

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

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

If you sell or have sold or have otherwise transferred all of your Existing Stock (other than ex-rights) in certificated form before 5:00 p.m. (Irish time) on 20 May 2010 (the "Ex-Rights Date") please send this Circular and any other documents issued by Bank of Ireland (the "Bank", or the "Group") in connection with the Rights Issue and Placing, if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to any Excluded Territories. In particular, this document should not be sent or transmitted to the United States. If you sell or have sold or have otherwise transferred all or some of your Existing Stock (other than ex-rights) held in uncertificated form before the Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee. If you sell or have sold or have otherwise transferred only some of your Existing Stock (other than ex-rights) held in certificated form before the Ex-Rights Date, you should refer to the instruction regarding split applications in Part IX (Terms and Conditions of the Rights Issue) of the Prospectus and in the Provisional Allotment Letter.

**The Proposals and participation in the Rights Issue and the Placing involve risks. See "Risk Factors" beginning on page 35 of this Circular.**

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## **Bank of Ireland Group**

### ***The Governor and Company of the Bank of Ireland***

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

**Proposed Institutional Placing of 326,797,386 units of Placing Stock at  
€1.53 per unit of Placing Stock and the NPRFC Placing, of 575,555,556 units of Ordinary Stock at  
€1.80 per unit of Ordinary Stock (payable in respect of the NPRFC by the conversion of the 2009 Preference Stock)**

**Proposed Rights Issue of Rights Issue Stock at a Rights Issue Price to be determined  
in advance of the Extraordinary General Court (payable in respect of the NPRFC  
Rights Issue Undertaking by the conversion of the 2009 Preference Stock)  
Admission to trading of 184,394,378 units of NPRFC Coupon Ordinary Stock**

#### **Notice of Extraordinary General Court**

#### **Financial Advisers and Transaction Co-ordinators**

**Credit Suisse      IBI Corporate Finance**

#### **Joint Bookrunners and Underwriters**

**Citi      Credit Suisse      Davy      Deutsche Bank      UBS**

#### **Joint Sponsors and Brokers**

**Davy      UBS**

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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 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 Offer 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 copies of the Prospectus can be obtained from the Group website (which is [www.bankofireland.com](http://www.bankofireland.com)) or free of charge from Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandford 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 United Kingdom) or +353 1 247 5414 (if calling from outside Ireland and the United Kingdom) 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.

Your attention is drawn in particular to the letter from the Governor of Bank of Ireland which is set out in Part I (Letter from the Governor of Bank of Ireland) at pages 11 to 34 of this Circular and which recommends you vote in favour of the Resolutions to be proposed at the Extraordinary General Court referred to below. Please read the whole of this Circular and any documents incorporated herein by reference (a list of which is set out in paragraph 16 (Documents incorporated by reference) of Part VI (Additional Information) of this Circular). Qualifying Stockholders and any other persons contemplating a purchase of Nil Paid Rights, Fully Paid Rights, Rights Issue Stock or Placing Stock should review the risk factors set out in Part II (Risk Factors) of this Circular for a discussion of certain factors that should be considered when deciding on what action to take in relation to the Rights Issue and the Institutional Placing and deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights, Rights Issue Stock or Placing Stock. You should read the whole of this Circular and not rely solely on any key or summarised information set out in this Circular.

The latest time and date for receipt of completed Provisional Allotment Letters and payment in full under the Rights Issue and settlement of relevant CREST instructions (as appropriate) is 11.00 a.m. (Irish time) on 8 June 2010. The procedure for application and payment is set out in Part IX (Terms and Conditions of the Rights Issue) of the Prospectus and, for Qualifying Non-CREST Stockholders only, will also be set out in the Provisional Allotment Letter.

**This Circular does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security, in any jurisdiction in which such an offer, an invitation or a solicitation is unlawful.**

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 Circular or any document referred to in this Circular or any supplement or amendment thereto (each a “**Transaction Document**”). Each Relevant Person expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of any Transaction Document. No Relevant Person has authorised or will authorise the contents of any Transaction Document, or has recommended or endorsed the merits of the offering of securities or any other course of action contemplated by any Transaction Document.

Citigroup Global Markets U.K. Equity Limited (“Citi”) (which is authorised and regulated in the United Kingdom by the Financial Services Authority) is acting exclusively for the Bank as a Joint Bookrunner and Underwriter and no one else in relation to the Placing, the Rights Issue and Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not regard any other person (including the recipients of this Circular) as a client in relation to the Placing, the Rights Issue, or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the Placing, the Rights Issue, or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any other matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Financial Regulator, the Financial Services Authority, or the FSMA, Citi makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, and does not authorise, the contents of this Circular or its publication, or any other statement made or purported to be made by the Bank or Citi, or on behalf of either of them, in connection with the Placing, the Rights Issue or the Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any of the other arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this Circular or any other statement.

Credit Suisse Securities (Europe) Limited (which is authorised and regulated in the United Kingdom by the Financial Services Authority) is acting exclusively for the Bank as a Joint Bookrunner, Underwriter, joint financial adviser and Transaction Co-ordinator and no one else in relation to the Placing, the Rights Issue and Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not regard any other person (including the recipients of this Circular) as a client in relation to the Placing, the Rights Issue, or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the Placing, the Rights Issue, or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any other matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Financial Regulator, the Financial Services Authority, or the FSMA, Credit Suisse Securities (Europe) Limited makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, and does not authorise, the contents of this Circular or its publication, or any other statement made or purported to be made by the Bank or Credit Suisse Securities (Europe) Limited, or on behalf of either of them, in connection with the Placing, the Rights Issue or the Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock, or any of the other arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this Circular or any other statement.

Davy (which is regulated in Ireland by the Financial Regulator) is acting exclusively for the Bank, as a Joint Bookrunner, Underwriter, Joint Sponsor and Broker and no one else in relation to the Placing, the Rights Issue and Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not regard any other person (including the recipients of this Circular) as a client in relation to the Placing, the Rights Issue or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the Placing, the Rights Issue or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any other matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Financial Regulator, the Financial Services Authority or the FSMA, Davy makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, and does not authorise, the contents of this Circular or its publication, or any other statement made or purported to be made by the Bank or Davy, or on behalf of either of them, in connection with the Placing, the Rights Issue or the Admission of the Placing Stock, the Rights

Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any of the other arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this Circular or any other statement.

Deutsche Bank AG (which is authorised under German banking law (competent authority: BaFin — Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the Financial Services Authority) is acting exclusively for the Bank as a Joint Bookrunner and Underwriter and no one else in relation to the Placing, the Rights Issue and Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not regard any other person (including the recipients of this Circular) as a client in relation to the Placing, the Rights Issue or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the Placing, the Rights Issue or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any other matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Financial Regulator, the Financial Services Authority or the FSMA, Deutsche Bank makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, and does not authorise, the contents of this Circular or its publication, or any other statement made or purported to be made by the Bank or Deutsche Bank, or on behalf of either of them, in connection with the Placing, the Rights Issue or the Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock, or any of the other arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this Circular or any other statement.

IBI Corporate Finance, a subsidiary of the Bank, (which is regulated in Ireland by the Financial Regulator) is acting exclusively for the Bank as a joint financial adviser and Transaction Co-ordinator and no one else in relation to the Placing, the Rights Issue and Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock, and will not regard any other person (including the recipients of this Circular) as a client in relation to the Placing, the Rights Issue or the Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the Placing, the Rights Issue or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any other matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Financial Regulator, IBI Corporate Finance makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, and does not authorise, the contents of this Circular or its publication, or any other statement made or purported to be made by the Bank or IBI Corporate Finance, or on behalf of either of them, in connection with the Placing, the Rights Issue or the Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any of the other arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this Circular or any other statement.

UBS Investment Bank (“UBS”) (which is authorised and regulated in the United Kingdom by the Financial Services Authority) is acting exclusively for the Bank as a Joint Bookrunner, Underwriter, Joint Sponsor and Broker and no one else in relation to the Placing, the Rights Issue and Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not regard any other person (including the recipients of this Circular) as a client in relation to the Placing, the Rights Issue or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock and will not be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the Placing, the Rights Issue or Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any other matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Financial Regulator, the Financial Services Authority or the FSMA, UBS makes no representation, express or implied, with respect to the accuracy, verification or completeness of any information contained in this Circular and accepts no responsibility for, and does not authorise, the contents of this Circular or its publication, or any other statement made or purported to be made by the Bank or UBS, or on behalf of either of them, in connection with the Placing, the Rights Issue or the Admission of the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock or any of the other arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person in respect of this Circular or any other statement.

Notice of an Extraordinary General Court of the Bank, to be held at 11.00 am on 19 May 2010 at O'Reilly Hall, UCD, Belfield, Dublin 4, Ireland is set out at the end of this Circular. Form(s) of Proxy for use at the Extraordinary General Court is/are enclosed. To be valid, **Forms of Proxy** should be completed in accordance with the notes to the Notice of Extraordinary General Meeting (at the end of this Circular) and **returned** either electronically via the internet at [www.computershare.com/ie/voting/bankofireland](http://www.computershare.com/ie/voting/bankofireland) or via the CREST system or by hand or post to Computershare Investor Services (Ireland) Limited, P.O. Box 11838, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland **to arrive by no later than 11.00 am on 17 May 2010.**

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

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters, the Rights Issue Stock, the Placing Stock, the Ordinary Stock issued to the NPRFC pursuant to the NPRFC Placing, the Allotment Instruments and the Conversion Ordinary Stock have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States, or any other Excluded Territory, and may not be offered, sold, taken up exercised, resold, renounced, transferred or delivered, directly or indirectly, within the United States or any other Excluded Territory, except pursuant to an applicable exemption from the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States or any other Excluded Territory.

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## 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
<b>Dealings in the Nil Paid Rights and the Fully Paid Rights commence . . . . .</b>	8.00 a.m. on 20 May 2010
<b>Dealings in the Placing Stock and the Ordinary Stock issued pursuant to the NPRFC Placing commence . . . . .</b>	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
<b>Latest time and date for acceptance, payment in full and registration or renunciation of Provisional Allotment Letters . . . . .</b>	<b>11.00 a.m. on 8 June 2010</b>
<b>Announcements of results of Rights Issue . . . . .</b>	<b>7.00 a.m. on 9 June 2010</b>
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 throughout this Circular 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 Circular are to Irish times unless otherwise stated.

**If any of the above times and/or dates change, the revised time and/or date will be notified by announcement through a Regulatory Information Service.**

Different deadlines and procedures may apply in certain cases. For example, Ordinary Stockholders that hold their Ordinary Stock through a CREST Participant or other nominee may be set earlier deadlines by the CREST Participant or other nominee than the times and dates noted above.

Should you require further assistance, please call the stockholder helpline on freephone 1800 930 490 (if calling from within Ireland) or freephone 0800 923 1510 (if calling from within the United Kingdom) or + 353 1 247 5414 (if calling from outside Ireland and the United Kingdom) 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.

*Please note that for legal reasons, the stockholder helpline is only able to provide information contained in this Circular and information relating to Bank of Ireland's register of members and is unable to give advice on the merits of the Proposals or the Rights Issue or to provide legal, business, financial, tax, investment or other professional advice.*

**The contents of this Circular should not be construed as legal, business, financial, tax, investment or other professional advice. Each prospective investor should consult his, her or its own appropriate professional advisers for advice.**



## **THE PROSPECTUS**

The Prospectus, from which certain information has been incorporated by reference into this Circular and which provides further detail on the Placing, the Rights Issue, the Placing Stock, the Rights Issue Stock, Ordinary Stock issued pursuant to the NPRFC Placing, the Ordinary Stock issued pursuant to the NPRFC Rights Issue Undertaking and the NPRFC Coupon Ordinary Stock and Admission of such stock can be obtained from the Group website (which is <http://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 United Kingdom) or + 353 1 247 5414 (if calling from outside Ireland and the United Kingdom) 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. The Prospectus will not be mailed or otherwise distributed into, or made available to those within, the United States or any other Excluded Territory. Please read the Prospectus as a whole, including, in particular, the risk factors set out in the section headed "Risk Factors" in that document.

## OTHER IMPORTANT INFORMATION

### STOCKHOLDER HELPLINE

Part VIII (Questions and Answers about the Placing and the Rights Issue) of the Prospectus answers some of the questions most often asked by stockholders about rights issues. If Qualifying CREST Stockholders or Qualifying Non-CREST Stockholders have any further queries regarding the procedure for acceptance and payment, they should contact the stockholder helpline on freephone 1800 930 490 (if calling from within Ireland) or freephone 0800 923 1510 (if calling from within the United Kingdom) or + 353 1 247 5414 (if calling from outside Ireland and the United Kingdom) 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.

Please note that, for legal reasons, the stockholder helpline will only be able to provide assistance in relation to information contained in this Circular and information relating to Bank of Ireland's register of members and will be unable to give advice on the merits of the Proposals, or provide legal, business, financial, tax or investment advice.

### EXCHANGE RATES

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

#### *one euro: pound sterling*

<u>Period</u>	<u>Average Rate</u>	<u>Period End Rate</u>
Year ended 31 March 2008 . . . . .	0.7116	0.7958
Year ended 31 March 2009 . . . . .	0.8333	0.9308
9 months ended 31 December 2009 . . . . .	0.8851	0.8881

On 23 April 2010, being the last practicable date prior to the publication of this Circular, the euro : pound sterling exchange rate was €1:£0.8673, being the daily reference rate set by the European Central Bank for such date.

#### *one euro: US dollar*

<u>Period</u>	<u>Average Rate</u>	<u>Period End Rate</u>
Year ended 31 March 2008 . . . . .	1.4328	1.5812
Year ended 31 March 2009 . . . . .	1.4321	1.3308
9 months ended 31 December 2009 . . . . .	1.4248	1.4406

On 23 April 2010, being the last practicable date prior to the publication of this Circular, the euro : US dollar exchange rate was €1:\$1.3311, being the daily reference rate set by the European Central Bank for such date.

For the purposes of the assumptions relating to the number of units of Ordinary Stock and the price of such Ordinary Stock to be issued pursuant to the Proposals, including in the calculations of the maximum potential dilutive impact of the Proposals, the following rates of exchange have been used (being the daily reference rate set by the European Central Bank for 23 April 2010, being the last practicable date prior to the date of publication of this Circular):

#### *euro: pound sterling*

€1:£0.8673

#### *euro: US dollar*

€1:\$1.3311

### INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

### PRESENTATION OF FINANCIAL INFORMATION

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

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

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

The financial information presented in a number of places in this Circular has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers may not conform exactly to the total figure given. In addition, certain percentages presented in this



Circular reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

**Unless otherwise stated the financial information contained herein was derived without material adjustment from the December 2009 Annual Report.**

## FORWARD-LOOKING STATEMENTS

This Circular contains or incorporates by reference certain “forward-looking statements” regarding the belief or current expectations of the Group, the Directors and other members of its senior management about the 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 Part I (Letter from the Governor of Bank of Ireland) of this Circular.

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 this Circular for more information on factors that could cause actual results to differ materially from those contemplated by the forward looking statements in this Circular.

It is strongly recommended that investors read Part II (Risk Factors) of this Circular and Part X (Information on the Group) and Part XII (Operating and Financial Review of the Group) of the Prospectus 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 Circular 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 Circular.

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.

## **GENERAL**

### **Websites**

Neither the content of the Group's website, the content of any other website nor the content of any website accessible from hyperlinks on the Group's website, is incorporated into, or forms part of, this Circular.

### **Time**

All references in this Circular to times are to Irish time unless otherwise stated.

### **Definitions**

Capitalised terms used in this Circular have the meanings ascribed to them in Part VII (Definitions) of this Circular.

### **General Notice**

Nothing contained in this Circular nor the information incorporated by reference herein is intended to constitute or should be construed as business, investment, legal, tax, accounting or other professional advice.

## PART I

### LETTER FROM THE GOVERNOR OF BANK OF IRELAND

**Bank of Ireland Group**



#### Directors:

#### Registered Address:

Bank of Ireland  
Lower Baggot Street  
Dublin 2

Patrick Molloy  
Dennis Holt  
Richie Boucher  
Des Crowley  
Denis Donovan  
John O'Donovan  
Tom Considine  
Paul Haran  
Rose Hynes  
Jerome Kennedy  
Declan McCourt  
Heather Ann McSharry  
Terry Neill  
Patrick O'Sullivan  
Joe Walsh

Governor  
Deputy Governor and Senior Independent Director  
Group Chief Executive  
Chief Executive, Retail (Ireland and UK)  
Chief Executive, Capital Markets  
Group Chief Financial Officer  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
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%
<b>TOTAL . . . . .</b>		<b>82</b>	<b>100%</b>

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 36.0% 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 Rights 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
<b>Total</b> . . . . .	<b>7.7</b>	<b>4.5</b>	<b>12.2</b>

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<sup>1</sup> 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:

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

#### ***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.

<sup>1</sup> 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.



## ***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:

<b>Capital Ratio</b>	<b>31 December 2009 Actual</b>	<b>31 December 2009 Pro Forma</b>
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](http://www.bankofireland.com)) or free of charge from Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandymount 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:

<u>Issuer</u>	<u>Instrument</u>	<u>Amount Outstanding as at 31 December 2009</u>
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:

<u>Issuer</u>	<u>Instrument</u>	<u>Amount Outstanding as at 31 December 2009</u>
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 <sup>(1)</sup>	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 <sup>(2),(3)</sup>	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 <sup>(3),(4)</sup>	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.

## PART II

### RISK FACTORS

*The following risks should be considered carefully by Stockholders and investors before making any investment decision. This section addresses those risks to the Group's business that are considered material by the Directors.*

*These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties: some risks are not yet known and some that are not currently considered material could later turn out to be material. All of these risks could materially adversely affect the Group, its income, operating profits, earnings, net assets, liquidity, funding and/or capital resources and its ability to meet any targets or objectives (including those set out in paragraph 4 (Rationale and Key Benefits of the Proposals) of Part I (Letter from the Governor of Bank of Ireland) of this Circular). In such a case, the market price of Ordinary Stock may decline and Stockholders and other investors could lose part or all of their investment.*

*Stockholders and investors should read this section in conjunction with the rest of this Circular, including the Letter from the Governor of Bank of Ireland contained in Part I of this Circular.*

#### GENERAL RISKS RELATED TO BANK OF IRELAND

*Ireland: The Group's businesses are subject to risks arising from general and sector specific economic conditions in Ireland, which have materially adversely affected the Group's earnings and are likely to continue to affect its results, financial condition and prospects.*

As at 31 December 2009, 63% of the Group's total assets were located in Ireland and during the 9 month period ended 31 December 2009, approximately 64 % of its total income was generated in Ireland. Ireland is facing an extremely challenging economic period and is currently in recession. Unemployment has increased, with the consensus forecasting a rise to 13.6% by the end of 2010 (Source: Reuters Poll, March 2010). The property market has suffered a very significant decline, with average national house prices in Ireland falling by 18.5% in 2009 and 9.1% in 2008 (Source: Permanent TSB/ERSI House Price Index) and commercial property prices falling by 55.6% between September 2007 and December 2009 (Source: IPD Irish Commercial Property Index). Following heavy reliance on construction and property-related activity for economic growth, the Irish economy is currently experiencing a severe contraction. Irish GDP has contracted by 7.1% for the 2009 calendar year and initial estimates for the fourth quarter of 2009 show a decline, on a seasonally adjusted basis of 2.3% in GDP compared with the previous quarter (Source: CSO, *Quarterly National Accounts*, Q4 2009). The Government finances show a significant deficit with a revised estimated General Government Balance ("GGB") deficit of 11.7% of GDP in 2009 compared to a deficit of 7.2% of GDP in 2008 and a surplus of 0.3% of GDP in 2007 (Source: Department of Finance Monthly Economic Bulletin, April 2010). There has also been a significant fiscal adjustment in Ireland implemented by the Government equivalent to 7.5% of GDP in 2009 through a combination of increased taxes and a reduction in Government spending (Source: Department of Finance).

Negative macroeconomic conditions in Ireland are evident in a decline in demand for business products and services, weak business and consumer confidence, lower personal expenditure and consumption, increases in the debt service burden of consumers and businesses and limitations on the general availability of credit. These factors have significantly affected, and will continue to affect, the behaviour of the Group's customers and, by extension, the demand for, and supply of, the Group's products and services, which in turn will affect the Group's financial condition and results.

In addition, higher unemployment, reduced corporate profitability, and increased corporate and personal insolvency rates have and will continue to reduce borrowers' ability to repay loans. Due to the fall in Irish residential and commercial property prices, the value of collateral on many of the Group's loans has reduced and write-downs and impairment charges have significantly increased.

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

*Further downgrades to the Irish sovereign ratings or outlook could impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position.*

The sovereign rating of Ireland has a number of effects on the Irish banking sector as a whole. As at 23 April 2010, the last practicable date prior to the publication of this Circular, the long-term (outlook) / short-term (outlook) sovereign credit ratings for Ireland were AA(negative outlook) / A1+ from Standard & Poor's, Aa1(negative outlook) / P-1 from Moody's Investor Service, AA(stable) / F1+ from Fitch Ratings and AA(negative) / A-1+ from Ratings and Investment Information Inc. (R+I). A downgrade would be likely to increase the cost of financing the Irish public debt, which could result in increased taxation, lower Government spending and consequently an adverse effect on Irish economic conditions. As the guarantor of certain liabilities of the Group under the CIFS Guarantee Scheme and under the ELG Scheme, a downgrade is also likely to impact adversely on the Group's credit rating and cost of funding for certain securities guaranteed under these schemes and could result in the withdrawal of deposits from the Group.

In addition, as a Participating Institution in NAMA, the Group receives government guaranteed bonds and non-guaranteed subordinated bonds issued by NAMA as consideration for the transfer of assets to NAMA. In the normal course of business, the Group also has holdings in government bonds separate from those issued under NAMA. A downgrade or series of downgrades in the rating of the Government debt or the government guaranteed bonds could adversely impact the extent to which the Group can use these bonds as collateral for the purposes of accessing the liquidity provision operations offered by Monetary Authorities or secured borrowing from wholesale markets, for example if these bonds ceased to meet the eligibility criteria set by Monetary Authorities (see the risk factor entitled "*Constraints on liquidity, lack of availability of funding and increased cost of funding could materially adversely affect the Group's business*"). As such, a downgrade or series of downgrades in the sovereign rating of Ireland may have a systemic effect on the Irish banking sector, may have adverse effects for the Irish economy and may also affect the marketability of the Government guaranteed bonds held by the Group and the Group's ability to sell them, or make it more difficult and/or more expensive for the Group to access private sources of capital and funding.

***In addition to Ireland the Group's businesses are subject to inherent risks arising from general and sector specific economic conditions in other countries to which the Group has an exposure, particularly in the United Kingdom. Adverse developments, such as the recent deterioration in general economic conditions and in the global financial markets, have already materially adversely affected the Group's earnings and are likely to continue to affect its results, financial condition and prospects.***

The global financial system began to experience difficulties in mid-2007. This resulted in severe dislocation of financial markets around the world, significant declines in the values of nearly all asset classes and unprecedented levels of illiquidity in capital markets. Uncertainty surrounds the pace and scale of global economic recovery and conditions could deteriorate further as fiscal and monetary supports are withdrawn.

The financial crisis and the global recession have had a negative impact on general and sector specific conditions in other jurisdictions outside Ireland in which the Group operates, including the United Kingdom and the United States. As has occurred in Ireland, this has resulted in a decline in demand for business products and services, weak business and consumer confidence, lower personal expenditure and consumption, increases in the debt service burden of consumers and businesses and limitations on the general availability of credit. These factors have significantly affected, and will continue to affect, the Group's customers and, by extension, the demand for, and supply of, the Group's products and services and in turn the Group's financial condition and results. In addition, higher unemployment, reduced corporate profitability and increased corporate and personal insolvency rates in other jurisdictions outside Ireland, may reduce borrowers' ability to repay loans.

Specifically in relation to the United Kingdom, GDP contracted by 4.9% in 2009 (Source: Office for National Statistics Output, Income And Expenditure, Quarter 4 2009) and grew by 0.2% on a quarter-on-quarter basis in the first quarter of 2010 (Source: Statistical Bulletin, Q1 2010). The consensus view (Source: Reuters Consensus Forecast, March 2010) is that the UK economy will grow at a pace of 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. In the UK property sector; after peaking in October 2007, residential house prices fell steadily over the period to February 2009 with the cumulative decline over this period amounting to 19.5% (Source: Nationwide Index). The commercial property market experienced a 45% fall in capital values from the peak in quarter two of 2007 to trough in quarter two of 2009 (Source: IPD). While these markets have recovered somewhat and residential house prices started to rise in Spring 2009 with prices rising by an annualised 9.0% to March 2010 (Source: Nationwide Index), so that prices in March 2010 were 11.5% below their peak and growth in commercial property capital values of 8.1% were recorded in the final quarter of 2009, significant uncertainty remains around the pace and scale of recovery. This reduction in the value of residential and commercial property has reduced the value of collateral on many of the Group's loans, leading to significantly increased write-downs and impairment charges.

The precise nature of all the risks and uncertainties the Group faces as a result of the global economic outlook are difficult to predict in view of the severity of the global recession, uncertainty regarding the economic impact of the withdrawal, and the timing of such withdrawal, of the various governmental fiscal and monetary supports by Government agencies and Monetary Authorities and the fact that many of these risks are outside the Group's control.

If these levels of market disruption and volatility worsen, the Group may experience further reductions in business activity, increased funding costs, decreased asset values, additional write-downs and impairment charges with consequent adverse effects on profitability and financial condition. Moreover the worsening of the global economic environment could impact on one or more countries that are significant to the Group's business and could further adversely affect the Group's results, financial condition and prospects.

***Decreases in the credit quality of the Group's borrowers and counterparties, as well as increased difficulties in relation to the recoverability of loans and other amounts due from such borrowers and counterparties, have resulted in increases, and could result in further significant increases, in the Group's impaired loans and impairment charges.***

Credit risk is the risk that a borrower or counterparty will be unable or unwilling to meet a commitment that it has entered into or that any pledged collateral does not fully cover the lender's claims. Risks arising from changes in credit quality and the recoverability of both secured and unsecured loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. The outlook for the global economy remains uncertain. In particular, Ireland's recent significant reliance on the construction and property industry has exacerbated the impact of Ireland's economic recession. The consensus expectation is that any recovery in the Irish economy will take longer than that of the European Union as a whole. Adverse changes in the credit quality or behaviour of the Group's borrowers, counterparties and their guarantors, including sovereign counterparties, or adverse changes arising from a general deterioration in global economic conditions or systemic risks in the financial systems, have reduced, and are expected to continue to reduce, the recoverability and value of the Group's assets. These circumstances have caused a significant increase in, and could cause further significant increases in, impaired loans and impairment charges.

The Group's primary markets are Ireland and the United Kingdom. At 31 December 2009, 47% of the Group's loans and advances to customers (including loans held for sale to NAMA) were in Ireland, 45% were in the United Kingdom and 8% were in other jurisdictions (Source: unaudited internal management information). Exposures originated and managed in Ireland and the United Kingdom represent a material concentration of credit risk. The Group has exposures to residential mortgages and to a range of corporate customers in different sectors, in particular exposures to investors in commercial property and residential property. Developers of commercial and residential property, particularly in Ireland, are facing especially challenging market conditions and commercial property prices have shown significant declines over the past two and a half years (see further details below under the risk factor "*The Group is exposed to declining property values and a deterioration in the performance of the residential and commercial property markets, particularly in Ireland and the United Kingdom*"). Beyond this sector, economic and financial conditions have deteriorated more broadly. Interest rates may rise in the Group's main markets, which may lead to, amongst other things, further declines in values of collateral and investments, increasing unemployment, weakening consumer and corporate spending, declining corporate profitability, declining equity markets and bond markets and an increase in corporate insolvencies. As further detailed below (see the risk factor "*The Group is exposed to declining property values and a deterioration in the performance of the residential and commercial property markets, particularly in Ireland and the United Kingdom*"), residential property prices continue to be under severe pressure in Ireland.

Many borrowers in Ireland and the United Kingdom borrow on short-term fixed or discounted floating rates and when such rates expire the continued reduced supply and stricter terms of lending together with the potential for higher borrowing rates has led, and may continue to lead, to higher loan default rates. In spite of the United Kingdom economy's recent improvement, unemployment rates could still increase and lead to higher loan default rates in the United Kingdom in the future. According to Central Statistics Office data, the standardised unemployment rate in March 2010 in Ireland was 13.4% (Source: CSO *Live Register*, March 2010). In Ireland, the consensus expectation is that the unemployment rate will peak at approximately 13.6% (Source: Reuters Poll, March 2010). Increased unemployment would also be likely to

result in higher loan default rates. These developments could materially adversely impact the Group's ability to recover on these loans or lead to significant write-downs of investments.

The Group has also been exposed to increased counterparty risk as a result of financial institution and corporate failures and nationalisations and will continue to be exposed to the risk of loss if counterparty financial institutions or other corporate borrowers fail or are otherwise unable to meet their obligations.

***Increased volatility in financial markets has resulted in, and may continue to result in, reduced asset valuations which could further adversely affect the Group's results, financial condition and prospects.***

Significant falls in perceived or actual asset values have resulted from previous market events. Increased volatility and further dislocation affecting certain financial markets and asset classes could further impact the Group's financial condition, results of operations and prospects. In the future these factors could have an impact on the mark-to-market valuations of assets in the Group's available for sale ("AFS"), trading portfolios and assets and liabilities designated at fair value through profit and loss. In addition, any further deterioration in the performance of the assets in Bank of Ireland's AFS portfolio could lead to additional impairment losses. The AFS portfolio accounted for 12% of total Group assets as at 31 December 2009.

***The Group is exposed to declining property values and a deterioration in the performance of the residential and commercial property markets, particularly in Ireland and the United Kingdom.***

As at 31 December 2009, total loans and advances to customers (pre-impairment provisions and excluding assets held for sale to NAMA) were approximately €122.4 billion and included €61 billion of residential mortgages (of which €29 billion were in Ireland and €32 billion in the United Kingdom) and €24 billion of property and construction lending (of which €12 billion was in Ireland, €10 billion in the United Kingdom and €2 billion in the rest of the world). In respect of the property and construction lending, €21 billion was investment property lending with the remaining €3 billion being exposure to landbank and development lending.

Declining residential and commercial property prices have led to a significant slowdown in the construction sector in Ireland and the United Kingdom. Economic and other factors, including general deterioration in the economy and dislocation of the financial system, may lead to further contraction in the residential mortgage and commercial lending market and further decreases in residential and commercial property prices.

