)) has resulted in a fall in Irish consumer prices; inflation averaged -1.7% in 2009 on the basis of the standardised European measure of inflation ("HICP"), or -4.5% on the Irish Consumer Price Index ("CPI"), which, unlike the HICP, includes mortgage interest. Inflation is expected to return to positive territory by the end of 2010, although average inflation for the year is likely to remain negative, at -1.1% on the CPI measure (Source: *Reuters Poll,* March 2010).

The quantum of bank lending has contracted in Ireland, falling by over 3% in 2009 (Source: Central Bank of Ireland, *Monthly Statistics*), excluding write-downs and valuation effects. Mortgage lending in Ireland fell by 0.3% and Irish households have reduced credit card debt by €3 billion in outstanding balances at the end of 2009, a decline of 0.7% over 2008 (Source: Central Bank of Ireland, *Monthly Statistics*).

The Government has set out a framework to reduce the general Government balance deficit to 3% of GDP by 2014. A fiscal correction of 5% of GDP in 2009 was implemented between July 2008 and April 2009. The measures included the introduction of an income tax levy, reducing the public sector pay bill through the implementation of a pension levy, and containing public expenditure across Government departments. The Government budget for 2010, presented in December 2009, delivered a further fiscal correction amounting to 2.5% of GDP. This focused on reducing public expenditure through a further reduction in the public sector pay bill and a reduction in social welfare spending (Source: *Department of Finance, Budget 2010*).

The Irish property market has yet to show clear signs of stabilisation. House prices fell 18.5% in 2009 and at 31 December 2009 were 32% below the peak reached in February 2007 (Source: Permanent-TSB House Price/ESRI index). However, industry commentators have suggested that prices for new houses in some developments have fallen by 40% below the 2006 asking price level for similar properties (Source: Construction Industry Federation/Irish Home Builders Association, *Housing Review and Outlook, November 2009*). Commercial property prices have also fallen very significantly, with capital values down by 56% between September 2007 and December 2009 (Source: Investment Property Databank Index). The pace of decline in the value of commercial property has slowed, however, with a 4.9% decline in the fourth quarter of 2009, against 8.5% in the third quarter of 2009 and 17.7% in the fourth quarter of 2008 (Source: IPD Index).

GDP in the United Kingdom economy contracted by 4.95% in 2009 but the economy returned to growth in the final quarter of 2009, with GDP rising by 0.4% (Source: *Office for National Statistics, Output, Income and Expenditure,* Q4 2009). GDP grew by 0.2% in the first quarter of 2010 (Source: *Office for National Statistics, Statistical Bulletin,* Q1 2010). The consensus view (Source: Reuters Consensus Forecast, March 2010) is that the UK economy will grow at a slow pace, by 1.2% in 2010 and 2.3% in 2011, although uncertainty remains on the likely impact on the economy of the pace of fiscal tightening required to reduce the UK national budget deficit.

The UK housing market has not exhibited the excess levels of supply to the extent exhibited in Ireland and as a result, house prices started to rise in the spring of 2009 as demand stabilised. In the period October 2007 to February 2009, residential house prices in the United Kingdom fell steadily with the cumulative decline over this period amounting to 19.5% (Source: Nationwide Index). In the 12 month period to March 2010, prices have risen by 9.0% (Source: Nationwide Index) and lending to the household sector has begun to rise, albeit at a slow pace. The commercial property market also appears to be recovering, having bottomed in mid-2009 on the IPD index, with a 45% fall in capital values from peak in the second quarter of 2007 to trough in the second quarter of 2009. Capital values grew strongly in the final quarter of 2009, at 8.1%. Employment has fallen by less than some had predicted, in part reflecting much weaker wage growth than in previous recessions. The unemployment rate has stabilised at 7.8% in each of the three months to January 2010 (Source: *Office for National Statistics Labour Market Statistics,* March 2010).

3. The Proposals

The Group expects to increase Equity Tier 1 Capital by not less than €2.80 billion (after expenses and the Warrant Cancellation) by way of the Institutional Placing, the NPRFC Placing, the Rights Issue, (including the NPRFC Rights Issue Undertaking), and the Debt for Equity Offers. The proceeds of the Institutional Placing and the Rights Issue (excluding the NPRFC Rights Issue Undertaking) will be underwritten by the Underwriters pursuant to the Underwriting Agreement. In addition, the Warrants held by the NPRFC will be cancelled in return for the payment of €491 million in cash under the Warrant Cancellation. The Proposals are subject to Stockholder approval and consist of:

- *Placing:* The Placing, comprising the Institutional Placing and the NPRFC Placing, will raise €1,536 million in Equity Tier 1 Capital (gross of expenses). The proceeds of the Institutional Placing will be underwritten pursuant to the Underwriting Agreement, subject to conditions, including Admission of the Placing Stock and the approval of Resolutions 1 to 7 at the EGC. The Underwriters have agreed to use reasonable endeavours to procure Placees for an aggregate of 326,797,386 units of Placing Stock at a price of €1.53 per unit of Placing Stock issued in the Institutional Placing pursuant to the Underwriting Agreement. The price at which the Placing Stock will be issued to Placees represents a 15.0% discount to the Closing Price of €1.80 of the Existing Stock on 23 April 2010 (being the last practicable date prior to announcement of the Proposals). Placees will be considered Qualifying Stockholders for the purposes of the Rights Issue in respect of the Placing Stock. Pursuant to the NPRFC Placing, the NPRFC has agreed to subscribe for 575,555,556 units of Ordinary Stock at a price of €1.80 per unit of Ordinary Stock (being the Closing Price on 23 April 2010). The consideration for the NPRFC's subscription will be the conversion of 1,036 million units of 2009 Preference Stock (at their subscription price of €1.00 per unit of 2009 Preference Stock) to units of Ordinary Stock. In consideration for the NPRFC Placing, the Bank has agreed to pay to the NPRFC a fee equal to 1% of the subscription price for all units of 2009 Preference Stock converted pursuant to the NPRFC Placing (the "NPRFC Placing Fee"). In addition, the Bank will pay a Transaction Fee of €22 million at the closing of the NPRFC Placing. The NPRFC Placing will be conditional upon the commencement of dealings in the Nil Paid Rights and Fully Paid Rights pursuant to the Rights Issue. The Ordinary Stock to be issued pursuant to the NPRFC Placing will be eligible for participation in the Rights Issue as if such Ordinary Stock was held on the Record Date;

- *Rights Issue:* A Rights Issue to raise up to €1,885 million in Equity Tier 1 Capital (a portion of the cash proceeds of which will be due directly to noteholders electing for Ordinary Stock to be allotted in the Rights Issue on their behalf pursuant to the Debt for Equity Offers). The proceeds of the Rights Issue (other than the NPRFC Rights Issue Undertaking) of up to €1.2 billion will be underwritten pursuant to the Underwriting Agreement, subject to conditions, including, amongst other things, Admission of the Rights Issue Stock (nil paid) and the approval of Resolutions 1 to 7 at the EGC. The Rights Issue size and Rights Issue Price at which Qualifying Stockholders will be invited to subscribe for Rights Issue Stock will be determined by the Bank and the Joint Bookrunners in advance of the EGC. The Rights Issue Price will be equal to the higher of (i) €0.10 per unit of Rights Issue Stock, and (ii) a price per unit of Rights Issue Stock which is within the range of 38% to 42% discount to the TERP. Pursuant to the NPRFC Rights Issue Undertaking, the NPRFC has agreed, subject to certain terms and conditions, to take up its entitlement of up to €685 million of Rights Issue Stock in the Rights Issue in respect of its holding of the NPRFC Coupon Ordinary Stock and its holding of Ordinary Stock issued as a result of the NPRFC Placing (but excluding its other investment holdings in the Bank). Subject to the passing of Resolutions 1 to 7 and the Rights Issue proceeding, the consideration for the take up of its Rights in respect of the NPRFC Coupon Ordinary Stock and its holding of Ordinary Stock as a result of the NPRFC Placing will be the conversion of units of 2009 Preference Stock at their subscription price of €1.00 each to Ordinary Stock at the Rights Issue Price. Further details of the NPRFC Rights Issue Undertaking are set out in paragraph 9 (Material Contracts) of Part VI (Additional Information) of this Circular;

- *Debt for Equity Offers:* Under the Debt for Equity Offers, holders of certain of the Group's Tier 1 Securities and Upper Tier 2 Securities will be given the opportunity to exchange these securities for (a) Allotment Instruments (which will automatically convert into Conversion Ordinary Stock on the Conversion Date) or (b) through a settlement procedure more fully described in paragraph 4 (Debt for Equity Offers) of the Appendix to this Part I of this Circular, cash proceeds from the allotment of Ordinary Stock in the Rights Issue on behalf of such holders or (c) a combination thereof. The tender prices will represent a discount of up to 42.0% to the nominal value of the existing Tier 1 Securities and Upper Tier 2 Securities exchanged by these security holders and will result in a capital gain, which will increase the Group's Equity Tier 1 Capital. The increase in Equity Tier 1 Capital resulting from the combination of the Rights Issue and the Debt for Equity Offers will be no less than €1,885 million. The actual size of the Rights Issue (including the NPRFC Rights Issue Undertaking) will be reduced by the capital gain arising on the Debt for Equity Offers prior to the Early US Debt for Equity Offers Expiration Date (up to a maximum of €100 million) and the principal amount of Allotment Instruments to be issued to electing noteholders in the Debt for Equity Offers of up to €200 million; and

- *Warrant Cancellation:* The Warrants held by the NPRFC will, simultaneous with the NPRFC Placing, be cancelled in return for the payment of €491 million in cash by the Bank to the NPRFC. This reflects the market value of the Warrants, being the difference between the exercise price of the Warrants and the Closing Price of the Ordinary Stock on 23 April 2010, plus a fee of €12 million. As such, if the Proposals are approved and implemented, the NPRFC will cease to hold the Warrants and the subscription rights for Ordinary Stock pursuant to the Warrants.

Further details on each of the Institutional Placing and the Rights Issue are set out in paragraph 6 (Summary Structure of the Institutional Placing and the Rights Issue) of this Part I of this Circular. Further details of the Debt for Equity Offers are set out in paragraph 8 (Debt for

Equity Offers) of this Part I of this Circular. Further details of the NPRFC Placing, the Warrant Cancellation and the NPRFC Rights Issue Undertaking are set out in paragraph 7 (Government Transaction) of this Part I of this Circular.

Only the offer of Nil Paid Rights, Fully Paid Rights and Rights Issue Stock is being made by means of the Prospectus. Admission of the Placing Stock, the Nil Paid Rights, the Fully Paid Rights, the Rights Issue Stock, the Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock will also take place by way of the Prospectus. Documentation in relation to the Debt for Equity Offers will on request be sent separately to eligible holders of US Debt for Equity Offers Securities and Non-US Debt for Equity Offers Securities.

4. Rationale and Key Benefits of the Proposals

Rationale

The Directors believe that given the completion of the transfer of Tranche 1 NAMA Assets, the re-affirmation of the non-NAMA bound loans impairment guidance, the increased clarity on the EU Restructuring Plan, the clarity from the Financial Regulator of its requirements for additional Equity Tier 1 Capital in the Group, developments in respect of the proposed restructuring of the Group's defined benefit pension schemes and the stabilising economic outlook in its core Irish and UK markets, the Group is now in a position to take significant steps to strengthen further its capital base through the initiatives more fully described in paragraph 3 (The Proposals) of this Part I of this Circular.

Key Business Priorities

The Group's key business priorities are to:

- Support the Group's customers;
- Maintain a strong capital position;
- Fund its balance sheet effectively;
- Manage its credit risks;
- Rigorously manage its costs; and
- Return to profitability and achieve profitable growth.

To achieve these business priorities, the Group:

- Is focusing its capital and funding on its core business portfolios where it has strong market positions and clear competitive strengths and capabilities;
- Is enhancing its capital ratios by controlling growth in Risk Weighted Assets and by increasing the quantum of Equity Tier 1 Capital in its capital structure through liability management exercises, already undertaken and through the Proposals;
- Is reverting to a banking model where the core portfolios are funded substantially by customer deposits and positioning the Group to disengage from the Government Guarantee Schemes in a prudent manner;
- Has undertaken a major review of its risk management governance. It has been implementing the recommendations from this review. Amongst the measures implemented has been the formation of a Court Risk Committee in 2009. The committee comprises non-executive Directors of the Court and its primary responsibilities are to monitor risk governance and to assist the Court in discharging its

responsibilities in ensuring that risks are properly identified, reported and assessed; that risks are properly controlled and that strategy is informed by and aligned with the Group's risk appetite;

- Is targeting an increase in the Group's net interest margin through appropriate pricing for new business and, where possible, an appropriate, measured re-pricing of existing deposits and customer loan books and adjusting, on a measured basis, the fees and commissions it earns from customers for services and products provided; and

- Is further reducing its cost base to align it better to meet the needs of the Group for the future.

The Directors believe that the Group has the appropriate strategy to rebuild and grow the Group in its core markets in Ireland and the UK recover and, consequently, deliver value for Stockholders.

The Group's Strategy

Ireland

The Group's objective is to be the number one retail and commercial bank in Ireland with leading market positions across consumer, business and corporate banking and treasury management segments.

Despite recent market and economic disturbances, the Group believes that Ireland is an attractive and open marketplace with favourable demographics and a pro-business environment. In Ireland, the Group competes from a position of strength: the Group has leading market positions across its principal product and market segments. The Group strives to maintain competitive offerings in these segments and is committed to continually enhancing the service it provides to customers.

The Group is a leading provider in Ireland of: residential mortgages, in which it has a mortgage portfolio of €29 billion at 31 December 2009, representing a market share of 19% (Source: unaudited internal Bank of Ireland analysis); main personal current accounts, in which the Bank has an estimated 38% share of the market at 31 December 2009 (Source: Ipsos/MRBI surveys for 12 months ended December 2009); credit cards, in respect of which the Group has an estimated 33.4% share of credit cards in issue at 31 December 2009 (Source: Central Bank Monthly Statistics Bulletin for December 2009 and unaudited internal management information). In Business Banking, the Group has 36% of main business current accounts and 26% of main business loan accounts (Source: Ipsos/MORI survey 2009 and 2008 respectively). The Group is also a leading provider of corporate banking products to larger Irish companies and to multi-national companies operating in or from Ireland. The Group is the number two provider of foreign exchange and interest rate hedging services to businesses and corporates operating in or from Ireland. The Group is ranked number two in life and pensions in Ireland with an estimated 19% market share of new business as at 31 December 2009 (Source: Milliman Survey on New Business Full Year 2009).