The Group has a material exposure to residential mortgages. 32% of the mortgages provided by the Group are to buy-to-let investors in Ireland and the United Kingdom (40% in Ireland and 60% in the United Kingdom). An excess supply of rental property or falls in rental demand could impact buy-to-let borrowers' income and ability to service the loans. Borrowers for residential and buy-to-let properties may also have increased difficulties in servicing loans as a result of lower rental demand because capital growth will not be available to borrowers to offset any income losses. 8% of the total mortgage book of the Group was self-certified loans in the United Kingdom. The information submitted by borrowers in respect of these self-certified loans may have been incomplete or inaccurate and, as such, the Group may have incorrectly assessed the credit quality, willingness or ability of borrowers to repay these loans, which could result in higher than anticipated rates of arrears. Income verification on these self-certified loans depends on disclosures by borrowers of their income and may be subject to higher rates of arrears as a result of income expectations which are no longer achievable, reflecting the economic downturn which, when combined with reduced property values, may result in higher loan loss levels than for other mortgage types. These effects could be exacerbated if there is an increase in the rates of interest that are payable by borrowers generally.

The Group has exposure to a range of corporate customers in different sectors, in particular exposures to investors in the commercial and residential property sectors. Economic conditions have deteriorated and interest rates may rise in the Group's main markets which may lead to, amongst other things, further declines in values of collateral and investments, increasing unemployment, weakening consumer and corporate spending, declining corporate profitability and an increase in corporate insolvencies. These developments could materially adversely impact the Group's ability to recover the loans and interest in respect of these commercial property and residential lending portfolios or lead to significant write-downs of investments.

The announcement of the establishment of NAMA has had an impact on the liquidity of property assets in Ireland. The volume of commercial property transactions, in particular, is currently at very low levels as market participants await further clarity as to what effects NAMA's operations will have on the property market. The transfer of assets to NAMA could have further adverse consequences for the liquidity and value of property assets in Ireland, as NAMA is ultimately expected to control a significant quantum of property assets or property loans giving it a significant market presence. The discount on assets transferred to NAMA may have a material adverse impact on the values and liquidity of property generally, thereby reducing the value of collateral on many of the Group's loans and thereby significantly increasing the rate of write-downs and/or impairment charges.

Developers of commercial and residential property, particularly in Ireland, are facing especially challenging market conditions. As discussed in the risk factor "*Ireland: The Group's businesses are subject to risks arising from general and sector specific economic conditions in Ireland, which have materially adversely affected the Group's earnings and are likely to continue to affect its results, financial condition and prospects*" the property market has suffered a very significant decline, with average house prices in Ireland falling by 18.5% in 2009 and 9.1% in 2008 (Source: Permanent TSB/ERSI House Price Index) and commercial property prices falling by 55.6% between September 2007 and December 2009 (Source: IPD Irish Commercial Property Index).

Residential property supply and demand has fallen sharply. Approximately 12,000 private new houses were completed in Ireland in the first half of 2009, from over 88,000 at the peak in 2006 (Source: Department of the Environment, Heritage and Local Government) and the number of new mortgages has fallen from over 110,000 in 2006 to approximately 25,000 in 2009 (Source: Irish Banking Federation/PwC Mortgage Market Profile).

Development loans, in particular, become more difficult to service in times of negative economic growth because the success of development investment is closely linked to an increase in overall demand for property in the economy and to positive economic growth. The overhang of unsold stock of completed residential units has caused an increase in, and may cause further increases in, the number of impaired development loans and in impairment charges. It has been, and may continue to be, uneconomic to develop land purchased and intended to be developed, which has the effect of reducing the value of collateral on many of the Group's landbank and development loans and significantly increasing the rate of write-downs and impairment charges.



If the current economic downturn in Ireland continues, with further falls in house prices and increases in unemployment, the Group's commercial property and residential mortgage lending portfolios may be exposed to further substantial increases in impairment charges, which could materially affect the Group's results, financial condition and prospects. The effects of declining property values and any increases to interest rates payable by borrowers in the wider economy may also contribute to higher default rates and impairment losses on non-property commercial and consumer loans, which could materially adversely affect the Group's results, financial condition and prospects.

***Market risks, including interest rate risk, foreign exchange risk, bond and equity price risk and other market risks, could materially adversely affect the Group's results, financial condition and prospects.***

Market risk is the potential adverse change in the Group's earnings or the value of its net assets arising principally from movements in, and increased volatility of, interest rates, bond and equity prices, exchange rates and other market prices. The Group's average one day interest rate Trading Book Value at Risk ("VAR") in the nine month period ended 31 December 2009 was €2.1 million. The major part of the Group's proprietary risk is interest rate risk in the euro, Sterling and US dollar markets. Changes in interest rate or bond price levels in these or other markets where the Group holds proprietary risk positions may impact the value of assets, the value of liabilities or the margin received by the Group. The terms of existing loan commitments or facilities may mean that the Group is restricted in its ability to increase interest rates charged to customers in response to changes in interest rates that affect the costs of wholesale borrowing.

The Group is exposed to structural interest rate and structural foreign exchange risk. Structural interest rate risk arises from the existence of non-interest bearing assets and liabilities on the Group's balance sheet. These consist mainly of non-interest bearing current accounts plus equity less fixed assets. Due to this structural risk exposure, changes in interest rates and the volatility of such changes may affect the net assets and earnings reported by the Group. Structural foreign exchange risk is defined as an entity's non-trading net asset position in an entity's non-euro currencies. Structural foreign exchange risk arises substantially from the Group's net investment in its subsidiaries which report in Sterling. The Group's Sterling net assets account for 59 % of the total Group net assets. Changes in foreign exchange rates affect the euro value of assets and liabilities denominated in other currencies. Such changes and the degree of volatility of such changes may affect the net assets and earnings reported by the Group. A 10% appreciation of the euro against Sterling and the US Dollar at 31 December 2009 would have resulted in a loss in reserves of €399 million.

The Group is also exposed to the effect of changes in exchange rates on the translation value of its non-euro earnings, particularly its Sterling and US Dollar earnings. Substantial changes in interest or foreign exchange rates could have a material adverse effect on the Group's results, financial condition and prospects.

While the Group has no significant direct exposure to equity markets (due to the fact that it does not hold proprietary equity investment or trading portfolios), it is indirectly exposed to equity markets through its asset management, custody, fund administration, private banking and life assurance businesses and its pension funds. In these business areas, equity investment is held on behalf of, or backs liabilities to, customers of the Group but revenue from these business areas is dependent on amongst other things, the market value of held equity investments. Changes in equity prices and the degree of volatility with respect thereto may affect the net assets and earnings reported by the Group.

***Constraints on liquidity, lack of availability of funding and increased cost of funding could materially adversely affect the Group's business.***

Liquidity risk is the risk that a bank will be unable to meet its obligations, including funding commitments and deposit withdrawals, as they fall due. This risk is inherent in banking operations and can be heightened by an over-reliance on a particular source of funding (including, for example, short-term and overnight funding, securitisations and covered bonds), changes in credit ratings or market-wide phenomena such as disruption in the functioning of markets and major events or disasters of global significance. From mid-2007, credit markets worldwide experienced a severe reduction in liquidity and term funding. During this time, perception of counterparty risk between banks and the perception of the impact of sovereign credit risk on banks has also increased significantly. This increase in perceived counterparty risk led to reductions in inter-bank lending, and hence, in common with many other banking groups, the Group's access to traditional sources of liquidity has been restricted. The availability of sources of liquidity on terms acceptable to the Group has been adversely impacted. The disruption in the functioning of funding markets led to the introduction of a range of government guarantee and liquidity assistance schemes in a number of countries, including Ireland.

Despite recent improvements in liquidity conditions and wholesale markets, the perception of counterparty and country risk has remained at elevated levels. Furthermore, despite the introduction of the CIFS Guarantee Scheme and the ELG Scheme, the terms on which such funding is available are more onerous and expensive than was the case prior to mid-2007. Should the global economy and the global financial system deteriorate further, the Group's cost of funding may rise and access to liquidity may be further constrained.

The Group qualifies for access to the liquidity operations offered by Monetary Authorities for so long as it meets certain eligibility criteria relating to collateral which it can provide to Monetary Authorities. The Group holds a significant pool of contingent liquidity collateral, comprised of debt securities and other eligible collateral which is capable of being pledged against borrowings from Monetary Authorities. If the quality of the Group's collateral fundamentally deteriorates, or if Monetary Authorities materially change eligibility criteria, the Group's ability to access Monetary Authorities' liquidity operations may become less flexible which could adversely affect the Group. The quality of the Group's collateral may also be influenced by the sovereign rating of Ireland (see the risk factor "Further downgrades to the Irish sovereign ratings or outlook could impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position" for further information).

***The Group relies on customer deposits to fund a considerable portion of its loan portfolio, the ongoing availability of which is sensitive to factors outside the Group's control. Loss of consumer confidence in the Group's business or in banking businesses generally, among other things, could result in unexpectedly high levels of customer deposit withdrawals, which could have a material adverse effect on the Group's results, financial condition and liquidity prospects.***

The Group's largest single source of funding is customer deposits, which represented approximately 50% of total Group funding at 31 December 2009. Further information about the Group's funding is set out in Part IV (Capitalisation and Indebtedness) of this Circular. Medium-term growth in the Group's lending activities will depend, in part, on the availability of customer deposits on appropriate terms, for which there is increasing competition. The Group has sought to increase its reliance on customer deposits in the recent past given the challenges in accessing wholesale funding. Increases in the cost of customer deposits will affect the Group's margins and profit, while a lack of availability of such deposit funding could affect the Group's future growth.

The ongoing availability of these deposits to fund the Group's loan portfolio is subject to potential changes in certain factors outside the Group's control, such as a loss of confidence of depositors in either the economy in general, the financial services industry or the Group specifically, ratings downgrades, significant further deterioration in economic conditions and the availability and extent of deposit guarantees (including as a result of regulatory changes to deposit guarantee schemes and/or changes to the CIFS Guarantee Scheme and/or the ELG Scheme). These factors could lead to a reduction in the Group's ability to access customer deposit funding on appropriate terms in the future and to sustained deposit outflows, both of which would impact on the Group's ability to fund its operations and meet its minimum liquidity requirements. In such circumstances, if the current challenges in the wholesale funding markets were not resolved or Monetary Authority lending to financial institutions is withdrawn or curtailed, it is likely that wholesale funding would prove more difficult and costly to obtain.

Any loss in consumer confidence in the Group's banking businesses or in banking businesses generally, could significantly increase the amount of retail deposit withdrawals in a short space of time. Should the Group experience an unusually high level of withdrawals, this may have an adverse effect on the Group's results, financial condition and prospects and could, in extreme circumstances, prevent the Group from funding its operations and meeting its minimum liquidity requirements. In such extreme circumstances the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access.

***The termination of, or changes to the operation of, or the participation by the Group in, the CIFS Guarantee Scheme and the ELG Scheme or changes in the terms of the Group's participation in such schemes could have an adverse effect on the Group's results, financial condition and prospects.***

The ELG Scheme facilitates participating institutions, including the Group, in issuing debt securities and taking deposits which are due to mature after the expiry of the CIFS Guarantee Scheme on 29 September 2010. The ELG Scheme was approved by the European Commission under State aid rules on 20 November 2009 and by the Houses of the Oireachtas (parliament of Ireland) on 3 December 2009 and commenced on 9 December 2009. The Bank became a participating institution in the ELG Scheme on 11 January 2010.

The CIFS Guarantee Scheme and ELG Scheme are currently 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). The ELG Scheme's current approval by the European Commission under EU State aid rules is subject to review by 1 June 2010. Arising from this review, the European Commission could require the amendment or cessation of the ELG Scheme.

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 including EU policy. In addition, on 9 November 2009, the ECB highlighted that guarantees of short term bank debt (maturity profile of less than three months) and interbank deposits should be avoided to the extent possible and, as such, there is a risk that in its review of the ELG Scheme to be completed by 1 June 2010, the European Commission could require that the ELG Scheme, which currently covers short term bank debt and interbank deposits, be amended so as to limit the guarantee coverage of these forms of liability in the future.

The cancellation or material amendment of the ELG Scheme, prior to the scheduled expiry date of the Issuance Window on 29 September 2010 following the review by the European Commission by 1 June 2010 could introduce systemic weakness to the Irish banking sector and remove an important element of liquidity support for the sector as a whole. As such, the cancellation or material amendment of the ELG Scheme, or the removal of the Group from the ELG Scheme prior to its planned expiry could adversely affect the terms on which the Group would be able to access funding. The Group's financial position may also be impacted by material changes to the costs of participating in the CIFS Guarantee Scheme and/or the ELG Scheme, which may be changed at the Minister for Finance's discretion.

While a key focus for the Group is to reduce its reliance on the Government Guarantee Schemes, should the ELG Scheme be extended, the Group could, in order to meet market expectations, continue to participate in the ELG Scheme and the on-going cost of the ELG Scheme could adversely affect the Group's financial performance and delay it from achieving its financial targets.

Furthermore, should the expiry of the CIFS Guarantee Scheme and the ELG Scheme on 29 September 2010 lead to unanticipated adverse impacts on the Group's funding markets, the Group may suffer constraints on liquidity that could materially adversely affect the Group's business. Further information on the CIFS Guarantee Schemes and the ELG Schemes is set out in paragraph 3 (Government Guarantee Schemes) of Part XI (Regulation and Supervision) of the Prospectus.

***The Irish banking system may restructure and change significantly which could have a material adverse effect on the Group's results, financial condition and prospects.***

The banking system in Ireland was impacted by the systemic issues facing the financial sector globally caused by factors such as the collapse of sub-prime mortgage lending in the US, the failure of a number of high profile financial institutions, such as Lehman Brothers and Bear Stearns, the global credit crisis and rapidly deteriorating economic conditions, particularly in Ireland. Arising from these events, there have been a number of Government and market responses impacting or potentially impacting on the structure of the Irish banking sector, including:

- The Government has taken or has announced that it is likely to take steps to support or recapitalise substantially certain of the domestic major Irish banks and building societies and in doing so has taken, or has announced that it is likely to take, significant equity positions in certain of the major domestic Irish banks and building societies, in some cases amounting to majority voting control or nationalisation.
- On 19 January 2010 the Government announced a framework for an investigation into the factors which contributed to the Irish banking crisis within the context of the international economic and financial environment at that time (for further information see paragraph 8 (Litigation) of Part VI (Additional Information) of this Circular under the heading "Investigation into the banking system").
- The Government also announced on 30 March 2010, the introduction of proposed new legislation that will amend the manner in which Irish financial institutions are regulated (for further information see paragraph 7 (Proposed new legislation impacting on the regulation and supervision of the banking sector) in Part XI (Regulation and Supervision) of the Prospectus.
- There is the possibility that the Government may support initiatives to develop a "third force" in Irish banking, created by the possible merger of several smaller financial institutions.

The Directors believe it is possible that, arising from these responses to the banking crisis in Ireland, a restructuring of the Irish banking system may occur in addition to the changes that have happened to date. It is unclear what form any such restructuring might take or over what timeframe it might occur.

It is also unclear whether such restructuring might take place on a market driven basis or whether other factors such as the involvement of the European Commission or the Government would have an impact. As a material part of the Group's business and activities are in Ireland, the competitive position of the Group in the Irish banking system may be materially adversely affected by any such restructuring.

***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 on the Group that may be materially adverse to its interests.***

The NPRFC Investment, the Government Transaction (which comprises the NPRFC Placing, Warrant Cancellation, the NPRFC Rights Issue Undertaking, the amendment of the rights attaching to the 2009 Preference Stock and the other transactions, rights and obligations set out in the Government Transaction Agreement as more particularly described in paragraph 9 (Material Contracts) of Part VI (Additional Information) of this Circular, under the heading "Government Transaction Agreement") and the Group's participation in NAMA are the subject of an ongoing review by the European Commission under EU State aid rules. As a consequence of the State aid provided to the Group under these measures, an EU Restructuring Plan for the Group was required to be prepared by the Group and submitted by the Department of Finance to the European Commission for approval under EU State aid rules. As part of this process, discussions are ongoing between the European Commission, the Group and the Department of Finance in relation to the draft EU Restructuring Plan. Although the EU Restructuring Plan has not been finalised, the European Commission has communicated that it will require the Group to effect certain structural (through divestments and wind-downs) and behavioural measures. Furthermore, the Irish Government is proposing to introduce a set of measures for the Irish banking sector which would complement the specific measures agreed as part of the individual European Commission restructuring plans for Irish banks that are subject to Restructuring under EU State aid rules (among which includes the EU Restructuring Plan) ("Irish Government Measures"). The exact scope and extent of the Irish Government Measures as at the date of this Circular is not known to the Group. Based on the status of these negotiations, details of those elements which the Group considers likely to form part of the final EU Restructuring Plan are set out in paragraph 12 (State aid and EU Restructuring Plan) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

The decision regarding the approval of the Irish Government Measures, including the terms of the final EU Restructuring Plan, will be taken by the European Commission. As 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 (including in relation to the Irish Government Measures). In particular, the final EU Restructuring Plan may differ from the Group's expectations set out in paragraph 12 (State aid and EU Restructuring Plan) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

If the European Commission does not approve the EU Restructuring Plan in substantially the form prepared by the Group in consultation with the Department of Finance (as amended in discussions with the European Commission), the European Commission would instead likely open a formal investigation into State aid given to the Group. At the conclusion of this investigation, the European Commission could impose conditions that are more disadvantageous, potentially materially so, to the Group than those in the proposed EU Restructuring Plan. In particular, the Group could be required to dispose of a significantly larger proportion of its assets and/or agree to a significantly more stringent divestment timetable or more onerous behavioural restrictions than those contemplated in the proposed EU Restructuring Plan. Any more extensive remedies could have a greater and materially more negative impact on the Group's business, operations and competitive position than would be the case if the Group implemented the proposed EU Restructuring Plan. In such circumstances, unless, during the course of the formal investigation, a revised EU Restructuring Plan was submitted that was acceptable to the European Commission, the European Commission may, instead of imposing more disadvantageous conditions as described above, require the Irish Government to recover the State aid from the Group. At any stage of the process, the Group could challenge any European Commission decision adverse to the interests of the Group in the EU courts. However, should the Group ultimately be unsuccessful in any such challenge, the Group would be required to comply with the Commission's decision and therefore, the consequences for the Group could, as described above, be significantly adverse to the Group's interests.

In addition, it is possible that even if the European Commission does approve the EU Restructuring Plan in substantially the form prepared by the Group in consultation with the Department of Finance (as amended in discussions with the European Commission), a third party may challenge that decision in the EU courts. If such a challenge were to emerge and succeed, the European Commission would need to reconsider its decision, which may result in any of the adverse outcomes described above.

The Group could be subject to a variety of risks as a result of implementing the EU Restructuring Plan in the form prepared by the Group in consultation with the Department of Finance in relation to the divestment and wind-down measures. There is no assurance that the price that the Group receives for any assets sold pursuant to the final EU Restructuring Plan will be at a level the Group considers adequate or which it could obtain in circumstances in which the Group was not required to sell such assets in order to implement the EU Restructuring Plan or if such sale were not subject to the restrictions contained in the terms thereof. In particular, should the Group fail to complete the divestments required by the EU Restructuring Plan, namely, New Ireland Assurance Company plc, Bank of Ireland Asset Management Limited, ICS Building Society, Foreign Currency Exchange Corporation and its stakes in Paul Capital Top Tier Investments LLC and the Irish Credit Bureau Limited, within the relevant time periods set out in the EU Restructuring Plan, a divestiture trustee(s) could be appointed by the European Commission to conduct the sale, with a mandate to complete the disposal with no minimum price (including at a negative price). Furthermore, if by a certain time, the Group has failed to implement its commitment to run-off its UK intermediary mortgage portfolio to a certain level under the EU Restructuring Plan, then Bank of Ireland will be required to ensure that within a certain period, on a consolidated basis, its consolidated loans to customers will at least be matched by consolidated customer deposits plus wholesale funding greater than one year (i.e., the ratio of Bank of Ireland customer loans to Bank of Ireland customer deposits plus wholesale funding greater than one year will not be more than 100%). In implementing the final EU Restructuring Plan, the Group will lose existing customers, deposits and other assets through the sale of businesses and potentially suffer damage to the rest of the Group's business arising from implementing the final EU Restructuring Plan regarding the divestment measures, and the potential for realising additional associated revenues and margins that it otherwise might have achieved in the absence of such disposals may be inhibited. Such implementation may also result in disruption to the retained business impacting on customers, and could result in separation costs which could potentially be substantial.



The Group will also be subject to a variety of other risks as a result of implementing the EU Restructuring Plan in the form prepared by the Group in consultation with the Department of Finance in relation to the expected behavioural measures. The implementation of these behavioural measures by the Group may lead to the emergence of new competitors in the Irish market and the emergence of stronger current competitors in the Irish market which could have a material adverse impact on the performance of the Group. In implementing the behavioural measures, the Group may be required to provide access to its customers for the benefit of new and current competitors, including those measures set out in paragraph 12 (State aid and EU Restructuring Plan) of Part I (Letter from the Governor of Bank of Ireland) of this Circular. This, and other potential consequences of implementing the behavioural measures, will mean that the Group could lose some existing customers and deposits and, through damage to the Group's business arising from implementing such measures, damage the potential for the Group to gain customers and realise additional associated revenues and margins that it otherwise might have achieved in the absence of such behavioural measures. Such implementation may also result in disruption to the Group's business, which may impact adversely on its customers and could result in operational costs which could potentially be substantial. A monitoring trustee(s) (and possibly a divestment trustee(s)) will be appointed in respect of the EU Restructuring Plan and the actions of the monitoring trustee(s) (and any divestment trustee(s)) may further adversely impact on the Group and its performance.

In addition, the Group could be subject to a variety of risks as a result of the implementation of the Irish Government Measures, the exact scope and extent of which is not known to the Group at the date of this Circular. The implementation of these Irish Government Measures may lead, for example, to the emergence of new competitors in the Irish market and the emergence of stronger current competitors in the Irish market which could have a material adverse effect on the performance of the Group. These, and other potential consequences of the implementation of the Irish Government Measures, will mean that the Group could lose existing business, and potentially, adversely affect the Group's business, as well as adversely affect the potential for the Group to gain customers and realise additional associated revenues and margins that it otherwise might have achieved in the absence of such Irish Government Measures.

The effect of implementing the final EU Restructuring Plan and the Irish Government Measures, may be the emergence of one or more new competitors and/or a material strengthening of one or more of the Group's existing competitors in the Irish banking market. There can be no assurance that the Group will be able to continue to compete as effectively (whether against existing or new or strengthened competitors) and maintain or improve its revenues and margins in the resulting competitive environment, which could adversely affect the Group's results, operations and financial condition and its business generally.

On 26 February 2010, the European Commission approved the establishment of NAMA under EU State aid rules. The European Commission will assess the compatibility of the transferred assets under EU State aid rules as they are separately notified by the Government (in particular in relation to the transfer price). As a result, the transfer of assets by the Bank to NAMA will be subject to assessment by the European Commission to ensure the ongoing compatibility of the implementation of NAMA under the EU State aid rules. As at the date of this Circular, there can be no certainty as to the outcome of such an assessment by the European Commission and such an assessment could adversely affect the Group's results, operations and financial condition and its business generally.

If any or all of the risks described in this paragraph, materialise or have a greater impact than expected or any other currently unforeseen risks materialise, there could be a negative impact which could be material on the Group's business, operations and competitive position.

***The Group's participation in the CIFS Guarantee Scheme, the ELG Scheme, the NPRFC Investment, NAMA and the Government Transaction could require the Group to implement operational policies that could materially adversely affect the Group's results, financial condition and prospects.***

The terms and conditions of the CIFS Guarantee Scheme, the ELG Scheme, the NPRFC Investment, NAMA and the Government Transaction place certain restrictions on, and require the Group to submit to a degree of governmental regulation in relation to, the operation of the Group's business.

Under the CIFS Guarantee Scheme and the ELG Scheme, the Minister for Finance may impose restrictions on the expansion of capital and lending activity of the Group as a covered institution, the declaration and payment of dividends and the implementation of buy-backs or share redemptions. No covered institution, including the Bank, may acquire shares in any other credit institution or financial institution, establish subsidiaries or enter into or acquire new business(es) where such activities would increase the liability of the covered institution under the CIFS Guarantee Scheme. In addition, the NTMA may issue directions to covered institutions to comply with some or all of the provisions of conduct, transparency and reporting requirements applicable to covered institutions under the CIFS Guarantee Scheme and the ELG Scheme.

In connection with the NPRFC Investment and pursuant to the terms of the Subscription Agreement, the Bank provided warranties in respect of certain matters relating to the financial position and commercial activities of the Bank and is required to consult with the Minister for Finance in respect of matters reasonably expected to have a public interest dimension. The Bank must also use all reasonable efforts to comply with the customer package set out in Appendix I to the announcement issued by the Department of Finance on 11 February 2009, which includes, among other things, increasing lending capacity to SMEs 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.

Under the Government Transaction Agreement the Bank has committed to promote the availability of credit and the development of the Irish economy, including the commitment to use its 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 starting on 1 April 2010 and 1 April 2011. Further details of these obligations are set out paragraph 9 (Material Contracts) of Part VI (Additional Information) of this Circular under the heading "Government Transaction Agreement".

Under the terms of the Credit Review Guidelines, issued pursuant to the NAMA Act, Participating Institutions' decisions to refuse credit facilities to SMEs, sole traders and farming enterprises for sums of between €1,000 and €250,000 are subject to review, if requested by the applicant, by the Credit Reviewer on the grounds of the viability and repayment capacity of the applicant. While the Credit Reviewer does not have the power to override the lending decision of the Participating Institution, if a Participating Institution does not comply with a recommendation of the Credit Reviewer, it is required to provide an explanation for this refusal.

The implementation of some or all of these measures could entail the Group effecting policies that it might not otherwise implement on purely commercial grounds. In particular, implementing these policies could result in a concentration of lending by the Group to SMEs in Ireland. As such, these measures could have an adverse effect on the Group's results, financial condition and prospects.

Further details on the Group's relationship with the Government through its participation in NAMA, the NPRFC Investment, the CIFS Guarantee Scheme, the ELG Scheme and the Government Transaction 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.

***Participation in NAMA may subject the Group to directions from the Financial Regulator, NAMA, the Minister for Finance or the European Commission which could have a material adverse effect on the Group's results, financial condition and prospects.***

By virtue of the Group's participation in NAMA, the Group could be subject to additional directions from the Financial Regulator and/or the Minister for Finance as to the conduct of its business in addition to the restrictions and potential restrictions arising out of the NPRFC Investment and the Group's participation in the CIFS Guarantee Scheme and ELG Scheme and the law and regulation applicable to credit institutions. See risk factor entitled *"The Group's participation in the CIFS Guarantee Scheme, the ELG Scheme, the NPRFC Investment, NAMA and the Government Transaction could require the Group to implement operational policies that could materially adversely affect the Group's results, financial condition and prospects"*.

In addition, as a condition of the Group's participation in NAMA, the Group will not have control over which of the Group's loans are transferred to NAMA. The NAMA Act provides that the Group shall not, without the prior written approval of NAMA, deal with Bank of Ireland Eligible Bank Assets other than in the ordinary course of its business, in any way which may impair NAMA's interests, compromise any claim or vary any contract. These restrictions apply before any transfer to NAMA, and also apply in respect of assets eligible for transfer which do not actually transfer.

The Financial Regulator may direct the Group to provide any report that the Financial Regulator considers necessary to monitor the Group's compliance with the obligations under or by virtue of the NAMA Act. The Financial Regulator could also exercise its power under the NAMA Act to require the consolidation or merger of Participating Institutions, including Bank of Ireland. Under the NAMA Act, the Group may also be required to provide such services as NAMA may direct and to comply with such monitoring of lending and balance sheet management as the Minister for Finance or the Financial Regulator may direct. A Participating Institution may also be directed by the Minister for Finance to draw up, or amend, a restructuring or business plan; and, if the Minister for Finance approves such plan, the Participating Institution is obliged to take all reasonable steps to implement it. The European Commission will assess the compatibility (and, in particular, the actual transfer price) of the transferred assets when they are notified by the Government and this includes a claw-back mechanism in the case of excess payments. Such an assessment could have an adverse effect on the Group.

These directions could restrict the Group's balance sheet growth, limit the Group's ability to make acquisitions or require the Group to dispose of assets, including its loan portfolios. Any such directions may adversely affect the Group's profitability, financial condition and prospects.

Further details on the Group's relationship with the Government through its participation in NAMA, the NPRFC Investment, the CIFS Guarantee Scheme, the ELG Scheme and the Government Transaction are set out in Part XI (Regulation and Supervision) of the Prospectus, paragraph 7 (Government Transaction) and paragraph 10 (NAMA) of Part I (Letter from the Governor of Bank of Ireland) and paragraph 9 of (Material Contracts) Part VI (Additional Information) of this Circular.

***The NPRFC could exercise its voting rights in a manner which is not aligned with the interests of the Group or its other stockholders.***

The Government (through the NPRFC) is currently the largest holder of Ordinary Stock, holding 15.73% of the Existing Stock. The NPRFC also holds all of the 2009 Preference Stock. Under the terms of the 2009 Preference Stock, if the Bank does not pay the cash dividend otherwise due on the 2009 Preference Stock, payable annually on 20 February, it is required to issue units of Ordinary Stock to the NPRFC in lieu of the relevant cash dividend. This could arise if the Bank was precluded from paying dividends by virtue of the terms of a "dividend stopper" provision or by having inadequate distributable reserves at the relevant dividend declaration date. As further described in the risk factor *"The Group is currently precluded from paying dividends or distributions on certain instruments affected by the terms of a "dividend stopper", including its 2009 Preference Stock and the ACSM Hybrids for a period of one calendar year from and including 1 February 2010. In the event that the Group remains, or subsequently becomes, precluded from paying, or elects not to pay, such dividend on the 2009 Preference Stock and/or the ACSM Hybrids, it will be required to issue units of Ordinary Stock to the holders of the 2009 Preference Stock (being the NPRFC) and/or to a trustee on behalf of the holders of the ACSM Hybrids, as the case may be. Consequently, the proportionate ownership and voting interests of Existing Stockholders will be diluted"*, on Monday 22 February 2010, the Bank issued the NPRFC Coupon Ordinary Stock to the NPRFC in lieu of a cash dividend on the 2009 Preference Stock, which was otherwise due on 20 February 2010. As a result, this brought the NPRFC's total holding of Ordinary Stock to the current level of 15.73% of the Existing Stock. If the Bank is precluded from paying, or elects not to pay, any future annual dividend on the 2009 Preference Stock, this will result in the issue of further units of Ordinary Stock to the NPRFC. This could ultimately result in the Government holding a significantly larger stake in the Bank.