Under the EU Restructuring Plan, the Irish businesses that the Group has agreed to sell comprise Bank of Ireland Asset Management Limited, New Ireland Assurance business, ICS Building Society, its intermediary sourced mortgage business, and its stake in the Irish Credit Bureau Limited. The Group will continue to distribute, but not manufacture, pension, life assurance and related products for individuals and SMEs.

United Kingdom

In the United Kingdom, the Group continues to grow its consumer banking franchise through its partnership with the UK Post Office. This franchise has in excess of two million customers accessing a comprehensive range of the Group's and other financial products through over 11,500 Post Office branches.

In addition to the Group's consumer banking activities in Great Britain, the Group will maximise the opportunities offered by its network of branches in Northern Ireland and continue to develop its Business Banking, Corporate Banking and Treasury activities focused on specific customer segments in the UK.

The Group has been actively considering transferring part of its UK business into a newly-incorporated, wholly-owned subsidiary. The establishment of a UK subsidiary, directly regulated by the FSA, would enable the Group to offer products in the UK market that are directly comparable with existing UK mainstream providers from a risk and protection standpoint. The subsidiary would be likely to involve the Group's Post Office joint ventures, its branch business in Northern Ireland and other parts of its UK business banking operations. The transfer will have no material impact on the Group's capital over the period of the transfer; however, it will be required to hold liquid assets specifically aligned to the UK subsidiary which precludes the Group from utilising these liquid assets for other purposes.

International

Internationally, the Group will continue to develop those activities in the United States, and continental Europe where the Group believes it has clear competitive strengths and capabilities. These activities are principally in its corporate banking specialist lending businesses in the areas of global project finance, mid-market leveraged acquisition finance, comprehensive asset based lending, together with treasury management services.

Group

The Group is committed to focusing its capital and funding on these core businesses where the Group has strong market positions with attractive growth opportunities and clear competitive strengths and capabilities. The profile of loans and advances to customers in the Group's core business at 31 December 2009 was as follows:

		€bn	%
Residential mortgages	Ireland	22	27%
	UK & Other	2	2%
Non-Property Corporate and SME.............................	Ireland	14	17%
	UK & Other	16	20%
Investment property..	Ireland	8	10%
	UK & Other	13	16%
Consumer	Ireland	3	4%
	UK & Other	1	1%
Land and Development..	Ireland	1	1%
	UK & Other	2	2%
TOTAL		**82**	**100%**

Source: unaudited internal management information at 31 December 2009.

Non-Core Businesses

In line with the Group's continuing objective of de-leveraging its balance sheet and as a consequence of the EU Restructuring Plan, the Group aims to reduce assets in its non-core businesses through run-off and/or disposals as market opportunities allow. Under the EU Restructuring Plan, the Group will commit to the wind-down or disposal of, the Group's UK intermediary sourced mortgage business (approximately €30 billion of loans at 31 December 2009) and certain discontinued international corporate lending portfolios (approximately €4 billion at 31 December 2009). The Group will also be transferring approximately €12.2 billion of property and construction loans and associated loans to NAMA.

Under the EU Restructuring Plan, the Group will also agree to sell New Ireland Assurance Company plc, Bank of Ireland Asset Management Limited, ICS Building Society (Irish intermediary sourced mortgage business), Foreign Currency Exchange Corporation (US foreign exchange business) and the Group's stakes in Paul Capital Top Tier Investments LLC (a US asset management business) and in the Irish Credit Bureau Limited. The Group will continue to distribute, but not manufacture, pension, life assurance and related products for individuals and SMEs once the sale of New Ireland Assurance is completed.

Further details in relation to these expected disposals and loan book wind-downs are set out in paragraph 12 (State aid and EU Restructuring Plan) of this Part I of this Circular.

Key Benefits of the Proposals

The Directors believe that the Proposals offer the following key benefits:

- *Substantially increase Equity Tier 1 Capital:* the Proposals will increase Equity Tier 1 Capital by not less than €2.8 billion, net of expenses and the Warrant Cancellation. Had the Proposals been implemented as at 31 December 2009 and based on the other assumptions and adjustments set out in Part V (Unaudited Pro Forma Financial Information) of this Circular, the Group would have had a pro forma Equity Tier 1 Capital Ratio of 8.0%, a Core Tier 1 Capital Ratio of 10.1%, a Tier 1 Capital Ratio of 10.5% and a Total Capital Ratio of 13.5% under Basel II. This compares with a reported Equity Tier 1 Capital Ratio of 5.3%, a Core Tier 1 Capital Ratio of 8.9 %, a Tier 1 Capital Ratio of 9.8 % and a Total Capital Ratio of 13.4 % at 31 December 2009. The Directors consider that these pro forma levels of capital represent a strong capital foundation which will support the future stability of the Group, benefit Stockholders, customers and counterparties and provide a platform for growth and delivery of long term value;

- *Strengthen funding capability:* a stronger capital position will provide wholesale funding markets and depositors with increased confidence in the Group and support a prudent disengagement from the Government Guarantee Schemes as market conditions allow;

- *Should facilitate the Group in seeking to achieve its strategic objectives:* by strengthening the Group's capital position, the Group should be able to achieve its growth objectives to expand in those areas where the Group has competitive strengths and capabilities in its chosen core markets of Ireland and the UK and selected international market segments;

- *Lower Stockholder dilution:* the Bank has sought to reduce existing Stockholder dilution by including a Rights Issue as a significant part of the capital raising proposition rather than relying solely on a non pre-emptive placing, that would not be available to Existing Stockholders; and

- *Limit Government ownership:* the net proceeds of the Institutional Placing and the Rights Issue (excluding the NPRFC Rights Issue Undertaking) are underwritten by a syndicate of underwriters thus ensuring that the maximum Government ownership of Ordinary Stock arising from the implementation of the Proposals will not be higher than 36%. In addition, the Proposals include the cancellation of the NPRFC's Warrants, which will reduce the potential for the NPRFC to increase its stockholding in the Bank further following the implementation of the Proposals.

In addition, by strengthening the Group's capital position, the Proposals will enable the Group to continue to play an important role in supporting the recovery of the Irish economy through the continued provision of credit.

Financial Targets

The implementation of the Proposals will place the Group in a significantly strengthened capital position, which the Group expects will facilitate the delivery of sustainable growth and over time build value for Ordinary Stockholders.

In recent periods, the Group has experienced net interest margin attrition primarily as a result of the low interest rate environment, higher cost of wholesale funding and competition on deposit pricing. This trend is expected to continue in the short term, as the Group increases its quantum of term funding in pursuit of its strategy to prudently disengage from the Government Guarantee Schemes. **Margin expansion** is a key management priority. The expected continuation of recent strong lending margins on new business, increased demand for lending as economic growth returns, anticipated increases in base interest rates and the lower wholesale funding costs expected in the future, are all expected to be positive for the Group's net interest margin over time. In addition, by actively re-pricing the existing loan book, by maximising the margin from non-core portfolios through re-pricing and by re-pricing deposits to more sustainable levels, the Group is targeting a net interest margin in excess of 175 basis points in the year ending 31 December 2013.

Since March 2008, the Group has demonstrated the scalable nature of its **cost base** as it re-focused on its core portfolios. The Group will continue to maintain its rigorous approach to cost management and is implementing a range of initiatives to further reduce costs including the review of pension benefits, the re-negotiation of outsourcing contracts together with increasing the levels of consolidation, standardisation and simplification of its operations. These initiatives, together with the expected margin expansion referred to above, are expected to lower the Group's cost income ratio to below 50% in the year ending 31 December 2013.

The Group has enhanced its approach to **credit management** during the recent challenging economic environment and it is rigorously managing its credit risks. It is expected that the impairment charge on non-NAMA loans peaked in 2009 and are expected to reduce progressively in 2010, 2011 and 2012.

The Proposals announced today are expected to fully address, for the 3 year period to 2012, the Group's **capital requirements** as set out by the Financial Regulator on 30 March 2010 in the Prudential Capital Assessment Review. The Proposals will strengthen the Group's capital position and are expected to enable it to maintain an Equity Tier 1 Capital Ratio in excess of 7% under Basel II.

Funding — the Group is reverting to a more traditional banking model where it will substantially fund its core loan portfolios through customer deposits. Asset growth in the future will be more dependent on the Group's ability to attract deposits. In this regard, the Group will leverage the potential of its extensive retail distribution platforms, both in the Republic of Ireland through its branch network and internationally through its joint venture with the UK Post Office, its Business and Corporate Banking relationship management teams and its network of treasury offices in Dublin, the UK and the US. This more sustainable funding strategy together with the initiatives to de-lever the Group's balance sheet are expected to reduce the Group's loan to deposit ratio to below 125% in the year ending 31 December 2013.

The achievement of the above financial targets should allow the Group to deliver a **return on equity** in the low teens to mid teens percent in the year ending 31 December 2013.

5. Use of proceeds

The purpose of the Proposals is to raise Equity Tier 1 Capital and as such any net cash proceeds will be used in the day-to-day operations of the Bank and also a portion of the proceeds will be used to meet the requirements of those electing to take cash under the Debt for Equity Offers (up to a maximum of €1,135 million) and the Warrant Cancellation (€491 million). Over the medium term, and subject to regulatory approval, the Directors may seek to apply a portion of the proceeds to redeem some, or all, of the outstanding 2009 Preference Stock provided they are satisfied that the Group can maintain appropriate capital ratios and they deem such action to be in Stockholders' interests as a whole. As set out in Part V (Unaudited Pro Forma Financial Information) of this Circular, the proceeds raised and/or capital generated from the Proposals together with the other pro forma adjustments are expected, in aggregate, to increase the Group's Equity Tier 1 Capital Ratio by 2.7% to 8.0% on a pro forma basis as at 31 December 2009, taking into account the costs and expenses of the Proposals including the Warrant Cancellation. €491 million of the proceeds of the Placing and the Rights Issue will be required for the purpose of funding the Warrant Cancellation.

6. Summary Structure of the Institutional Placing and the Rights Issue

The Directors have carefully considered options to structure the Institutional Placing and the Rights Issue for the benefit of Existing Stockholders. The decision to structure the issue by way of a combination of an Institutional Placing and a Rights Issue reflects a number of factors, including the size of the total net proceeds to be raised and the composition of the Bank's register of Stockholders which includes a large number of retail Stockholders. Given the size of the prospective issue relative to the Bank's Existing Stock, the Directors believe that it is desirable to introduce new institutional investors so as to stimulate demand for the Rights Issue. While recognising the importance of pre-emption rights, the Directors believe that in order to attract new institutional investors, the issue structure needs to include a firm allocation of all of the Placing Stock under the Institutional Placing combined with the ability for Placees to participate in the Rights Issue. The Directors have sought to restrict the size of the Institutional Placing in order to limit the dilution to Existing Stockholders. The approval of Stockholders is being sought in relation to the proposed structure of the equity fund-raising, including this non-pre-emptive element.

Under the Institutional Placing, the Underwriters have agreed to use reasonable endeavours to procure Placees for an aggregate of 326,797,386 units of Placing Stock at a price of €1.53 per unit to raise gross proceeds of €500 million. The Underwriters expect to conclude arrangements to conditionally place the Placing Stock pursuant to the Institutional Placing with institutional investors today.

The price at which the Placing Stock will be issued to Placees in the Institutional Placing represents a 15.0% discount to the Closing Price of €1.80 of the Existing Stock on 23 April 2010 (being the last practicable date prior to publication of this Circular). The Institutional Placing Price has been determined following a Book Building Process involving both existing and potential new institutional investors. The Directors believe the Institutional Placing Price has been set at an appropriate level taking into consideration the requirement to attract institutional investors and the dilutive impact of the Institutional Placing on Ordinary Stockholders. The Institutional Placing Price will not be affected by the Rights Issue Price.

Under the Rights Issue, Qualifying Stockholders will be invited to subscribe for Rights Issue Stock at a price equal to the higher of (i) €0.10 per unit of Rights Issue Stock, and (ii) a price per unit of Rights Issue Stock which is within the range of 38% to 42% discount to the TERP. The Rights Issue size and Rights Issue Price at which Qualifying Stockholders will be invited to subscribe for Rights Issue Stock will be determined by the Bank and the Joint Bookrunners in advance of the EGC. Placees will be considered Qualifying Stockholders for the purposes of the Rights Issue in respect of the Placing Stock. The mechanism by which the NPRFC will participate and pay for its participation in the Rights Issue is addressed separately in paragraph 7 (Government Transaction) of this Part I of this Circular.

If a Qualifying Stockholder (who is not a Placee) does not take up any Rights Issue Stock under the Rights Issue, such Qualifying Stockholder's stockholding in Bank of Ireland will be diluted by a maximum of up to 95.0% as a result of the Placing, the Rights Issue (including the NPRFC Rights Issue Undertaking), and the Debt for Equity Offers. Qualifying Stockholders (other than Placees) who take up their entitlements in full in respect of the Rights Issue will suffer a dilution of a maximum of up to 47.0% to their stockholding in Bank of Ireland as a result of the Placing and the Debt for Equity Offers. In all cases, the dilutive impact will be mitigated by the Warrant Cancellation pursuant to which the Warrants will be cancelled in return for the payment of €491 million by Bank of Ireland to the NPRFC, thereby eliminating the units of Ordinary Stock that would have been issued in the event of the exercise of the Warrants. Further details of the maximum dilutive impact of the Proposals on Ordinary Stockholders' stockholdings in Bank of Ireland are set out in paragraph 5 (Maximum Potential Dilutive Impact of the Proposals) of the Appendix to this Part I of this Circular.

The proceeds of the Institutional Placing and the Rights Issue are underwritten pursuant to the Underwriting Agreement, which is described in more detail in paragraph 9 (Material Contracts) of Part VI (Additional Information) of this Circular. Each element of the Proposals is conditional on, among other things, the approval by Stockholders of Resolutions 1 to 7 at the EGC.

Further details on each of the Institutional Placing and the Rights Issue are set out in the Appendix to this Part I. Some questions and answers in relation to the Institutional Placing and the Rights Issue, together with details of further terms and conditions of the Rights Issue including the procedure for application and payment, are set out in Parts VIII (Questions and Answers about the Placing and the Rights Issue) and IX (Terms and Conditions of the Rights Issue) of the Prospectus and, for Qualifying Non-CREST Stockholders, will also be set out in the Provisional Allotment Letters and the Stockholder Guide.

7. Government Transaction

Through the NPRFC Investment, the NPRFC Placing, assuming it is approved by Stockholders and implemented, NAMA and the participation in the Government Guarantee Schemes, Bank of Ireland has a multifaceted and important relationship with the Government and certain associated entities, in particular the Department of Finance, the NPRFC and NAMA. In particular, as at 23 April 2010, the last practicable date prior to the date of the publication of this Circular, the Irish Government, through the NPRFC, held 15.73% of the Bank's Existing Stock. In addition, the NPRFC holds, as at the date of this Circular, the Warrants to subscribe for additional Ordinary Stock which, if exercised (assuming no other increases to the capital stock of the Bank or to the NPRFC's stockholding), would result in the NPRFC holding a total of 34.3% of the Bank's issued Ordinary Stock as enlarged by the exercise of the Warrants. The Proposals include the implementation of the Government

Transaction, which includes the NPRFC Placing, the NPRFC Rights Issue Undertaking, the Warrant Cancellation, the amendment of the dividend and voting rights attaching to the NPRFC's 2009 Preference Stock, and a number of commitments to promote the availability of credit and the development of the Irish economy.

NPRFC Placing

Pursuant to the NPRFC Placing, the NPRFC has agreed to subscribe for 575,555,556 units of Ordinary Stock at a price of €1.80 per unit of Ordinary Stock (being the Closing Price on 23 April 2010). This will be 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. Resolutions to implement the NPRFC Placing will be proposed at the EGC. In consideration for the NPRFC Placing, the Bank has agreed to pay to the NPRFC the NPRFC Placing Fee. In addition, the Bank will pay a Transaction Fee of €22 million at the closing of the NPRFC Placing.

NPRFC Rights Issue Undertaking

Pursuant to the NPRFC Rights Issue Undertaking, the NPRFC has agreed, subject to certain terms and conditions, to fully take up its entitlement of Rights Issue Stock, by virtue of its holding of the NPRFC Coupon Ordinary Stock and its holding of Ordinary Stock as a result of the NPRFC Placing. In consideration for the NPRFC Rights Issue Undertaking, the Bank has agreed to pay to the NPRFC the NPRFC Commitment Commission, which will be calculated on the same basis as the commission being paid to the Underwriters in respect of their participation in the underwriting of the Rights Issue.

Subject to the passing of Resolutions 1 to 7 at the EGC and the Rights Issue proceeding, this will be effected by way of the conversion of such number of units of the 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 be obliged to pay to the Bank in the event it was to pay cash to take up its full entitlement under the Rights Issue.

Fees and Commissions Payable to the NPRFC

In consideration for the NPRFC agreeing to convert 2009 Preference Stock to Ordinary Stock in the NPRFC Placing, the Bank has agreed to pay to the NPRFC the NPRFC Placing Fee, which is equal to 1% of the subscription price for all units of 2009 Preference Stock converted pursuant to the NPRFC Placing. Conditional upon the NPRFC Placing and completion of the matters contemplated by the NPRFC Rights Issue Undertaking, and in consideration for the NPRFC Rights Issue Undertaking the Bank has also agreed to pay to the NPRFC the NPRFC Commitment Commission, which will be calculated on the same basis as the commission being paid to the Underwriters in respect of their participation in the underwriting of the Rights Issue. In addition, the Bank will pay a Transaction Fee of €22 million at the closing of the NPRFC Placing.

Warrant Cancellation

In addition, pursuant to the Proposals, the Warrants held by the NPRFC to subscribe for 334,737,148 units of Ordinary Stock will be cancelled in return for payment of €491 million in cash by the Bank to the NPRFC. This reflects the market value of the Warrants, being the difference between the exercise price of the Warrants and the Closing Price of the Ordinary Stock on 23 April 2010, plus a fee of €12 million. As such, if the Proposals are approved and implemented, the NPRFC will cease to hold the Warrants and the subscription rights pursuant to the Warrants.

Amendment of the NPRFC's dividend and voting rights

As part of the Government Transaction and in connection with the NPRFC Placing and the NPRFC Rights Issue Undertaking, and conditional on the passing of Resolutions 1 to 7, the rights attaching to the 2009 Preference Stock will be amended to increase the non-cumulative dividend to a fixed rate of 10.25% (from 8% currently) of the issue price per annum, payable annually in arrears at the discretion of the Bank. This reflects the agreement reached by the Bank and the NPRFC in respect of the Government Transaction overall.

As the holder of the 2009 Preference Stock, the NPRFC currently has the right to directly appoint 25% of the directors of the Group (such 25% to include any directors nominated by the Minister for Finance pursuant to the CIFS Guarantee Scheme) and can exercise voting rights equivalent to 25% of the total voting rights on any resolution proposed at a General Court of the Bank in relation to the appointment or removal of a Director of the Group. The 2009 Preference Stock also carries 25% of the total voting rights in relation to any Control Resolution (exclusive of any voting rights that the NPRFC or any Government Body may have through any holding of Ordinary Stock). 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 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 addition, as the holder of the NPRFC Coupon Ordinary Stock, the NPRFC is entitled to exercise the voting rights attaching to these units of Ordinary Stock.

At present, the NPRFC and other Government Bodies are restricted from exercising more than 25% of the total voting rights at a General Court of the Bank in respect of the voting rights attaching to, amongst other securities, the 2009 Preference Stock and any Ordinary Stock issued in lieu of cash dividends (including the NPRFC Coupon Ordinary Stock) or issued upon the exercise of the Warrants, on a resolution to appoint, re-elect or remove a director. This restriction does not apply to other Ordinary Stock held by the NPRFC (for example Ordinary Stock held pursuant to its other investment activities).

If the Government Transaction is implemented, the NPRFC's voting rights will be altered. The NPRFC will no longer be subject to the restriction on exercising more than 25% of the total voting capital on resolutions for the appointment, re-election or removal of directors: as such, the NPRFC would be entitled to exercise the full ordinary voting rights attaching to its Ordinary Stock (including the NPRFC Coupon Ordinary Stock and the Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Rights Issue Undertaking). However, the 2009 Preference Stock will no longer carry a block vote of 25% of the total voting rights in respect of resolutions relating to directors and Control Resolutions; instead, the 2009 Preference Stock will carry the right to "top-up" the NPRFC's total voting rights to 25% of the total voting rights on directors and 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.

The other rights attaching to the 2009 Preference Stock or granted to the Minister for Finance under the Bank's Bye-Laws will remain unchanged following the implementation of the Government Transaction. These rights include the right of the Minister for Finance to directly appoint 25% of the directors of the Group (such 25% to include any directors nominated by the Minister for Finance pursuant to the CIFS Guarantee Scheme) and the requirement for the Minister's prior consent before any resolution to alter the capital structure of the Group can be tabled at a General Court. Consequently, these rights will remain unchanged if the Proposals are implemented, notwithstanding that the number of units of 2009 Preference Stock held by the NPRFC following the completion of the Proposals will be reduced.

Other commitments pursuant to the Government Transaction Agreement

Under the Government Transaction Agreement, the Bank has committed to promote the availability of credit and the development of the Irish economy. Specifically, the Bank is 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 will produce an SME lending plan to the Minister for Finance, both by geography and sector, for each of these twelve month periods to demonstrate the manner in which it intends to meet this target. In addition, the Bank has agreed 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 Group is also required to work with Enterprise Ireland and the Irish Bankers 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 in connection with the NPRFC Investment and pursuant to the terms of the Subscription Agreement, which include, among other things, increasing lending capacity to small and medium enterprises and providing 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.

Government Stockholding if the Government Transaction is implemented

If the Government Transaction is implemented as outlined above, the NPRFC will increase its holding of Ordinary Stock, but will have its Warrants cancelled and its holding of 2009 Preference Stock reduced. This would result in the NPRFC holding up to a maximum of 36% of the Bank's enlarged capital stock following the implementation of the Proposals (with the NPRFC subscribing fully for its rights in relation to the NPRFC Coupon Stock and the Ordinary Stock issued pursuant to the NPRFC Placing) assuming that in addition it fully takes up its Rights in respect of the units of its other Existing Stock (i.e. the Ordinary Stock held pursuant to its other investment activities in addition to the NPRFC Coupon Ordinary Stock), with no right to purchase additional Ordinary Stock pursuant to the Warrants. The implementation of the Proposals would also result in the NPRFC's holding of 2009 Preference Stock falling from the 3,500,000,000 units held at the date of this Circular to a minimum of 1,779 million units and a maximum of 1,888 million units.

Further details on the terms of the Government Guarantee Schemes, NAMA, the NPRFC Investment and the Government Transaction Agreement are set out in Part XI (Regulation and Supervision) of the Prospectus and paragraph 9 (Material Contracts) of Part VI (Additional Information) of this Circular.

8. Debt for Equity Offers

The Debt for Equity Offers will offer existing holders of Eligible Debt Securities the opportunity to exchange these securities for: (a) Allotment Instruments of up to €200 million (which automatically convert into the Conversion Ordinary Stock on the Conversion Date); or (b) through a settlement process more fully described in paragraph 4 (Debt for Equity Offers) of the Appendix to this Part I of this Circular, cash proceeds from the allotment of Ordinary Stock on behalf of such holders in the Rights Issue; or (c) a combination thereof. The Conversion Ordinary Stock will be identical in all respects to the Ordinary Stock. The number of units of Conversion Ordinary Stock will be calculated by dividing the principal amount of the Allotment Instruments by a price based on (i) a 25% discount to the Closing Price on 23 April, as adjusted to reflect the Rights Issue Factor (being the Bonus Element of the Rights Issue), subject to a floor of €0.10, or, if greater, (ii) the average of the Volume Weighted Average Price on each Business Day between and including 2 September 2010 and 8 September 2010. The Debt for Equity Offers will be made in respect of Tier 1 Securities and Upper Tier 2 Securities with a nominal value of approximately €1.49 billion. The maximum aggregate principal amount of the Allotment Instruments will not exceed the Maximum Allotment Instruments Amount. If elections in excess of that amount are received, the Group will pro rate some or all of such elections, such that Allotment Instruments will be issued having an aggregate principal amount not exceeding the Maximum Allotment Instruments Amount of €200 million. To the extent that a participant has not elected to have its excess notes returned in that circumstance (such election being a feature of the US Debt for Equity Offers only), the holder will be automatically deemed to have opted to receive cash proceeds in respect of the excess notes from the issue of Ordinary Stock on such holder's behalf in the Rights Issue. The purpose of the Maximum Allotment Instruments Amount is to place a limit on the level of dilution of Ordinary Stockholders pursuant to the Debt for Equity Offers.

As an illustration, the Debt for Equity Offers would result in a capital gain for the Group of €146 million (assuming acceptances are received for approximately €0.57 billion of debt, at 26.0% weighted average discount to nominal value and assuming 80% of such acceptances elect for cash proceeds from the issue of Ordinary Stock in the Rights Issue and the balance elect to receive Allotment Instruments). A capital gain arising from the Debt for Equity Offers is calculated as the difference between the nominal value of the Tier 1 Securities and Upper Tier 2 Securities exchanged and the value of the consideration paid. The actual size of the Rights Issue (including the NPRFC Rights Issue Undertaking) will be reduced by the capital gain generated by the Debt for Equity Offers, prior to the Early US Debt for Equity Offers Expiration Date, up to a maximum amount of €100 million, and the aggregate principal amount of Allotment Instruments to be issued at settlement to noteholders electing to receive Allotment Instruments in the Debt for Equity Offers of up to €200 million. Any capital gains in excess of this maximum amount will be added to the capital of the Bank.

To the extent that holders of US Debt for Equity Offers Securities elect to exchange for Allotment Instruments or cash proceeds after the Early US Debt for Equity Offers Expiration Date (but on or before the US Debt for Equity Offers Expiration Date), the size of the Rights Issue will not be reduced. Accordingly, such late acceptance of the US Debt for Equity Offers will result in the Group further increasing its Equity Tier 1 Capital, except to the extent of cash proceeds paid to holders (from the issue of Ordinary Stock in the Rights Issue).

Further details of the Debt for Equity Offers are set out in paragraph 4 (Debt for Equity Offers) of the Appendix to this Part I of this Circular.

9. Renominalisation of units of Ordinary Stock and capital restructure

Pursuant to the Bye-laws, Bank of Ireland is not permitted to issue units of Ordinary Stock at a discount to their nominal value, which is currently €0.64 per unit of Ordinary Stock. It is proposed that Bank of Ireland carries out the Renominalisation, which will reduce the nominal value to €0.10 per unit of Ordinary Stock. This provides the Bank and the Joint Bookrunners with greater certainty that the Rights Issue Price will be able to be set at 38% to 42% discount to the TERP irrespective of market conditions. As noted in the Expected Timetable of Principal Events set out on pages 5 to 6 of this Circular, the Right Issue Price is expected to be announced on 7.00 am 17 May 2010, 2 days before the EGC. In no circumstances will the Rights Issue Price be below €0.10. The Proposals are conditional on, amongst other things, the completion of the Renominalisation of units of Ordinary Stock.

It is proposed that, pursuant to the Renominalisation, each existing unit of Ordinary Stock in issue at the close of business on the date of the EGC will be subdivided into one unit of Ordinary Stock of €0.10 in the capital of Bank of Ireland ("€0.10 Ordinary Stock") and one unit of deferred stock of €0.54 in the capital of Bank of Ireland ("Deferred Stock"). The purpose of the issue of Deferred Stock is to ensure that the reduction in the nominal value of the Ordinary Stock does not result in a reduction in the capital of Bank of Ireland.

Each Ordinary Stockholder's proportionate interest in the issued Ordinary Stock of Bank of Ireland will remain unchanged as a result of the Renominalisation. Aside from the change in nominal value, the rights attaching to €0.10 Ordinary Stock (including voting and dividend rights and rights on a return of capital) will be identical in all respects to those of existing Ordinary Stock. No new stock certificates will be issued in respect of the €0.10 Ordinary Stock as existing stock certificates for existing Ordinary Stock will remain valid in respect of the same number of €0.10 Ordinary Stock arising from the Renominalisation. The Renominalisation will not affect the Bank's net assets. Consequently, the market price of a unit of Ordinary Stock immediately after completion of the Renominalisation should be the same as the market price of a unit of Ordinary Stock immediately prior to the Renominalisation.

The Deferred Stock created on the Renominalisation becoming effective will have no voting or dividend rights and, on a return of capital on a winding up of Bank of Ireland, will have the right to receive the amount paid up thereon only after Stockholders have received, in aggregate, any amounts paid up thereon plus €10 million per unit of Ordinary Stock, the purpose of which is to ensure that the units of Deferred Stock have no economic value.

No stock certificates or documents of title will be issued in respect of the Deferred Stock, nor will CREST accounts of Stockholders be credited in respect of any entitlement to Deferred Stock, nor will they be admitted to the Official Lists or to trading on the Irish Stock Exchange, the London Stock Exchange or any other investment exchange. The Deferred Stock shall not be transferable at any time, other than with the prior written consent of the Directors.