If the NPRFC Placing, the Institutional Placing and Rights Issue proceed, the Warrants will be cancelled in return for the payment of €491 million by the Bank to the NPRFC and 1,036 million units of 2009 Preference Stock will be converted to Ordinary Stock pursuant to the NPRFC Placing at a price equivalent to €1.80 per unit of Ordinary Stock with the result that the NPRFC will hold 36% of the Post-Placing Enlarged Capital Stock. As part of the NPRFC Rights Issue Undertaking between 685,146,560 and 576,113,145 units of 2009 Preference Stock will be converted to Ordinary Stock, with the result that the NPRFC will hold up to a maximum of 36% of the Ordinary Stock following the implementation of the Proposals. The implementation of the Proposals would result in the Government's holding of 2009 Preference Stock falling to a minimum of 1,779 million units and a maximum of 1,888 million units.

Through the NPRFC's stockholding in the Bank and other relationships with the Group, the Government is in a position to exert significant influence over the Group and its business. As the holder of the 2009 Preference Stock, the NPRFC 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 an automatic 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. Further details of the terms of the 2009 Preference Stock are set out in paragraph 4 (Charter and Bye-laws) of Part XVIII (Additional Information) of the Prospectus.

As a result, the Government, through the NPRFC, is in a position to exert an even greater level of influence over the Group's business and there is a risk that the Government could exercise its voting rights in a manner which may not always be aligned with the interests of the Group's other Stockholders.

***A change in Government policy or the Irish Government could have a material adverse effect on the Group's results, financial condition, liquidity and prospects.***

Irish Government policy in respect of the banking sector, including its supervision, regulation, recapitalisation and structure, has and will continue to have a major impact on the Group. The Irish Government can implement its policy by utilising its extensive powers under existing legislation, the introduction of new or amended legislation or, in the Group's case, the exercise of its stockholder and other rights pursuant to the NPRFC's stockholding in the Bank (for further information see paragraph 7 (Government Transaction) of Part I (Letter from the Governor of Bank of Ireland) of this Circular and Part XI (Regulation and Supervision) of the Prospectus). There can be no guarantee that the current policies of the Irish Government will be continued and the introduction of new Government policies or the amendment of existing policies could have a significant impact on the Group's results, financial condition, liquidity and prospects. Such policies could be introduced by either the current Government or a new Government constituted by different members or parties from the currently elected Oireachtas (Irish Parliament) or appointed following a general election, which may be called by the current Government at any time before the end of the term of the current Government in July 2012.

***The discount on disposal of Bank of Ireland Eligible Bank Assets to NAMA may exceed the Group's estimate of €4.4 billion (including impairment provisions of €2.8 billion at 31 December 2009), and if it did it would adversely impact the Group's capital and results of operations. Even after the transfer of assets to NAMA, the Group is exposed to some of NAMA's losses in the event that NAMA has an underlying loss at the conclusion of its operations.***

As stated by the Minister for Finance on 30 March 2010, NAMA is now operational and the Group has since transferred Tranche 1 NAMA Assets 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.

A number of uncertainties remain as to the specific quantum and mix of subsequent Bank of Ireland Eligible Bank Assets which may transfer to NAMA, the timing of those transfers, the price that NAMA would pay for those loans, the fees that the Group would be paid for any work undertaken in relation to such loans and the "fair value" of the consideration to be received. Therefore, a number of uncertainties remain as to the final discount to book value on the total amount of Bank of Ireland Eligible Bank Assets transferred to NAMA and there can be no assurance that the actual discount applied to Bank of Ireland Eligible Bank Assets transferring to NAMA will not be greater than that estimated in paragraph 10 (NAMA) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

If the incremental loss which the Group is required to recognise as a result of the transfer of assets to NAMA is significantly greater than the Directors expect, this may result in a further diminution of the capital base of the Group and may result in the need for additional capital.

In addition, the application of a discount to the Bank of Ireland Eligible Bank Assets that is significantly greater than currently anticipated could result in the Group being subject to downgrades in its credit ratings. See the risk factor "A series of further downgrades to the Group's credit ratings or credit outlook could impair the Group's access to funding, either by borrowing or through access to capital markets, trigger additional collateral requirements and/or weaken its competitive position" set out in this Part II (Risk Factors) of this Circular for further information.

If NAMA makes a loss the shortfall up to the value of the non-guaranteed subordinated bonds issued by NAMA will be shared by the Participating Institutions, including the Group, up to the amount of the non-guaranteed subordinated bonds issued in proportion to each institution's share of the total non-guaranteed subordinated bonds issued by NAMA. Such a shortfall could occur if the ultimate sales proceeds and income generated on the Eligible Bank Assets transferred to NAMA fail to cover the initial consideration paid and interest costs and expenses incurred by NAMA. As such, in the event that NAMA makes a loss on its operations, these subordinated securities could ultimately prove to be of little or no value to the Group, which could have an adverse effect on the Group's results, financial condition and prospects.

Further, if after the sharing of losses up to the value of the non-guaranteed subordinated bonds with the Participating Institutions NAMA makes an underlying loss at the conclusion of its operations calculated by reference to the Eligible Bank Assets it acquires from all the Participating Institutions (not just Bank of Ireland), the Group may be required to pay a tax surcharge to the Government which, depending on the quantum of underlying loss, may be significant and which could have an adverse effect on the Group's results, financial condition and prospects. The tax surcharge payable to the Government will be apportioned to each Participating Institution on the basis of the book value of the Eligible Bank Assets acquired by NAMA from each Participating Institution concerned as a proportion of the total book value of the Eligible Bank Assets acquired by NAMA from all of the Participating Institutions. Further information on the Group's participation in NAMA is set out in paragraph 10 (NAMA) of Part I (Letter from the Governor of Bank of Ireland) of this Circular and paragraph 4 (NAMA) of Part XI (Regulation and Supervision) of the Prospectus.

***A series of further downgrades to the Group's credit ratings or credit outlook could impair the Group's access to funding, either by borrowing or through access to capital markets, trigger additional collateral requirements and/or weaken its competitive position.***

As at 23 April 2010, the last practicable date prior to publication of this Circular, the long-term (outlook) / short-term (outlook) credit ratings for the Group are A-(stable) / A-2 (stable) from Standard & Poor's, A1(stable) / P-1(stable) from Moody's Investor Service, A-(stable) / F1(stable) from Fitch Ratings and AA(Outlook Negative)/R-1 (Middle) (Outlook Stable) from DBRS. These credit ratings reflect the most recent action by Standard & Poor's on 26 January 2010 to lower the credit ratings of the Group from A(negative watch) / A-1(negative watch) to A-(stable) / A-2(stable) as part of a general downgrade of Irish financial institutions, which led to an outflow of some ratings sensitive international deposits. While the Group believes that the probability of a material credit rating downgrade occurring in the next 12 months is relatively low, there can be no guarantee that the Group will not be subject to further downgrades and any further downgrades in the credit ratings of the Group could have a materially negative impact on the volume and pricing of its funding and its financial position, limit the Group's access to the capital and funding markets, trigger material collateral requirements in derivative contracts or other secured-funding arrangements and weaken the Group's competitive position in certain markets. In addition, the availability of deposits is often dependent on credit ratings and a series of further downgrades would be likely to lead to significant withdrawals of corporate or retail deposits which would result in a material deterioration in the Group's funding and liquidity position and may have systemic implications for the Irish banking system.

See the risk factors "*Constraints on liquidity, lack of availability of funding and increased cost of funding could materially adversely affect the Group's business*" and "*Further downgrades to the Irish sovereign ratings or outlook could impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position*" above for further information.

***The Group operates in competitive markets (subject to some price regulation) which are subject to significant change and uncertainty which could have a material adverse effect on its results, financial condition and prospects.***

The Group is subject to significant competition in the markets in which it operates and some of its competitors are larger and have greater financial resources than the Group. The markets for financial services within which the Group operates are highly competitive. It is anticipated that such competition may intensify in response to regulatory actions, competitor behaviour, consumer demand, technological changes, the impact of consolidation, new market entrants and other factors. In the event that financial markets remain unstable, competitor and market consolidation may accelerate.

In particular, competitive pricing pressures may limit the Group's ability to normalise its deposit rates and increase rates on customer loans which would prevent the Group restoring its net interest margin to target average levels which is a key driver of future profitability. In addition, the Group could also encounter difficulties in increasing interest rates to borrowers, particularly in respect of residential mortgages, due to the reputational impact such increases could have on the Group in the Irish market, and the political and/or legislative consequences that such an impact could have for the Group. Any of these events could have an adverse impact on net interest margins, and consequently on the results and financial condition of the Group.

Intervention by Monetary Authorities in the banking sector may impact the competitive position of the Group relative to its international competitors who may be subject to intervention of a different quantum and nature, potentially putting the Group at a competitive disadvantage in certain markets. Competition may increase in some or all of the Group's principal markets and may have an adverse effect on its results, financial condition and prospects.

***The Group is subject to extensive regulation and oversight. Failure to comply with its regulatory obligations and to manage the associated risks properly could have a material adverse effect on the Group's results, financial condition and prospects.***

The Group is subject to a wide variety of banking, insurance and financial services laws and regulations together with a large number of regulatory and enforcement authorities in each of the jurisdictions in which it operates. All of these are subject to change, particularly in the current market environment, where there have been unprecedented levels of government intervention and changes to the regulations governing financial institutions, including nationalisations of financial institutions in Ireland, the United Kingdom, the United States and other European countries. In the wake of the current difficult economic conditions and ongoing concerns regarding the regulation of the financial sector, new regulatory provisions may be introduced to which Bank of Ireland could be subject either at national, EU or international level. As a result of these and other ongoing and possible future changes in the financial services regulatory landscape (including requirements imposed by virtue of the Group's participation in any government or regulator-led initiatives), the Group expects to face greater regulation in Ireland, the United Kingdom, the United States (at a federal and state level) and other European countries in which it operates. Compliance with such regulations may increase the Group's capital requirements and costs, could materially adversely affect its business, the products and services it offers and the value of its assets or require the Group to change certain of its business practices. As a result, the Group is exposed to regulatory and other risks, including:

- the monetary, interest rate, capital adequacy and other policies of central banks and regulatory authorities;
- general changes in government or regulatory policy or changes in regulatory regimes that may significantly influence investor decisions, in particular in markets in which the Group operates or may increase the costs of doing business in those markets;
- measures required by the European Commission under the EU Restructuring plan;
- changes to the financial reporting environment and/or standards;
- changes in taxation legislation and its interpretation;
- changes to the type, amount or proportion of assets that the Group is required to hold in order to account for liquidity risk or changes to the way in which the Group is required to fund its operations;
- potential requirements to develop and maintain a wind-down plan, also known as a "living will", in respect of the Group, which would set out a proposed strategy should the Group fail, in order to limit the cost to creditors, public funds and other disruption and which may require changes to the Group's structure and operations;
- changes to the amount and quality of regulatory capital that the Group's life assurance business is required to hold;

- other general changes in regulatory requirements, such as prudential rules relating to the capital adequacy framework and the imposition of onerous compliance obligations, restrictions on activities or business growth or pricing and requirements to operate in a way that prioritises objectives other than stockholder value creation;
- changes in competition and pricing environments;
- changes in the market for banking sector assets, caused by widespread divestment of assets by financial institutions across the European Union in order to comply with State aid requirements;
- changes to competition regulation and/or the regulation of the postal sector in the United Kingdom which may affect the joint ventures between the Group and Post Office Limited;
- the application of new, or additional, regulatory regimes arising from a restructuring of the Group's business such as to bring it within the jurisdiction of new or additional regulators;
- differentiation amongst financial institutions by governments with respect to the extension of guarantees to bank customer deposits and the terms attaching to such guarantees, including requirements for the Group to accept exposure to the risk of any individual member of the Group, or even third party participants in guarantee schemes, failing;
- implementation of, or costs related to, local customer or depositor compensation, guarantee or reimbursement schemes, including in the event a bank becomes unable to meet its obligations to customers, or changes to the funding or compensation limits of such schemes (including potential EU-wide harmonisation of the funding or compensation limits of deposit guarantee schemes as a result of the European Commission's review of EC Directive 94/19/EC relating to such schemes);
- expropriation, nationalisation and confiscation of assets and changes in legislation relating to foreign ownership; and
- other unfavourable political, military or diplomatic developments producing social instability or legal uncertainty which, in turn, may affect demand for the Group's products and services.

Further information on the regulation of the Group is set out in Part XI (Regulation and Supervision) of the Prospectus.

***The Group is subject to extensive regulation and supervision in relation to the levels of capital in its business. The minimum regulatory capital requirements, as well as the manner in which existing regulatory capital is calculated, could change in the future, which could materially adversely affect the Group's results, financial conditions and prospects.***

As a result of the current environment and market events, the minimum regulatory requirements imposed on the Group, the manner in which the existing regulatory capital is calculated, the instruments that qualify as regulatory capital and the capital tier to which those instruments are allocated, could be subject to change in the future. A number of regulatory initiatives have recently been proposed, which would significantly alter the Group's capital requirements. These proposed initiatives include:

- EU Directive 2009/111/EC ("CRD II") (described in Part XI (Regulation and Supervision) of the Prospectus): CRD II is due to be implemented by 31 December 2010. In particular it will make changes to the criteria for assessing hybrid capital eligible to be included in Tier 1 Capital and may require the Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria. Whilst it has been adopted into law, there is still significant uncertainty around the interpretation and the implementation of the Directive as it relates to the Bank.
- The EU Capital Requirements Directive III ("CRD III"): CRD III is currently subject to consultation and implementation of the rules is expected by 1 January 2011. It will introduce a number of changes in response to the recent and current market conditions, which may:
  - Increase the capital requirements for trading books to ensure that a firm's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
  - Limit investments in re-securitisations and impose higher capital requirements for re-securitisations to make sure that firms take proper account of the risks of investing in such complex financial products; and
  - Increase disclosure standards.
- On 16 December 2009, the Basel Committee on Banking Supervision, a forum for regular co-operation on banking supervisory matters, published a consultation paper entitled "Strengthening the resilience of the banking sector". The consultation paper contains proposals to strengthen the global capital framework by, among other things, raising the quality of the Core Tier 1 Capital base in a harmonised manner (including through changes to the items which give rise to adjustments to that capital base), strengthening the risk coverage of the capital framework, promoting the build up of capital buffers and introducing a global minimum liquidity standard for the banking sector. The consultation paper was open for consultation until 16 April 2010 and any changes are not expected to be implemented until after 2012.
- On 26 February 2010, the European Commission issued a public consultation document on further possible changes to the Capital Requirements Directive ("CRD IV") which is closely aligned with the proposals of 16 December 2009 from the Basel Committee.
- The Solvency II Directive (Directive 2009/138/EC), adopted by the European Parliament on 22 April 2009 and endorsed by the Council of Ministers on 5 May 2009, is a fundamental review of the capital adequacy regime for the European insurance industry. When implemented (required by 31 October 2012) the capital structure and overall governance of the Group's life assurance business will alter significantly and this may have an impact on the capital structure of the Group.

Significant uncertainty remains around the final requirements and implementation of these proposed initiatives. If certain of these measures were implemented as currently proposed, in particular the changes proposed by the Basel Committee and the CRD IV consultation document relating to the definition of and instruments that are eligible to be included within the Core Tier 1 Capital base, they would be expected to have a significant impact on the capital and asset and liability management of the Group, which in turn would be expected to have an adverse effect on the Group's results, financial condition and prospects.

***If the Group proceeds to transfer part of its UK business to a newly-incorporated, wholly owned subsidiary, any such subsidiary could be subject to special resolution regime powers under the UK Banking Act 2009.***

The Group has been actively considering transferring part of its UK business into a newly-incorporated, wholly owned subsidiary. 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.

If this transfer were to take place, the newly-incorporated, wholly owned subsidiary would be regulated by the FSA, as a UK authorised bank, and be subject to the special resolution regime under the UK Banking Act 2009. If the subsidiary was in the future in a position in which it was considered, in the opinion of the FSA, to be failing, or likely to fail, to meet the threshold authorisation conditions in the FSMA, it could become subject to the exercise of the special resolution regime powers granted to HM Treasury, the Bank of England and the FSA under the UK Banking Act 2009. These powers are: (a) to transfer all or part of the business of the subsidiary or the shares of the subsidiary to a private sector purchaser, (b) transfer all or part of the business of the subsidiary to a "bridge bank" wholly owned by the Bank of England, or (c) take the subsidiary into temporary UK Government ownership, with the corresponding risk of the loss of the Group's UK business within its UK wholly owned subsidiary.

***If the Group is required to hold higher levels of capital than anticipated by the market, this could have a material adverse impact on the Group's results, financial condition and prospects.***

Credit institutions, including the Group, are required to hold adequate capital at levels determined by regulatory requirements and market expectations. Due to the ongoing uncertainty in financial markets, market expectations may require international banks to hold Equity Tier 1 Capital, Core Tier 1 Capital, and Tier 1 Capital at levels higher than currently expected or the definitions of these capital tiers may be subject to change. As a consequence, this could require the Group to hold higher levels of capital than the minimum 7% Equity Tier 1 Capital and 8% Core Tier 1 Capital targets set by the Financial Regulator in its Prudential Capital Assessment Review announced on 30 March 2010 (for further information on the PCAR see paragraph 2 (Financial Regulator — Prudential Capital Assessment Review) of Part XI (Regulation and Supervision) of the Prospectus). These higher expectations in turn could adversely impact the Group's operational flexibility and reduce earnings growth and restrain the Bank's ability to pay dividends.

Further information on regulatory requirements is set out in Part XI (Regulation and Supervision) of the Prospectus.

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

The Group may be subject to significant litigation and regulatory investigation risks. As a result, the Group may become involved in various disputes and legal proceedings in Ireland, the United Kingdom, the United States and other jurisdictions, including litigation and regulatory investigations. For instance, in the United Kingdom, the FSA has the power to revoke the Group's UK permissions if the FSA considers it necessary to do so in order to protect customers. Disputes and legal proceedings, if they occur, are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse regulatory action or adverse judgments in litigation could result in restrictions or limitations on the Group's operations or result in an adverse effect on the Group's results, financial condition and prospects.

In addition, the outcome of current litigation and inquiries, including the outcome of appeals initiated by the Bank, disclosed in paragraph 8 (Litigation) of Part VI (Additional Information) of this Circular could be worse than expected and could have a material adverse effect on the Group's results, financial condition and prospects.

***If a court of law were to determine that the Bank is under a binding legal obligation to pay dividends on the 1992 Preference Stock, except in certain specified circumstances, the Bank could be required to compensate holders or former holders of the 1992 Preference Stock and could potentially be subject to claims by holders or former holders of Hybrid/Preferred Securities.***

The Bank has received correspondence from certain holders of the 1992 Preference Stock asserting that the Bank is under a binding legal obligation to pay dividends on the 1992 Preference Stock except in certain specified circumstances. The Bank's view, based on external legal advice, has been, and remains, that the payment of dividends on the 1992 Preference Stock is a matter for the discretion of the Bank. Accordingly, because "dividend stopper" provisions applicable to the Bank precluded it from paying any dividends unless under a binding legal obligation to do so, no dividends were paid by the Bank on the 1992 Preference Stock in February 2010. If such dividends had been declared and paid, the total amounts payable to holders of the 1992 Preference Stock would have been €4.64 million and £2.4 million.

If court proceedings were initiated by any holders or former holders of the 1992 Preference Stock and a court ruled that the Bank is under a binding legal obligation to pay dividends on the 1992 Preference Stock except in certain specified circumstances and was, therefore, in breach of the terms of the 1992 Preference Stock by not paying a dividend to holders or former holders of the 1992 Preference Stock in February 2010, the Bank could be required to compensate such holders of the 1992 Preference Stock.

In relation to the Hybrid/Preferred Securities, no payments were made in February, March or April 2010 in respect of coupons which might otherwise have been paid on the Hybrid/Preferred Securities. The total amount of such payments would have been €12.4 million, £2.4 million and US\$34.5 million, respectively. Due to the provisions of the Hybrid/Preferred Securities preventing payment of dividends on the 1992 Preference Stock for a period of one year following the non payment of coupons on the Hybrid/Preferred Securities, any determination by a court of law that the Bank is under a binding legal obligation to pay dividends on the 1992 Preference Stock except in certain specified circumstances could potentially result in claims by holders or former holders of the Hybrid/Preferred Securities.

***The investigation into the factors which contributed to the Irish banking crisis announced by the Irish Government, may result in the Group incurring costs in facilitating and engaging with the investigation and may result, depending on the findings of the investigation, in reputational damage to the Group or further investigations into the Group's conduct.***

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

As part of the first stage of the investigation into the banking system, the Government has commissioned two preliminary investigatory reports. A report on the functions of the CBFSAI over the period from the establishment of the Financial Regulator in May 2003 to the end of September 2008 will be prepared by the recently appointed Governor of the CBFSAI. A second report, dealing with an investigation into the



specific factors within the Irish banking sector which exacerbated the impact of the international financial crisis for Ireland, will be prepared by independent experts appointed by the Minister. It is open to the independent experts to decide what time period to investigate up to and including September 2008 and it is expected that this preliminary report will involve inquiry into the conduct, management and corporate governance of individual financial institutions, including the Group.

Both preliminary reports are due to be submitted to the Minister by the end of May 2010 and their findings will form the basis of the terms of reference of a formal statutory investigation (the “Statutory Commission of Investigation”) which will be established by the Government pursuant to the Commissions of Investigation Act, 2004. At the second stage of the investigation into the banking system, it is expected that the Statutory Commission of Investigation will examine the performance of individual banks and bank directors, the performance of regulatory authorities, the response of Government and Government agencies and the structure of the banking system in Ireland generally.

The Government anticipates that the Statutory Commission of Investigation will be established by 30 June 2010 and complete its work by the end of 2010, at which point its findings will be laid before the Finance and Public Service Oireachtas Committee for its consideration. Further inquiry may result from the findings of the Statutory Commission of Investigation, including the possibility of public hearings.

Bank of Ireland may incur significant costs, including legal and financial adviser costs, in facilitating and/or engaging with these investigations, and any ancillary investigations that may arise following the initial investigations. The results of these investigations could also result in ancillary investigations that may result in sanctions or other actions being taken against the Group. In addition, the reports or findings (including preliminary findings) or submissions given in public or otherwise released in respect of these investigations could have an adverse effect on the Group’s reputation. See paragraph 8 (Litigation) of Part VI (Additional Information) of this Circular for further information in relation to the inquiry into the banking sector.

***The Group may not succeed in implementing or fully implementing its plan to reduce the deficits in the defined benefit pension schemes it sponsors by a combination of benefit restructuring and additional employer contributions. In the event that these deficits result in the schemes becoming unable to meet their liabilities, the Group could elect to, or be required to, make additional, potentially significant, contributions to the schemes which could have a materially negative impact on the Group’s financial condition and trading performance. In addition, and notwithstanding the implementation of these plans to reduce the deficits, the Group may if appropriate, elect to, or may be required to, make further contributions to its pension schemes if the value of pension fund assets is not sufficient to cover potential obligations.***

The Group sponsors a number of defined benefit pension schemes for past and current employees. As at 31 December 2009, these pension schemes had a deficit of €1.6 billion (calculated on the basis of IAS 19). As is set out in more detail in paragraph 15 (Pensions) of Part I (Letter from the Governor of Bank of Ireland) of this Circular, the Group has had extensive discussions with staff representative bodies in order to address this deficit by a combination of benefits restructuring and additional employer contributions over a period of time. If fully implemented, the benefits restructuring aspect of this proposed approach is estimated to deliver a reduction of approximately 50% in the total deficit across all schemes relative to the 31 December 2009 IAS 19 deficit position.

While this approach has been agreed in principle (following its recommendation by an independent third party chairman) with the main bank union, the IBOA in respect of the main pension scheme (which accounts for approximately 85% of the total deficit across all schemes) there is no guarantee that the finalised proposals will be approved by the IBOA membership. In addition, while the Group expects that the implementation of this approach with other member groups representing the remaining beneficiaries of the pension schemes (including executive, manager-level staff and other non-unionised employees) will be successful, there is no guarantee that this will be the case.

As such, there is a risk that the proposed approach will not be fully implemented with all of the scheme members and that the deficit will not be reduced by the amount anticipated by the Group. In the event that the proposed approach fails to reduce these deficits, there is a risk that the pension schemes could fail to meet their liabilities. This could have a significant reputational impact on the Group. In these circumstances, the Group could choose to make additional contributions to the relevant schemes or could be obliged to make additional contributions to the schemes. Such contributions could be significant and may have a materially negative impact on the Group’s financial condition and trading performance.

In addition, and notwithstanding the implementation of the proposals to reduce the current pension scheme deficits outlined above, the pension funds are subject to market fluctuations and changes in the value of underlying securities, as well as interest rate risk and changes to actuarial assumptions. These fluctuations could impact on the value of the schemes’ asset portfolios and result in returns on the pension funds being less than expected and/or result in there being a greater than expected increase in the estimated value of the schemes’ liabilities. As a result, new or additional deficits in the schemes may arise which could result in the Group choosing or being obliged to make additional contributions to the schemes in the event those schemes became unable to meet their liabilities. Such contributions could be significant and may have a materially negative impact on the Group’s financial condition and trading performance.

***Weaknesses or failures in the Group’s internal processes and procedures including IT or equipment failures and other operational risks could have a material adverse effect on the Group’s results, financial condition and prospects and could result in reputational damage.***

The Group’s businesses are dependent on their ability to process and report, accurately and efficiently, a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Operational risks are inherently present in the Group’s businesses, including, as a result of potentially inadequate or failed internal processes (including financial reporting and risk monitoring processes), IT or equipment failures or the failure of external systems and controls including those of the Group’s suppliers or counterparties (supplier and counterparty systems, controls, and processes being entirely outside the control of the Group) or from people-related or external events, such as the risk of fraud and other criminal acts carried out against the Group.

The Group has obligations as a non-US registrant under US securities laws and regulations, including the requirement to comply, where applicable, with the Sarbanes-Oxley Act of 2002 (“SOx”). The Group has put in place a comprehensive framework to document and test its internal control structures and procedures in line with the requirements of section 404 of SOx, which requires, among other things, certification by management regarding the effectiveness of internal controls over financial reporting. There can, however, be no assurance that the risk-controls or loss-mitigation actions implemented will be effective in controlling each of the operational risks faced by the Group. Any weakness in these controls or actions could result in a material adverse impact on the Group’s results, financial condition and prospects, as well as reputational damage which could exacerbate such adverse impact.



***The Group's life assurance business is subject to inherent risks involving claims, as well as market conditions generally.***

Life assurance risk is the potential volatility in the amount and timing of claims caused by unexpected changes in mortality, longevity and morbidity. Mortality risk is the risk of deviations in timing and amounts of cash flows paid to policy holders (premiums and benefits) due to the incidence or non-incidence of death. Longevity risk is the risk of such deviations due to increasing life expectancy trends among policy holders and pensioners, resulting in payout ratios higher than those the Group originally accounted for. Morbidity risk is the risk of deviations in timing and amount of cash flows to policy holders (such as claims) due to the incidence or non-incidence of disability and sickness. A material change in relation to any of these risks could materially and adversely affect the Group's results, financial condition and prospects. In addition, the Group's life assurance business is subject to risks relating to the volatility in the value of the underlying assets held to meet its liabilities.

***In Ireland and the Isle of Man, the Group is responsible for contributing to compensation schemes in respect of banks and other authorised financial services firms that may be unable to meet their obligations to customers.***

The Group is obliged to contribute to investor compensation schemes in Ireland and the Isle of Man, (further details of which are set out in Part XI (Regulation and Supervision) of the Prospectus) ("Compensation Schemes") which are designed to compensate (up to defined limits) certain classes of customers of authorised financial services firms where a firm is unable, or deemed likely to be unable, to pay claims against it. The Compensation Schemes are funded by levies on firms authorised by the respective financial regulators. In the event that one or more Compensation Scheme significantly increases the levies to be paid by firms or changes the coverage or funding levels, the associated costs to the Group may have a material impact on its results, operations and financial condition.

***If the Group becomes subject to employment disputes or industrial action, this could adversely affect its business.***

A significant number of the Group's employees are members of trade unions. The Group currently consults with its employees and their representatives regarding pay, pensions, work practices and conditions of employment. The Group recognises that challenges may arise in relation to pay, pensions and terms and conditions of employment which may need to be resolved through established industrial relations fora. In the event that the Group becomes subject to industrial action or other labour conflicts, including strikes or other forms of industrial actions, this may result in a disruption to the Group's business, financial condition and prospects.

***The Group may not be able to recruit, retain and develop appropriate senior management and skilled personnel.***

The Group's success depends in part on the availability of skilled management and the continued service of key members of its management team. The Group depends on the availability of skilled management both at its head office and at each of its business units. Failure by the Group to staff its operations appropriately, or the loss of one or more key senior executives, and failure to replace them in a satisfactory and timely manner, may have a material adverse effect on the Group's results, financial condition and prospects.

In addition, if the Group fails to attract and appropriately train, motivate and retain highly skilled and qualified personnel, its business may also be negatively affected. Restrictions imposed on remuneration by Government or regulatory authorities or other factors outside of the Group's control in relation to the retention and recruitment of key executives may also adversely impact on the Group's ability to attract and retain appropriately skilled personnel.

If the Central Bank Reform Bill 2010 is enacted as currently drafted, the Group would also be required to submit for review and approval, proposed new appointments to some senior management positions. This could have a material adverse effect on the Group if the approval process resulted in delays in filling key positions or impacted the Group's ability to attract suitable candidates.

***The Group's operations have inherent reputational risk, meaning the risk to earnings and capital from negative public opinion.***

Reputational risk is inherent in the Group's business. Negative public or industry opinion can result from the actual or perceived manner in which the Group conducts its business activities or from actual or perceived practices in the banking industry, such as money laundering or mis-selling of financial products. Negative public or industry opinion may adversely affect the Group's ability to keep and attract customers and, in particular, corporate and retail depositors the loss of which would in each case adversely affect the Group's business, financial condition and prospects.

***The effect of the realisation of country risk in respect of other sovereign issuers could spread to Irish financial institutions and could result in a material adverse effect on the Group's results, financial condition and prospects.***

Country risk is the risk that a counterparty is unable to meet its contractual obligations as a result of adverse economic conditions or actions taken by the government in the relevant country. This includes the risk that:

- a sovereign borrower may be unable or unwilling to fulfil contractual obligations; and/or
- a non-sovereign counterparty may be unable to fulfil its contractual obligations as a result of currency shortage due to adverse economic conditions or actions taken by the government of the country.

Country risk in a sovereign issuer other than Ireland, especially a European sovereign issuer, could have an impact on capital markets in general, in particular on the market perception of the risks associated with lending to peripheral European sovereign issuers, such as Ireland, and financial institutions in those countries, such as the Bank. As such, country risk could have a significant adverse effect on the Group's access to funding, results, financial condition and prospects.

***The value of certain financial instruments recorded at fair value is determined using financial models incorporating assumptions, judgements and estimates that may change over time or may ultimately not turn out to be accurate.***

In establishing the fair value of certain financial instruments, the Group relies on quoted market prices or, where the market for a financial instrument is not sufficiently active, internal valuation models that utilise observable financial market data. In certain circumstances, the data for individual financial instruments or classes of financial instruments utilised by such valuation models may not be available or may become unavailable due to changes in financial market conditions. In such circumstances, the Group's internal valuation models require the Group to make assumptions, judgements and estimates to establish fair value. In common with other financial institutions, these internal valuation models are complex, and the assumptions, judgements and estimates the Group is required to make often relate to matters that are inherently

uncertain, such as expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults and deficiencies. Such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on the Group's earnings and financial condition. Also, recent market volatility and illiquidity has challenged the factual bases of certain underlying assumptions and has made it difficult to value certain of the Group's financial instruments. Valuations in future periods, reflecting prevailing market conditions, may result in changes in the fair values of these instruments, which could have an adverse effect on the Group's results, financial condition and prospects.

***Change of control may lead to adverse consequences for the Group.***

Bank of Ireland and its subsidiaries are parties to joint ventures, contracts and other agreements containing change of control provisions that may be triggered in the event of a change of control of the relevant Group entity for example as a result of a major stockholder, such as the NPRFC, obtaining a majority stake in the Bank (see the risk factor *"If the Group does not raise capital through the Proposals (including as a result of the Resolutions not being approved or the termination of the Underwriting Agreement), it may be unable to access additional capital or find alternative methods of increasing its Equity Tier 1 Capital Ratio, Core Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio, and there will be further limits on its ability to access capital, and its business, financial condition, results of operations and stock price will suffer. As a result, it may be necessary for the Group to seek further equity investment by the Irish Government, which may lead to majority State ownership and ultimately to nationalisation"*). These include the joint ventures between the Bank and Post Office Limited ("POL") which operates the Post Office network in the United Kingdom — one in relation to foreign exchange (First Rate) and one in relation to Post Office branded retail financial services products. Agreements with change of control provisions typically provide for, or permit, the termination of the agreement upon the occurrence of a change of control of one of the parties or if the new controlling party does not satisfy certain criteria. The crystallisation of change of control provisions could also result in the loss of contractual rights and benefits, as well as the termination of joint venture agreements. On a change of control of the relevant Group entity, the exercise of such rights or the decision by a counterparty not to waive or vary its rights on a change of control could have a material effect on the Group's results, financial condition and prospects.

***Changes in taxation rates, legislation or practice may lead to adverse consequences for the Group.***

The Group is subject to various tax rates in various jurisdictions computed in accordance with local legislation and practice. There is a risk that such tax rates, legislation and practice may change, which could adversely affect the results, financial condition and prospects of the Group.

In accordance with applicable accounting rules, the Group has recognised deferred tax assets on losses available to relieve future profits to the extent that it is probable that such losses will be utilised. The assets are quantified on the basis of current tax legislation and are subject to change in respect of the tax rate or the rules for computing taxable profits and allowable losses. A failure to generate sufficient future taxable profits or changes in tax legislation may reduce the recoverable amount of the deferred tax assets currently recognised in the financial statements.

***The Group's results of operations and the markets in which it operates may be adversely affected by terrorist, geopolitical, pandemic and natural disaster risks.***

Terrorist acts, other acts of war or hostility, geopolitical, natural disasters, pandemic or other such events and responses to those acts/events may also create economic and political uncertainties, which could have a negative impact on Irish, United Kingdom, United States, European Union and international economic conditions generally, and in ways that cannot necessarily be predicted. These events could have an adverse effect on the Group's results, financial condition and prospects.

## **RISKS RELATING TO THE PROPOSALS**

***The Proposals may not be approved by Stockholders at the Extraordinary General Court.***

The Proposals are conditional on the passing of Resolutions 1 to 7 by Stockholders at the Extraordinary General Court, (described in paragraph 18 (Extraordinary General Court) of Part I (Letter from the Governor of Bank of Ireland) of this Circular). If Resolutions 1 to 7, which include resolutions approving the terms of the Rights Issue and the Placing, are not approved, the Proposals will not be effected and the key benefits expected to be achieved by the Proposals, as described in paragraph 4 (Rationale and Key Benefits of the Proposals) of Part I (Letter from the Governor of Bank of Ireland) of this Circular will not accrue.

***If the Group does not raise capital through the Proposals (including as a result of the Resolutions relating to the Proposals not being approved or the termination of the Underwriting Agreement), it may be unable to access additional capital or find alternative methods of increasing its Equity Tier 1 Capital Ratio, Core Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio, and there will be further limits on its ability to access capital, and its business, financial condition, results of operations and stock price will suffer. As a result, it may be necessary for the Group to seek further equity investment by the Irish Government, which may lead to majority State ownership and ultimately to nationalisation.***

The Proposals are intended to facilitate the Group in meeting its current and long-term capital requirements, including 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 Part I (Letter from the Governor of Bank of Ireland) of this Circular). Had the Proposals been completed on 31 December 2009, the receipt of the net proceeds would have had the effect of increasing the Group's 31 December 2009 Equity Tier 1 Capital Ratio to 8.0%, Core Tier 1 Capital Ratio to 10.1% Tier 1 Capital Ratio to 10.5%, and its Total Capital Ratio to 13.5%. The pro forma impact of the Proposals on capital ratios is outlined in Part V (Unaudited Pro Forma Financial Information) of this Circular.

If Resolutions 1 to 7 are not approved by the Stockholders, the Group will need to assess its strategic and operational position and may be required to find alternative methods for achieving requisite 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 that these alternative methods will be available or would be successful in increasing the Group's regulatory capital ratios, without Government involvement, to meet market expectations and/or 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 Part I (Letter from the Governor of Bank of Ireland) of this Circular) or within the timetable currently envisaged. If the Group is unable to raise sufficient capital through the Proposals and increase its capital ratios sufficiently, or if the proceeds of the Proposals ultimately prove to be insufficient, its business, results of operations and financial condition would suffer, its credit rating may be downgraded, it could be subject to censure, sanction or fine by the Financial Regulator, its ability to access funding would be reduced and its cost of funding would increase. The occurrence of any or all such events would be highly likely to cause its stock price to decline with negative implications for Stockholders. The Minister for Finance stated in a speech on 30 March 2010 that the Minister does not want institutions to operate on a bare minimum of capital and that majority State shareholdings are much more preferable than 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 increased 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.

***Stockholders may have their percentage ownership diluted depending on the extent to which they take up their rights entitlements under the Rights Issue and to the extent that debt holders elect to receive Allotment Instruments under the Debt for Equity Offers.***

To the extent that Qualifying Stockholders do not take up their rights or sell their Nil Paid Rights in the market, they will be significantly diluted by the implementation of the Proposals.

To the extent that Qualifying Stockholders take up their rights fully under the Rights Issue and to the extent that noteholders elect to receive cash proceeds (from the issue of ordinary shares in the Rights Issue), such stockholders' percentage ownership will not be diluted other than for the impact of the Institutional Placing and the NPRFC Placing.

To the extent that noteholders elect to receive the maximum amount of Allotment Instruments €200 million, Stockholders will suffer further ownership dilution, even if they fully take up their rights. The extent of this further dilution will depend on the price at which the Allotment Instruments convert into Conversion Ordinary Stock.

Further details on the maximum dilutive impact of the Debt for Equity Offers on Stockholders is set out in paragraph 5 (Maximum Potential Dilutive Impact of the Proposals) of the Appendix to Part I (Letter from the Governor of Bank of Ireland) of this Circular.

## **RISKS RELATING TO THE RIGHTS ISSUE, THE INSTITUTIONAL PLACING AND THE NPRFC PLACING**

***Stockholders who do not subscribe for Rights Issue Stock in the Rights Issue will experience dilution in their ownership of the Bank.***

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% as a result of the Proposals. Subject to certain exceptions, Ordinary Stockholders in the United States or any other Excluded Territory will, in any event, not be able to participate in the Rights Issue. Further details on the maximum dilutive effect of the Rights Issue on Ordinary Stockholders is set out in paragraph 5 (Maximum Potential Dilutive Impact of the Proposals) of the Appendix to Part I (Letter from the Governor of Bank of Ireland) of this Circular.

***Stockholders will experience dilution in their ownership of the Bank as a result of the Placing and the Debt for Equity Offers.***

Regardless of whether a Qualifying Stockholder takes up his or her full entitlement under the Rights Issue, his or her proportionate ownership and voting interests in the Bank will be diluted by the units of Ordinary Stock issued pursuant to the Placing and any Allotment Instruments taken up by the Bank's noteholders through the Debt for Equity Offers. Further details on the maximum dilutive impact of the Placing and the Debt for Equity Offers are set out in paragraph 5 (Maximum Potential Dilutive Impact of the Proposals) of the Appendix to Part I (Letter from the Governor of Bank of Ireland) of this Circular.

***An active trading market in the Nil Paid Rights may not develop.***

An active trading market in the Nil Paid Rights (that is, a right of an Ordinary Stockholder to subscribe for the new Ordinary Stock being offered under the Rights Issue that has not yet been taken up or paid for) may not develop on the Irish Stock Exchange and the London Stock Exchange during the nil paid trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of the Ordinary Stock, there is a risk that the price of the Nil Paid Rights may be volatile and may be subject to the same risks described under the risk factor "*The Bank's stock price has been and could further be subject to significant fluctuations*". The fluctuation in the price of the Ordinary Stock may also magnify the price volatility of the Nil Paid Rights.

***Admission of the Placing Stock, the Rights Issue Stock, the Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock to trading on the Irish Stock Exchange and the London Stock Exchange may not occur when expected.***

Until the Placing Stock, the Rights Issue Stock, the Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock are admitted to listing on the Official Lists and to trading on the Irish Stock Exchange and the London Stock Exchange, they will not be fungible with Existing Stock currently trading on the Irish Stock Exchange and the London Stock Exchange. There is no assurance that admission to trading of the Placing Stock, the Rights Issue Stock, the Ordinary Stock issued pursuant to the NPRFC Placing and the NPRFC Coupon Ordinary Stock will take place when anticipated.

***It may be difficult for investors outside Ireland to serve process on or enforce foreign judgments against the Bank in connection with the Rights Issue and the Institutional Placing.***

Bank of Ireland is incorporated by charter in Ireland. Most of the members of the Court of Directors and officers are resident in Ireland. As a result it may be difficult for investors outside Ireland to serve process on, or enforce foreign judgments against the Bank, or its directors and officers in connection with the Rights Issue and Institutional Placing.

## **RISKS RELATING TO THE ORDINARY STOCK**

***The Bank's stock price has been and could further be subject to significant fluctuations.***

The market price of the units of the Bank's Ordinary Stock has been, and could further be subject to, significant fluctuations in response to various factors, such as a change in sentiment in the market regarding the units of Ordinary Stock, national and global economic and financial



conditions, the market's response to the Proposals, the effects of Bank of Ireland Eligible Bank Asset transfers to NAMA, the effect of the level of the NPRFC's holding in the Bank, the requirement on the Bank to issue further units of Ordinary Stock as a result of the deferral of payment of coupons on the ACSM Hybrids, the plans and proposals of the Irish, UK, US and other governments with respect to the global financial crisis, market perceptions or other indications as to when the Bank will be able to pay dividends on the units of Ordinary Stock, (including the length of time that the Bank will be unable to pay dividends on units of Ordinary Stock, whether due to direction from the European Commission or contractual obligations, such as "dividend stoppers" or due to inadequate distributable reserves), and various other facts and events, including liquidity of financial markets, regulatory changes affecting the Group's operations, variations in the Group's operating results, business developments of the Group and/or its competitors. Stock markets have for the past three years experienced significant price and volume fluctuations that have affected the market prices for the Group's securities. The Group's securities may also experience further fluctuations if the Financial Regulator's current ban on short selling is removed. Furthermore, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the units of Ordinary Stock.

The Group can give no assurance that the market price of the Ordinary Stock will not decline below the Rights Issue Price. Qualifying Stockholders should note that if the market price of the Ordinary Stock is lower than the Rights Issue Price during the period of the Rights Issue, it may not be economically advantageous for Qualifying Stockholders to take up their entitlements to Rights Issue Stock. Should the market price of the Ordinary Stock decline below the Rights Issue Price after Qualifying Stockholders take up their entitlements to Rights Issue Stock, such Qualifying Stockholders would suffer an immediate unrealised loss on the Rights Issue Stock issued in respect of their entitlements. Moreover, there can be no assurance that, following the take up of their Rights Issue Stock, Qualifying Stockholders will be able to sell the Rights Issue Stock at a price equal to or greater than the Rights Issue Price.

***The market price of Ordinary Stock may be materially adversely affected by a significant sale of Ordinary Stock by the NPRFC.***

The NPRFC's holding of Ordinary Stock is not subject to any restrictions on its disposal of Ordinary Stock. The NPRFC is a significant Stockholder of the Bank and if the NPRFC disposed of all, or a significant portion of, its holding of Ordinary Stock, this could have a material adverse effect on the market price of the Ordinary Stock and therefore the value of the Group. Furthermore, because the NPRFC is a significant Stockholder of the Bank the possibility that the NPRFC may at any time make significant disposals of Ordinary Stock could adversely effect the price of the Ordinary Stock.

***The Group is currently precluded from paying dividends or distributions on certain instruments affected by the terms of a "dividend stopper", including the 2009 Preference Stock and the ACSM Hybrids for a period of one calendar year from and including 1 February 2010. In the event that the Group remains, or subsequently becomes, precluded from paying, or elects not to pay, such dividends on the 2009 Preference Stock and/or the ACSM Hybrids, it will be required to issue units of Ordinary Stock to the holders of the 2009 Preference Stock (being the NPRFC) and/or to a trustee on behalf of the holders of the ACSM Hybrids, as the case may be. Consequently, the proportionate ownership and voting interests of Existing Stockholders will be diluted.***

In line with communications to the Group from the European Commission on 19 January 2010, the Bank announced that it would not make any discretionary distributions or dividends on its Tier 1 Securities and Upper Tier 2 Securities (including the 2009 Preference Stock, its LP2 Securities and LP3 Securities and the ACSM Hybrids).

Under the terms of the ACSM Hybrids, if the payments of coupons are deferred (payable annually in March at the discretion of the Bank) such deferred coupon payments must be satisfied by the issue of Ordinary Stock to raise cash to pay the deferred coupons. As announced by the Group on 12 February 2010, in line with the communication from the European Commission described above, the Group did not pay the coupon otherwise payable on the ACSM Hybrids on 7 March 2010 and the coupon is therefore deferred. A deferral of coupon under the ACSM Hybrids triggers the "dividend stopper" provisions under those securities which prevent any dividend or coupon payments being made on Ordinary Stock, non-cumulative euro and Sterling Preference Stock, the 2009 Preference Stock and Hybrid/Preferred Securities until the deferred coupon is satisfied through the issue of Ordinary Stock. The amount of deferred coupon itself bears interest at the applicable rate under the ACSM Hybrids, plus an additional 2%. Therefore, during the period when payment of the coupon on the ACSM Hybrids is deferred, as directed by the European Commission and as a consequence of the "dividend stopper" triggered by the non-payment of the coupon on the LP2 Securities on 1 February 2010, the obligation to issue Ordinary Stock to a trustee on behalf of the holders of the ACSM Hybrids will accrue. That Ordinary Stock will be sold by the trustee for the benefit of the holders of the ACSM Hybrids. Once the payment of cash coupons on the ACSM Hybrids resumes, these will be paid in cash. When those units of Ordinary Stock are issued the proportionate ownership and voting interests of Existing Stockholders will be diluted. As at 31 December 2009, the outstanding amount of ACSM Hybrids was €476 million (in respect of the 7.4% Coupon Guaranteed Step-up Callable Perpetual Preferred Securities) and £46 million (in respect of the 6.25% Coupon Guaranteed Callable Perpetual Preferred Securities). Based on the current net amount outstanding and assuming coupons are stopped until 31 January 2011, the number of units of Ordinary Stock having a value of €42 million (including allowance for interest on deferred coupons and assuming no take up in the Debt for Equity Offers) will be required for any ACSM Hybrid dividends that are missed.

The NPRFC, as the holder of the 2009 Preference Stock on behalf of the Government, is entitled to receive a non-cumulative dividend at a fixed rate of 8% (increasing to 10.25% pursuant to the Proposals) of the issue price, which is payable annually on 20 February, at the discretion of the Bank, with the next payment date on 20 February 2011. In the event that the Bank does not pay any cash dividends otherwise due on the 2009 Preference Stock, the Bank is required, under the terms of the 2009 Preference Stock, to issue units of Ordinary Stock to the NPRFC in lieu of the relevant cash dividend.

As a result of the "dividend stopper" on the LP2 Securities (and subsequently under the commitments to be made under the EU Restructuring Plan), the Group is currently precluded, for a period of one calendar year from and including 1 February 2010, from making discretionary payments of coupons or exercising voluntary call options on hybrid capital securities. As a result, on Monday 22 February 2010, the Bank issued the NPRFC Coupon Ordinary Stock to the NPRFC in lieu of a cash dividend on the 2009 Preference Stock, which was otherwise due on 20 February 2010. This resulted in the dilution of Existing Stockholders' proportionate ownership by 16%. As at 23 April, the last practicable date prior to the publication of this Circular, the NPRFC holds 15.73% of the Existing Stock of the Bank (which includes both the NPRFC Coupon Ordinary Stock (comprising 15.5% of the Existing Stock) and other Ordinary Stock held by the NPRFC pursuant to its other investment activities).

Under the EU Restructuring Plan, Bank of Ireland also commits not to pay dividends on its Ordinary Stock until the earlier of: (i) 30 September 2012; or (ii) the date on which the 2009 Preference Stock is redeemed in full or is no longer owned by the State through the NPRFC or otherwise.



It is anticipated that pursuant to the behavioural commitments to be given by the Group under the EU Restructuring Plan the Group will be precluded from paying discretionary coupons in the period 1 February 2010 to 31 January 2011. However, 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. In the event that the Group determines not to pay dividends on the LP2 Securities thereby triggering the “dividend stopper” provisions for further one year periods, or the Court otherwise elects not to pay a cash dividend otherwise due on the 2009 Preference Stock, the Bank will be required to issue further units of Ordinary Stock to the NPRFC and/or for the purposes of funding deferred coupons on the ACSM Hybrids. The issue of further units of Ordinary Stock in the event of non-payment of any cash dividend otherwise due on the 2009 Preference Stock or for the purposes of funding the ACSM Hybrids deferred coupons would result in the further dilution of Existing Stockholders’ proportionate ownership and voting interests in the Group. If there is more than one such issue of Ordinary Stock due to the non-payment of dividends on the 2009 Preference Stock and/or the ACSM Hybrids in successive years, the rate of dilution on Existing Stockholders would increase for each successive issue of Ordinary Stock, as the proportionate ownership of such Existing Stockholders would be reduced after each such issue.

***Future issues of Ordinary Stock on a non-pre-emptive basis may further dilute the holdings of Existing Stockholders and could materially affect the market price of the Ordinary Stock. The market price of the Ordinary Stock may also be adversely affected by the sale of a large amount of Ordinary Stock by a significant stockholder.***

It is possible that the Bank may decide to offer additional Ordinary Stock in the future, to raise capital, to make coupon payments on certain classes of preferred securities in the form of Ordinary Stock or for other purposes. In addition, the Bank is required under the terms of the 2009 Preference Stock, to issue further units of Ordinary Stock to the Government if it does not pay a cash dividend on the 2009 Preference Stock, as described in greater detail in the risk factor “*The Group is currently precluded from paying dividends or distributions on certain instruments affected by the terms of a “dividend stopper”, including the 2009 Preference Stock and the ACSM Hybrids for a period of one calendar year from and including 1 February 2010. In the event that the Group remains, or subsequently becomes, precluded from paying, or elects not to pay, such dividends on the 2009 Preference Stock and/or the ACSM Hybrids, it will be required to issue units of Ordinary Stock to the holders of the 2009 Preference Stock (being the NPRFC) and/or to a trustee on behalf of the holders of the ACSM Hybrids, as the case may be. Consequently, the proportionate ownership and voting interests of Existing Stockholders will be diluted.*” An additional offering on a non-pre-emptive basis or payments of coupons in Ordinary Stock will have a dilutive effect on the holdings of Ordinary Stockholders and could have an adverse effect on the market price of Ordinary Stock as a whole. In addition, significant sales of Ordinary Stock by major stockholders, in the absence of market demand for such stock, could have an adverse effect on the market price of the Ordinary Stock as a whole.

***The Bank is currently precluded and will be precluded for some period, from paying dividends in respect of the Ordinary Stock and this may have an adverse effect on the market price of the Ordinary Stock.***

As set out in the risk factor “*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 on the Group that may be materially adverse to its interests*” and the risk factor “*The Group is currently precluded from paying dividends or distributions on certain instruments affected by the terms of a “dividend stopper”, including the 2009 Preference Stock and the ACSM Hybrids for a period of one calendar year from and including 1 February 2010. In the event that the Group remains, or subsequently becomes, precluded from paying, or elects not to pay, such dividends on the 2009 Preference Stock and/or the ACSM Hybrids, it will be required to issue units of Ordinary Stock to the holders of the 2009 Preference Stock (being the NPRFC) and/or to a trustee on behalf of the holders of the ACSM Hybrids, as the case may be. Consequently, the proportionate ownership and voting interests of Existing Stockholders will be diluted*”, as a result of the dividend stopper the Bank is currently precluded, for a period of one calendar year from and including 1 February 2010 from declaring and paying any distribution or dividend on its Ordinary Stock, non-cumulative euro and Sterling Preference Stock, the 2009 Preference Stock, the ACSM Hybrids and the Hybrid/Preferred Securities. The ACSM Hybrids are eligible for exchange under the Debt for Equity Offers.

Under the EU Restructuring Plan, the Bank has also committed not to pay dividends on its Ordinary Stock until the earlier of: (i) 30 September 2012; or (ii) the date on which the 2009 Preference Stock is repaid in full or is no longer owned by the State through the NPRFC or otherwise.

The Group has a number of classes of securities which rank in priority to the Ordinary Stock for the payment of dividends, including the 1992 Preference Stock, the 2009 Preference Stock and the Hybrid/Preferred Securities. The determination by the Group to pay dividends on these securities could adversely affect the Bank’s ability to declare and pay dividends on the Ordinary Stock. In addition, if the Group determines not to pay dividends on certain of these securities, including the LP2 Securities and the LP3 Securities, “Dividend Stoppers” could be triggered precluding the Group from paying and declaring any distribution or dividend on, amongst securities, the Ordinary Stock for a period of one year from the date of the unpaid dividend.

Under the terms of the CIFS Guarantee Scheme, which is scheduled to expire on 29 September 2010, the Bank is precluded from paying dividends on the Ordinary Stock without the approval of the Minister for Finance. This prohibition can be extended under the ELG Scheme.

These restrictions may have an adverse effect on the market price of the Ordinary Stock.

## PART III

### STATISTICS RELATING TO THE PROPOSALS

Rights Issue Price per unit of Rights Issue Stock . . . . .	To be announced
Basis of Rights Issue . . . . .	To be announced
Institutional Placing Price . . . . .	€1.53
NPRFC Placing Price . . . . .	€1.80
Number of units of Ordinary Stock in issue as at the date of this Circular . . . . .	1,188,611,367
Number of units of Rights Issue Stock to be issued by the Bank pursuant to the Rights Issue (including the NPRFC Rights Issue Undertaking) . . . . .	up to 18,851,465,603/ final number to be announced
Number of units of Placing Stock to be issued by the Bank pursuant to the Institutional Placing . . . . .	326,797,386
Number of units of Ordinary Stock to be issued pursuant to the NPRFC Placing . . . . .	575,555,556
Maximum Potential Enlarged Capital Stock (following completion of the Proposals) . . . . .	21,683,170,653
Maximum number of units of Ordinary Stock issued pursuant to the Proposals . .	20,494,559,286
Maximum number of units of Ordinary Stock issued pursuant to the Proposals as a percentage of Maximum Potential Enlarged Capital Stock . . . . .	up to 95%
Maximum gross proceeds of the Rights Issue . . . . .	€1,885 million
Gross proceeds of the Institutional Placing . . . . .	€500 million
Gross amount of the NPRFC Placing . . . . .	€1,036 million
Maximum gross proceeds of the Placing and the Rights Issue . . . . .	€3,421 million
Estimated expenses of the Proposals . . . . .	€130 million
Maximum net proceeds of the Placing and the Rights Issue . . . . .	€3,291 million
Estimated capital gain from the Debt for Equity Offers* . . . . .	To be announced
Minimum net increase to Equity Tier 1 Capital following the completion of the Proposals (after expenses and the Warrant Cancellation) . . . . .	€2,800 million

\* Further details on the calculation of the capital gain from the Debt for Equity Offers is set out in paragraph 3 (The Proposals) and paragraph 8 (Debt for Equity Offers) of Part I (Letter from the Governor of Bank of Ireland) of this Circular and in paragraph 4 (Debt for Equity Offers) of the Appendix to Part I (Letter from the Governor of Bank of Ireland) of this Circular.

## PART IV

### CAPITALISATION AND INDEBTEDNESS

#### 1. Capitalisation and indebtedness

The tables below show the capitalisation and indebtedness of the Group as at 31 December 2009 and as at 31 January 2010.

##### *Capitalisation*

	<u>31 January 2010</u> (unaudited) million	<u>31 December 2009</u> (audited) million
<b>Capital Stock — authorised</b>		
<b>Stg£</b>	<b>Stg£</b>	<b>Stg£</b>
100 million units of non-cumulative preference stock of Stg£1 each . . . . .	100	100
100 million units of undesignated preference stock of Stg£0.25 each . . . . .	25	25
<b>Euro</b>	<b>€</b>	<b>€</b>
2,000 million units of €0.64 of ordinary stock . . . . .	1,280	1,280
100 million units of non-cumulative preference stock of €1.27 each . . . . .	127	127
100 million units of undesignated preference stock of €0.25 each . . . . .	25	25
3.5 billion units of non-cumulative preference stock (2009 Preference Stock) of €0.01 each . . . . .	35	35
<b>US dollar</b>	<b>US\$</b>	<b>US\$</b>
8 million units of non-cumulative preference stock of US\$25 each . . . . .	200	200
100 million units of undesignated preference stock of US\$0.25 each . . . . .	25	25
<b>Capital Stock — Allotted and fully paid</b>	<b>€</b>	<b>€</b>
Ordinary stock of €0.64 each . . . . .	636	636
Treasury stock of €0.64 each . . . . .	21	21
Preference stock of Stg£1 each . . . . .	3	3
Preference stock of €1.27 each . . . . .	4	4
Preference stock of €0.01 each (2009 Preference Stock) . . . . .	35	35
	<u>699</u>	<u>699</u>
Reserves . . . . .	5,892	5,775
Own stock held for the benefit of life assurance policyholders . . . . .	(87)	(87)
<b>Total stockholders equity</b> . . . . .	<u>6,504</u>	<u>6,387</u>

Source: December 2009 Annual Report and unaudited internal management information for 31 January 2010

##### *Group Indebtedness*

	<u>31 January 2010</u> (unaudited) €m	<u>31 December 2009</u> (audited) €m
<b>Subordinated liabilities</b>		
Preferred securities Undated subordinated liabilities . . . . .	1,539	1,521
Dated subordinated liabilities . . . . .	4,578	4,532
<b>Total subordinated liabilities</b> . . . . .	<u>6,117</u>	<u>6,053</u>
<b>Debt securities</b>		
Debt securities in issue . . . . .	44,790	42,672
Liabilities held at fair value through profit or loss (Debt securities). . . . .	484	472
<b>Total Debt Securities</b> . . . . .	<u>45,274</u>	<u>43,144</u>
<b>Total indebtedness</b> . . . . .	<u>51,391</u>	<u>49,197</u>

Source: December 2009 Annual Report and unaudited internal management information for 31 January 2010

#### 2. Cash flow analysis

The cash flow analysis of the Group for (i) the year ended 31 March 2008 is set out on pages 75 to 76 of the 2008 Annual Report, (ii) the year ended 31 March 2009 is set out on pages 106 to 107 of the 2009 Annual Report; and (iii) the nine months ended 31 December 2009 is set out on pages 154 to 155 of the December 2009 Annual Report, such pages being incorporated by reference into this document.

#### 3. Capital Resources

The objectives of the Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the risks of its business and support its future development.

The capital adequacy requirements set by the Financial Regulator in Ireland which reflect the requirements as set out in the Capital Requirements Directive and its preceding directives are used by the Group as the basis for its capital management. These requirements set a

floor under which capital levels must not fall. The Group seeks to maintain sufficient capital to ensure that even under stressed conditions these requirements are not breached.

The Group also looks at other methodologies of capital measurement including the capital definitions set out by rating agencies. It also calculates economic capital based on its own internal models.

The Group meets its objectives in terms of capital management through the maintenance of capital ratios above the minimum levels set by the Financial Regulator and relative to market expectations for banks with its business profile. Regulatory and market expectations regarding capital ratios for banks have risen following the rise in loss expectations across the international banking industry, driven by exposures to assets vulnerable to the downturn in residential and commercial property prices and the deteriorating economic climate.

The Group stress tests the capital held to ensure that under stressed conditions, it continues to comply with regulatory minimum ratios. It also seeks to minimise refinancing risk by managing the maturity profile of non-equity capital. In addition the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised.

The Group's regulatory capital includes the Group's Stockholders' funds (which includes €3.5 billion 2009 Preference Stock issued to the NPRFC) together with perpetual and dated subordinated securities with appropriate regulatory adjustments and deductions applied.

Regulatory adjustments applied to the Core Tier 1 Capital include replacing the IAS 19 pension deficit with deductions of either three or five years supplementary contributions, removing AFS reserves and cash flow hedge reserves from Core Tier 1 Capital and also deducting goodwill and other intangible assets from Core Tier 1 Capital.