At the appropriate time, the Bank may redeem or repurchase the Deferred Stock, make an application to the High Court of Ireland for the Deferred Stock to be cancelled, or acquire or cancel or seek the surrender of the Deferred Stock (in each case for no consideration) using such other lawful means as the Directors may determine.

Under Irish company law, any redemption of the 2009 Preference Stock by the Bank must be funded from the distributable reserves of the Bank or from the proceeds of a fresh issue of shares for that purpose. Section 72 of the Companies Act, 1963 enables a company, subject to shareholder approval and the approval of the High Court, to create distributable reserves through the cancellation of share capital and/or share premium. As an unregistered corporation, the Bank is not currently subject to section 72 of the Companies Act, 1963.

The Bank wishes to ensure that it is not constrained from redeeming the 2009 Preference Stock by a lack of distributable reserves in circumstances where the Bank is otherwise in a position to redeem the 2009 Preference Stock. Accordingly, the Bank has requested the Minister for Enterprise, Trade and Innovation to enact a statutory instrument to specifically apply section 72 to the Bank. In addition, the new Bye-Laws proposed to be adopted by the Bank at the EGC include a new provision permitting the Bank to reduce its stock capital and stock premium, and, separately, a special resolution will be proposed at the EGC to seek the approval of Stockholders to the cancellation of €0.8 billion of the stock premium account of the Bank, the reserve created on cancellation of stock premium to be treated as distributable reserves.

Subject to the enactment of the required statutory instrument and the approval of Resolution 8 at the EGC, to reduce the stock premium of the Bank, the Bank intends to take the necessary steps following the EGC to seek the approval of the High Court to the cancellation of €0.8 billion of the Bank's stock premium account.

10. NAMA

At the Extraordinary General Court of Bank of Ireland on 12 January 2010, Ordinary Stockholders voted in favour of the Group's application to participate in NAMA and in February 2010, the Minister for Finance confirmed the Group's designation as a Participating Institution. Performing and non-performing land and development loans, together with associated loans (primarily investment property loans), are being acquired by NAMA on a phased basis which started on 2 April 2010, with the largest systemic exposures to the Irish banking system being acquired first.

The original estimates of assets transferring to NAMA were disclosed in the Minister for Finance's speech of 16 September 2009, where the Minister indicated that approximately €16 billion of both performing and non-performing assets would transfer to NAMA from the Group. Since that date, and taking into account the impact of the European Commission's approval of NAMA on 26 February 2010, the Group has had ongoing interaction with NAMA and has conducted a comprehensive internal review to identify all loans falling within the eligibility criteria based on the Eligible Asset Regulations formulated by NAMA.

As announced by the Group on 31 March 2010, largely as a result of this review, the Group expects to retain loans of approximately €3 billion from the original estimate of €16 billion and transfer in total loans of approximately €12.2 billion before impairment provisions, together with accrued interest and related derivatives of €0.2 billion to NAMA. The following table shows the profile of loans held for sale to NAMA at 31 December 2009:

	Republic of Ireland	**UK & Rest of World**	**Total**
	€ billion	**€ billion**	**€ billion**
Land	3.1	1.0	4.1
Development	2.3	2.1	4.4
Associated (mainly investment property)	2.3	1.4	3.7
Total	**7.7**	**4.5**	**12.2**

The loans that are now expected to transfer to NAMA of approximately €12.2 billion, had impairment provisions of €2.8 billion at 31 December 2009 which together with accrued interest and related derivatives of €0.2 billion, will give rise to an expected net transfer of €9.6 billion of Bank of Ireland Eligible Bank Assets to NAMA. The loans are expected to comprise €8.5 billion of land and development loans and €3.7 billion of associated loans.

The Group transferred Tranche 1 NAMA Assets of €1.9 billion (before impairment provisions) to NAMA on 2 April 2010 comprising €0.9 billion of land and development loans and €1.0 billion of associated loans. The consideration received for these assets amounted to €1.2 billion in Government guaranteed bonds and non-guaranteed subordinated bonds resulting in a discount to gross loan value of approximately 36%.

The Group has developed a model which it believes replicates the NAMA valuation methodology and has put a sample of €6 billion (approximately 50% of the loans which the Group expects to transfer to NAMA, including

Tranche 1 NAMA Assets) through this model. The model indicates that, on this sample, the level of discount would be similar to that pertaining to Tranche 1 NAMA Assets.

The loss on disposal of Bank of Ireland Eligible Bank Assets to NAMA will be a function of three factors: the quantum of those assets, the mix of those assets, as between land and development and associated loans, and the discount that would apply to those assets.

Applying the level of discount (approximately 36%) on the disposal of the Tranche 1 NAMA Assets to the portfolio of €12.2 billion of loans would result in a loss of €4.4 billion (before impairment provisions of €2.8 billion at 31 December 2009).

At the Extraordinary General Court of 12 January 2010, the Group provided guidance that "we believe that the discount to book value that we will receive in payment for these loans by NAMA should not be greater than €4.8 billion — representing a 30% discount on the Minister's estimate of €16 billion total loan book value of loans to be transferred".

While the quantum of loans expected to transfer, the mix of those loans and the discount expected on those loans has changed since the Extraordinary General Court on 12 January 2010, the Group believes that the aggregate euro value of the discount of €4.4 billion on the total portfolio of Bank of Ireland Eligible Bank Assets will be within the guidance provided of €4.8 billion at the Extraordinary General Court of the Bank on 12 January 2010.

However, it should be noted that the Group is currently unable to accurately quantify the ultimate expected loss on the transfer of all the Bank of Ireland Eligible Bank Assets to NAMA. The limited number and nature of the loans involved in the first tranche mean that it may not be a representative sample of the total portfolio of assets held for sale to NAMA and consequently the loss on sale is not necessarily indicative of the loss that is expected to arise on the entire portfolio of Bank of Ireland Eligible Bank Assets that will ultimately transfer. Therefore, significant uncertainties remain as to the final discount which will be applicable to Bank of Ireland.

In consideration of the transfer of Bank of Ireland Eligible Bank Assets to NAMA, the Group receives a combination of Government guaranteed bonds, to be issued by NAMA and guaranteed by the Minister for Finance (not less than 95% of the consideration), and non-guaranteed subordinated bonds (not more than 5% of the consideration). The Government guaranteed bonds are designed to be marketable instruments that are capable of being pledged as funding collateral to debt market investors and to Monetary Authorities such as the ECB and the Group expects to be able to exchange such marketable instruments for cash at minimal cost. Outline terms and conditions of these notes are provided on NAMA's website at http://www.nama.ie.

The Bank estimates that the disposal of loans to NAMA of €12.2 billion will reduce the Risk Weighted Assets of the Bank by approximately €11 billion. The pro forma impact on capital ratios is outlined in Part V (Unaudited Pro Forma Financial Information) of this Circular.

11. Re-affirmation of non-NAMA related loan impairment estimates

As announced on 31 March 2010, the Bank has conducted an extensive internal review of its impairment charge estimates on its non-NAMA bound loans and advances to customers. The outcome of this review is to re-affirm the Bank's previous impairment charge guidance of €4.7 billion on the non-NAMA bound loan portfolio for the three years ending 31 March 2011. The Bank believes that the impairment charge on its non-NAMA loans and advances to customers has peaked in 2009 and will reduce progressively in each of 2010, 2011 and 2012.

In arriving at its impairment charge estimates, the Bank has made certain key economic assumptions. In Ireland, the Bank has assumed a peak to trough decline in house prices of 45%, unemployment will decrease from a forecast figure of 14% in 2010 to a forecast figure of 13% in 2011, and there will not be annual growth in GDP before 2011. In respect of the United Kingdom, the Bank has assumed a peak to trough decline in house prices of 20%, unemployment will reach a level of 9% in 2010 and 2011 and there will be low growth in GDP in 2010.

The Bank has engaged Oliver Wyman, a leading international management consulting firm, to independently review and challenge the Bank's impairment charge estimates on its non-NAMA bound loans. Oliver Wyman has confirmed to the Bank that, on the basis of the work it has performed and subject to limitations and qualifications set out in the Oliver Wyman report, it believes the Bank's non-NAMA impairment charge estimates to be reasonable.

In its report, Oliver Wyman states that: "Following an independent review and challenge of Bank of Ireland's non-NAMA impairment estimates, Oliver Wyman confirms that, on the basis of the work it has performed, and subject to the limitations and qualifications set out in this report, it believes those estimates to be reasonable. Oliver Wyman's estimate of impairment charges for the retained (non-NAMA) book is in line with Bank of Ireland's previous guidance on forecast impairment charges for the retained portion of the book (€4.7 billion for the three years ending March 2011). Based on the output of its forecast, Oliver Wyman expects Bank of Ireland's impairment charges for the retained book to have peaked in 2009, with progressive reductions expected in each of 2010, 2011 and 2012."

Loan impairment charge estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events, which are believed to be reasonable under the circumstances. Actual results may differ from these estimates due to the inherent uncertainty around future events, values and timing issues.

12. State aid and EU Restructuring Plan

The investment in the Group by the National Pensions Reserve Fund Commission in March 2009, by way of the 2009 Preference Stock, and the Group's participation in NAMA, confirmed by the Minister for Finance in February 2010, are the subject of an ongoing review by the European Commission under EU State aid rules. This review also encompasses the proposed conversion by the State of part of its 2009 Preference Stock into Ordinary Stock and the cancellation (in return for payment in cash) of all of the Warrants issued in conjunction with the 2009 Preference Stock referred to in the statement made by Bank of Ireland on 31 March 2010 in response to the Financial Regulator's capital assessment review. As part of the European Commission review, a restructuring plan was prepared by the Group and submitted by the Department of Finance to the European Commission on 30 September 2009. Any such plan is required to contain measures to address an appropriate level of burden-sharing by the Group and its Stockholders and bondholders and to limit any competition distortions resulting from any State aid received by the Group as well as an assessment of the long-term viability of the Group.

The European Commission will require the Group to effect certain structural and behavioural measures. Accordingly, over the last number of months, the Group through the Department of Finance has been involved in detailed negotiations with the European Commission in relation to the terms of the EU Restructuring Plan.

The Group expects the decision regarding the approval of the proposed measures, including the final terms of the EU Restructuring Plan, will be taken by the European Commission by mid-2010. Therefore, at this stage, there can be no certainty as to the outcome of the State aid proceedings and the content of the final EU Restructuring Plan. Please see the risk factor entitled *"The NPRFC Investment, the Government Transaction and NAMA are the subject of a review by the European Commission under EU State aid rules, the outcome of which is uncertain and may involve the prohibition of some or all elements of the State aid provided to the Group by the Government, the requirement for the Group to repay the State aid or the imposition of conditions the Group that may be materially adverse to its interests"* set out in Part II (Risk Factors) of this Circular for further information regarding the risks in respect of the EU State aid review. However, as announced by the Group on 16 April 2010, it now expects, based on the current status of its negotiations through the Department of Finance with the European Commission, that the final EU Restructuring Plan is likely to consist of the key elements set out below.

Business Disposals

The Group will commit to dispose of the following businesses, which are briefly described below:

New Ireland Assurance Company plc ("New Ireland")

- New Ireland is a manufacturer of pension, life assurance and related products for individuals and SMEs.
- New Ireland had approximately €12 billion life assets (primarily unit-linked) at 31 December 2009.
- New Ireland distributes product through approximately 1,600 registered brokers and approximately 180 direct salespersons and through the Bank of Ireland network with these distribution channels having an aggregate 19% share of new business within the Republic of Ireland.

Following disposal, the Group will continue to distribute, but not manufacture, pension, life assurance and related products for individuals and SMEs.

Bank of Ireland Asset Management Limited ("BIAM")

- Investment management business headquartered in Dublin.
- Manages balanced and specialist mandates on behalf of institutional clients (including the Group).
- €25 billion assets under management at 31 December 2009.

ICS Building Society

- Irish intermediary sourced mortgage business.
- Distribution platform and ICS brand.
- Mortgage loans of approximately €7 billion (of which the Group will commit to sell a minimum of €2 billion) and deposits of approximately €4 billion outstanding at 31 December 2009.

Other Disposals

- The Group will also agree to sell Foreign Currency Exchange Corporation (its US foreign exchange business) and its stakes in Paul Capital Top Tier Investments LLC (asset management) and Irish Credit Bureau Limited.

Historical Financial impact on the Group — business disposals

The assets and liabilities, and the associated income and expenses, of the businesses to be divested cannot be determined with precision until nearer the date of sale. However, the Group estimates that, as at 31 December 2009, the businesses to be divested comprised approximately €7 billion of lending and approximately €4 billion of deposits and, on this basis, approximately €0.9 billion of Risk Weighted Assets. For the 9 month period ended 31 December 2009, the Group estimates that the businesses to be divested generated underlying(1) total income of approximately €200 million, generated underlying operating profit (before impairment charges) of approximately €90 million, and contributed approximately €40 million of underlying profit before tax to the Group.

Loan Portfolios Wind-Down/Sale

- As per the Group's announcement of 8 January 2009, the Group is winding down its UK intermediary sourced mortgage portfolio and also certain discontinued international corporate lending portfolios (comprising approximately 25% of customer lending at 31 December 2009). This wind-down forms part of the Group's EU Restructuring Plan. The Group will also attempt to accelerate the wind-down of these portfolios by way of sale, but will not have an obligation to sell these portfolios at less than book value.

- If the Group has not run down or sold its UK intermediary mortgage book to below an agreed level, it will commit to meet the following target from 31 December 2013:

$$\frac{\text{Group Customer Loans}}{\text{Group Customer Deposits plus Group Wholesale Funding >1 year}} \leq 100\%$$

(1) Underlying figures exclude the gross-up for policyholder tax in New Ireland which amounted to a gain of approximately €60 million in the 9 months ended 31 December 2009.

Historical Financial impact on the Group — wind-down assets

The Group estimates that, as at 31 December 2009, the loan portfolios to be wound down comprised approximately €34 billion of lending and approximately €6 billion of Risk Weighted Assets. For the nine month period ended 31 December 2009, the Group estimates that the loan portfolios to be wound down generated total income of approximately €190 million, generated underlying operating profit (before impairment charges) of approximately €145 million, and contributed approximately €60 million of underlying profit before tax to the Group.

Behavioural Commitments

Certain behavioural commitments including:

- The Group will make available a service package to other banks and financial institutions comprising a range of clearing and related operational services on a cost recovery basis;

- The Group will also facilitate customer mobility by undertaking certain direct mailings of qualifying third party financial product offerings to the Group's customer base;

- A commitment from the Group not to make discretionary payments of coupons or to exercise voluntary call options on hybrid capital securities from 1 February 2010 to 31 January 2011;

- A commitment from the Bank not to pay dividends on Ordinary Stock until the earlier of (i) 30 September 2012; or (ii) such date as the 2009 Preference Stock is redeemed or no longer owned by the State through the NPRFC or otherwise; and

- A commitment from the Group not to make any material acquisitions.

Implementation

These measures will be required to be implemented over various time frames between now and December 2014.

The implementation of the final EU Restructuring Plan may also require various external approvals which may include approvals from financial regulators, Stockholders pursuant to the Listing Rules or other approvals required under competition law.

Conclusion

The Directors believe that the anticipated final EU Restructuring Plan, the key elements of which are described above, is sufficient to obtain approval from the European Commission for all State aid the Group has received including as a result of: (i) the NPRFC Investment; (ii) the Group's participation in NAMA; and (iii) the extent that the Government Transaction might constitute State aid.

On the basis of the impact indicated by the historical financial information set out above the Directors do not expect that an EU Restructuring Plan, the key elements of which are described above, would be materially detrimental to the long term interests of the Group.

13. Financial Regulator

The Financial Regulator has completed a Prudential Capital Assessment Review ("PCAR") of the Bank in order to assess its capital requirements. This review has taken into account both expected base and potential stressed loan losses, together with other financial developments, over a three year time horizon to 31 December 2012.
The PCAR has been undertaken with reference to:

- a target Core Tier 1 Capital Ratio of 8% in the base case. As a further prudent requirement, the capital to meet the base case target must be principally in the form of equity to meet a target Equity Tier 1 Capital Ratio of 7%.

- a target level of 4% Core Tier 1 Capital should be maintained in a stress scenario.

As announced on 30 March 2010, the outcome of this review is that the Financial Regulator has determined that the Group needs to raise an additional €2.66 billion of Equity Tier 1 Capital by 31 December 2010 to comply with the PCAR. The Proposals will fully address the PCAR review.

Further information on the PCAR review is set out in paragraph 2 (Financial Regulator — Prudential Capital Assessment Review) of Part XI (Regulation and Supervision) of the Prospectus.

14. Capital and Liquidity

Capital

The Proposals are expected to increase Equity Tier 1 Capital by not less than €2.93 billion (approximately €2.8 billion net of expenses after the Warrant Cancellation). Assuming the Proposals had been implemented as at 31 December 2009 and based on the other assumptions and adjustments set out in Part V (Unaudited Pro Forma Financial Information) of this Circular, the Group would have had the following pro forma capital ratios:

Capital Ratio	31 December 2009 Actual	31 December 2009 Pro Forma
Equity Tier 1 Capital Ratio (Core Tier 1 Ratio less Preference Stock) ..	5.3%	8.0%
Core Tier 1 Ratio	8.9%	10.1%
Tier 1 Capital Ratio	9.8%	10.5%
Total Capital Ratio	13.4%	13.5%
Total Risk Weighted Assets...	€ 98 billion	€ 87 billion

The Directors recognise that market expectations in relation to capital levels have evolved and the Group is committed to strengthening its capital ratios to take account of these expectations and the Financial Regulator review referred to in paragraph 13 (Financial Regulator) of this Part I of this Circular. Assuming implementation of the Proposals, the Group expects to maintain a minimum Equity Tier 1 Capital Ratio of greater than 7% and a Core Tier 1 Capital Ratio of greater than 8%, both ratios under Basel II, which should ensure that the Group's capital position remains resilient and well positioned to meet its business priorities.

Liquidity

The Minister for Finance has introduced two initiatives in order to enhance the availability of liquidity and improve access to funding for the domestic Irish banking system. The CIFS Guarantee Scheme was introduced in September 2008 to guarantee certain liabilities of covered institutions, including Bank of Ireland, until 29 September 2010. On 9 December 2009 the Minister for Finance commenced the ELG Scheme which facilitates participating institutions issuing debt securities and taking deposits which have a maturity of up to 5 years, provided the relevant liabilities are incurred during the issuance window which expires on

29 September 2010. The Bank announced on 11 January 2010 that it had joined the ELG Scheme. The ELG Scheme, as notified to the European Commission, was approved by the European Commission under the EU State aid rules on 20 November 2009 and is subject to review by the European Commission by 1 June 2010.

On 30 March 2010, the Minister for Finance announced that he would be seeking European Commission approval for an extension of a modified ELG Scheme consistent with its phasing out over a realistic period of time. Notwithstanding this announcement, the nature of the proposed extension is subject to approval by the European Commission and this could be influenced by a range of factors. In addition, on 9 November 2009, the ECB highlighted that guarantees of short term bank debt (maturity profile of less than three months) should be avoided to the extent possible and, as such, there is a risk that the European Commission could require that the ELG Scheme, which currently covers short term bank debt be amended so as to limit the guarantee coverage of this form of liability in the future.

Despite intense market competition for retail deposits in Ireland and the UK and pressure on international deposits caused by rating downgrades, the Group's deposit base at 31 December 2009 was €85 billion, compared to €83 billion at 31 March 2009.

The Loans to Deposits ratio, including assets held for sale to NAMA, of 152% at 31 December 2009 (141% excluding assets held for sale to NAMA) compares to 161% at 31 March 2009.

The Group's wholesale funding programmes are well diversified across geographies, investor types (institutional, sovereign and high net worth individuals) and maturities (overnight to greater than 10 years). In addition, the Group has invested in recent years to build a strong technical capability which has allowed it to maximise the funding capability of its balance sheet in terms of contingent liquidity collateral. A full outline of the Bank's funding programmes is outlined in Part IV (Capitalisation and Indebtedness) of this Circular.

At 31 December 2009 the Group's quantum of wholesale funding was €61 billion compared to €74 billion at 31 March 2009. Wholesale funding as a percentage of the Group total assets (excluding Bank of Ireland Life policyholder assets) reduced to 36% at 31 December 2009, compared to 40% at 31 March 2009. At 31 December 2009, 32% of wholesale funding had a term to maturity of greater than one year compared to 27% at 31 March 2009.

The Directors believe that the international wholesale funding markets have stabilised in recent months and investor sentiment towards Irish financial institutions has improved, which is evidenced by the reduction in the market cost of credit default protection in respect of such institutions. This has resulted in enhanced access to funding markets, facilitating debt issuance at lower prices and for longer maturities. While the Group's recent new debt issuance has been primarily Government guaranteed, the Directors believe that the Proposals will be supportive of debt issuance in unguaranteed format.

The Group holds a significant pool of contingent liquidity collateral, comprising debt securities and other eligible collateral which are capable of being pledged against borrowings from Monetary Authorities. The total amount of contingent liquidity collateral at 31 December 2009 was €42 billion (which is the estimated maximum amount of funding which can be accessed with this pool of contingent liquidity collateral) and which represented 25% of total funding at that date. The Group's borrowings from Monetary Authorities utilising this contingent liquidity collateral reduced from €17 billion (net) at 31 March 2009 to €8 billion (net) at 31 December 2009.

Further details on the Group's capital and liquidity can be found in Part IV (Capitalisation and Indebtedness) of this Circular.

15. Pensions

The Group operates a number of defined benefit and defined contribution schemes in Ireland and overseas. The total scheme membership is approximately 29,000 (approximately 15,000 employed members, 9,600 deferred members and 4,400 retired members). The most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pensions Fund ("BSPF").

The value of retirement benefit obligations across all of the Group's pension schemes was €5.36 billion as at 31 December 2009, calculated on an IAS 19 basis. Total assets in the schemes amounted to €3.73 billion, with a resulting IAS 19 deficit within schemes of €1.63 billion. In 2006, all defined benefit schemes were closed to new entrants and a hybrid scheme (which has both defined benefit and defined contribution elements) was introduced for all new employees from that time with the exception of a number of new entry-level employees (who joined from 1 October 2006 to 21 November 2007) who were offered a one-off option to join the defined benefit scheme.

In January 2010, the Bank launched a pensions review programme to address the deficit in its defined benefit schemes. The main objectives of the review were:

a) to achieve a significant immediate reduction in the IAS 19 deficit through a shared solution with scheme members and the Bank; and

b) to reduce the cost and risk associated with pension provision going forward.

The achievement of these objectives will facilitate the provision of affordable, sustainable pension benefits into the future. The Bank has had very significant engagement with staff representative bodies and the relevant trustee boards, and has undertaken a communications programme with current employees and the other members of the pension schemes. Extensive discussions have taken place with staff representative bodies in order to address the issue through a shared solution, comprising a combination of benefit restructuring and additional employer contributions over a period of time.

The proposed approach, which has been agreed in principle with the main bank union, the IBOA, in relation to the BSPF (which accounts for approximately 85% of the total deficit across all the schemes), following its recommendation by an independent third party chairman, is as follows:

- A temporary freeze on any salary increases qualifying for pensionable salary from April 2010 to 1 April 2012;
- From 1 April 2012 pensionable salary will increase at the lower of the actual pay rise, Consumer Price Index ("CPI") (or the Retail Price Index in the United Kingdom ("RPI") and 4%, subject to a floor level such that pensionable salary will be based on a minimum of 85% of what pensionable salary would have been without the imposition of this cap;
- For current employees, there will be no increases in pensions for three years after their pension becomes payable. Thereafter annual increases will be capped at CPI (or RPI in the United Kingdom) subject to a maximum increase of 4% p.a.;
- For existing pensioners and deferred members annual pension increases will be capped at the lower of CPI (or RPI in the United Kingdom) and 4% from 1 April 2012; and
- Transitional arrangements are also proposed to stagger the impact of the changes on those who are close to retirement.

Similar changes will also be proposed for other schemes, where relevant.

The trustee board of the BSPF scheme has agreed in principle that any benefit restructuring agreements reached between the Bank and its employees will be reflected in the operation of the BSPF. Discussions with the other relevant trustee boards have also commenced. Based on discussions with the various trustee boards, the agreement in principle with the IBOA, and other member feedback received to-date, the Directors are confident of achieving a significant upfront reduction in the pension deficit in the coming months.

Full implementation of the amendments to the Group's pension schemes would eliminate approximately 50% of the 31 December 2009 IAS 19 deficit. If such proposals are implemented, the Group will increase its cash contributions, above existing cash contributions, to the schemes so as to eliminate approximately 50% remaining of the 31 December 2009 IAS 19 deficit over approximately 6 years.

The implementation of these proposed changes would lower the underlying pension costs and would therefore be positive to the income statement of the Group.

16. Current trading, trends and prospects

Trading conditions in the Group's core markets in Ireland and the UK in the 2010 financial year remained challenging though economic conditions have recently shown some signs of stabilisation after the substantial fall in economic output from early in 2008.

Net interest income is being impacted by a number of factors:

- the low interest rate environment together with the impact of continuing competition on deposit pricing is placing pressure on deposit margins;

- the higher cost of wholesale funding as the Group continues to increase the quantum of term funding (wholesale funding with a maturity of one year or greater) in pursuit of the Group's strategy to disengage in a prudent manner from the Government Guarantee Schemes; and

- while lending margins on new business remain strong, low levels of new business activity mutes the impact of this.

As a result, the Group continues to anticipate some downward pressure on the Group net interest margin in 2010. Ongoing strong cost discipline across the Group and the benefits of business disposals and other initiatives implemented in the prior financial year continue to deliver cost savings as anticipated. The challenging economic conditions, unemployment and weak consumer sentiment continue to impact the loan impairment charge as expected. The Directors continue to believe that loan losses on the Group's non NAMA bound loan portfolios have peaked with the impairment charge progressively reducing in 2010, 2011 and 2012 as previously guided. Expected loan losses on these portfolios for the three year period to 31 March 2011 remain within the loan loss guidance of €4.7 billion.

The quantum of customer lending, including loans held for sale to NAMA, remains broadly unchanged at 31 March 2010 when compared to 31 December 2009 on a constant currency basis. The demand for new loans is muted. Competition for customer deposits remains intense and customer deposits at 31 March 2010 are marginally lower compared to 31 December 2009 on a constant currency basis. In January 2010, the Group's long term and short term credit ratings were downgraded by Standard & Poor's to A- /A-2 with a stable outlook. This downgrade led to an initial outflow of some ratings sensitive international deposits. In the quarter ended 31 March 2010 the Group has raised approximately €4.5 billion in term funding (funding with a maturity greater than one year at date of issue). In line with the Group's stated goals, the maturity profile of its wholesale funding has been extended with over 37% of its overall wholesale funding having a maturity of greater than one year at 31 March 2010 compared to 32% at 31 December 2009.

Equity Tier 1 Capital and Core Tier 1 Capital were positively impacted by the Lower Tier 2 Securities exchange completed in February 2010 which generated a gain of €405 million.

17. Dividend Policy

On 13 November 2008, in light of the deteriorating economic conditions and the determination to preserve capital, the Bank announced its decision to cancel dividend payments on Ordinary Stock for the financial year ending 31 March 2009 and stated that it did not expect to resume paying dividends on Ordinary Stock until more favourable economic and financial conditions returned.

On 19 January 2010, and following communications from the European Commission that the Bank should not make coupon payments on its Tier 1 Securities and Upper Tier 2 Securities unless under a binding legal obligation to do so, the Group announced that the non-cumulative distributions on the LP2 Securities and the LP3 Securities, which would otherwise have been payable on 1 February 2010 and 4 February 2010 respectively, would not be paid. The effect of this decision by the Bank was to trigger the "dividend stopper" provisions of the LP2 Securities. While these "dividend stoppers" remain in force, the Group is precluded for a period of one calendar year from and including 1 February 2010 from declaring and making any distribution or dividend payment on its Ordinary Stock, non-cumulative euro and Sterling Preference Stock, the 2009 Preference Stock and Hybrid/Preferred Securities.

On that basis, (and also subsequently under the commitments to be made under the EU Restructuring Plan), the Group is therefore prevented from making discretionary dividend payments on its capital stock for a period of one calendar year from and including 1 February 2010. The Bank issued the NPRFC Coupon Ordinary Stock to the NPRFC on Monday 22 February 2010 in lieu of the cash dividend due to the holders of the 2009 Preference Stock on 20 February 2010.

In addition, under the terms of the CIFS Guarantee Scheme, the Bank is precluded from paying dividends on the Ordinary Stock without the prior approval of the Minister for Finance until the expiry of the CIFS Guarantee Scheme which is scheduled to take place on 29 September 2010. The prohibition can be extended under the ELG Scheme.

Under the EU Restructuring Plan, the Group will commit not to make discretionary payments of coupons or to exercise voluntary call options on hybrid capital securities on or before 31 January 2011. Thereafter, any conditions imposed by the European Commission in respect of hybrid capital securities are expected to fall away.