The adjustments applied in respect of the Tier 1 Capital and Tier 2 Capital adjustments, taken equally from Tier 1 Capital and Tier 2 Capital, include a deduction with respect to the difference between expected losses and actual provisions on Internal Ratings Based Approach ("IRBA") portfolios first losses on securitisations and investments in financial services companies (other than Bank of Ireland Life) which are excluded from the Group consolidation. IBNR provisions on standardised portfolios are included in Tier 2 Capital. An adjustment is applied to total capital in respect of the investment in Bank of Ireland Life.

### **Capital Adequacy Requirements**

The Group's capital management policy has been developed within the supervisory requirements of the Financial Regulator.

The Capital Requirements Directive ("CRD") which came into force from 1 January 2007 through the implementation of the Banking Consolidation Directive and the Capital Adequacy Directive, introduced significant amendments to the existing capital adequacy framework. The implementation of the CRD results in a more risk sensitive approach to the derivation of a bank's capital requirements.

The CRD is divided into three sections commonly referred to as pillars. Pillar I introduced the Internal Ratings Based Approach ("IRBA") which permits banks to use their own internal rating systems to calculate their capital requirements for credit risk. Use of the IRBA is subject to regulatory approval. Where credit portfolios are not subject to IRBA, the calculation of the minimum capital requirements is subject to the standardised approach, which is a more granular approach to the calculation of risk weightings than under Basel I. As disclosed on 31 July 2009, the Group had regulatory approval at 31 March 2009, to use the IRBA to calculate its capital requirements for the majority of its credit exposures by Exposure at Default (61.5%) with the remainder utilising the Standardised Approach (38.5%).

Pillar II of the CRD deals with the regulatory response to the first pillar whereby banks undertake an Internal Capital Adequacy Assessment Process (ICAAP) which is then subject to supervisory review. Pillar III of the CRD (Market Discipline) involves the disclosure of a range of qualitative and quantitative information relating to capital and risk. The Group most recently disclosed this information on 31 July 2009.

The CRD also introduced a requirement to calculate capital requirements, and to set capital aside, with respect to operational risk. The Group is also required to set capital aside for market risk.

The following table outlines the components of the Group's capital together with key capital ratios as at 31 January 2010, 31 December 2009 and 31 March 2009. The information for 31 December 2009 and 31 March 2009 contained in this table is extracted without material adjustment from the December 2009 Annual Report and from unaudited internal management reports for 31 January 2010.

	<b>31 January 2010</b>	<b>31 December 2009</b>	<b>31 March 2009</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Share capital and reserves . . . . .	6,553	<b>6,437</b>	6,913
Regulatory retirement benefit obligation adjustments . . . . .	1,648	<b>1,632</b>	1,478
Available for sale reserve and cash flow hedge reserve . . . . .	1,089	<b>1,118</b>	2,124
Goodwill & other intangible assets . . . . .	(488)	<b>(488)</b>	(511)
Preference stock and warrants . . . . .	(3,522)	<b>(3,521)</b>	(3,520)
Other adjustments . . . . .	129	<b>80</b>	22
<b>Equity Tier 1 Capital . . . . .</b>	<b>5,409</b>	<b>5,258</b>	<b>6,506</b>
Preference stock . . . . .	60	<b>59</b>	58
2009 Preference stock and warrants . . . . .	<u>3,462</u>	<u><b>3,462</b></u>	<u>3,462</u>
<b>Core Tier 1 Capital . . . . .</b>	<b>8,931</b>	<b>8,779</b>	<b>10,026</b>
Innovative hybrid debt . . . . .	761	<b>752</b>	1,197
Non-innovative hybrid debt . . . . .	581	<b>574</b>	1,798
Supervisory deductions . . . . .	<u>(543)</u>	<u><b>(454)</b></u>	<u>(372)</u>
<b>Tier 1 Capital . . . . .</b>	<b><u>9,730</u></b>	<b><u>9,651</u></b>	<b><u>12,649</u></b>



	<u>31 January 2010</u>	<u>31 December 2009</u>	<u>31 March 2009</u>
	(unaudited)	(unaudited)	(unaudited)
<b>Tier 2 Capital</b>			
Undated loan capital . . . . .	232	225	229
Dated loan capital . . . . .	3,758	3,716	3,827
IBNR provisions . . . . .	768	772	307
Revaluation reserves . . . . .	36	40	80
Supervisory deductions . . . . .	(543)	(454)	(372)
Other Adjustments . . . . .	11	11	
<b>Tier 2 Capital</b> . . . . .	<u>4,262</u>	<u>4,310</u>	<u>4,071</u>
<b>Total Capital before supervisory deductions</b> . . . . .	<u>13,992</u>	<u>13,961</u>	<u>16,720</u>
<b>Supervisory deductions</b>			
Life and Pensions Business . . . . .	(799)	(797)	(749)
<b>Total capital</b> . . . . .	<u>13,193</u>	<u>13,164</u>	<u>15,971</u>
<b>Risk Weighted Assets (RWA) — Basel II</b> . . . . .	€m	€ m	€ m
<b>Risk Weighted Assets</b>			
Credit risk . . . . .	90,036	89,785	96,395
Market risk . . . . .	2,187	2,133	2,509
Operational risk . . . . .	6,415	6,415	6,473
<b>Total Risk Weighted Assets</b> . . . . .	<u>98,638</u>	<u>98,333</u>	<u>105,377</u>
<b>Key Capital Ratios</b>			
Equity Tier 1 Capital Ratio (Core Tier 1 less Preference Stock) . . . . .	5.5%	5.3%	6.2%
Core Tier 1 Capital Ratio . . . . .	9.1%	8.9%	9.5%
Tier 1 Capital Ratio . . . . .	9.9%	9.8%	12.0%
Total Capital Ratio . . . . .	13.4%	13.4%	15.2%

Source: December 2009 Annual Report and unaudited internal management information for 31 January 2010

In June 2009 the Bank announced the successful completion of a debt re-purchase programme of €1.7 billion equivalent of euro, Sterling and US Dollar denominated non-Core Tier 1 securities. This initiative increased the Equity Tier 1 Capital by €1 billion.

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 and the Hybrid/Preferred Securities. 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 on 20 February 2010.

On 11 February 2010 the Bank completed the exchange of certain Lower Tier 2 Securities for new series of longer dated Lower Tier 2 Securities with a bullet maturity. This yielded a gain to Equity Tier 1 Capital and Core Tier 1 Capital of €405 million whilst leaving the total capital position unchanged. €1.62 billion in nominal value of Lower Tier 2 Securities were exchanged for €1.2 billion in nominal value of higher coupon Lower Tier 2 Securities, giving rise to the €405 million gain.

### ***Impact of NAMA on Capital***

Participation in NAMA will enable the Group to dispose of certain land and development loans and certain associated loans to NAMA and thereby determine the Group’s impairment charges associated with those loans. It is expected that this will increase market certainty because the Eligible Bank Assets to be transferred to NAMA in general are perceived to carry a higher risk than other classes of assets on the Bank’s balance sheet.

Further details on NAMA can be found in paragraph 10 (NAMA) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

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 estimates that the disposal of approximately €12.2 billion, before impairment provisions, together with accrued interest and related derivatives of €0.2 billion to NAMA, will reduce the Risk Weighted Assets of the Bank by approximately €11 billion.

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.

Any additional impairment charges together with any asset quality deterioration will continue to be borne by the Group on all Bank of Ireland Eligible Bank Assets until these assets are transferred to NAMA. This may result in a different impact on the Bank’s capital ratios than that shown in the pro forma capital ratios set out in Part V (Unaudited Pro Forma Financial Information) of this Circular.

## Prudential Capital Assessment Review

The Financial Regulator announced on 30 March 2010 that the Central Bank and the Financial Regulator had carried out an exercise to determine the forward-looking prudential capital requirements of certain Irish credit institutions, including the Group, covered by Government Guarantee Schemes. The Prudential Capital Assessment Review ("PCAR") assessed the capital requirements arising for expected base case and potential stressed loan losses, and other financial developments, over the three year period 2010-2012. It involved the Central Bank and the Financial Regulator making an assessment of the recapitalisation requirements of the credit institutions in order to satisfy both a base and stressed case target capital requirement.

The PCAR was undertaken to determine the recapitalisation requirements of certain Irish credit institutions with reference to both:

- **Base case:** A target level of 8% Core Tier 1 Capital after taking account of the realisation of future expected losses and other financial developments under a base case scenario. This test is designed to ensure the credit institutions are capitalised to a level which reflects prudential requirements and current market expectations, after taking into account forecasted loan losses through to December 2012. As a further prudential requirement, the capital used to meet the base case target must be principally in the form of equity, the highest quality form of capital, with 7% Equity Tier 1 Capital as the target level.
- **Stressed scenario:** A target level of 4% Core Tier 1 Capital should be maintained to meet a stress scenario or a portfolio level sensitivity analysis. This capital test, which is similar to that employed by US and UK supervisory authorities, is designed to ensure that the credit institutions have a sufficient capital buffer to withstand losses under an adverse scenario significantly worse than that currently anticipated.

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 implementation of the Proposals is expected to enable the Group to comply with the capital requirements arising from the PCAR.

## Capital Resources

Capital strategy is integrated into the overall strategy of the Group reflecting its importance as a key enabler.

The Group has a portfolio approach to its businesses to ensure that optimum returns are targeted and earned with a focus on ensuring growth in value enhancing activities. New lending activity and transactions are subject to RAROC (risk adjusted return on capital) return criteria.

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

	31 January 2010 (unaudited)	31 December 2009 (audited)	31 March 2009 (audited)
	€m	€m	€m
Stockholders' funds			
Equity (including other equity reserves) . . . . .	6,461	6,345	6,810
Non-cumulative preference stock . . . . .	42	42	42
Minority interests — equity . . . . .	50	50	61
Undated loan capital . . . . .	1,539	1,521	3,385
Dated loan capital . . . . .	<u>4,578</u>	<u>4,532</u>	<u>4,557</u>
<b>Total capital resources</b> . . . . .	<u>12,670</u>	<u>12,490</u>	<u>14,855</u>

Source: December 2009 Annual Report and unaudited internal management information for 31 January 2010

In the nine month period ended 31 December 2009 the Group's total capital resources reduced by €2,365 million to €12,490 million. The movement of €2,365 million includes a decrease of €465 million relating to Stockholders' equity (including other equity reserves) and a decrease of €1,864 million relating to undated loan capital.

The movement of €465 million in Stockholders' funds was mainly driven by an after tax loss of €1,460 million which included the impact of the June 2009 Tier 1 buyback (increase in Stockholders' funds of €1,037 million), net actuarial loss on pension funds of €74 million and an increase in other reserves (AFS reserves of €924 million, cash flow hedging reserve of €82 million) along with a positive movement in foreign exchange reserves of €117 million primarily due to the strengthening of Sterling against euro. Other items gave a negative movement of €54 million. The movement of €1,864 million in undated loan capital primarily relates to the Tier 1 buyback in June 2009 together with fair value movements on the remaining securities.

The Debt for Debt Exchange, completed in February 2010, resulted in a reduction of €413 million in dated loan capital. This was offset by an increase of €405 million in Stockholders' funds.

As at 31 December 2009, the Group had €1,521 million of undated loan capital and €4,532 million of dated loan capital (including fair value adjustments), a total of €6,053 million in aggregate of subordinated liabilities. Of the dated loan capital €3,778 million is repayable in five or more years.

The cost and availability of subordinated debt is influenced by credit ratings. A reduction in the ratings assigned to the Group's securities could increase financing costs and reduce market access. The credit ratings of the Group, some of which were downgraded during the year, at 19 March 2010 were as follows:

Senior Debt	Long-Term (Outlook) / Short-Term (Outlook)
Moody's Investor Service . . . . .	A1 (Outlook Stable)/P1 (Outlook Stable)
Standard & Poor's . . . . .	A- (Outlook Stable)/A2 (Outlook Stable)
Fitch . . . . .	A- (Outlook Stable)/F1 (Outlook Stable)
DBRS . . . . .	AA (Outlook Negative)/R-1 (Middle) (Outlook Stable)

Depending on the degree of subordination, the ratings assigned to subordinated loan capital will be one or more notches below the level for senior debt. Credit ratings are not a recommendation to buy, hold or sell any security and each rating should be evaluated independently of every other rating. These ratings are based on current information furnished to the rating agencies by the Bank and information obtained by the

rating agencies from other sources. The ratings are accurate only as of 23 April 2010 and may be changed, superseded or withdrawn as a result of changes in, or unavailability of, such information.

#### **4. Liquidity Management, Liquidity Risk and Funding Strategy**

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven among other things, by the maturity structure of loans and investments held by the Group, while cash outflows are driven by the term of its debt and the outflows from deposit accounts held “on demand” for customers. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt. The latter are often associated with times of distress or adverse events, such as a credit downgrade or economic or financial turmoil.

The Group’s exposure to liquidity risk is governed by policy approved by the Court and the Group Risk Policy Committee (“GRPC”). The operation of this policy is delegated to the Group’s Asset and Liability Committee (“ALCO”) who are responsible for monitoring the liquidity risk of the Group and for the development and monitoring of liquidity policy. Under ALCO, Bank of Ireland Global Markets is responsible for the day to day execution of the Group’s wholesale liquidity position under the direction of the group treasurer.

The objective of the Group’s liquidity management policy is to ensure that the Group can meet its obligations, including deposit withdrawals and funding commitments, as they fall due.

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

Liquidity management within the Group consists of two main activities:

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

In addition, the Group complies with the liquidity requirements applied by the Financial Regulator and with the requirements of local regulators in those jurisdictions in which the liquidity requirements apply to the Group. The Financial Regulator requires that banks have sufficient payment resources (cash inflows and marketable assets) to cover 100% of the expected cash outflows in the 0 to 8 day time horizon and 90% of expected cash outflows in the 8 to 30 day time horizon. The Group has implemented a series of internal measures that are more restrictive than these minimum regulatory requirements.

The Group aims to maintain substantial funding diversification, minimise concentration across the Group’s various funding sources and control the level of reliance on total short-term wholesale sources of funds. As part of the Group’s planning process, it regularly reviews the forecast funding of the Group’s balance sheet over the internal forecast period, and updates the funding forecast, as appropriate.

The largest, single source of funding for the Group is customer deposits which comprises demand deposits, current accounts, notice and term deposits. Together these account for 46% of the funding requirement of the balance sheet of the Group as at 31 January 2010 (excluding Bank of Ireland Life funds held on behalf of policyholders). A significant proportion of customer deposits are repayable on demand or at short notice although the Group manages these deposits on a “behavioural life” basis (that is based on precedent and the Bank’s experience) in common with other banks (€18 billion of total customer deposits as at 31 January 2010 had a residual contractual maturity of less than 3 months). However, the Court believes that the Group’s strong customer relationship focus and product range, together with the nature and geographic spread of its customer base, are generally mitigating factors against deposit outflows. The Group’s wholesale funding programmes which account for a further 40% of the Group’s funding requirements as at 31 January 2010 (excluding Bank of Ireland Life funds held on behalf of policyholders) are diversified across geographies, investor types and maturities.

The Group’s funding programmes are as follows:

- ECP (European Commercial Paper): securities issued pursuant to the ECP are either guaranteed or unguaranteed and are available from 1 month to 12 month maturities in a range of core and non-core currencies including EUR, GBP, USD, CHF, CAD, HKD, JPY, AUD, NZD, SEK, NOK;
- FCD (French Certificates of Deposit): securities issued pursuant to the FCD are guaranteed and available in 1 month to 12 month maturities in euro. The FCD is a French domestic programme regulated by the Banque de France;
- USCP (US Commercial Paper): securities issued pursuant to the USCP are either guaranteed or unguaranteed and available from 1 month to 12 month maturities in USD;
- YCD (Yankee Certificate of Deposit): securities issued pursuant to the YCD are either guaranteed or unguaranteed and available from 1 month to 5 year maturities in USD. There are a range of structures available;
- LCD (London Certificate of Deposit): securities issued pursuant to the LCD are guaranteed and available in 1 month to 5 year maturities in a range of core and non-core currencies including EUR, GBP, USD, CHF, CAD, HKD, JPY, AUD, NZD, SEK, NOK. There are a range of structures available;
- €25 billion EMTN (euro Medium Term Note) programme: securities issued pursuant to the EMTN are either guaranteed or unguaranteed. The EMTN facilitates the issuance of senior unsecured term securities in all currencies and in a range of structures. Lower Tier 2 Securities (in all currencies) are also issued pursuant to the EMTN;
- €4 billion EMTN/section 144A programme: The EMTN/section 144A programme was set up in January 2010 for issues of securities under the ELG Scheme. This programme facilitates the issuance of guaranteed senior unsecured term securities in all currencies and in a range of structures. This programme enables the issuance of transactions for sale into the US domestic market. The EMTN/section 144A programme is rated by Moody’s Investor Service and Standard & Poor;

- €10 billion Asset Covered Security (“ACS”) programme: Bank of Ireland Mortgage Bank’s ACS programme enables the issuance of covered bond benchmarks and private placements backed by a pool of prime Irish residential mortgage. Issuances pursuant to this programme are in euro and the programme is rated by Moody’s Investor Service and Standard & Poor;
- BOI UK Covered Bond programme: this is a €15 billion programme and is rated by Fitch Ratings and Standard & Poor.
- SEC registered US MTN (Medium Term Note) Programme.

The remainder of the Group’s balance sheet is funded by capital and other liabilities.

The Group’s focus on asset and liability management as outlined above, as well as its diversified funding structures and strategies, have ensured that it has been able to manage its balance sheet effectively since the liquidity crises intensified in September 2008. At 31 January 2010, the Group had a loan to deposit ratio of 157% including loans held for sale to NAMA which represented a disimprovement of 5 percentage points from 152% at 31 December 2009 and an improvement of 4 percentage points from 161% at 31 March 2009. In addition, the Group has maintained a liquidity buffer in excess of the minimum regulatory requirements throughout these periods. (Comparative figures for 31 January 2010 was 157% including NAMA and 146% excluding the impact of NAMA). At 31 January 2010, the Group had a loan to deposit ratio of 146% excluding loans held for sale to NAMA which represented a disimprovement of 5 percentage points from 141% at 31 December 2009.

### ***Government and Central Bank funding and liquidity support***

The global financial turmoil and constraints on liquidity experienced by financial institutions in September 2008 placed a significant strain on the funding position of banks internationally. The extremely distressed market conditions of the time led Governments and Monetary Authorities such as the ECB and the Bank of England to announce a broad range of measures intended to ease the strain on the liquidity positions of the banks and to reduce the level of turbulence being experienced in financial markets. The Group participates in global central bank operations as part of its normal day to day funding operations. In addition, the Group has availed of certain additional liquidity schemes introduced by central banks for all market participants during the recent dislocation within funding markets. Monetary Authorities have commenced the gradual reduction of support initiatives, for example the ECB has begun the process of gradually reducing the level of non-standard liquidity operations available to financial institutions, including the Bank. The Group has maintained a disciplined approach to the use of funding from Monetary Authorities and the Group’s funding from these sources reduced to approximately €6 billion as at 31 January 2010 from approximately €8 billion net at 31 December 2009 and approximately €17 billion net at 31 March 2009.

The Government, recognising the adverse impact of the global financial crisis on Irish financial institutions in accessing wholesale funding markets, and the systemic importance of certain financial institutions, including Bank of Ireland, to the Irish economy introduced the CIFS Guarantee Scheme on 30 September 2008 which guarantees the deposits and certain liabilities of covered institutions up to 29 September 2010. Further information on the Group’s participation in the CIFS Guarantee Scheme is set out in paragraph 9 (Material Contracts) of Part VI (Additional Information) of this Circular.

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 with a maturity of up to five years on either a guaranteed or unguaranteed basis, provided the relevant liabilities are incurred during an Issuance Window which expires on 29 September 2010, subject to further State aid approval by 1 June 2010. The Bank joined the scheme on 11 January 2010. The ELG Scheme is subject to European Commission review by 1 June 2010 under which the European Commission could require the amendment or cessation of the ELG Scheme. All liabilities guaranteed under the existing CIFS Guarantee Scheme as at 11 January 2010 will remain guaranteed under and in accordance with the terms of the CIFS Guarantee Scheme. The costs of participating in the ELG Scheme may be changed at the Minister for Finance’s discretion. 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 proposed extension is subject to European Commission approval and this could be influenced by a range of factors including EU policy. 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.

The Group’s total liabilities (excluding both equity and Bank of Ireland Life policyholder liabilities) at 31 January 2010 amounted to €171 billion. Of this amount, € 44 billion or 26% is guaranteed under the CIFS Guarantee Scheme, €38 billion or 22 % is guaranteed under ELG Scheme with a further €32 billion or 19% guaranteed under the Government’s deposit protection scheme. In the nine months ended 31 December 2009 the cost of the Government Guarantee Schemes was €105 million (an increase of €73 million when compared to the nine month period ended 31 December 2008).

The Group has taken advantage of the recent improvements in sentiment in financial markets and has extended the duration of its money market funding, issued debt securities in partially unguaranteed format and reduced its reliance on secured funding sources. Since the Group joined the ELG Scheme it has raised approximately €4 billion in term funding up to 14 April 2010.

The Group is focusing on disengaging from the Government Guarantee Schemes in a prudent and safe manner as market conditions permit.

In advance of the expiry of the Government Guarantee Schemes, the Group will extend the maturity of wholesale funding under the ELG Scheme with a view to reducing the wholesale funding re-financing risk in the period around the expiry of the Government Guarantee Schemes.

Should the ELG Scheme be extended, in order to meet market expectations, it may be necessary for the Group to continue to participate in the ELG Scheme, particularly if competitor banks in the Irish market continue to participate.

Over recent years, the Group has invested in building a strong technical capability to support contingent liquidity strategies which has allowed the Group to maximise the funding potential from its balance sheet. Using this capability the Group has developed significant pools of eligible collateral from its balance sheet which can be pledged in the secondary market and through the normal market operations of Monetary Authorities (including the ECB, the Bank of England and the US Federal Reserve) to provide access to secured funding. At 31 January 2010, the Group’s contingent liquidity collateral pool would facilitate approximately €41 billion of funding from Monetary Authorities. 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 to €7 billion (net) at 31 January 2010.



The Group's focus on deleveraging its balance sheet, supported by the participation in NAMA, should reduce the Group's funding and liquidity risk in the future. In addition, the Directors believe that the Proposals will be supportive of the Group's ability to raise funding. A key priority for the Group is to reduce its reliance on these support schemes as market conditions continue to improve — details of the Group's funding structure, profile and initiatives to improve the Group's funding and liquidity position are set out in the following paragraphs.

### ***Funding Structure and Profile***

The following table shows the Group's funding sources:

The CIFS Guarantee Scheme and the Issuance Window of the ELG Scheme are due to expire on 29 September 2010. The ELG Scheme is subject to review by the European Commission by 1 June 2010.

<b>Summary Liabilities (excluding Bank of Ireland Life policyholder liabilities)</b>	<b>31 January 2010 (unaudited)</b>		<b>31 December 2009 (audited)</b>		<b>31 March 2009 (audited)</b>	
	€bn	%	€bn	%	€bn	%
Deposits from banks . . . . .	26	14%	18	11%	29	16%
Senior Debt / Asset Covered Securities . . . . .	30	17%	27	16%	25	14%
Commercial Paper / Certificates of deposits . . . . .	10	6%	10	6%	14	7%
Securitisations . . . . .	5	3%	6	3%	6	3%
<b>Total wholesale funding . . . . .</b>	<b>71</b>	<b>40%</b>	<b>61</b>	<b>36%</b>	<b>74</b>	<b>40%</b>
Subordinated Debt . . . . .	6	3%	6	4%	8	4%
Customer Deposits . . . . .	82	46%	85	50%	83	45%
Stockholders' equity . . . . .	6	4%	6	4%	7	4%
Other . . . . .	13	7%	11	6%	12	7%
<b>Total Group Funding (excluding Bank of Ireland Life Liabilities) . . . . .</b>	<b>178</b>	<b>100%</b>	<b>169</b>	<b>100%</b>	<b>184</b>	<b>100%</b>

Source: December 2009 Annual Report and unaudited internal management information for 31 January 2010

The following table provides a maturity analysis of wholesale funding:

<b>Wholesale funding maturity analysis</b>	<b>31 January 2010 (unaudited)</b>		<b>31 December 2009 (audited)</b>		<b>31 March 2009 (audited)</b>	
	€bn	%	€bn	%	€bn	%
Less than 3 months . . . . .	30	42%	23	38%	42	57%
3 months to one year . . . . .	19	27%	19	31%	10	14%
One to five years . . . . .	13	18%	10	16%	15	20%
More than five years . . . . .	9	13%	9	15%	7	9%
<b>Total wholesale funding . . . . .</b>	<b>71</b>	<b>100%</b>	<b>61</b>	<b>100%</b>	<b>74</b>	<b>100%</b>

Source: Extracted from information in the December 2009 Annual Report and unaudited internal management information for 31 January 2010

### ***Balance Sheet Deleverage***

In early 2009, the Group announced a number of initiatives to deleverage the balance sheet. These included the cessation of mortgage lending through the intermediary channel in the United Kingdom and putting this business, together with certain discontinued international corporate lending portfolios into run-off. Together these initiatives relate to loans which amount to 25% of the Group's total loans and advances to customers at 31 December 2009 (31 March 2009: 28%).

### ***Customer Deposits***

Deposit gathering remains a key priority and the Group continues to leverage the potential of its extensive retail distribution platforms, both in Ireland through its 251 full time branches, in Northern Ireland through its 44 branches, 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.

<b>Customer deposits</b>	<b>31 January 2010</b>		<b>31 December 2009</b>		<b>31 March 2009</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>		<b>(unaudited)</b>	
	<b>€bn</b>	<b>%</b>	<b>€bn</b>	<b>%</b>	<b>€bn</b>	<b>%</b>
<b>Retail Ireland</b> . . . . .	<u>35</u>	<u>43%</u>	<u>35</u>	<u>41%</u>	<u>33</u>	<u>40%</u>
— Deposits . . . . .	24		24		23	
— Current account credit balances . . . . .	11		11		10	
<b>UK Financial Services (€bn equivalent)</b> . . . . .	<u>21</u>	<u>26%</u>	<u>21</u>	<u>25%</u>	<u>21</u>	<u>25%</u>
<i>UK Financial Services (£bn)</i> . . . . .	19		19		19	
— <i>POFS</i> . . . . .	9		9		8	
— <i>Business Banking</i> . . . . .	10		10		11	
<b>Capital Markets</b> . . . . .	<u>26</u>	<u>31%</u>	<u>29</u>	<u>34%</u>	<u>29</u>	<u>35%</u>
<b>Total customer deposits</b> . . . . .	<u>82</u>	<u>100%</u>	<u>85</u>	<u>100%</u>	<u>83</u>	<u>100%</u>

Source: December 2009 Annual Report and unaudited internal management information for 31 January 2010

Despite intense market competition in the Republic of Ireland and pressure on international deposits caused by rating downgrades, the Group's deposit base has stabilised in the nine months to 31 December 2009. From 31 March 2009 to 31 December 2009 customer deposits increased by €2 billion due principally to the €2 billion increase in deposits in the Group's Retail Republic of Ireland division.

The Group's loans to deposit ratio has improved from 161% at 31 March 2009 to 152% at 31 December 2009 including loans held for sale to NAMA. In the month to 31 January 2010, the Group's deposits decreased to €82 billion from €85 billion at 31 December 2009, following the downgrade from Standard & Poors on 26 January 2010, the ratio was 157% at 31 January 2010.

### **Wholesale Funding**

During the second half of 2009 funding conditions improved for Bank of Ireland, reflecting an upturn in the general funding market backdrop and an increased appetite for Irish debt. Investors' perception of Irish sovereign risk improved based on economic data indicating the pace of contraction in the Irish economy is moderating, on-going efforts by the Government to stabilise public finances through budgetary measures and measures of support for the Irish banking system (particularly NAMA).

The Group has taken advantage of the improved market sentiment and has extended the duration of its money market funding, issued debt securities in partially unguaranteed format and reduced its reliance on secured funding sources. A highlight of the Group's funding activity during the period was the 5 year issue of a covered bond in September 2009. This was the first partially unguaranteed public benchmark fund-raising transaction by an Irish institution since the introduction in September 2008 of the CIFS Guarantee Scheme. Separately, on 29 September 2009, the Group issued a €1 billion, unsecured benchmark senior debt security with a maturity of 3.5 years, unguaranteed after 29 September 2010. The Bank has raised approximately €4 billion in term funding, i.e. funding with a maturity of one year and greater.

Wholesale funding as a percentage of the Group total assets (excluding Bank of Ireland Life policyholder assets) remained constant at 40% (€71 billion) at 31 January 2010, compared to 40% (€74 billion) at 31 March 2009. It increased from 36% (€61 billion) at 31 December 2009 primarily as a result of a prudent and temporary increase of approximately €7 billion (from the 31 December 2009 level) in the volume of liquid assets held by the Group at the time of the ratings downgrade by Standard & Poors on 26 January 2010. The increased quantum of liquid assets was funded in the wholesale markets. Subsequent to the ratings downgrade, the outflow of customer deposits was less than had been anticipated and, as a result, the quantum of liquid assets and consequent wholesale funding was reduced during February 2010. At 31 January 2010, 31% or €22 billion of this wholesale funding had a term to maturity of greater than one year i.e. beyond the expiry date of the Government Guarantee Schemes, compared to 29% at 31 March 2009 and 31% at 31 December 2009.

### **Impact of NAMA on Funding and Liquidity**

A critical feature of participation in NAMA is the additional liquidity that is expected to arise. As consideration for the loans transferred, NAMA will issue to financial institutions a combination of Government guaranteed bonds (approximately 95% of the consideration) and non-guaranteed subordinated bonds (approximately 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 the NAMA website at <http://www.nama.ie>.

Assuming a transfer from the Group of approximately €12.2 billion of loans before impairment provisions, together with accrued interest and related derivatives of €0.2 billion to NAMA, the Group would be expected to receive Government guaranteed bonds of approximately €7.5 billion (applying the estimate of 95%) which would significantly improve the liquidity position of the Group. Please see Part V (Unaudited Pro Forma Financial Information) of this Circular for further details.

The Government guaranteed bonds will provide the Group with access to additional liquidity and funding, if required, for its ordinary business activities. They may also reduce the cost of liquidity and funding to the Group.

Participation in NAMA will also reduce the leverage of the Bank by removing approximately €9.4 billion (after impairment provisions) of customer loans from its balance sheet, resulting in a reduction in the Group's loan-to-deposit ratio. The Group estimates that the Group's loan-to-deposit ratio of 152% at 31 December 2009 would fall to a pro forma loan-to-deposit ratio of 141% if all its estimated eligible assets had been transferred to NAMA on that date.