Also under the EU Restructuring Plan, the Bank will commit not to pay dividends on its Ordinary Stock until the earlier of (i) 30 September 2012; or (ii) such date that the 2009 Preference Stock is redeemed or no longer owned by the State through the NPRFC or otherwise.

The Directors intend to resume paying dividends on Ordinary Stock after the above conditions have been satisfied and the Group has demonstrated that it can maintain appropriate capital ratios and sustainable profits.

18. Extraordinary General Court

The Proposals are conditional upon the approval of Resolutions 1 to 7 at the Extraordinary General Court. This Circular contains the Notice of Extraordinary General Court on pages 93 to 96. The Extraordinary General Court will be held at O'Reilly Hall, UCD, Belfield, Dublin 4 at 11.00 a.m. on 19 May 2010. The Extraordinary General Court is being held for the purpose of considering and, if thought appropriate, approving the Resolutions. Further details of the Resolutions proposed to be passed at the Extraordinary General Court are set out in paragraph 20 (Summary of the Resolutions) of this Part I and in the Notice of Extraordinary General Court on pages 93 to 96 of this Circular.

The Government Transaction, comprising of the NPRFC Placing, the NPRFC Rights Issue Undertaking, the Transaction Fee, the NPRFC Placing Fee, the NPRFC Commitment Commission, the Warrant Cancellation, the amendment of the NPRFC's dividend rights in respect of the 2009 Preference Stock and voting rights and the other commitments pursuant to the Government Transaction Agreement are conditional upon the approval by Stockholders of Resolution 7 as set out in the Notice of Extraordinary General Court on page 94 of this Circular. Through the NPRFC Investment, the NPRFC holds 15.73% of the Existing Stock of the Bank (which includes both the NPRFC Coupon Ordinary Stock and other Ordinary Stock pursuant to the NPRFC's other investment activities) and the Minister for Finance and the NPRFC are together deemed to exercise significant influence over the affairs of the Bank and are consequently deemed to be related parties under the Listing Rules. As such the Government Transaction is a related party transaction under the Listing Rules. As a result, neither the NPRFC nor the Minister for Finance will vote on Resolution 7 which approves the Government Transaction. The NPRFC has undertaken to take all reasonable steps to ensure that its associates will not vote on Resolution 7.

The NPRFC is permitted to vote on Resolutions 1 to 6 and 8 and, as set out in paragraph 9 (Material Contracts) of Part VI (Additional Information) of this Circular under the heading "Government Transaction Agreement", has irrevocably committed to vote its Ordinary Stock in favour of Resolutions 1 to 6 and 8.

In accordance with Bye-Law 5(E)(1) and Bye-Law 6(E)(1), the holders of 1992 Preference Stock are entitled to vote on the Resolutions together with Ordinary Stockholders due to the fact that the most recent dividend, due in cash on 20 February 2010, was not paid. The holders of euro-denominated 1992 Preference Stock are entitled to cast two votes for every unit of euro-denominated 1992 Preference Stock held and each holder of sterling-denominated 1992 Preference Stock has one vote for every €0.64 of the euro equivalent to the nominal amount of his holding of sterling-denominated 1992 Preference Stock (based on the exchange rate on the date of issue of the sterling-denominated 1992 Preference Stock).

19. Action to be taken by Stockholders

Form(s) of Proxy is/are enclosed which cover(s) the Resolutions to be proposed at the EGC. The Form of Proxy for use by the holders of Ordinary Stock is blue; the Form of Proxy for use by the holders of euro denominated 1992 Preference Stock is purple; and the Form of Proxy for use by holders of Sterling denominated 1992 Preference Stock is yellow.

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 11.00 a.m. on 17 May 2010. In addition, it is possible to appoint and instruct your proxy electronically by following the instructions on the enclosed Form(s) of Proxy. Completion of Form(s) 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(s) of Proxy.

Voting at the EGC in respect of each 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 Resolutions.

20. Summary of the Resolutions

The Proposals are conditional upon the approval of Resolutions 1 to 7 at the Extraordinary General Court. The Notice of Extraordinary General Court is set out on pages 93 to 96. The Extraordinary General Court is being held for the purpose of considering and, if thought appropriate, approving the Resolutions, a summary of which is set out below. As mentioned in paragraph 18 (Extraordinary General Court) above, the holders of 1992 Preference Stock are entitled to vote on the Resolutions.

Under the Proposals, the lowest price at which units of Ordinary Stock may be issued is €0.10. The purpose of Resolution 1 is to effect the Renominalisation by reducing the nominal value of the units of Ordinary Stock held by stockholders from €0.64 per unit to €0.10 per unit in order to help ensure that the Rights Issue Price can, if necessary, be less than €0.64.

Resolution 2 proposes the increase in the Bank's authorised ordinary capital stock from 2 billion units of Ordinary Stock to 24 billion units of Ordinary Stock, which will create the additional unissued authorised capital necessary to implement the Proposals.

Resolution 3 proposes the adoption of new Bye-Laws incorporating amendments to the rights attaching to the 2009 Preference Stock so as to allow the NPRFC Placing and the NPRFC Rights Issue Undertaking to be implemented and contains provisions to effect the Renominalisation. Included in the proposed new Bye-Laws is a new provision authorising the Bank to reduce its issued stock capital, capital redemption reserve fund or any stock premium account where this has been authorised by a special resolution at a General Court of the Bank. For details of where a full copy of the proposed Bye-Laws are available for inspection see paragraph 15 (Documents available for inspection of Part VI (Additional Information) of this Circular.

Resolution 4 proposes to authorise the Directors to issue the units of Ordinary Stock required to effect the Proposals (excluding the Ordinary Stock issued under the NPRFC Placing and the NPRFC Rights Issue Undertaking which are addressed in Resolution 7) on a non-pre-emptive basis.

Resolution 5 proposes to authorise the Directors to issue the Allotment Instruments to those participants in the Debt for Equity Offers who elect to receive Conversion Ordinary Stock.

Resolution 6 authorises the issue of units of Ordinary Stock pursuant to the Institutional Placing on a non-pre-emptive basis at an issue price of €1.53 which is at a discount of more than 10% of the middle market price of the units of Ordinary Stock at the date of this Circular. This resolution is required pursuant to rule 6.5.10(1) of the Listing Rules of the Irish Stock Exchange and rule 9.5.10(1)R of the Listing Rules of the UK Listing Authority since the Institutional Placing Price is at a discount of more than 10% to the middle market price of the Ordinary Stock.

Resolution 7 is the authorisation of the Government Transaction, comprising of the NPRFC Placing, the NPRFC Rights Issue Undertaking, the NPRFC Placing Fee, the Transaction Fee, the NPRFC Commitment Commission, the Warrant Cancellation, the amendment of the NPRFC's dividend rights in respect of the 2009 Preference Stock and voting rights and other commitments pursuant to the Government Transaction Agreement and includes the approval of the Government Transaction as a related party transaction under the Listing Rules, the authorisation of the Directors to issue units of Ordinary Stock pursuant to the NPRFC Placing and the NPRFC Rights Issue Undertaking on a non-pre-emptive basis and to issue the Ordinary Stock pursuant to the NPRFC Rights Issue Undertaking at a price per unit of Ordinary Stock not less than €0.10 (including at a discount of more than 10% of the middle market price of the units of Ordinary Stock) for the purpose of Listing Rule 6.5.10(1) of the Listing Rules of the Irish Stock Exchange and Listing Rule 9.5.10(1)R of the Listing Rules of the UK Listing Authority and the implementation of the cancellation of the Warrants pursuant to the Warrant Cancellation.

Resolution 8 proposes, subject to the consent of the High Court, to reduce the stock premium of the Bank by cancelling €0.8 billion of the stock premium of the Bank. Pursuant to this Resolution, the reserve resulting from the cancellation of the stock premium will be treated as profits available for distribution as defined by section 45 of Companies (Amendment) Act 1983.

Pursuant to the Bye-Laws, the written consent of the Minister is required in order to approve Resolutions 1, 2, 4, 5, 6 and 8 and the written consent of the NPRFC as holder of the 2009 Preference Stock is required in relation to certain proposed amendments to the Bye-Laws. The Minister and the NPRFC have provided their irrevocable written consent in this regard to the Bank in the Government Transaction Agreement.

All of the Resolutions proposed (excluding Resolution 8) are interconditional which means that none of Resolutions 1 to 7 will be deemed to be passed unless all of Resolutions 1 to 7 are passed.

21. Importance of the Resolutions relating to the Proposals

The Court believes that the inability of the Group to complete the Proposals and increase its capital ratios sufficiently is highly likely to have material adverse consequences for the Group's business, operating results, financial condition and prospects.

Resolutions 1-6 must be passed by Stockholders and Resolution 7 must be passed by Stockholders, excluding the NPRFC, at the EGC in order for the Proposals to proceed. The purpose of the Proposals is to strengthen the capital position of the Group in order to allow it to achieve its key business objectives. While the Bank expects to continue to meet current minimum regulatory capital requirements without the Proposals, the Proposals are required in order to meet increasing market expectations regarding capital ratios and the new regulatory capital targets announced by the Financial Regulator on 30 March 2010 in its Prudential Capital Assessment Review (as set out in paragraph 13 (Financial Regulator) of this Part I of this Circular). If all of Resolutions 1 to 7 are not approved then the Proposals will not proceed and the Group will need to re-assess its strategic and operational position and may be required to find alternative methods to strengthen its capital ratios. Such methods could include, amongst other things, a prolonged cessation of dividends, an accelerated reduction in risk-weighted assets, disposal of certain businesses or increased issuance of Tier 1 securities. The Directors believe that there is a low probability of the Group being successful in identifying and implementing any alternative methods, without Government involvement, for increasing its capital ratios to meet the new regulatory capital targets by 31 December 2010.

If the Group is unable to proceed with the Proposals and strengthen its capital position sufficiently, and alternative methods for increasing its capital ratios are unsuccessful, the Group will be unable to achieve its stated objectives, its business, results of operations and financial condition would suffer, its credit rating may be downgraded, its ability to access funding would be reduced, its cost of funding would increase and its stock price would be highly likely to decline. The Minister for Finance stated in a speech on 30 March 2010 that the Minister does not want institutions to get by on a bare minimum of capital and that majority State shareholdings are preferable to under-capitalised or only adequately capitalised entities. Therefore, the Directors believe that if the Group is unable to proceed with the Proposals or if alternative methods for increasing its capital ratios are unsuccessful, it is highly likely to lead to an even greater equity investment in the Group by the Government which would likely result in majority Government ownership or nationalisation. In these circumstances, Stockholders could lose some or all of the value of their Ordinary Stock and Preference Stock.

22. Action to be taken in respect of the Rights Issue

Subject to approval of Resolutions 1 to 7 at the Extraordinary General Court, Qualifying Stockholders (other than, subject to certain exceptions, Qualifying Stockholders with a registered address in the United States or in any of the other Excluded Territories) will be entitled to subscribe for a number of units of Rights Issue Stock. The Rights Issue Price will be determined before the Extraordinary General Court and publicly announced through a Regulatory Information Service. The announcement will detail both the Rights Issue Price and the ratio of units of Rights Issue Stock to units of Record Date Stock that a Qualifying Stockholder shall be entitled to subscribe for in proportion to its current stockholding.

If you hold your Existing Stock in certificated form (that is you have a stock certificate in your name) you are a Qualifying Non-CREST Stockholder (other than, subject to certain exceptions, Qualifying Non-CREST Stockholders with a registered address in the United States or in any of the Excluded Territories), and you will receive a Provisional Allotment Letter setting out details of your Nil Paid Rights and containing instructions on how to take up that entitlement under the Rights Issue.

If you hold your Existing Stock in uncertificated form (that is, through CREST), you are a Qualifying CREST Stockholder (other than, subject to certain exceptions, Qualifying CREST Stockholders with a registered address in the United States or in any of the Excluded Territories), no Provisional Allotment Letter will be sent to you and your CREST stock account is expected to be credited with your Nil Paid Rights as soon as possible after 8.00 a.m. on 20 May 2010.

Full details of the terms and conditions of the Rights Issue, including instructions for acceptance and payment, are set out in the Prospectus.

Any Qualifying Stockholder requiring assistance in understanding the matters raised in this document may telephone the stockholder helpline on freephone 1800 930 490 (if calling from within Ireland) or freephone 0800 923 1510 (if calling from within the UK) or + 353 1 247 5414 (if calling from outside Ireland and the UK) between 9.00 a.m. and 5.00 p.m. on any Business Day. During the Rights Issue subscription period beginning on 20 May 2010 and ending on 8 June 2010, all helplines will be open for the extended hours of 9.00 a.m. to 8.00 p.m. on any Business Day and 9.00 a.m. to 1.00 p.m. on Saturdays. For legal reasons this helpline will not provide advice on the merits of the Rights Issue, or give any legal, financial or taxation advice, for which you will need to consult your own legal, financial or taxation adviser.

Some questions and answers, together with details of further terms and conditions of the Rights Issue including the procedure for application and payment, are set out in Parts VIII (Questions and Answers about the Placing and the Rights Issue) and IX (Terms and Conditions of the Rights Issue) of the Prospectus and, for

Qualifying Non-CREST Stockholders, will also be set out in the Provisional Allotment Letters and the Stockholder Guide.

23. Recommendation from the Court of Directors in relation to the Proposals

The Government Transaction

The Court, which has been so advised by Credit Suisse, the Bank's independent financial adviser, considers the Government Transaction, comprising of the NPRFC Placing, the NPRFC Rights Issue Undertaking, the NPRFC Placing Fee, the Transaction Fee, the NPRFC Commitment Commission, the Warrant Cancellation, the amendment of the NPRFC's dividend rights in respect of the 2009 Preference Stock and voting rights and the other commitments pursuant to the Government Transaction Agreement, referred to in Resolution 7(a), being a related party 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, Credit Suisse has taken into account the Court's commercial assessments of the Government Transaction. The Court considers the Government Transaction to be in the best interests of the Stockholders as a whole. Accordingly, the Court recommends that the Stockholders vote in favour of Resolution 7.

Mr. Tom Considine and Mr. Joe Walsh, the two Directors appointed by the Minister for Finance pursuant to the CIFS Guarantee Scheme, have not taken part in the Court's consideration of the Government Transaction, will not vote on Resolution 7 and will take all reasonable steps to ensure that their associates will not vote on Resolution 7 which approves the Government Transaction.

The Proposals (excluding the Government Transaction)

The Court considers that the Proposals (excluding the Government Transaction recommended above) are in the best interests of the Stockholders taken as a whole. Accordingly, the Court recommends that Stockholders vote in favour of Resolutions 1 to 6 and 8.

Directors' Intentions

The Directors intend to vote in favour of the Resolutions, or to procure a vote in favour of the Resolutions in respect of their beneficial holdings, to the extent they are eligible to do so. In respect of Resolutions 1 to 6 and 8, the Directors are entitled to vote in respect of an aggregate of 1,867,129 units of Ordinary Stock representing approximately 0.16% of the issued Ordinary Stock as at the last practicable date prior to the publication of this Circular. In respect of Resolution 7, the Directors are entitled to vote in respect of an aggregate of 1,851,396 units of Ordinary Stock representing approximately 0.156% of the issued Ordinary Stock as at 23 April 2010 the last practicable date prior to the publication of this Circular.

24. Risks relating to investment in the Bank

Acquiring Ordinary Stock in the Bank, the Proposals and participation in the Rights Issue and/or the Placing involve risks. It is strongly recommended that investors read Part II (Risk Factors) of this Circular for a discussion of the factors which could affect the Group's future performance, the performance of the economies and business sectors in which the Group operates and the Ordinary Stock.

25. Further information

Your attention is drawn, in particular, to the additional information set out in Parts II to VI of this Circular and the Appendix to this letter. You should read the whole of this document and not rely solely on the information set out in this letter.

This Circular does not set out the full terms and conditions of the Rights Issue, the Placing, the Warrant Cancellation or the Debt for Equity Offers and it does not constitute a prospectus or a prospectus equivalent document. Nothing in this Circular should be interpreted as a term or condition of the Rights Issue, the Placing, the Warrant Cancellation or the Debt for Equity Offers. The full terms and conditions of the Rights Issue applicable to Qualified Stockholders are set out in the Prospectus. The full terms and conditions of the Debt for Equity Offers are set out in the Debt for Equity Offers Documents. Any decision to subscribe for any Nil Paid Rights, Fully Paid Rights, Rights Issue Stock or Placing Stock, must be made only on the basis of the information contained in and incorporated by reference into the Prospectus. Any decision to subscribe for Debt for Equity Offers Securities must be made only on the basis of the information contained in and incorporated by reference into the Debt For Equity Offers Documents. Copies of the Debt for Equity Offers Documents and the Prospectus can be obtained from the Group website (which is www.bankofireland.com) or free of charge from Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, or by calling the stockholder helpline on freephone 1800 930 490 (if calling from within Ireland) or freephone 0800 923 1510 (if calling from within the UK) or + 353 1 247 5414 (if calling from outside Ireland and the UK) between 9.00 a.m. and 5.00 p.m. on any Business Day. During the Rights Issue subscription period beginning on 20 May 2010 and ending on 8 June 2010, all helplines will be open for the extended hours of 9.00 a.m. to 8.00 p.m. on any Business Day and 9.00 a.m. to 1.00 p.m. on Saturdays.

Yours faithfully,

PATRICK J. MOLLOY
GOVERNOR

APPENDIX TO THE LETTER FROM THE GOVERNOR OF BANK OF IRELAND

1. Details of the Placing

The Placing comprises two elements, the Institutional Placing and the NPRFC Placing. Under the Institutional Placing, the Underwriters have agreed to use their reasonable endeavours to procure Placees for an aggregate of 326,797,386 units of Placing Stock at a price of € 1.53 per unit of Placing Stock representing a discount of 15.0% to the Closing Price of € 1.80 of the Existing Stock on 23 April 2010 (being the last practicable date prior to the announcement of the Proposals) to raise gross proceeds of € 500 million. Under the NPRFC Placing, the NPRFC has agreed to take up 575,555,556 units of Ordinary Stock at a price of € 1.80 per unit of Ordinary Stock. This will be effected by way of the conversion of 1,036 million units of 2009 Preference Stock (at their subscription price of €1.00 per unit of 2009 Preference Stock). The Placing Stock and the Ordinary Stock to be issued pursuant to the NPRFC Placing will represent approximately 43.0% of the units of Ordinary Stock in issue immediately following completion of the Placing.

The Institutional Placing is underwritten by the Underwriters on the terms and conditions of the Underwriting Agreement.

In consideration for the NPRFC Placing, the Bank has agreed to pay to the NPRFC the NPRFC Placing Fee. In addition, the Bank will pay a Transaction Fee of € 22 million at the closing of the NPRFC Placing. The NPRFC Placing will be conditional upon the commencement of dealings in the Nil Paid Rights and Fully Paid Rights pursuant to the Rights Issue.

Details of the maximum amount of dilution which Ordinary Stockholders could experience as a result of the Placing are set out in paragraph 5 (Maximum Potential Dilutive Impact of the Proposals) of this Appendix.

An application will be made to the Irish Stock Exchange and to the UK Listing Authority for the Placing Stock and the Ordinary Stock issued pursuant to the NPRFC Placing to be admitted to listing on the Official Lists and an application will be made to the Irish Stock Exchange and the London Stock Exchange for the Placing Stock and the Ordinary Stock issued pursuant to the NPRFC Placing to be admitted to trading on the main markets for listed securities of each of the Irish Stock Exchange and the London Stock Exchange. It is expected that Admission of the Placing Stock and the Ordinary Stock issued pursuant to the NPRFC Placing will become effective and dealings in the Placing Stock and the Ordinary Stock issued pursuant to the NPRFC Placing will commence at 8.00 a.m. on 20 May 2010, the first Business Day following the EGC.

The Placing Stock and the Ordinary Stock issued pursuant to the NPRFC Placing will, when issued and fully paid, rank *pari passu* in all respects with the Existing Stock including the right to receive dividends or distributions made, paid or declared (if any) after Admission of such Placing Stock and the Ordinary Stock issued pursuant to the NPRFC Placing. The Placees in the Institutional Placing will be Qualifying Stockholders for the purposes of the Rights Issue in respect of the Placing Stock. The Ordinary Stock to be issued pursuant to the NPRFC Placing will be eligible for participation in the Rights Issue as if such Ordinary Stock was held on the Record Date.

The Placing is conditional on all of Resolutions 1 to 7 at the Extraordinary General Court being approved, including those Resolutions necessary to approve the Rights Issue and the other elements of the Proposals. As such, the Placing will not proceed if any of Resolutions 1 to 7 relating to the Proposals is not approved. The Placing is also conditional on the Underwriting Agreement not having been terminated by the time of Admission of the Placing Stock and on Admission of the Placing Stock. Although the Placing is not expressly conditional on the Rights Issue proceeding, in effect, the two transactions are conditional upon each other. It is expected that the Admission of the Placing Stock will be simultaneous with the Admission of the Rights Issue Stock (nil paid).

2. Details of the Rights Issue

The Group is proposing to raise up to € 1.89 billion by way of the Rights Issue (including the NPRFC Rights Issue Undertaking). The Rights Issue (excluding the NPRFC Rights Issue Undertaking) is underwritten pursuant to the Underwriting Agreement. The Rights Issue Stock will be issued at a price equal to the higher of (i) €0.10 per unit of Rights Issue Stock, and (ii) a price per unit of Rights Issue Stock which is within a range of 38% to 42% discount to the TERP. The Rights Issue Price and the number of units of Rights Issue Stock will be determined by the Bank and the Joint Bookrunners in advance of the EGC.

The size of the Rights Issue will be € 1,885 million less the capital gain generated by the Debt for Equity Offers prior to the Early US Debt for Equity Offers Expiration Date up to a maximum amount of € 100 million, and the aggregate principal amount of Allotment Instruments to be issued at settlement to noteholders electing to receive Allotment Instruments in the Debt for Equity Offers of up to € 200 million. To the extent noteholders accept the US Debt for Equity Offers after that date, the capital gain generated by and notional amount of Allotment Instruments issued pursuant to such elections will represent capital raised by the Bank in excess of the € 1,885 million in capital sought to be raised by the Bank in the Rights Issue and Debt for Equity Offers.

The entitlements of Qualifying Stockholders to Rights Issue Stock, reflecting any reduction in the size of the Rights Issue, will be set out in the Provisional Allotment Letters.

Under the Rights Issue, the Rights Issue Stock will be offered by way of Rights to all Qualifying Stockholders (other than, subject to certain exceptions as set out in paragraph 2.5 of Part IX (Terms and Conditions of the Rights Issue) of the Prospectus, Qualifying Stockholders with a registered address in, or resident or located in, the United States or any other Excluded Territory).

Entitlements to units of Rights Issue Stock will be rounded down to the nearest whole number and fractions of units of Rights Issue Stock will not be allotted to Qualifying Stockholders but will be aggregated and the resulting units of Rights Issue Stock will be issued to subscribers in the market for the benefit of the Bank. Holdings of Qualifying Stockholders in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue, as will holdings under different designations and in different accounts.

If all eligible noteholders accept the Debt for Equity Offers in respect of all of their Eligible Debt Securities and all elect to receive cash proceeds (from the issue of Ordinary Stock in the Rights Issue) and not Allotment Instruments, the maximum size of the Rights Issue would be € 1,785 million. Details of the maximum amount of dilution which Ordinary Stockholders will experience as a result of the Rights Issue are set out in paragraph 5 (Maximum Potential Dilutive Impact of the Proposals) of this Appendix.

To the extent that any units of Rights Issue Stock are not subscribed for or are otherwise deemed not to be taken up or placed within the Rump Placing, the Underwriters will severally subscribe for such number of units of Rights Issue Stock at the Rights Issue Price.

The Rights Issue is conditional, among other things, on:

- Admission of the Placing Stock and the Rights Issue Stock (nil paid);
- Admission of the Nil Paid Rights occurring by not later than 8.00 a.m. on 20 May 2010 (or such later time and date as Bank of Ireland and the Joint Bookrunners may agree in writing);
- the passing without amendment of Resolutions 1 to 7 at the EGC; and
- the Underwriting Agreement remaining in force and not being terminated as at Admission of the Rights Issue Stock (nil paid).

The Rights Issue Stock, when issued and fully paid, will rank *pari passu* in all respects with the Existing Stock, including the right to receive dividends or distributions made, paid or declared (if any) after Admission of such Rights Issue Stock.

Applications will be made to the Irish Stock Exchange and the UK Listing Authority for the Rights Issue Stock to be admitted to the Official Lists and to the Irish Stock Exchange and the London Stock Exchange for the Rights Issue Stock to be admitted to trading on the main markets for listed securities of each of the Irish Stock Exchange and the London Stock Exchange.

It is expected that Admission of the Rights Issue Stock will occur, and that dealings in the Rights Issue Stock on the Irish Stock Exchange and the London Stock Exchange will commence at 8.00 a.m. on 14 June 2010.

Details of the maximum amount of dilution which it is expected Ordinary Stockholders will experience as a result of the Placing are set out in paragraph 5 (Maximum Potential Dilutive Impact of the Proposals) of this Appendix.

3. Overseas Stockholders

The attention of Overseas Stockholders, who have registered addresses outside Ireland or the United Kingdom, or who are citizens of or resident or located in countries other than Ireland or the United Kingdom, is drawn to the information in paragraph 2.5 of Part IX (Terms and Conditions of the Rights Issue) of the Prospectus.

4. Debt for Equity Offers

The Debt for Equity Offers comprise the US Debt for Equity Offers and the Non-US Debt for Equity Offers, each of which is the subject of separate offer documents.

US Debt for Equity Offers

Under the terms of the US Debt for Equity Offers, certain holders of the US Debt for Equity Offers Securities will be eligible to offer to exchange those securities for:

(a) through the settlement procedure more fully described below, cash proceeds of the issuance by the Bank of units of Ordinary Stock in the Rights Issue at the Rights Issue Price on behalf of such holder; or

(b) Allotment Instruments issued by the Bank, which will subsequently automatically convert into Conversion Ordinary Stock on the Conversion Date; or

(c) a combination of such cash proceeds and Allotment Instruments.

Exchange prices

The amount of cash proceeds paid and/or the principal amount of Allotment Instruments issued (as applicable) to a holder will depend on the nominal amount of such holder's existing securities accepted for exchange and the exchange price applicable to that series of existing securities, as specified in the offer document relating to the US Debt for Equity Offers.

Holders of US Debt for Equity Offers Securities who offer to exchange their securities on or before the Early US Debt for Equity Offers Expiration Date will (if such securities are accepted for exchange) benefit from a more favourable exchange price than holders who offer to exchange their securities after that date.

Exchange of existing securities for cash proceeds

Holders whose securities are accepted for exchange for cash proceeds will be eligible to receive a number of ordinary shares in BOI Nominee Holdings Limited, an indirect wholly-owned subsidiary of the Group, on the US Debt for Equity Offers settlement date, currently expected to be 14 June 2010. The Bank will place a number of units of Ordinary Stock through the Rights Issue on behalf of each such holder, and the cash proceeds generated thereby will, once the Rights Issue has become unconditional, be held in trust for the holder and paid by the Rights Issue receiving agent to such holder on the settlement date upon delivery by such holder of its BOI Nominee Holdings Limited ordinary shares to or to the order of the Bank.

Exchange of existing securities for Allotment Instruments

Holders whose securities are accepted for exchange for Allotment Instruments will be eligible to receive a principal amount of Allotment Instruments on the US Debt for Equity Offers settlement date of up to €100 million. Such Allotment Instruments will not be admitted to listing or trading on any stock exchange, but may be traded within certain clearing systems up to a record date falling shortly before the Conversion Date. Holders of the Allotment Instruments on that record date will be eligible to receive Conversion Ordinary Stock in the Bank (which will be fungible with Ordinary Stock) upon conversion of the Allotment Instruments on the Conversion Date.

The number of units of Conversion Ordinary Stock to be issued upon conversion of the Allotment Instruments will be calculated by dividing the principal amount of such Allotment Instruments by the Conversion Price. The Conversion Price will be (i) a 25% discount to the Closing Price on 23 April, as adjusted to reflect the Rights Issue Factor (being the Bonus Element of the Rights Issue reflecting the fact that the Rights

Issue Stock is issued at a discount to the Closing Price of the Ordinary Stock on 23 April 2010), subject to a floor of €0.10, or, if greater, (ii) the average of the Volume Weighted Average Price on each Business Day between and including 2 September 2010 and 8 September 2010.