Impairment charges for the loans due to be transferred to NAMA, before the actual transfer, follow normal impairment accounting rules and the Group does not account for the loss on disposal to NAMA until the loans are actually transferred.

At 31 December 2009, the Group considered that the estimated Bank of Ireland Eligible Bank Assets which were expected to be transferred to NAMA met the criteria for classification as assets held for sale. Thus, the relevant loans and advances to customers, derivatives and accrued

interest have been reclassified to assets held for sale as at 31 December 2009. The assets classified as assets held for sale to NAMA continue to be measured on the same basis as prior to their classification as assets held for sale. In particular, loans and advances to customers continue to be measured at amortised cost less any incurred impairment losses. In accordance with accounting standards, de-recognition of these assets held for sale will occur when substantially all the risks and rewards of ownership have been transferred to NAMA. This will only occur on a phased basis as ownership of each tranche is legally transferred to NAMA.

#### ***Impact of the Proposals on Funding and Liquidity***

The strengthened capital position resulting from the Proposals is likely to support credit ratings and debt investor sentiment which may be reflected in greater access and improved pricing of funding.

#### **5. The Potential Impact of the EU Restructuring Plan**

The implementation of the EU Restructuring Plan may have a negative impact on the Group's loan to deposit ratio and/or the level of wholesale funding required should a divestment be required of a business with deposits which are not matched by the level of loans transferring sufficient to retain the Group's target loan to deposit ratio and may also have a negative impact on capital resources should a divestment of a business at below net book value be required, although it is anticipated that the designated divestment period should allow any negative impacts to be materially mitigated. Further details on the EU Restructuring Plan are provided in paragraph 12 (State aid and EU Restructuring Plan) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

#### **6. Working Capital**

As discussed above, the global markets for short and medium-term sources of funding on which banks rely to support their business activities remain constrained as a result of which support by the Minister for Finance to directly supplement existing sources of funding and create the environment for an improvement in the availability of other traditional sources of funding remains necessary. Due to the uncertainty surrounding the implementation and/or continuation of the Government schemes, the Irish Stock Exchange and the UK Listing Authority have agreed that a statement regarding the adequacy of working capital for at least the next 12 months should not be required in this document. There is, therefore, no working capital statement in this document.

## PART V

### UNAUDITED PRO FORMA FINANCIAL INFORMATION

#### SECTION A

#### Effect of the Proposals and participation of the Bank in NAMA, the Debt for Debt Exchange and the issue of NPRFC Coupon Ordinary Stock

The unaudited pro forma financial information set out in this Part V is based on the audited results of the Group for the 9 months ended 31 December 2009, prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 1963 to 2009 applicable to companies reporting under IFRS with the European Communities (Credit Institutions: Accounts) Regulations, 1992 after applying the adjustments described in the notes set out below, and in accordance with Annexes I and II of the EU Prospectus Regulations. The unaudited pro forma financial information has been prepared to illustrate the effect of the Proposals, participation of the Group in NAMA, the Debt for Debt Exchange and the issue of NPRFC Coupon Ordinary Stock as if they had occurred on 31 December 2009. The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the pro forma statement of financial information addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

#### 1. Unaudited pro forma net assets as at 31 December 2009

	As at 31 December 2009 € million <sup>(1)</sup>	Placing € million <sup>(2)</sup>	Rights Issue € million <sup>(3)</sup>	Debt for Equity Offers € million <sup>(4)</sup>	Warrant Cancellation € million <sup>(5)</sup>	Cost of Proposals € million <sup>(6)</sup>	Other € million <sup>(7)</sup>	Pro forma as at 31 December 2009 € million <sup>(8)</sup>
<b>ASSETS</b>								
Cash and balances at central banks . .	4,241	500 <sup>(2(i))</sup>	747 <sup>(3(i))</sup>	—	(491)	(130)	—	4,867
Items in the course of collection								
from other banks . . . . .	400	—	—	—	—	—	—	400
Trading securities . . . . .	403	—	—	—	—	—	—	403
Derivative financial instruments . . .	5,824	—	—	—	—	—	—	5,824
Other financial assets at fair value								
through profit or loss . . . . .	9,679	—	—	—	—	—	—	9,679
Loans and advances to banks . . . . .	5,031	—	—	—	—	—	—	5,031
Available for sale financial assets . .	20,940	—	—	—	—	—	7,775 <sup>(7(a)(i))</sup>	28,715
Loans and advances to customers . .	119,439	—	—	—	—	—	—	119,439
Assets held for sale to NAMA . . . .	9,581	—	—	—	—	—	(9,581) <sup>(7(a) (ii))</sup>	—
Interest in associates . . . . .	23	—	—	—	—	—	—	23
Interest in joint ventures . . . . .	194	—	—	—	—	—	—	194
Intangible assets — goodwill . . . .	48	—	—	—	—	—	—	48
Intangible assets — other . . . . .	459	—	—	—	—	—	—	459
Investment properties . . . . .	1,265	—	—	—	—	—	—	1,265
Property, plant and equipment . . . .	404	—	—	—	—	—	—	404
Deferred tax assets . . . . .	865	—	—	—	—	—	288 <sup>(7(a) (iii))</sup>	1,153
Other assets . . . . .	2,304	—	—	—	—	—	—	2,304
Retirement benefit asset . . . . .	6	—	—	—	—	—	—	6
<b>Total assets</b> . . . . .	181,106	500	747	—	(491)	(130)	(1,518)	180,214
<b>EQUITY AND LIABILITIES</b> . . . .								
Deposits from banks . . . . .	17,903	—	—	—	—	—	—	17,903
Customer accounts . . . . .	84,812	—	—	—	—	—	—	84,812
Items in the course of transmission								
to other banks . . . . .	198	—	—	—	—	—	—	198
Derivative financial instruments . . . .	6,037	—	—	—	—	—	—	6,037
Debt securities in issue . . . . .	43,144	—	—	—	—	—	—	43,144
Liabilities to customers under								
investment contracts . . . . .	5,050	—	—	—	—	—	—	5,050
Insurance contract liabilities . . . . .	6,658	—	—	—	—	—	—	6,658
Other liabilities . . . . .	2,899	—	—	—	—	—	—	2,899
Provisions . . . . .	142	—	—	—	—	—	—	142
Deferred tax liabilities . . . . .	134	—	—	—	—	—	—	134
Retirement benefit obligations . . . .	1,638	—	—	—	—	—	—	1,638
Subordinated liabilities . . . . .	6,053	—	—	(528)	—	—	(405) <sup>(7(b))</sup>	5,120
Liabilities classified as held for sale								
to NAMA . . . . .	1	—	—	—	—	—	(1)	—
<b>Total liabilities</b> . . . . .	174,669	—	—	(528)	—	—	(406)	173,735



	As at 31 December 2009 € million <sup>(1)</sup>	Placing € million <sup>(2)</sup>	Rights Issue € million <sup>(3)</sup>	Debt for Equity Offers € million <sup>(4)</sup>	Warrant Cancellation € million <sup>(5)</sup>	Cost of Proposals € million <sup>(6)</sup>	Other € million <sup>(7)</sup>	Pro forma as at 31 December 2009 € million <sup>(8)</sup>
<b>Equity</b>								
<b>Capital stock &amp; Stock</b>								
premium account . . . . .	4,791	500 <sup>(2(i)(ii))</sup>	747 <sup>(3(i)(ii))</sup>	421	—	(61)	— <sup>(7(c))</sup>	6,398
Retained earnings . . . . .	3,263	—	—	146	(381)	(69)	(1,112) <sup>(7(d))</sup>	1,847
Other reserves . . . . .	(1,580)	—	—	(39)	(110)	—	—	(1,729)
Own shares held for the benefit of life assurance policyholders . . .	(87)	—	—	—	—	—	—	(87)
<b>Stockholders' equity . . . . .</b>	<b>6,387</b>	<b>500</b>	<b>747</b>	<b>528</b>	<b>(491)</b>	<b>(130)</b>	<b>(1,112)</b>	<b>6,429</b>
Minority interests . . . . .	50	—	—	—	—	—	—	50
<b>Total equity . . . . .</b>	<b>6,437</b>	<b>500</b>	<b>747</b>	<b>528</b>	<b>(491)</b>	<b>(130)</b>	<b>(1,112)</b>	<b>6,479</b>
<b>Total equity and liabilities . . . . .</b>	<b>181,106</b>	<b>500</b>	<b>747</b>	<b>—</b>	<b>(491)</b>	<b>(130)</b>	<b>(1,518)</b>	<b>180,214</b>

#### Notes:

- (1) Information on the assets, liabilities and equity of the Group as at 31 December 2009 has been extracted without material adjustment from the audited consolidated balance sheet included in the December 2009 Annual Report as published on 16 April 2010. Capital stock and stock premium account have been combined in the analysis above.
- (2) This column represents the adjustments made to show the expected effect of the Institutional Placing, the NPRFC Placing and conversion of 2009 Preference Stock as follows:
  - (i) Private placement of units of Ordinary Stock to institutional placees equivalent to a value of €500 million; and
  - (ii) Issue of units of Ordinary Stock to the NPRFC as conversion of circa €1 billion of 2009 Preference Stock (offset in full by the reduction in capital stock and share premium to reflect the conversion).
- (3) This column represents the adjustments made to show the expected effect of the Rights Issue as follows:
  - (i) Issue of units of Rights Issue Stock (to a total value of €1,080 million) to Existing Stockholders to a value of €815 million and Placees to a value of €265 million assuming a full take up of Rights. Of the total proceeds, €333 million will be applied in the settlement of the cash option under the Debt for Equity Offers (as per the assumptions in footnote 4 below) resulting in an increase in cash of €747 million and an increase in capital stock & stock premium of €747 million; and
  - (ii) Issue of units of Rights Issue Stock to the NPRFC to a value of €618 million (offset in full by a reduction in capital stock and share premium of €618 million to reflect the partial conversion of 2009 Preference Stock) assuming full take up of Rights.
- (4) This represents the adjustments made to show the expected effect of the Debt for Equity Offers assuming, for illustrative purposes, €567 million of Eligible Debt Securities are tendered at a weighted average discount of circa 25% to nominal value, with a circa 20% take up of the offer to receive Allotment Instruments and a circa 80% take up of the cash option. The €528 million reduction in subordinated liabilities and €39 million reduction in other reserves (from the US\$150 million Perpetual Floating Rate Primary Capital Note) is offset by: (i) Issue of Ordinary Stock to the value of €88 million in ultimate settlement of Allotment Instruments; (ii) Proceeds of €333 million from the Rights Issue in settlement of the noteholders electing to take up the cash option; (iii) The resulting gain of €146 million; being the difference between the nominal value of the Eligible Debt Securities tendered and items (i) and (ii) above. This results in an increase in both Equity Tier 1 Capital and Core Tier 1 Capital of €567 million. Depending on the actual take up of the Debt for Equity Offers, the total Rights Issue will be resized to reflect the gain realised on the Debt for Equity Offers subject to a cap of €100 million and the amount of consideration to be settled in Allotment Instruments, issued subsequent to the Rights Issue. If there is no take up of the Debt for Equity Offers, the Rights Issue size assumed above increases by circa €0.2 billion.
- (5) This column represents the adjustments made to show the effect of the repurchase of the Warrants.
- (6) The estimated aggregate costs and expenses (inclusive of VAT) payable by the Bank in connection with the Proposals which are taken as a deduction against stock premium or retained earnings as appropriate and include underwriting fees; legal, accounting and other professional fees of €79 million, the NPRFC Placing Fee and transaction cost of €32 million and the NPRFC Underwriting Fee of €19 million.
- (7) This column shows the combined effect of (a) the Group's participation in NAMA and (b) the exchange of Lower Tier 2 Securities as follows:
  - (a) This represents the adjustments made to show how the potential transfer of approximately €12.2 billion of loans before impairment provisions, together with accrued interest and derivatives of €0.2 billion to NAMA might have affected the balance sheet of the Group as shown if the transfer took place as at 31 December 2009 as follows:
    - (i) The €7,775 million increase in Available for sale financial assets represents an estimate of the fair value of the senior debt (95% of the consideration equating to €7,514 million) and subordinated debt securities (5% of the consideration equating to €261 million after valuation adjustment of €135 million) issued by NAMA as part of the consideration for the potential Bank of Ireland Eligible Bank Assets transferred to NAMA;
    - (ii) The €9,581 million of the reduction in Assets held for sale to NAMA represents the potential Bank of Ireland Eligible Bank Assets to be transferred to NAMA net of existing impairment provisions but before the application of the NAMA valuation process and also includes derivatives with a fair value of €93 million and accrued interest of €31 million;
    - (iii) The €288 million adjustment to deferred tax assets represents the estimated tax benefit arising from the loss on sale of Eligible Bank Assets to NAMA at a blended tax rate of 16% which equates to the jurisdictions in which the potential Bank of Ireland Eligible Bank Assets are based;
    - (iv) No account has been taken of any fees to be paid by NAMA for administrative / servicing work on the transferred loans which the Bank may carry out on NAMA's behalf in the future; and
    - (v) The estimated loss on the sale of Bank of Ireland Eligible Bank Assets to NAMA is €1,518 million which is calculated by applying a gross discount rate of 36% (€4,449 million) and a 34% reduction related to the valuation adjustment applied to the nominal value of the NAMA subordinated debt securities (€135 million) less the existing impairment provisions (€2,778 million) and less the estimated future allowable tax benefit (€288 million). No adjustment has been made to the value of the senior debt securities which have been acquired at par. 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 discount to gross loan value incurred on the first tranche of loans transferred to NAMA on 2 April 2010 was 36%. For the purposes of presenting the pro forma balance sheet, a gross discount rate of 36% has been applied to all Bank of Ireland Eligible Bank Assets. The limited number and nature of the loans involved in this first tranche means 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;. Further information regarding NAMA is set out in paragraph 10 (NAMA) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

- (b) The effect of the exchange of Lower Tier 2 Securities as if it had taken place at 31 December 2009 is to show a net reduction of circa €0.4 billion in subordinated liabilities. New securities issued by the Group with a value of €1.2 billion were exchanged for securities with a value of €1.6 billion. The corresponding net increase of €405 million in retained earnings is to reflect the gain arising on the exchange;
- (c) The effect of the issue of 184,394,378 units of Ordinary Stock to the NPRFC in settlement of the dividend of €250.4 million due on the 2009 Preference Stock on 20 February 2010 is to increase capital stock by €118 million with a corresponding reduction in Stock Premium account. The offsetting reduction in Stock Premium account is due to the increase of €132 million that arises on issue being offset by the capitalisation of Stock Premium of €250 million to reflect the fact that no cash proceeds are received on issue of the Ordinary Stock; and
- (d) The adjustment to retained earnings is the net of the loss on sale of assets to NAMA of €1,518 million and the gain of €405 million on the exchange of Lower Tier 2 Securities as described above.
- (8) This column is the sum of columns (1) to (7) and represents the unaudited consolidated balance sheet as at 31 December 2009 based on the assumption that the relevant transactions set out in columns (2) to (7) took place on 31 December 2009.
- (9) No account has been taken of the trading results of the Group since 31 December 2009.

The adjustments in columns (2) to (6) reflect the expected effects of the Proposals; column (7) reflects other matters and column (8) reflects the adjustments on a pro forma basis as if they had all occurred on 31 December 2009.

## 2. Unaudited pro forma regulatory capital ratios as at 31 December 2009

	As at 31 December 2009	Placing	Rights Issue	Debt for Equity Offers	Warrant Cancellation	Cost of Proposals	Other	Pro forma as at 31 December 2009
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<b>Key Balance Sheet metrics</b>								
Total Risk Weighted Assets (€ billion) . . . . .	98	—	—	—	—	—	(11) <sup>(7(a)(i))</sup>	87
Equity Tier 1 Capital (€ billion) . . . . .	5.3	1.5	1.3	0.6	(0.5)	(0.1)	(1.1) <sup>(7(a)(ii)7(b)(i))</sup>	7.0
Core Tier 1 Capital (€ billion) . . . . .	8.8	0.5	0.7	0.6	(0.5)	(0.1)	(1.1) <sup>(7(a)(ii)7(b)(i))</sup>	8.9
Tier 1 Capital (€ billion) . . . . .	9.7	0.5	0.7	0.0	(0.5)	(0.1)	(1.1) <sup>(7(a)(ii)7(b)(i))</sup>	9.2
Total Capital (€ billion) . . . . .	13.2	0.5	0.7	0.0	(0.5)	(0.1)	(2.0) <sup>(7(a)(iii))</sup>	11.8
Equity Tier 1 Capital Ratio . . . . .	5.3%						(7)(a)(iv)(v)7(b)(ii))	8.0%
Core Tier 1 Capital Ratio . . . . .	8.9%						(7)(a)(iv)(v)7(b)(ii))	10.1%
Tier 1 Capital Ratio . . . . .	9.8%						(7)(a)(iv)(v)7(b)(ii))	10.5%
Total Capital Ratio . . . . .	13.4%						(7)(a)(v)7(a)(vi))	13.5%

### Notes:

- (1) Information on the risk weighted assets, capital amounts and capital ratios of the Group have been extracted without material adjustment from the December 2009 Annual Report as published on 16 April 2010.
- (2) This column represents the adjustments made to show the effect of the Placing. See note (2)(i)(ii) above for further details;
- (3) This column represents the adjustments made to show the effect of the Rights Issue. See note (3)(i)(ii) above for further details;
- (4) This column represents the adjustments made to show the effect of the Debt for Equity Offers. See note (4) above for further details;
- (5) This column represents the adjustments made to show the effect of the Warrants cancellation. See note (5) above for further details;
- (6) This column represents the adjustments made to show the effect of the cost of the Proposals (including amounts in respect of VAT) See note (6) above for further details;
- (7) This column shows the combined effect of (a) of the Group's participation in NAMA and (b) the exchange of Lower Tier 2 Securities as follows:
  - (a) This represents the adjustments made to show how the transfer of potential Bank of Ireland Eligible Bank Assets to NAMA might have affected the Total Risk Weighted Assets, Equity Tier 1 Capital, Core Tier 1 Capital, Tier 1 Capital and Total Capital and Equity Tier 1 Capital Ratio, Core Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio as at 31 December 2009 as follows:
    - (i) Reduction of circa. €11 billion in Risk Weighted Assets due to the expected transfer of loans to NAMA. No adjustment has been made for any reduction in liquid asset levels which may also reduce Risk Weighted Assets over time;
    - (ii) Adjustments to pro forma Equity Tier 1 Capital, pro forma Core Tier 1 Capital and pro forma Tier 1 Capital of €1.5 billion relates to the expected discount on transferred loans, derivatives and accrued interest after adjusting for existing provisions, the deferred tax asset and the assumed adjustments to the fair value of the non-guaranteed subordinated bonds;
    - (iii) Adjustments to pro forma Total Capital includes the €1.5 billion expected discount as described above and also reflects the reduction in IBNR provisions of circa €500 million post the transfer of loans to NAMA giving a combined adjustment of €2.0 billion;
    - (iv) Adjustments to Equity Tier 1 Capital Ratio; Core Tier 1 Capital Ratio and Tier 1 Capital Ratio for the pro forma reduction of €1.5 billion in Equity Tier 1 Capital, Core Tier 1 Capital and Tier I Capital; and
    - (v) Adjustment to all ratios for the pro forma reduction of circa €11 billion in Risk Weighted Assets; and
    - (vi) Adjustment to the Total Capital Ratio for the pro forma reduction in Total Capital of €2.0 billion.
  - (b) This represents the adjustments made to show the effect of the Debt for Debt Exchange as follows:
    - (i) Adjustment to pro forma Equity Tier 1 Capital, Core Tier 1 Capital, and Tier 1 Capital of €0.4 billion in respect of the gain on exchange of Lower Tier 2 Securities; and
    - (ii) Adjustment to pro forma Equity Tier 1 Capital Ratio, Core Tier 1 Capital Ratio, and Tier 1 Capital Ratio in respect of the gain on exchange of Lower Tier 2 Securities.
- (8) This column is the sum of column (1) to (7) and reflects the unaudited Pro forma Total Risk Weighted Assets, Equity Tier 1 Capital, Core Tier 1 Capital, Tier 1 Capital and Total Capital and Equity Tier 1 Capital Ratio, Core Tier 1 Capital Ratio, Tier 1 Capital Ratio, and Total Capital Ratio based on the assumption that the Proposals and certain other matters took place on 31 December 2009.
- (9) No account has been taken of the trading results of the Group since 31 December 2009.

## SECTION B

### REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The Directors  
The Governor and Company of the  
Bank of Ireland,  
Lower Baggot Street  
Dublin 2  
Ireland  
("the Bank")



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

UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

26 April 2010

Ladies and Gentlemen,

#### Accountants Report in respect of the pro forma unaudited financial information

We report on the unaudited pro forma financial information (the "**Pro forma Information**") set out in Section A of Part V of the Bank's circular dated 26 April 2010 (the "**Circular**") which has been prepared on the basis described in the notes to the Pro forma Information, for illustrative purposes only, to provide information about how, the Proposals, the costs of the Proposals, the participation of the Bank in NAMA, the Debt for Debt Exchange and the issue of NPRFC Coupon Ordinary Stock might have affected the financial information presented on the basis of the accounting policies adopted by the Bank in preparing the financial statements for the nine months ended 31 December 2009. This report is required by item 10.3.3 of the Listing Rules of the Irish Stock Exchange (the "**Listing Rules**") and item 13.3.3R of the Listing Rules of the UK Listing Authority (the "**UK Listing Rules**") and is given for the purpose of complying with those rules and for no other purpose.

#### Responsibilities

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

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

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

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

#### Basis of opinion

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

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

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

**Opinion**

In our opinion:

- (a) the Pro forma Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Bank.

Yours faithfully,

PricewaterhouseCoopers  
Dublin, Ireland

**Chartered Accountants**



## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility Statement

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

#### 2. Incorporation and Principal Office

Bank of Ireland was established as a chartered corporation by an Act of the Irish Parliament of 1781/2 and by a Royal Charter of King George III in 1783. The Bank is registered in Ireland with registered number C-1 and has limited liability.

The address of the principal office of the Bank is Head Office, 40 Mespil Road, Dublin 4, Ireland (Telephone No.: +353 1 661 5933).

#### 3. Directors

The Directors of the Bank are:

Patrick Molloy	Governor
Dennis Holt	Deputy Governor and Senior Independent Director
Richie Boucher	Group Chief Executive
Des Crowley	Chief Executive, Retail (Ireland & UK)
Denis Donovan	Chief Executive, Capital Markets
John O'Donovan	Group Chief Financial Officer
Tom Considine <sup>(1)</sup>	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 <sup>(1)</sup>	Non-Executive Director

(1) Director appointed by the Minister for Finance pursuant to the CIFS Guarantee Scheme.

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

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

##### *Directors' interests in capital stock*

The table below sets out the interests of the Directors in the Bank's Ordinary Stock as at 23 April 2010, the last practicable date prior to the publication of this Circular. The Executive Directors intend to take up in full their Rights to acquire Rights Issue Stock. The Non-Executive Directors intend either to take up in full their Rights to acquire Rights Issue Stock or to subscribe for not less than the number of units of Rights Issue Stock as can be funded by the sale of their Nil Paid Rights. The maximum potential interests held by the Directors, following the implementation of the Proposals is set out in the table below:

	No. of Units Ordinary Stock	Maximum Potential No. of Units of Ordinary Stock held following the Proposals <sup>(1)</sup>
Richie Boucher . . . . .	33,127	331,789
Tom Considine . . . . .	5,000	50,078
Des Crowley . . . . .	130,454	1,306,585
Denis Donovan . . . . .	185,078	1,853,682
Paul Haran . . . . .	8,443	84,562
Dennis Holt . . . . .	16,284	163,095
Rose Hynes . . . . .	25,000	250,392
Jerome Kennedy . . . . .	8,062	80,746
Declan McCourt . . . . .	50,674	507,534
Heather Ann McSharry . . . . .	11,354	113,718
Patrick Molloy . . . . .	1,167,333	11,691,634
Terry Neill . . . . .	114,461	1,146,404
John O'Donovan . . . . .	91,126	912,688
Patrick O'Sullivan . . . . .	10,000	100,156
Joe Walsh . . . . .	10,733	107,498

Notes

(1) The maximum potential number of units of Ordinary Stock held following the Proposals assumes: (i) no take up of the Debt for Equity Offers; (ii) a Rights Issue Price of €0.10; and (iii) all the Directors taking up in full their Rights to acquire Rights Issue Stock.

### Secretary and Senior Executives interests in capital stock

The table below sets out the interests of the Secretary and Senior Executives in the Bank's Ordinary Stock as at 23 April 2010, the last practicable date prior to the publication of this Circular.

	<b>No. of Units Ordinary Stock</b>
Helen Nolan . . . . .	21,883
Liam McLoughlin . . . . .	4,812
Vincent Mulvey . . . . .	29,322
Ronan Murphy . . . . .	70,346

### Stock options held by Directors, Secretary and Senior Executives

#### Executive stock options

##### Options granted between 2006 and 2007

The vesting of options granted in 2006 and 2007 is conditional upon underlying earnings per share achieving a cumulative growth of at least 5% per annum compounded above the increase in the Consumer Price Index over the three year performance period.

Options granted in 2006 matured on 4 July 2009 and did not vest as the performance conditions were not achieved.

Options granted in 2007 are due to mature on 12 June 2010, but are likely to lapse as the performance conditions are unlikely to be achieved.

##### Options granted in 2008

For options granted in 2008, 25% will vest if the Group's underlying earnings per share growth is 3% per annum compounded over the three year performance period covering March 2009 to March 2011. 100% of options granted in 2008 will vest if the Group's underlying earnings per share growth is 6% compounded over the three year performance period. A scaled level of vesting will occur between these two targets, with options lapsing if the minimum target of underlying earnings per share of 3% per annum compounded is not achieved over the three year performance period.

Options to subscribe for Ordinary Stock in the Bank granted to the Directors, Secretary and Senior Executives, at 23 April 2010, the last practicable date prior to the publication of this Circular, are set out in the following table:

	<b>Date of Grant</b>	<b>Earliest exercise date</b>	<b>Expiry date</b>	<b>Exercise Price</b>	<b>No. of Options</b>
Richie Boucher . . . . .	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	26,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	23,000
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	71,600
					<u>154,550</u>
Des Crowley . . . . .	May 21, 2001	May 21, 2004	May 21, 2011	11.05	25,000
	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	25,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	68,800
					<u>270,250</u>
Denis Donovan . . . . .	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	30,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	81,450
					<u>262,900</u>
Helen Nolan . . . . .	May 21, 2001	May 21, 2004	May 21, 2011	11.05	10,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	10,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	12,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	11,000
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	9,700
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	16,400
					<u>69,100</u>
Liam McLoughlin . . . . .	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	11,900
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	20,650
					<u>32,550</u>

	<u>Date of Grant</u>	<u>Earliest exercise date</u>	<u>Expiry date</u>	<u>Exercise Price</u>	<u>No. of Options</u>
Vincent Mulvey . . . . .	May 25, 2000	May 25, 2003	May 25, 2010	6.96	10,000
	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	10,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	12,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	14,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	10,500
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	17,300
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	34,350
					<u>108,150</u>
Ronan Murphy . . . . .	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	33,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	29,000
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	27,150
	Jun 03, 2008	Jun 3, 2011	Jun 3, 2018	8.10	54,300
					<u>143,450</u>
John O'Donovan . . . . .	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	25,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	67,900
					<u>244,350</u>

### ***Sharesave Scheme Options***

Under the terms of the Sharesave Schemes offered in 2006 and 2007, options were granted in December of each of those years to all eligible Group employees who elected to participate. Option prices were set at a discount of 25% to the then market price as permitted by the rules of the scheme in Ireland (€12.28 in 2006; €6.96 in 2007) and at a discount of 20% to the then market price as permitted by the rules of the scheme in the United Kingdom (€13.09 in 2006; €7.43 in 2007). Under the terms of the 2006 and 2007 Sharesave offers, participants could save for three years.

The options held under the Sharesave Schemes by the Directors, Secretary and Senior Executives as at 23 April 2010, the last practicable date prior to the publication of this Circular are set out in the table below:

	<u>Sharesave scheme date of Grant</u>	<u>Sharesave options granted</u>	<u>Market value at date of grant</u>	<u>Sharesave options held at 23 April 2010</u>
	<b>2006</b>			
Richie Boucher . . . . .	22 December 2006	301	€17.33	301
Ronan Murphy . . . . .	22 December 2006	301	€17.33	301
Helen Nolan . . . . .	22 December 2006	301	€17.33	301
	<b>2007</b>			
Vincent Mulvey . . . . .	24 December 2007	531	€10.11	531
Ronan Murphy . . . . .	24 December 2007	531	€10.11	531
Helen Nolan . . . . .	24 December 2007	531	€10.11	531

### ***Long Term Incentive Plan (LTIP)***

Conditional awards of units of Ordinary Stock are made to Group senior executives annually since 2004 under the terms of the LTIP.

These awards do not vest in the individuals unless demanding performance criteria are achieved. Prior to the introduction of the LTIP in 2004, conditional awards of units of Ordinary Stock were made under the Long Term Performance Stock Plan (LTPSP).

The performance conditions attached to the award of conditional units of stock made in June 2006 under the LTIP were not met in June 2009 and the awards granted under the scheme lapsed. Further information is set out in paragraph 4 (Remuneration of Directors, Secretary and Senior Executives) of Part XVII (Directors, Corporate Governance and Employees) of the Prospectus.

The Group Remuneration Committee decided that no award was to be made to the Executive Directors, Secretary and Senior Executives in June 2009 under the LTIP plan.

The conditional awards of units of Ordinary Stock made to the Directors, Secretary and the Senior Executives under the LTIP as at 23 April 2010, the last practicable date prior to the publication of this Circular are set out in the table below:

<u>Name</u>	<u>No. of Conditional Awards of units Ordinary Stock</u>	<u>Maturity Date</u>
Richie Boucher . . . . .	33,950	12 June 2010
	71,600	3 June 2011
Total. . . . .	<u>105,550</u>	
Des Crowley . . . . .	33,950	12 June 2010
	68,800	3 June 2011
Total. . . . .	<u>102,750</u>	
Denis Donovan . . . . .	33,950	12 June 2010
	81,450	3 June 2011
Total. . . . .	<u>115,400</u>	
John O'Donovan . . . . .	33,950	12 June 2010
	67,900	3 June 2011
Total. . . . .	<u>101,850</u>	
Ronan Murphy . . . . .	27,150	12 June 2010
	54,300	3 June 2011
Total. . . . .	<u>81,450</u>	
Helen Nolan . . . . .	6,950	12 June 2010
	12,300	3 June 2011
Total. . . . .	<u>19,250</u>	
Vincent Mulvey . . . . .	12,100	12 June 2010
	34,350	3 June 2011
Total. . . . .	<u>46,450</u>	
Liam McLoughlin . . . . .	10,400	12 June 2010
	16,200	3 June 2011
Total. . . . .	<u>26,600</u>	

Prior to the introduction of the LTIP in 2004, conditional awards of units of Ordinary Stock were made under the Long Term Performance Stock Plan (LTPSP). A minimum of 80% of the vested stock must be retained by the Directors, Secretary or Senior Executives for a period of two years from the maturity of the award. After the two year retention period, an additional award of units of Ordinary Stock equal to 20% of the retained stock is made. If the award is retained for an additional five years, a further award of Ordinary Stock equal to 30% of the initial award is made.