US Debt for Equity Offers Securities

The Eligible Debt Securities which are the subject of the US Debt for Equity Offers (being the US Debt for Equity Offers Securities), are as follows:

Issuer	**Instrument**	**Amount Outstanding as at 31 December 2009**
Bank of Ireland	US$150 million Perpetual Floating Rate Primary Capital Notes	US$150 million
Bank of Ireland Capital Funding (No 2) LP	US$800 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	US$400 million
Bank of Ireland Capital Funding (No 3) LP	US$400 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	US$200 million

Non-US Debt for Equity Offers

Under the terms of the Non-US Debt for Equity Offers, certain non-US holders of the Non-US Debt for Equity Offers Securities will be eligible to offer to exchange those securities for cash proceeds or Allotment Instruments broadly in the same manner as described above in respect of the US Debt for Equity Offers, the exchange prices for each series of Non-US Debt for Equity Offers Securities being set out in the offer document relating to the Non-US Debt for Equity Offers.

The Eligible Debt Securities which are the subject of the Non-US Debt for Equity Offers (being the Non-US Debt for Equity Offers Securities), are as follows:

Issuer	**Instrument**	**Amount Outstanding as at 31 December 2009**
Bank of Ireland UK Holdings plc	€600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	€476 million
Bank of Ireland UK Holdings plc	Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities	Stg£46 million
Bank of Ireland Capital Funding (No 1) LP	€600 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	€350 million
Bank of Ireland Capital Funding (No 4) LP	Stg£500 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	Stg£37 million

Conversion Ordinary Stock

The maximum aggregate principal amount of the Allotment Instruments will not exceed the Maximum Allotment Instruments Amount. If elections in excess of that amount are received, the Group will pro rate some or all of such elections, such that Allotment Instruments will be issued having an aggregate principal amount not exceeding the Maximum Allotment Instruments Amount. To the extent that a participant has not elected to have its excess notes returned in that circumstance (such election being a feature of the US Debt for Equity Offers only), the holder will be automatically deemed to have opted to receive cash proceeds in respect of the excess notes from the issue of Ordinary Stock on such holder's behalf in the Rights Issue.

The Bank intends to make applications for the admission of the Conversion Ordinary Stock to the Official Lists in accordance with the Listing Rules, and for the admission of such stock to trading on the Irish Stock Exchange's and London Stock Exchange's markets for listed securities in accordance with the Listing Rules of the Irish Stock Exchange and the Admission and Disclosure Standards, respectively, on or around 10 September 2010.

5. Maximum Potential Dilutive Impact of the Proposals

Maximum Potential Enlarged Capital Stock(1)	21,683,170,653
Number of Ordinary Stock units in issue as at 23 April 2010 as a percentage of the Maximum Potential Enlarged Capital Stock	5.0%
Maximum potential dilution to holders of units of Ordinary Stock as at 23 April 2010 who do not participate in the Rights Issue(2),(3)	95.0%
Maximum potential dilution to holders of units of Ordinary Stock as at 23 April 2010 assuming participation in full in the Rights Issue(3),(4).....................................	47.0%

Notes:

(1) The Maximum Potential Enlarged Capital Stock is the sum of: (i) Ordinary Stock units in issue at 23 April 2010 (being the latest practicable date prior to the publication of this Circular); (ii) Ordinary Stock units to be issued pursuant to the Placing (902,352,942); (iii) the maximum number of Ordinary Stock units to be issued pursuant to the Rights Issue (including the NPRFC Rights Issue Undertaking) i.e. assuming an issue price of €0.10 (which is the lowest price at which Rights Issue Stock can be issued) (18,851,465,603); and (iv) the maximum number of Ordinary Stock units to be issued pursuant to acceptances of the US Debt for Equity Offers after the Early US Debt for Equity Offers Expiration Date (8 June 2010) calculated using the minimum possible Conversion Price (i.e. the minimum possible Rights Issue Factor that results from a €0.10 Rights Issue Price).

(2) Maximum potential dilution to Existing Stockholders who do not participate in the Rights Issue is achieved when the maximum potential number of units of Ordinary Stock issuable pursuant to the Proposals (i.e. the Maximum Potential Enlarged Capital Stock) is in fact issued on completion of the Proposals (see note 1).

(3) The cancellation of the Warrants in consideration for the €491 million payment to the NPRFC pursuant to the Warrant Cancellation has the effect of eliminating the dilutive effect of the Warrants should they be exercised. If the Warrants were exercised in full on 23 April 2010, being the latest practicable date prior to the publication of this Circular, Existing Stockholders would be diluted by 22%.

(4) Maximum potential dilution to Existing Stockholders who participate in full in the Rights Issue (equivalent to maximum potential dilution from the Placing and the Debt for Equity Offers) is achieved when the following occurs: (i) acceptance in full and maximum elections for Allotment Instruments in the Non-US Debt for Equity Offers; (ii) acceptances in full of, and maximum elections for Allotment Instruments in, the US Debt for Equity Offers prior to the Early US Debt for Equity Offers Expiration Date; and (iii) the lowest possible number of shares is issued through the Rights Issue.

APPENDIX II - EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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

Announcement of the Proposals	26 April 2010
Posting of the Circular	26 April 2010
Admission of the NPRFC Coupon Ordinary Stock	27 April 2010
Announcement of the results of the Non-US Debt for Equity Offers and early US acceptances	10 May 2010
Announcement of Rights Issue Price and entitlements of Qualifying Stockholders	7.00 a.m. on 17 May 2010
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Court	11.00 a.m. on 17 May 2010
Record Date for entitlement under the Rights Issue for Qualifying CREST Stockholders and Qualifying Non-CREST Stockholders and Placees on that date	5.00 p.m. on 17 May 2010
Extraordinary General Court	11.00 a.m. on 19 May 2010
Renominalisation becomes effective	Close of business on 19 May 2010
Closing of Institutional Placing and issue of Placing Stock (conditional on its Admission)	9.00 p.m. on 19 May 2010
Closing of NPRFC Placing and issue of Ordinary Stock (conditional on its Admission) to NPRFC	9.00 p.m. on 19 May 2010
Completion of the Warrant Cancellation	9.00 p.m. on 19 May 2010
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Stockholders only)	19 May 2010
Admission of the Placing Stock, the Ordinary Stock issued pursuant to the NPRFC Placing, the Nil Paid Rights and the Fully Paid Rights	8.00 a.m. on 20 May 2010
Dealings in the Nil Paid Rights and the Fully Paid Rights commence	8.00 a.m. on 20 May 2010
Dealings in the Placing Stock and the Ordinary Stock issued pursuant to the NPRFC Placing commence	8.00 a.m. on 20 May 2010
Start of subscription period	8.00 a.m. on 20 May 2010
Record Date Stock, the Placing Stock and the Ordinary Stock Issued pursuant to the NPRFC Placing marked "ex-rights" by the Irish Stock Exchange and the London Stock Exchange	8.00 a.m. on 20 May 2010
Nil Paid Rights and Placing Stock credited to stock accounts in CREST (Qualifying CREST Stockholders only)	as soon as possible after 8.00 a.m. on 20 May 2010
Nil Paid Rights, Fully Paid Rights and Placing Stock, enabled in CREST	as soon as possible after 8.00 a.m. on 20 May 2010
Closing of NPRFC Rights Issue Undertaking	3.00 p.m. on 20 May 2010
The latest time and date for requesting a sale of all Nil Paid Rights through the Computershare Dealing Facility	3.00 p.m. on 31 May 2010
Recommended latest time for requesting withdrawal of Nil Paid Rights and Fully Paid Rights from CREST (i.e. if your Nil Paid Rights and Fully Paid Rights are in CREST and you wish to convert them to certificated form)	4.30 p.m. on 1 June 2010
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 2 June 2010
Latest time for depositing renounced Provisional Allotment Letters, nil or fully paid, into CREST or for dematerialising Nil Paid Rights or Fully Paid Rights into a CREST stock account (i.e. if your Nil Paid Rights and Fully Paid Rights are represented by a Provisional Allotment Letter and you wish to convert them to uncertificated form)	3.00 p.m. on 3 June 2010
Latest time and date for acceptance, payment in full and	11.00 a.m. on 8 June 2010

registration or renunciation of Provisional Allotment Letters	
Announcements of results of Rights Issue	7.00 a.m. on 9 June 2010
Announcements of take up of the Debt for Equity Offers	10.00 a.m. on 9 June 2010
Trading in Fully Paid Rights ends	5.00 p.m. on 11 June 2010
Dealings in Rights Issue Stock commence on the Irish Stock Exchange and the London Stock Exchange	8.00 a.m. on 14 June 2010
Rights Issue Stock credited to CREST accounts	By 14 June 2010
Settlement of Debt for Equity Offers	14 June 2010
Despatch of definitive stock certificates for the Rights Issue Stock in certificated form	By 25 June 2010
Issue of Conversion Ordinary Stock	10 September 2010

Notes:

(1) The ability to participate in the Rights Issue is subject to certain restrictions relating to Qualifying Stockholders with registered addresses outside Ireland and the United Kingdom, details of which are set out in Part IX (Terms and Conditions of the Rights Issue) of the Prospectus.

(2) The above times and dates are indicative only. The times and dates set out in the expected timetable of principal events above and mentioned above may be adjusted by the Bank (in consultation with Citi, Credit Suisse, Davy, IBI Corporate Finance Deutsche Bank and UBS), in which event details of the new times and dates will be notified to the Financial Regulator, the Irish Stock Exchange, the FSA, the London Stock Exchange and, where appropriate, Qualifying Stockholders.

(3) If you hold your Existing Stock through one of the Employee Stock Schemes, please note that certain of the latest dates set out in the timetable above may not be applicable to you. Where this is the case, the latest such dates which are applicable to you will be set out in your Provisional Allotment Letter or advice from your service provider.

(4) References to times in this table are to Irish times unless otherwise stated.

APPENDIX III – OTHER INFORMATION

This announcement does not constitute an offer to sell, or a solicitation of an offer to subscribe for, the securities being issued in any jurisdiction in which such offer or solicitation is unlawful.

This announcement is not for distribution, directly or indirectly, in or into the United States, Australia, New Zealand, South Africa, Japan, Canada or Switzerland or any other state or jurisdiction in which it would be unlawful to do so. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities mentioned herein (the "Securities") have not been, and will not be, registered under the United States Securities Act of 1933 (the "Securities Act"). The Securities may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act. There will be no public offer of the Securities in the United States, and the Securities have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States, or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the Securities or the accuracy or adequacy of any of the documents or other information contained therein.

This announcement does not constitute a prospectus or prospectus equivalent document. Nothing in this announcement should be interpreted as a term or condition of any of the Proposals. A Prospectus relating to the Proposals will be prepared and made available in accordance with EU Directive 2003/71/EC and/or Part VI of the Financial Services and Markets Act 2000. Any decision to invest in Bank of Ireland under the Proposals must be made only on the basis of the information contained in and incorporated by reference into such Prospectus.
The Exchange Offer Memoranda relating to the debt for equity exchange offers do not constitute prospectuses for the purposes of EU Directive 2003/71/EC. Any decision to participate in the debt for equity exchange offers must be made only on the basis of the information contained in and incorporated by reference into the relevant Exchange Offer Memorandum. Further information in respect of the debt for equity exchange offers, including where eligible holders of the relevant debt securities may obtain the Exchange Offer Memoranda relating to such offers, will be announced by the Bank separately today.

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

The distribution of this announcement and/or any other documents related to any offering of securities or the transfer or offering of securities into jurisdictions other than Ireland and the United Kingdom ('UK') may be restricted by law. Persons into whose possession this announcement comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This announcement has been prepared for the purposes of complying with applicable law and regulation in Ireland and the UK and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and regulations of any jurisdiction outside of Ireland and the UK.

This announcement contains or incorporates by reference certain "forward-looking statements" regarding the belief or current expectations of the Group, the Directors and other members of its senior management about the Bank's financial condition, results of operations and business and the transactions described in this Circular. Generally, but not always, words such as "may", "could", "should", "will", "expect", "intend", "estimate", "anticipate", "assume", "believe", "plan", "seek", "continue", "target". "goal", "would" or their negative variations or similar expressions identify forward-looking statements, including, amongst other things, the targets set out in paragraph 4 (*Rationale and Key Benefits of the Proposals*) of the Letter from the Governor of Bank of Ireland contained in Appendix I.

Such forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Bank and are difficult to predict, that may cause the actual results, performance, achievements or developments of the Group or the industries in which it operates to differ materially from any future results, performance, achievements or developments expressed or implied from the forward-looking statements. A number of material factors could cause actual results to differ materially from those contemplated by the forward-looking statements including, among other factors, the following:

- general economic conditions in Ireland, the United Kingdom and the other markets in which the Group operates;
    - declining property values in Ireland and the United Kingdom;
- the potential exposure of the Group to various types of market risks, such as interest rate risk, foreign exchange rate risk, credit risk and commodity price risk;
    - the ability of the Group to access sufficient funding to meet its liquidity needs;
- the outcome of the Group's participation in the CIFS Guarantee Scheme and the ELG Scheme;
- the terms of the final EU Restructuring Plan to be agreed with the European Commission and the Department of Finance and the implementation of the final EU Restructuring Plan;
    - changes in the Group's credit ratings;
    - the effects and extent of the Government's stockholding in the Group (through the NPRFC);
    - the outcome of the Group's participation in NAMA;
    - changes in the Irish banking system;
    - the making of further contributions to the Group's pension schemes;
    - changes in applicable laws, regulations and taxes in jurisdictions in which the Group operates;
    - the results of the Proposals;
    - the effects of competition and consolidation in the markets in which the Bank operates; and
    - the success of the Group in managing the risks involved in the foregoing.

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

It is strongly recommended that investors read Part II (Risk Factors) of the Circular for a more complete discussion of the factors 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 announcement may not occur. Due to such uncertainties and risks, investors should not place undue reliance on such forward-looking statements, which speak only to belief or current expectations as at the date of this announcement.

Except as required by the Financial Regulator, the Irish Stock Exchange, the FSA, the London Stock Exchange, or applicable law, the Bank 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 Financial Regulator, the Irish Stock Exchange, the FSA, the London Stock Exchange, or applicable law, the Bank 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 Bank's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

None of the Minister for Finance, the Department of Finance, the Irish Government, the NTMA, 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, officer, official, employee or adviser of any such person (each such person, a "Relevant Person") accepts any responsibility for the contents of, or makes any representation or warranty as to the accuracy, completeness or fairness of any information in, this announcement or any document referred to in this announcement or any supplement or amendment thereto (the "Announcement"). 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 the Announcement. No Relevant Person has authorised or will authorise the contents of the Announcement, or has recommended endorsed the merits of any course of action contemplated by the Announcement.

IBI Corporate Finance, Credit Suisse, Citi, Davy, Deutsche Bank AG and UBS are each acting for Bank of Ireland in connection with the Proposals and no-one else and will not be responsible to anyone other than Bank of Ireland for providing the protections afforded to their respective clients nor for providing advice in relation to the Proposals and/or any other matter referred to in this announcement.