The conditional awards of units of Ordinary Stock made to the Directors, Secretary and the Senior Executives under the LTPSP as at 23 April 2010, the last practicable date prior to the publication of this Circular are set out in the table below:

<u>Name</u>	<u>Retained Awards under the LTPSP Scheme<sup>(2)</sup></u>	<u>Additional 30% Conditional Awards of Ordinary Stock</u>	<u>Maturity Date of Additional 30% Conditional Awards</u>
Des Crowley . . . . .	13,079	3,269	25 May 2010
	9,496	2,373	21 May 2011
	7,070	1,767	24 June 2012
	<u>29,645</u>	<u>7,409</u>	
Denis Donovan. . . . .	11,494	2,873	25 May 2010
	7,067	1,766	21 May 2011
	4,714	1,178	24 June 2012
	<u>23,275</u>	<u>5,817</u>	
John O'Donovan. . . . .	6,034	1,508	24 June 2012
	<u>6,034</u>	<u>1,508</u>	

(2) This includes the additional 20% award made on the expiry of the two year retention period

## 5. Directors' Service Contracts & Letters of Appointment

### *Executive Directors Service Contracts*

Each of the Executive Directors, Richie Boucher, Des Crowley, Denis Donovan and John O'Donovan has a service contract with the Bank. The service contracts of Richie Boucher, Des Crowley and John O'Donovan are permanent contracts which may be terminated by the Bank giving not less than twelve months' written notice of termination. Each of these Executive Directors is entitled to terminate the contract by giving not less than twelve months' notice of termination, or such lesser period as may be mutually agreed. Each of these service contracts reserves the right of the Bank to make a payment in lieu of the notice period. Denis Donovan's service contract is a permanent contract which may be



terminated by the Bank or by Denis Donovan giving three months' written notice of termination. Each of the Executive Directors' service contracts may be terminated by the Bank on giving the applicable statutory notice only (or payment in lieu thereof in respect of Richie Boucher, Des Crowley and John O'Donovan) in certain prescribed circumstances to include fraud, dishonesty, gross misconduct or wilful neglect in the discharge of duties on the part of the Executive Director. Each service contract terminates automatically on the sixtieth birthday of the Executive Director to which it relates. Richie Boucher, Des Crowley and John O'Donovan are entitled to receive a pension from the Bank Staff Pension Fund for Executives on retirement. Denis Donovan is entitled to receive a pension from Bank of Ireland Asset Management Pension Scheme for Executives. Save as set out in this paragraph, the service contracts of the Executive Directors do not provide for any payments or benefits on termination.

#### ***Non-Executive Directors Letters of Appointment***

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

### **6. Significant Stockholdings**

#### ***Significant Interests held by the NPRFC***

Pursuant to the NPRFC Investment, the NPRFC acquired voting rights equivalent to 25% of all votes capable of being cast by Stockholders on a poll at a General Court of the Bank on any resolution proposed at such a General Court of the Bank involving the appointment, re-election or removal of directors and certain matters relating to a proposed change of control of the Bank (being a change in the holding of more than 50% of the voting stock of the Bank or of substantially all of the Group's business and assets).

The 2009 Preference Stock entitles the NPRFC to receive a non-cumulative cash dividend at a fixed rate of 8% (increasing to 10.25% if the Proposals are implemented) of the subscription price of €3.5 billion, payable annually in arrears at the discretion of the Bank. If a cash dividend is not paid by the Bank, the Bank must issue units of Ordinary Stock in the Bank to the NPRFC (the "Bonus Ordinary Stock").

The number of units of Bonus Ordinary Stock that the Bank would be required to issue to the NPRFC in the event of non-payment of a cash dividend, is calculated by reference to the net amount of the unpaid dividend amount divided by:

- (i) 100% of the average daily closing price of Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, in the event that the Bonus Ordinary Stock is issued on the originally scheduled dividend payment date; or
- (ii) 95% of the average daily closing price of Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, in the event that the bonus Ordinary Stock is issued later than the originally scheduled dividend payment date.

The Bonus Ordinary Stock will rank *pari passu* with the Ordinary Stock as to voting, save that, in respect of a resolution to appoint, re-elect or remove a director of the Bank, the maximum aggregate number of votes that shall be capable of being cast by the NPRFC is 25%. This restriction does not apply to other Ordinary Stock held by the NPRFC (for example Ordinary Stock held pursuant to its other investment activities). Following the implementation of the Government Transaction, this restriction will no longer apply to the NPRFC's Ordinary Stock (including the NPRFC Coupon Ordinary Stock, the Ordinary Stock issued pursuant to the NPRFC Placing or the NPRFC Rights Issue Undertaking and any Bonus Ordinary Stock issued to the NPRFC) and the NPRFC will be entitled to exercise the full voting rights attaching to those stock units.

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

As announced by the Bank on 19 January 2010, the Bank is currently precluded from declaring and paying any distribution or dividend on its capital stock, including the 2009 Preference Stock. As a result, the Bank issued 184,394,378 units of bonus Ordinary Stock to the NPRFC in lieu of a cash dividend on the 2009 Preference Stock, which was otherwise due on 20 February 2010. As a result, the NPRFC currently holds 15.73% of the Existing Stock (which includes both the NPRFC Coupon Ordinary Stock and other Ordinary Stock held by the NPRFC pursuant to its other investment activities). Following completion of the Proposals, the NPRFC will hold up to a maximum of 36% of the Ordinary Stock following the implementation of the Proposals.

As part of the NPRFC Investment, Bank of Ireland issued 334,737,148 Warrants to the NPRFC on 31 March 2009 pursuant to the Warrant Instrument. Under the terms of the Warrants, the NPRFC would be entitled, at any time between 31 March 2014 and 31 March 2019 or following an offer for the Bank, to subscribe for units of Ordinary Stock on the basis of one unit of Ordinary Stock for each individual Warrant. The Warrants, if exercised in full, would on the date of this Circular entitle the NPRFC to acquire 334,737,148 units of Ordinary Stock. Pursuant to the Proposals, the Warrants held by the NPRFC will be cancelled in return for the payment of €491 million in cash from the Bank to the NPRFC. 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.

The NPRFC intends to take up all of its Rights in respect of the NPRFC Coupon Ordinary Stock and the Ordinary Stock issued pursuant to the NPRFC Placing. Following the implementation of the NPRFC Placing and the NPRFC Rights Issue Undertaking, the NPRFC would hold up to a maximum of 36% of the Ordinary Stock following the implementation of the Proposals.

Further information regarding the Subscription Agreement for the NPRFC Investment is set out in paragraph 9 (Material Contracts) of this Part VI of this Circular.

In addition, 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 an automatic 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 Significant Interests***

As at 23 April 2010, being the latest practicable date prior to publication of this Circular, the Bank had received notification of the following other significant interests in the issued Ordinary Stock:

- Harris Associates L.P.: 44,425,502 units of Ordinary Stock, comprising 3.74%, of the total Ordinary Stock in issue; and
- Capital Research and Management Company ("CRMC"): 37,224,744 units of Ordinary Stock comprising 3.13% of the total Ordinary Stock in issue.

Assuming Harris Associates L.P. and CRMC take up all of their Rights pursuant to the Rights Issue and assuming no take-up of the Debt for Equity Offers and no participation by Harris Associates L.P. and CRMC in the Institutional Placing, following the Proposals, Harris Associates L.P. and CRMC would hold 2.1% and 1.8% respectively of the Ordinary Stock in the Bank. These stockholdings are not beneficially owned but are held on behalf of a range of clients of Harris Associates L.P. and CRMC, none of whom hold, so far as the Directors have been notified, more than 3% of the issued Ordinary Stock.

As at 23 April 2010, the last practicable date prior to the publication of this Circular, the Bank had not been notified of any holding of capital stock in the Bank carrying greater than 3% of voting rights in the Bank save as discussed in this paragraph 6 of this Part VI.

## **7. Disclosure of Stock Ownership**

Under Irish company law where a person acquires an interest in shares in a public limited company (and the Bank is considered to be a public limited company for these purposes) or ceases to be interested in such shares, he/she has an obligation to notify the company of the interests he or she has, or had, in its shares.

As recently modified by the Transparency Rules, stockholders must now notify both the Financial Regulator and the Bank if the percentage of voting rights held by the stockholder exceeds, or falls below, a threshold of 3% and each 1% thereafter up to 100% as a result of an acquisition or disposal of voting rights in shares.

On 10 June 2009, the European Communities (Assessment of Acquisitions in the Financial Sector) Regulations 2009 introduced a number of changes into Irish law relating to the acquisition and disposal of holdings in credit institutions. These regulations provide that those who are seeking to acquire or dispose of certain percentage holdings in financial institutions must notify the CBFSAI before proceeding. A proposed acquirer or disposer who has a holding representing 10% or more of the capital of or voting rights in the credit institution or has a holding giving significant influence over management is required to notify the CBFSAI provided that, upon acquisition or disposal, the percentage of the capital of or voting rights in the credit institution would reach or exceed (upon acquisition), or fall to or below (upon disposal), 20%, 33% or 50%; or where the credit institution would become (upon acquisition) or cease to become (upon disposal) a subsidiary of the acquirer or disposer. Where an institution itself becomes aware of such acquisition or disposal, they are also obliged to inform the CBFSAI without delay. Upon being notified of a proposed acquisition the CBFSAI has a set period in which to consider it, following which the CBFSAI must either oppose it, approve it, or approve it with conditions. If the CBFSAI fails to make its decision within the period, the transaction is deemed to be approved. The CBFSAI can only oppose an acquisition upon consideration of particular criteria and must carry out its assessment with the objective of ensuring the sound and prudent management of the credit institution concerned. Any decision by the CBFSAI to oppose an acquisition or approve it with conditions can be appealed to the Irish Financial Services Appeals Tribunal; any decision of that Tribunal is appealable to the High Court.

Pursuant to the non-statutory bulletin entitled "Licensing and Supervision Requirements and Standards for Credit Institutions" which was issued and updated by the CBFSAI on 22 April 1998, where a stockholding, registered in the name of a nominee, constitutes more than 5% of stock or of the voting rights attaching to stock in a credit institution, the ultimate beneficial ownership of stock so held should be made known by the credit institution to the CBFSAI. Prior approval of the CBFSAI should be sought for the registration of any transfer of units of stock which would result in the transferee controlling more than 5% of the stock or of the voting rights attaching to stock in a credit institution. A credit institution should provide the CBFSAI once in each financial year, or at such other times as the CBFSAI may direct, with a detailed statement of stockholders or beneficial owners of 10% or more of its capital stock.

Under the Bye-Laws of the Bank any member may be requested to declare by statutory declaration whether he/she is beneficially entitled to Ordinary Stock of which he/she is the registered owner and, if not, to disclose the person or persons for whom he/she holds such Ordinary Stock in trust. Such a declaration must be made within 14 days of service of the notice. Failure to respond to the notice in the prescribed period entitles the Directors to serve a disenfranchisement notice on such member with the consequence that the member may not attend or vote, either personally or by proxy, at any General Court of the Bank or exercise any other rights conferred by membership in respect of his or her holding Ordinary Stock (the "Default Stock"). In addition, where the Default Stock amounts to more than 5% of the Ordinary Stock then in issue of the Bank then the disenfranchisement notice can state that no dividend will be payable on the Default Stock, and that no transfer of the Default Stock will be registered by, or on behalf of, the Bank. A disenfranchisement notice may continue in effect for as long as the default in respect of which it was issued continues.

## 8. Litigation

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

### *Procom litigation*

In May 2007, the Bank, through Bank of Ireland Private Banking, entered into an agreement with Procom Desarrollos Urbanos, SA and Cecosa Hipermercados S.L.U (the "Plaintiff") to purchase the entire issued share capital of Procom Desarrollo Comercial de Zaragoza, SA which is a Spanish incorporated company involved in the development of a shopping centre and retail park in Zaragoza, Spain. The agreement contained a number of pre-conditions. The Bank contends that one of the pre-conditions was not satisfied and accordingly did not proceed to purchase Procom Desarrollo Comercial de Zaragoza, SA. In February 2009, the Plaintiff initiated legal proceedings against Bank of Ireland Private Banking and the Bank (the "Defendant") for specific performance or, failing this, damages in relation to the terminated agreement claiming €142 million in damages. On 10 February 2010, the Madrid Court of First Instance ruled in favour of Plaintiff and awarded damages of €90.87 million. An appeal has been lodged by both the Bank and the Plaintiff. The Bank is advised that the appeal process will take between six and eighteen months. Either party may then ultimately appeal this matter to the Supreme Court in Spain, which is likely to take a further two years.

### *Investigation into the banking system*

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

As part of the first stage of the investigation into the banking system, the Government has commissioned two preliminary investigatory reports. A report on the functions of the CBFSAI over the period from the establishment of the Financial Regulator in May 2003 to the end of September 2008 will be prepared by the recently appointed Governor of the CBFSAI. A second report, dealing with an investigation into the specific factors within the Irish banking sector which exacerbated the impact of the international financial crisis for Ireland, will be prepared by independent experts appointed by the Minister. It is open to the independent experts to decide what time period to investigate up to and including September 2008 and it is expected that this preliminary report will involve inquiry into the conduct, management and corporate governance of individual financial institutions, including the Bank.

Both preliminary reports are due to be submitted to the Minister by the end of May 2010 and their findings will form the basis of the terms of reference of a formal statutory investigation (the "Statutory Commission of Investigation") which will be established by the Government pursuant to the Commissions of Investigation Act, 2004. At the second stage of the investigation into the banking system, it is expected that the Statutory Commission of Investigation will examine the performance of individual banks and bank directors, the performance of regulatory authorities, the response of Government and Government agencies and the structure of the banking system in Ireland generally.

The Government anticipates that the Statutory Commission of Investigation will be established by 30 June 2010 and complete its work by the end of 2010, at which point its findings will be laid before the Finance and Public Service Oireachtas Committee for its consideration. Further inquiry may result from the findings of the Statutory Commission of Investigation, including the possibility of public hearings.

## 9. Material Contracts

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by members of the Group (a) within the two years immediately preceding the date of this Circular which are, or may be, material to the Group; or (b) at any time and contain obligations or entitlements which are, or may be, material to the Group as at the date of this Circular:

### *Underwriting Agreement*

Pursuant to a placing and rights issue underwriting agreement dated 26 April 2010 between the Bank, the Sponsors, the Joint Bookrunners and the Underwriters: (a) the Underwriters have agreed severally to use reasonable endeavours to procure Placees for Placing Stock at the Institutional Placing Price pursuant to the Institutional Placing and, failing which, the Underwriters have agreed severally to subscribe themselves for the Placing Stock not otherwise taken up at the Institutional Placing Price; and (b) the Joint Bookrunners have agreed severally to use reasonable endeavours to procure subscribers for Rights Issue Stock at a price not lower than the Rights Issue Price to the extent not taken up under the Rights Issue and, failing which, the Underwriters have agreed severally to subscribe themselves for the Rights Issue Stock at the Rights Issue Price. 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.

In consideration of their services under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not having been terminated prior to Admission of the Nil Paid Rights the Underwriters will be paid:

- (i) a sum equal to 2.00% of the gross proceeds of the Institutional Placing;
- (ii) a Rights Issue underwriting fee of 2.75% of the maximum possible gross proceeds under the Rights Issue (excluding the maximum possible gross proceeds from the NPRFC Rights Issue Undertaking); and
- (iii) at Bank of Ireland's sole discretion (as to amount and allocation), an incentive fee of in aggregate up to 0.5% of the Rights Issue Price multiplied by the aggregate number of units of Rights Issue Stock issued under the Rights Issue (excluding any new Ordinary Stock to be subscribed for by NPRFC under the NPRFC Rights Issue Undertaking),

in each case, whether or not called upon to subscribe or procure subscribers for units of new Ordinary Stock and in each case together with any applicable value-added tax. Out of the Rights Issue underwriting fees referred to in (ii) above (to the extent received by the Underwriters), the Underwriters will pay any sub-underwriting commissions (to the extent that sub-underwriters are or have been procured). The Underwriters may arrange sub-underwriting in respect of some, all or none of the Rights Issue Stock.

The Bank has agreed to pay all costs and expenses of, or in connection with, the Placing, the Rights Issue, the EGC, the allotment and issue of the Placing Stock and the Rights Issue Stock.

The obligations of the Underwriters under the Underwriting Agreement are subject to certain limited conditions including, amongst others:

- (i) the passing, without amendment, of Resolutions 1 to 7;
- (ii) Admission of the Nil Paid Rights occurring not later than 8.00am on 20 May 2010, or such later time as the Bank and the Joint Bookrunners may agree;
- (iii) each condition to enable the Nil Paid Rights and the Fully Paid Rights to be admitted as a participating security in CREST (other than Admission) of the Nil Paid Rights and Fully Paid Rights being satisfied on or before 19 May 2010;
- (iv) the fulfilment by the Bank of its obligations under the Underwriting Agreement which fall to be performed before Admission of the Nil Paid Rights by the dates and times specified therein; and
- (v) the warranties given by the Bank pursuant to the Underwriting Agreement being true, accurate and not misleading on and as of the date of the Underwriting Agreement and such other specified dates, including immediately before Admission of the Nil Paid Rights, as though such warranties had been given and made on such date and time by reference to the facts and circumstances then subsisting.

Each of the Sponsors is entitled to terminate the Underwriting Agreement (insofar as such termination relates to its obligations as sponsor only) under certain limited circumstances prior to Admission of the Nil Paid Rights. The Underwriters may terminate the Underwriting Agreement in its entirety prior to Admission of the Nil Paid Rights under certain limited circumstances, including, but not limited to, if:

- (i) a matter arises which gives rise to an indemnity claim under the Underwriting Agreement or under the agreements with the Dealer Managers pursuant to the Debt for Equity Offers against the Bank which is material in the context of the Rights Issue, Admission of, and/or trading in the Nil Paid Rights, the Fully Paid Rights or the new Ordinary Stock;
- (ii) any condition to the Underwriting Agreement has not been satisfied or waived by the Joint Bookrunners or if any matter or circumstances arises as a result of which there is no reasonable prospect that any of the conditions to the Underwriting Agreement will be satisfied at the required time(s) (if any) or will continue to be satisfied at Admission of the Nil Paid Rights;
- (iii) a force majeure event occurs;
- (iv) an application by the Bank for Admission of the Placing Stock or the Nil Paid Rights is withdrawn or refused by the Irish Stock Exchange, the UKLA or the London Stock Exchange;
- (v) there has been a breach by the Bank of any of its undertakings or covenants or any of the warranties contained in the Underwriting Agreement are not, or have ceased to be, true, accurate and not misleading;
- (vi) a downgrade occurs by at least one of Standard and Poor's or Fitch Ratings that results in a reduction of two notches or more in the senior long-term ratings accorded to debt securities of the Bank; or
- (vii) in the opinion of the Joint Bookrunners there shall have been a material adverse change (meaning, in this context, any material adverse change, or any development reasonably likely to involve a prospective material adverse change, in the condition (financial, operational, legal or otherwise) or in the earnings, management, business affairs, financial affairs, solvency, operations or prospects of the Bank and its Group taken as a whole, whether or not arising in the ordinary course of business, whether or not foreseeable at the date of the Underwriting Agreement).

Pursuant to the Underwriting Agreement, the parties to the Underwriting Agreement have agreed that if a supplementary prospectus is issued by the Bank two Business Days or fewer prior to the date specified as the latest date for acceptance and payment in full, such date shall be extended to the date which is three Business Days after the date of issue of the supplementary prospectus and all dates in the Underwriting Agreement referable to the date for acceptance shall also be extended mutatis mutandis.

The Bank has given certain representations, warranties, undertakings and indemnities to the Underwriters. The liabilities of the Bank in respect of such representations, warranties, undertakings and indemnities are unlimited as to time and amount.

### ***Government Transaction Agreement***

On or around the date of this Circular, the Bank will enter into a Government Transaction Agreement with the NPRFC and the Minister for Finance, under which the NPRFC and the Bank will agree to the NPRFC Placing, the NPRFC Rights Issue Undertaking, the Warrant Cancellation and the amendment of the NPRFC's voting and dividend rights under the Bank's Bye-Laws (as set out in more detail in paragraph 7 (Government Transaction) of Part I (Letter from the Governor of Bank of Ireland) of this Circular under the heading "*Amendment of the NPRFC's dividend and voting rights*"). The Government Transaction Agreement also sets out the Admission of Ordinary Stock, settlement and consideration arrangements in respect of the NPRFC Rights Issue Undertaking (as reflected in the Expected Timetable of Principal Events of this Circular). In addition, under the Government Transaction Agreement, the Bank has agreed to pay the NPRFC Placing Fee, the NPRFC Commitment Commission and the Transaction Fee to the NPRFC and to give the NPRFC and the Minister for Finance identical warranties and termination rights as those provided to the Underwriters in the Underwriting Agreement. The Government Transaction Agreement also includes a commitment from the NPRFC to vote in favour of the Resolutions (to the extent it is permitted to do so).

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 the Resolutions 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. The units of Ordinary Stock to be issued to the NPRFC pursuant to the NPRFC Rights Issue Undertaking will be issued on the day of Admission of the Placing Stock.



Under the Government Transaction Agreement the Bank commits 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 is committed to use all reasonable efforts to provide €20 million for seed capital to Enterprise Ireland supported ventures and €100 million for environmental, clean energy and innovation projects (this is in addition to the commitments previously met under the Subscription Agreement). The Bank is also required to work with Enterprise Ireland and the Irish 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 to 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.

#### ***IT Services Agreement***

The IT Services Agreement dated 28 November 2003 and made between the Bank and Hewlett Packard (together with certain ancillary agreements) dealing with the provision to the Bank and designated members of the Group of information technology infrastructure support services. Subject to the termination provisions set out in the agreement, its duration is 7 years from 1 April 2004.

#### ***Master Services Agreement (Training and Procurement)***

The Master Services Agreement dated 25 November 2005 and made between Bank of Ireland and Accenture deals with the provision by Accenture to the Bank of certain training services for staff, and procurement services to support designated purchasing activities of the Bank. Subject to the termination provision set out in the agreement, its duration is 7 years.

#### ***Network Services Agreement (Telecommunications)***

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

#### ***Post Office Joint Venture Agreements.***

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

POL and a wholly owned subsidiary of the Bank jointly own First Rate Exchange Services Limited which provides foreign currency through Post Office branches in the United Kingdom through other outlets and direct to businesses.

The Bank and POL jointly own Midasgrange Limited which arranges for insurance, savings accounts, mortgages, and personal loans to be provided to over 2 million customers (in the period ended 31 December 2009) by the Bank, its subsidiaries or third party providers through POL branches and the POL website. Subject to the termination provisions set out in the agreement, which include a change of control provision, the agreement runs to March 2020 from which time it can be terminated.

#### ***TSYS Outsourcing Agreement (Payment Processing)***

The agreement dated 16 April 2004 entered into between the Bank and Total Systems Services, Inc (TSYS) concerns the outsourcing of its payment card processing services. The agreement covers all of the Bank's credit cards and charge cards as well as some ATM and debit cards. The agreement is for a period of 8 years subject to the termination rights of the parties.

#### ***Guarantee Acceptance Deeds in respect of the CIFS Guarantee Scheme***

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

#### ***ELG Scheme***

On 11 January 2010, the Group joined the ELG Scheme by executing an eligible liability guarantee deed in favour of the Minister for Finance and has been issued a "participating institution certificate" (as defined in regulation 2.15 of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009) pursuant to the ELG Scheme. Pursuant to the eligible liability guarantee deed, the Bank has given certain covenants in favour of the Minister and also given an indemnity for costs incurred by the Minister in respect of the ELG Scheme. Further details can be found in Part XI (Regulation and Supervision) of the Prospectus.

### ***Application to be designated a Participating Institution in NAMA***

On 12 February 2010, the Bank's application pursuant to section 62 of the NAMA Act to become a Participating Institution in NAMA was accepted. Further details can be found in paragraph 10 (NAMA) of Part I (Letter from the Governor of Bank of Ireland) of this Circular and in Part XI (Regulation and Supervision) of the Prospectus.

### ***Subscription Agreement relating to the NPRFC Investment***

The Bank entered into a Subscription Agreement with the NPRFC and the Minister for Finance dated 31 March 2009, under which, in consideration for the payment of €3.5 billion, the Bank issued to the NPRFC the 2009 Preference Stock and the Warrants. Under the terms of the agreement, the Bank is restricted from using these proceeds to make a contribution to a pension fund in excess of an amount which the Bank is required to contribute by law. The Bank provided warranties in respect of certain matters relating to the financial position and commercial activities of the Bank. In addition, this agreement required the Bank to consult with the Minister for Finance in respect of matters reasonably expected to have a public interest dimension. The Bank also agreed to use all reasonable efforts to comply with the customer package set out in Appendix I to the announcement issued by the Department of Finance on 11 February 2009 in connection with the recapitalisation of the Bank. The Bank is also restricted from entering into "cash box" transactions (that is the issue of shares for shares which are readily realisable for cash, the effect of which is to enable an issuer to issue shares for cash without complying with the pre-emption rights of Stockholders of an issue of shares for cash) or the issue of shares in any Group company for non-cash consideration without the consent of the Minister for Finance. Details of the voting rights attaching to the 2009 Preference Stock and Ordinary Stock issued pursuant to the exercise of the Warrants are set out above in paragraph 6 (Significant Stockholdings) of this Part VI of this Circular.

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

All the requirements listed in the paragraph above have been complied with and, where relevant, are in effect for the current financial year.

### ***Warrant Instrument relating to the NPRFC Investment***

The Warrants issued pursuant to the NPRFC Investment are governed by the terms of a Warrant Instrument between the Bank and the NPRFC dated 31 March 2009. The Warrant Instrument contains customary anti-dilution protection for the NPRFC allowing for the adjustment of the number of units of Ordinary Stock into which the Warrants convert in certain circumstances, such as the consolidation or subdivision of units of Ordinary Stock and certain capital distributions and issues of bonus stock but not the issue of Bonus Ordinary Stock. Further details in respect of the Warrants are set out in paragraph 6 (Significant Stockholdings) of this Part VI of this Circular.

## 10. Significant Subsidiaries

The principal Group undertakings at 31 December 2009 were:

<b>Name</b>	<b>Percentage ownership, interest &amp; voting power</b>	<b>Field of Activity</b>	<b>Country of Incorporation</b>	<b>Registered Address</b>
Bank of Ireland Mortgage Bank	100%	Mortgage Lending & Mortgage Covered Securities	Ireland	New Century House, Mayor St Lower, IFSC, Dublin 1
ICS Building Society	100% voting power	Building Society	Ireland	New Century House, Mayor St Lower, IFSC, Dublin 1
Bank of Ireland International Finance Limited	100%	International Asset Financing	Ireland	Bank of Ireland, Lower Baggot St., Dublin 2
Bank of Ireland (IOM) Ltd	100% owned by Bank of Ireland Holdings (IOM) Limited	Retail Banking	Isle of Man	4, Christian Road, Douglas, Isle of Man
New Ireland Assurance Company plc	100% owned by Bank of Ireland Life Holdings Ltd.	Life Assurance, pensions and savings	Ireland	11/12 Dawson St., Dublin 2
Bank of Ireland UK Holdings plc	100%	Intermediate holding and finance company	United Kingdom	1 Donegall Sq. Sth., Belfast, BT1 5LR
Bank of Ireland Life Holdings Ltd.	100%	Life assurance and pensions	Ireland	11-12 Dawson Street, Dublin 2
Midasgrange Limited (T/A Post Office Financial Services)	50.1% owned by Bank of Ireland UK Holdings Plc	Retail financial services	United Kingdom	1st Floor Eastcheap Court, 11 Philpot Lane, London EC3M 8BA England
First Rate Exchange Services Ltd.	100% owned by First Rate Exchange Holdings Limited **	Foreign exchange	United Kingdom	Falcon House 115-123 Staines Road Hounslow Middlesex TW3 3LL England

\*\* 50% of First Rate Exchange Services Holdings Limited is owned by First Rate Enterprises UK Limited

Except as otherwise indicated, the Group owns 100% of the equity of the principal group undertakings and 100% of the voting shares of all these undertakings and in the case of ICS Building Society, 100% of the investment shares.

## 11. Related Party Transactions

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

Other than as disclosed in this Circular, no related party transactions were entered into by the Bank or any other member of the Group during the financial periods ended 31 March 2008, 31 March 2009 or 31 December 2009 or during the period between 1 January 2010 and 23 April 2010 (being the latest practicable date prior to publication of this Circular). A number of banking transactions are entered into between Bank of Ireland and its subsidiaries in the normal course of business. These include loans, deposits and foreign currency transactions.

### *Associated undertakings and joint ventures*

The Group provides and receives from its associates and joint ventures certain banking and financial services, which are not material to the Group, on similar terms to third party transactions. These include loan, deposit and foreign currency transactions. The volumes outstanding as at 23 April 2010, the last practicable date prior to the publication of this Circular, are set out below:

	<b>Associates and joint ventures</b>
	<b>(€m)</b>
Loans and advances to customers . . . . .	100
Customer accounts . . . . .	101

### *Government*

During the 12 months ended 31 March 2009, the Government through both the Group's participation in the CIFS Guarantee Scheme and the recapitalisation through the NPRFC became a related party of the Bank. An amount of €105 million has been paid to the Government for fees due under the CIFS Guarantee Scheme for the period from 1 April 2009 to 31 December 2009. This payment was disclosed in the December 2009 Annual Report (see note 5 to the financial statements). For the period from 1 January 2010 to 31 March 2010, an amount of €57 million has been paid in respect of the CIFS Guarantee Scheme and €27 million in respect of the ELG Scheme. Details of the recapitalisation are set out in note 55 to the financial statements in the December 2009 Annual Report.

### *National Asset Management Agency Investment Limited ("NAMAIL")*

On 30 March 2010, the Group, through its wholly-owned subsidiary, New Ireland Assurance Company plc, acquired 17 million "B" shares in NAMAIL, corresponding to one third of the 51 million "B" shares issued by NAMAIL. The cost to the Group of acquiring these "B" shares

was €17 million. The balance of NAMAIL's "B" shares are held in equal proportions by Irish Life Assurance and major pension and institutional clients of AIB Investment Managers. NAMAIL have also issued the 49 million A shares to NAMA. As a result, the Group will hold 17% of the total ordinary share capital of NAMAIL. NAMAIL is a holding company and its subsidiaries are the entities to which Participating Institutions will transfer Eligible Bank Assets.

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

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

The Group had no involvement with NAMAIL prior to 30 March 2010.

### ***Pension funds***

As at 23 April 2010, the last practicable date prior to the publication of this Circular, the Group provides a number of normal banking and financial services to various pension funds operated by the Group for the benefit of its employees (principally for the Bank of Ireland Staff Pension Fund), which are conducted on similar terms to third party transactions and are not material to the Group.

The Group occupies a number of premises owned by the Group's various pension schemes; the total value of these properties as at 31 December 2009 was €25 million.

### ***Transactions with key management personnel***

Key management personnel comprises the Directors of the Court, the members of the Group Executive Committee ("GEC") and the Group Secretary. In addition to the Executive Directors, the GEC comprises the Group Chief Governance Risk Officer; the Chief Credit and Market Risk Officer; the Head of Group Human Resources and the Head of Group Manufacturing.

Other than as disclosed in the financial information incorporated by reference into this Circular for the financial periods ended 31 March 2008 (as set in *Note 50(c) Related Party Transactions* on page 167 and the *Remuneration Report* on pages 50 to 58 of the 2008 Annual Report), 31 March 2009 (as set out in *Note 52(d) Related Party Transactions* on pages 193 to 194 and the *Remuneration Report* on pages 79 to 88 of the 2009 Annual Report) and 31 December 2009 (as set out in *Note 51(d) Related Party Transactions* on pages 247 to 250 and the *Remuneration Report* on pages 119 to 130 of the December 2009 Annual Report), no transactions with key management personnel were entered into by the Group during the financial periods ended 31 March 2008, 31 March 2009 or 31 December 2009. Other than the changes in loans and deposits to key management personnel set out below, no transactions with key management personnel were entered into during the period between 1 January 2010 and 23 April 2010 (being the latest practicable date prior to publication of this Circular). The Bank maintains a register of Directors' loans constituting related party transactions, as required by the Financial Regulator's disclosure requirements introduced in March 2009.

The aggregate amounts outstanding and the number of persons concerned, in respect of all loans, quasi-loans, credit transactions and deposits between the Bank and its key management personnel, as defined above, including members of their close families and entities influenced by them together with the disclosure of the balances as at 23 April 2010 are shown in the table below.

	<b>Balance as at 23 April 2010 €'000</b>	<b>Number of Persons as at 23 April 2010</b>
<b><u>Key Management Personnel in office as at 23 April 2010</u></b>		
Loans* . . . . .	6,898	17
Deposits . . . . .	20,262	19

\* In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €30,000

There have been no material changes to the terms of loans to Directors including interest rates and collateral since 31 December 2009.

There have been no material changes in Directors' guarantees since 31 December 2009 and there were no calls on these guarantees since the year end.

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

## **12. No significant change**

There has been no significant change in the financial or trading position of the Group since 31 December 2009 (the date to which the latest published audited financial information of the Group was prepared).

## **13. Consent to inclusion of names**

PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, One Spencer Dock, North Wall Quay, Dublin 1 has given and has not withdrawn its written consent to the inclusion in this Circular of its report as set out in Part V (Unaudited Pro Forma Financial Information) of this Circular in the form and context in which it appears. Such consent is different from a consent filed with the SEC under section 7 of the Securities Act, which is applicable only to transactions involving securities registered under the Securities Act. As the Rights Issue Stock,



Placing Stock, Ordinary Stock issued pursuant to the NPRFC Placing, NPRFC Coupon Ordinary Stock, Nil Paid Rights and/or Fully Paid Rights, have not been and will not be registered under the Securities Act, PricewaterhouseCoopers has not filed a consent under section 7 of the Securities Act.

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

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

IBI Corporate Finance, whose address is 40 Mespil Road, Dublin 4, Ireland, has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which they appear;

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

Oliver Wyman, whose address is 1 Tower Place West, Tower Place, London EC3R 5BU, United Kingdom, strategic management consultants, has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name and its report in the form and context in which they appear.

#### **14. General**

The financial information concerning the Group contained in this Circular does not constitute statutory accounts within the meaning of the Companies Acts. The consolidated financial statements of the Bank in respect of the four financial periods ended 31 December 2009 were prepared under IFRS and reported on by PricewaterhouseCoopers, Chartered Accountants and Registered Auditors of One Spencer Dock, North Wall Quay, Dublin 1, the auditors of the Bank, within the meaning of the Companies Acts for the period of the historical financial information incorporated by reference into this Circular. The auditors of the Bank made reports under the Companies Acts in respect of the four financial periods ended 31 December 2009 and such reports were unqualified reports within the meaning of the Companies Acts.

The report on the Group's impairment charge on its non-NAMA loans and advances to customers by Oliver Wyman referred to in this Circular was prepared by Oliver Wyman Limited, strategic management consultants of 1 Tower Place West, Tower Place, London EC3R 5BU.

The Bank remains subject to the continuing obligations of the Listing Rules including those relating to the issue of securities for cash.

The units of Existing Stock are in registered form, are capable of being held in uncertificated form and are admitted to the Official Lists and are traded on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange.

The Placing Stock and the Rights Issue Stock will be in registered form and, from their Admission, will be capable of being held in uncertificated form and title to such stocks may be transferred by means of a relevant system (as defined in the CREST Regulations). Where units of Placing Stock and the Rights Issue Stock are held in certificated form, certificates will be sent to the registered members by pre-paid post. Where units of Rights Issue Stock are held in CREST, the relevant CREST stock account of the registered members will be credited. The units of Placing Stock and Rights Issue Stock have the ISIN IE0030606259. The ISIN for the Nil Paid Rights is IE00B67QZG36 and for the Fully Paid Rights is IE00B64RD66.

None of the Rights Issue Stock has been marketed or will be made available in whole or in part to the public other than pursuant to the Rights Issue. None of the Placing Stock has been marketed or will be made available in whole or in part to the public other than pursuant to the Institutional Placing.

As at 23 April 2010, being the latest practicable date prior to the publication of this Circular, the Bank held 33.1 million units of treasury stock, which was 2.8% of Ordinary Stock in issue (excluding treasury stock).

#### **15. Documents available for inspection**

Paper copies of:

- the Bye-Laws;
- the proposed Bye-Laws to be adopted at the EGC;
- December 2009 Annual Report, 2009 Annual Report and 2008 Annual Report;
- 2009 Annual Report on Form 20-F;
- Report on the unaudited pro forma financial information by PricewaterhouseCoopers set out in Part V (Unaudited Pro Forma Financial Information) of this Circular;
- Report from Oliver Wyman;
- Consent letters referred to in paragraph 13 (Consent to inclusion of names) of this Part VI;
- the Government Transaction Agreement;
- the Prospectus; and
- this Circular

will be available for inspection at the following addresses during normal business hours on each Business Day from the date of this Circular up to 14 June 2010 (being the date of Admission of the Rights Issue Stock):

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

They will also be available for inspection at O'Reilly Hall, UCD, Belfield, Dublin 4, Ireland from at least 15 minutes prior to the Extraordinary General Court until the conclusion of that meeting.

## 16. Documents incorporated by reference

The December 2009 Annual Report, the 2009 Annual Report, the 2008 Annual Report and 2009 Annual Report on Form 20-F are available for inspection in accordance with paragraph 15 (Documents available for inspection) of this Part VI of this Circular and contains information which is relevant to the Proposals. These documents are also available on the Bank's website at [www.bankofireland.com](http://www.bankofireland.com).

This Circular is also available on the Bank's website at [www.bankofireland.com](http://www.bankofireland.com).

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

<u>Document</u>	<u>Section</u>	<u>Page numbers in such document</u>
December 2009 Annual Report . . . . .	Independent Auditors Report	147 to 148
	Consolidated income statement	149
	Consolidated statement of other comprehensive income	150
	Consolidated balance sheet	151
	Consolidated statement of changes in equity	152 to 153
	Consolidated cash flow statement	154 to 155
	Group accounting policies and critical accounting estimates and judgements	156 to 179
	Notes to the consolidated financial statements	180 to 297
2009 Annual Report. . . . .	Independent Auditors' Report	101 to 102
	Consolidated income statement	103
	Consolidated balance sheet	104
	Consolidated statement of recognised income and expense	105
	Consolidated cash flow statement	106 to 107
	Group accounting policies and critical accounting estimates and judgements	108 to 127
	Notes to the consolidated financial statements	128 to 227
2008 Annual Report. . . . .	Independent Auditors' Report	69 to 70
	Consolidated income statement	71
	Consolidated balance sheet	72 to 73
	Consolidated statement of recognised income and expense	74
	Consolidated cash flow statement	75 to 76
	Group accounting policies and critical accounting estimates and judgments	77 to 95
	Notes to the consolidated financial statements	96 to 173
2009 Annual Report on Form 20-F . . . . .		the entire document
Prospectus . . . . .	Part VIII (Questions and Answers about the Placing and the Rights Issue)	the entire part
	Part IX (Terms and Conditions of the Rights Issue)	the entire part
	Part X (Information on the Group)	the entire part
	Part XII (Operating and Financial Review of the Group)	the entire part
	Part XI (Regulation and Supervision)	the entire part
	Paragraph 4 (Remuneration of Directors, Secretary and Senior Executives) of Part XVII (Directors, Corporate Governance and Employees)	the entire paragraph
	Paragraph 4 (Charter and Bye-laws) of Part XVIII (Additional Information)	the entire paragraph

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

Dated: 26 April 2010

## PART VII

### DEFINITIONS

<b>€0.10 Ordinary Stock</b>	the units of Ordinary Stock following Renominalisation;
<b>1992 Preference Stock</b>	the preference capital stock of the Bank, other than the 2009 Preference Stock or the 2005 Preference Stock, as at the date of this Circular;
<b>2005 Preference Stock</b>	new units of preference stock which may be allotted by the Directors pursuant to Bye-Law 7 and which can be either redeemable or non-redeemable, and can be denominated in US dollars, in euro or in sterling;
<b>2008 Annual Report</b>	the Bank's annual report and accounts for the year ended 31 March 2008;
<b>2009 Annual Report</b>	the Bank's annual report and accounts for the year ended 31 March 2009;
<b>2009 Annual Report on Form 20-F</b>	the annual report on form 20-F for the year ended 31 March 2009, filed by the Bank with the US Securities and Exchange Commission;
<b>2009 Preference Stock</b>	the 3,500,000,000 units of 8% (increasing to 10.25% if the Proposals are implemented) non-cumulative preference stock of €0.01 each in the capital of the Bank issued to the NPRFC as part of the NPRFC Investment;
<b>ACSM Hybrids</b>	Bank of Ireland UK Holdings plc €600 million (of which €476 million is outstanding) 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities and Bank of Ireland UK Holdings plc £350 million (of which £46.432 million is outstanding) 6.25% Guaranteed Callable Perpetual Preferred Securities;
<b>Admission</b>	the admission of units of stock to the Official Lists becoming effective in accordance with the Listing Rules and the admission of such stock to trading on the Irish Stock Exchange's and London Stock Exchange's markets for listed securities becoming effective in accordance with the Admission to Trading Rules and the Admission and Disclosure Standards respectively;
<b>Admission and Disclosure Standards</b>	the requirements contained in the publication of the London Stock Exchange "Admission and Disclosure Standards" (as amended from time to time) containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange's main market for listed securities;
<b>Admission to Trading Rules</b>	the rules issued by the Irish Stock Exchange setting out, amongst other things, the application procedures for admission to the Irish Stock Exchange markets and continuing obligation requirements;
<b>AFS</b>	available for sale;
<b>Allotment Instruments</b>	each instrument delivered to holders thereof pursuant to the Debt for Equity Offers and issued with the benefit of the Allotment Instrument Deed Poll convertible into Conversion Ordinary Stock; the nominal value of which will not exceed €200,000,000;
<b>Allotment Instrument Deed Poll</b>	the instrument by way of a deed poll relating to the Allotment Instruments, to be executed by the Bank on or about 19 May 2010;
<b>Annual General Court or AGC</b>	an annual general court of the Bank;
<b>ATM</b>	automated teller machine;
<b>the Bank or Bank of Ireland</b>	the Governor and Company of the Bank of Ireland, established in Ireland by Charter in 1783 and having limited liability;
<b>Bank of Ireland Eligible Bank Assets</b>	those assets of the Group that are designated as Eligible Bank Assets;
<b>Banking Consolidation Directive</b>	Directive 2000/12/EC of March 2000, repealed and recast as part of Directive 2000/48/EC;
<b>Basel Committee</b>	the Basel Committee on Banking Supervision;
<b>Basel I</b>	the International Convergence of Capital Measurements and Capital Standards published by the Basel Committee in July 1988;
<b>Basel II</b>	the New Capital Adequacy Framework issued in June 2004 by the Basel Committee, as implemented by Directive 2006/48/EC and Directive 2006/49/EC;
<b>BIS</b>	Bank of International Settlement;
<b>Bonus Element of the Rights Issue</b>	a rights issue consists of a bonus element as the shares are issued at a discount to the current share price so effectively some shares have been given away as a consequence of the discounted rights price;
<b>Bonus Ordinary Stock</b>	units of Ordinary Stock in the Bank issued to the NPRFC if a cash dividend is not paid by the Bank pursuant to the rights attaching to the 2009 Preference Stock;
<b>Book Building Process</b>	the solicitation of interest by the Joint Bookrunners of likely institutional investors in the Placing.

<b>BSPF</b>	Bank of Ireland Staff Pensions Fund;
<b>Business Day</b>	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in London and Dublin;
<b>Bye-Laws</b>	the bye-laws of the Bank, as amended from time to time;
<b>Capital Adequacy Directive</b>	Council Directive 1993/6/EC of 15 March 1993;
<b>Capital Requirements Directive</b>	Directive 2006/48/EC of the European Parliament and the Council of 14 June 2006, together, relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions;
<b>Capital Requirements Directive II</b>	Directive 2009/111/EC of the European Parliament and of the Council of 16 September 2009 amending Directives 2006/48/EC, 2006/49/EC and 2007/64/EC as regards banks affiliated to central institutions, certain own funds items, large exposures, supervisory arrangements, and crisis management;
<b>Capital Requirements Directive III</b>	proposal for a Directive of the European Parliament and of the Council amending Directives 2006/48/EC and 2009/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies;
<b>CBFSAI</b>	Central Bank and Financial Services Authority of Ireland;
<b>CCSS</b>	the CREST Courier and Sorting Service established by Euroclear to facilitate, amongst other things, the deposit and withdrawal of securities;
<b>Central Bank</b>	the Central Bank of Ireland;
<b>Central Bank Acts</b>	the Central Bank Acts, 1942 to 1998 (as amended);
<b>certificated or in certificated form</b>	where stock or other security is not in uncertificated form;
<b>CIFS Guarantee Scheme</b>	the Credit Institutions (Financial Support) Scheme 2008 (S.I. No 411 of 2008);
<b>Circular</b>	this document;
<b>CIROC Report</b>	the Covered Institution Remuneration Oversight Committee report to the Minister dated 27 February 2009;
<b>Citi</b>	Citigroup Global Markets U.K. Equity Limited of Citigroup Centre, 33 Canada Square, Canary Wharf, London E14 5LB;
<b>Closing Price</b>	the closing middle-market quotation of a unit of Ordinary Stock as derived from the Daily Official List;
<b>Code of Conduct for Business Lending to Small to Medium Enterprises</b>	Code of Conduct for Business Lending to Small to Medium Enterprises published by the Financial Regulator on 13 February 2009 (as amended or replaced from time to time);
<b>Code of Conduct for Mortgage Arrears</b>	Code of Conduct for Mortgage Arrears published by the Financial Regulator on 13 February 2009 (as amended or replaced from time to time);
<b>Companies Acts</b>	the Companies Acts, 1963 to 2009 (as amended) of Ireland (insofar as they apply to Bank of Ireland having regard to the Ninth Schedule to the Companies Act, 1963);
<b>Computershare</b>	Computershare Investor Services (Ireland) Limited, Registrars and Receiving Agents for the Bank;
<b>Computershare Dealing Facility</b>	the dealing service in respect of the Nil Paid Rights provided by Computershare;
<b>Control</b>	the holding, whether directly or indirectly, of stock of the Bank that confer, in aggregate, more than 50% of the voting rights in the Bank;
<b>Control Resolution</b>	a resolution of those Stockholders who are entitled to so vote for the approval of any agreement or transaction (including a merger) whereby, or in consequence of which, Control of the Group, or substantially all of the Group's business, is or may be acquired by any person or persons (excluding any government concert party) acting in concert and which for the avoidance of doubt shall include any resolution to approve a scheme of arrangement pursuant to section 201 of the Companies Act 1963 pursuant to which a takeover of the Group (within the meaning of the Irish Takeover Panel Act 1997 Takeover Rules (as amended, replaced or substituted from time to time)) would be effected or approved or a merger or division of The Bank pursuant to the European Communities (Mergers and Divisions of Companies) Regulations, 1987 (Statutory Instrument 137 of 1987) or a merger of The Bank pursuant to the European Communities (Cross-Border Mergers) Regulations 2008 (Statutory Instrument 157 of 2008);
<b>Conversion Date</b>	10 September 2010, (unless amended in accordance with the terms of the Debt for Equity Offers) being the date that the Allotment Instruments convert into Conversion Ordinary Stock;
<b>Conversion Ordinary Stock</b>	up to a maximum of €200 million units of new Ordinary Stock to be allocated and issued by the Bank upon conversion of the Allotment Instruments on the Conversion Date;



<b>Conversion Price</b>	the price at which the Allotment Instruments will convert into Conversion Ordinary Stock, being (i) the Minimum Conversion Price or, if greater, (ii) the price calculated by the Dealer Managers, in consultation with the Bank, as the arithmetic average of the daily Volume Weighted Average Price per unit of Ordinary Stock for each of the five consecutive Trading Days ending on the second Trading Day before the Conversion Date (such five day period currently expected to commence on (and including) 2 September 2010 and conclude on (and including) 8 September 2010);
<b>Core Tier 1 Capital</b>	Tier 1 Capital excluding innovative and non-innovative Tier 1 Securities and before deduction required from Tier 1 Capital;
<b>Core Tier 1 Capital Ratio</b>	the amount of the Bank's Core Tier 1 Capital as a proportion of its Risk Weighted Assets on a consolidated basis;
<b>Court or Court of Directors</b>	the Court of Directors of the Bank;
<b>Credit Reviewer</b>	the credit reviewer appointed by the Government to review decisions to refuse credit in accordance with the Credit Review Guidelines;
<b>Credit Review Guidelines</b>	the guidelines issued under section 210(1) of the NAMA Act on 26 March 2010 regarding lending practices and procedures and relating to the review of decisions of Participating Institutions to refuse credit facilities (SI No. 127 of 2010);
<b>Credit Suisse</b>	Credit Suisse Securities (Europe) Limited of One Cabot Square, London E14 4QJ;
<b>CREST</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
<b>CREST Manual</b>	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms);
<b>CREST Member</b>	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations);
<b>CREST Participant</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
<b>CREST Regulations or Regulations</b>	the Companies Act 1990 (Uncertified Securities) Regulations 1996 (SI No. 68/1996) of Ireland (as amended in 2003);
<b>CREST Sponsor</b>	a CREST Participant admitted to CREST as a CREST Sponsor;
<b>CREST Sponsored Member</b>	a CREST Member admitted to CREST as a sponsored member;
<b>CRMC</b>	Capital Research and Management Company;
<b>Daily Official List</b>	the daily Official List of the Irish Stock Exchange;
<b>Davy</b>	J&E Davy of Davy House, 49 Dawson Street, Dublin 2, trading as Davy or, as the context so requires, any affiliate thereof or company within its group;
<b>Dealer Managers</b>	the dealer managers of the Debt for Equity Offers;
<b>DBRS</b>	DBRS Limited;
<b>Debt for Debt Exchange</b>	the exchange of a selection of the Bank's Lower Tier 2 securities for a new series of Lower Tier 2 Securities as set out in the Bank's announcement of 2 February 2010;
<b>Debt for Equity Offers</b>	each of the US Debt for Equity Offer and the Non-US Debt for Equity Offer;
<b>Debt for Equity Offers Documents</b>	the Non-US Debt for Equity Offer Document and the US Debt for Equity Offer Document;
<b>December 2009 Annual Report</b>	the Bank's annual report and accounts for the nine month financial period ended 31 December 2009;
<b>Default Stock</b>	units of Ordinary Stock belonging to a member who fails to disclose the person or persons for whom he/she holds such Ordinary Stock in trust with the result that the Directors serve a disenfranchisement notice on such member with the consequence that the member may not attend or vote, either personally or by proxy, at any General Court of the Bank or exercise any other rights conferred by membership in respect of his or her holding of Ordinary Stock;
<b>Deferred Stock</b>	units of deferred stock in the capital of the Bank created pursuant to the Renominalisation;
<b>Department of Finance</b>	Department of Finance of Ireland;
<b>Deutsche Bank</b>	Deutsche Bank AG, London Branch of 1 Great Winchester Street, London EC2N 2DB;
<b>Directors</b>	the Executive Directors and Non-Executive Directors of the Bank, whose names appear on page 68 of this Circular;

<b>Early US Debt for Equity Offers Exchange Price</b>	in the event an election to exchange is made prior to or on the Early US Debt for Equity Offers Expiration Date, the relevant price at which holders of a series of the relevant US Debt for Equity Offers Securities will be deemed to exchange such securities;
<b>Early US Debt for Equity Offers Expiration Date</b>	7 May 2010;
<b>ECB</b>	European Central Bank;
<b>ELG Scheme</b>	the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. No. 490 of 2009);
<b>Eligible Asset Regulations</b>	the National Asset Management Agency (Designation of Eligible Bank Assets) Regulations 2009 (S.I. No. 568 of 2009);
<b>Eligible Bank Assets</b>	those classes of assets prescribed as eligible bank assets by the Minister for Finance, in accordance with section 69 of the NAMA Act;
<b>Eligible Debt Securities</b>	the Non-US Debt for Equity Offers Securities and the US Debt for Equity Offers Securities;
<b>Employee Stock Issue Scheme</b>	the employee stock issue scheme as described in paragraph 4 (Directors', Secretary's and Senior Executives' interests) of Part VI of this Circular;
<b>Employee Stock Schemes</b>	the LTIP, the LTPSP, the ESOS, the Stock Alternative Scheme, the Employee Stock Issue Scheme and the SAYE Scheme;
<b>Equity Tier 1 Capital</b>	the amount of the Bank's Core Tier 1 Capital less all Preference Stock of the Bank;
<b>Equity Tier 1 Capital Ratio</b>	the amount of the Bank's Core Tier 1 Capital less all Preference Stock of the Bank as a proportion of its Risk Weighted Assets on a consolidated basis;
<b>ESOS</b>	the executive stock option scheme as described in paragraph 4 (Remuneration of Directors, Secretary and Senior Executives) of Part XVII (Directors, Corporate Governance and Employees) of the Prospectus;
<b>ESRI</b>	the Economic and Social Research Institute;
<b>EU member states</b>	the member states of the European Union;
<b>EU or European Union</b>	the European Union;
<b>EU Prospectus Regulations</b>	Commission Regulation (EC) No. 809/2009;
<b>EU Restructuring Plan</b>	the EU restructuring plan for the Group to be approved by the European Commission following negotiations based on the draft plan prepared by the Bank and submitted by the Department of Finance on 30 September 2009;
<b>euro</b>	the single currency of the EU member states that adopt or have adopted the euro as their lawful currency under the legislation of the European Union or European Monetary Union;
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST;
<b>European Commission</b>	the Commission of the European Union;
<b>Eurozone</b>	the member states of the European Union which have adopted the euro as their common currency;
<b>Excluded Territories and each an Excluded Territory</b>	United States, South Africa, New Zealand, Australia, Japan, Canada and Switzerland;
<b>Executive Directors</b>	the executive directors of the Bank;
<b>Existing Stock</b>	the units of Ordinary Stock in issue as at the date of this Circular;
<b>Existing Stockholder</b>	a holder of Existing Stock as at the date of this Circular;
<b>Extraordinary General Court or EGC</b>	an extraordinary general court of the Bank and, unless otherwise specified, the extraordinary general court of the Bank to be held on 19 May 2010;
<b>Financial Regulator</b>	the Irish Financial Services Regulatory Authority;
<b>Forms of Proxy</b>	the forms of proxy relating to the Extraordinary General Court;
<b>FSA or Financial Services Authority</b>	the Financial Services Authority of the United Kingdom;
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended;
<b>Fully Paid Rights</b>	rights which are provisionally allotted to Qualifying Stockholders pursuant to the Rights Issue and which are recorded in the register of the Bank as having been paid at the Rights Issue Price;
<b>GDP</b>	gross domestic product;
<b>GEC</b>	the group executive committee of Bank of Ireland;
<b>General Court</b>	an AGC or an EGC;
<b>Government or Irish Government</b>	the Government of Ireland;

<b>Government Bodies</b>	<p>(i) the NTMA, the NPRFC, the NPRF, the Minister for Finance or any Minister or Department of the Government, in each case holding 2009 Preference Stock, but excludes any other holder of 2009 Preference Stock provided however this shall not include any occupational pension scheme approved by the Revenue Commissioners and registered with the Pension Board; and</p> <p>(ii) any custodian or nominee holding 2009 Preference Stock on behalf of the NPRFC, the Minister for Finance, any Minister or Department of the Government provided however that where such custodian or nominee holds 2009 Preference Stock for any other person, such holding shall be not be taken into account for the purpose of determining the voting rights of the Stockholder;</p>
<b>Government Guarantee Schemes</b>	the CIFS Guarantee Scheme and ELG Scheme;
<b>Government Preference Stockholder</b>	means a Government Body holding 2009 Preference Stock;
<b>Government Transaction</b>	the NPRFC Placing, the Warrant Cancellation, the NPRFC Rights Issue Undertaking, the amendment of the rights attaching to the 2009 Preference Stock and the other transactions, rights and obligations set out in the Government Transaction Agreement as more particularly described in paragraph 9 (Material Contracts) of Part VI (Additional Information) of this Circular, under the heading “Government Transaction Agreement”;
<b>Government Transaction Agreement</b>	the transaction agreement between the Bank, the NPRFC and the Minister for Finance entered into in connection with the Government Transaction, further details of which are set out in paragraph 9, (Material Contracts) of Part VI (Additional Information) of this Circular;
<b>Great Britain</b>	the territories of England, Scotland and Wales;
<b>Group or the Group</b>	the Bank and each of its subsidiaries and subsidiary undertakings from time to time;
<b>HM Treasury</b>	UK economics and finance ministry;
<b>Hybrid/Preferred Securities</b>	Bank of Ireland Capital Funding (No. 1) LP, €600,000,000 Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities, the LP2 Securities, the LP3 Securities and Bank of Ireland Capital Funding (No. 4) LP £500,000,000 Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities;
<b>IAS</b>	the International Accounting Standards;
<b>IBI Corporate Finance</b>	IBI Corporate Finance Limited;
<b>IBNR</b>	incurred but not reported;
<b>IBOA</b>	Irish Bank Officials’ Association — The Finance Union;
<b>IFRS</b>	International Financial Reporting Standards as adopted for use in the European Union;
<b>Institutional Placing</b>	the placing of Ordinary Stock with institutional investors (but excluding the NPRFC) as described in this Circular;
<b>Institutional Placing Price</b>	€1.53 per unit of Placing Stock;
<b>IPD</b>	Investment Property Databank;
<b>IRBA</b>	Internal Ratings Based Approach;
<b>Ireland</b>	means Ireland, excluding Northern Ireland, and the word “Irish” shall be construed accordingly;
<b>Irish Government Measures</b>	the Irish Government is proposing to introduce a set of measures for the Irish banking sector which would complement the specific measures agreed as part of the individual European Commission restructuring plans for Irish banks that are subject to restructuring under EU State aid rules (among which includes the EU Restructuring Plan);
<b>Irish Sponsor</b>	Davy;
<b>Irish Stock Exchange</b>	the Irish Stock Exchange Limited;
<b>ISIN</b>	International Securities Identifying Number;
<b>Issuance Window</b>	in respect of a Government Guarantee Scheme, the period of time during which securities and other obligations can be issued that are covered by that Government Guarantee Scheme;
<b>Joint Bookrunners or joint bookrunners</b>	Citi, Credit Suisse, Davy, Deutsche Bank and UBS;
<b>Joint Sponsors and Brokers</b>	Davy and UBS;
<b>Joint UK Sponsors</b>	Davy and UBS;
<b>KMP</b>	Key Management Personnel;
<b>Late US Debt for Equity Offers</b>	the relevant price at which holders of a series of the US Debt for Equity Offers Securities will be deemed to exchange such securities in the event an election to exchange is made after the Early US Debt for Equity Offers Expiration Date (but before the US Debt for Equity Offers Expiration Date);
<b>Exchange Price</b>	

<b>Listing Rules</b>	the listing rules of the Irish Stock Exchange and/or where appropriate the UK listing rules made under section 73A of the FSMA;
<b>London Stock Exchange</b>	London Stock Exchange plc;
<b>Lower Tier 2</b>	fixed-maturity subordinated notes with a minimum initial maturity of five years, with no deferral of coupon payments and no loss absorption through the write-down of principal or interest;
<b>Lower Tier 2 Securities</b>	securities issued by the Group that qualify as Lower Tier 2;
<b>LP2 Securities</b>	Bank of Ireland Capital Funding (No. 2) LP US\$800 million (\$400 million outstanding) Fixed Rate/Floating Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities;
<b>LP3 Securities</b>	Bank of Ireland Capital Funding (No. 3) LP US\$400 million (\$200 million outstanding) Fixed Rate/Floating Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities;
<b>LTIP</b>	Long Term Incentive Plan of the Bank;
<b>LTPSP</b>	Long Term Performance Stock Plan of the Bank;
<b>Maximum Allotment Instruments Amount</b>	the maximum aggregate principal amount of Allotment Instruments to be issued pursuant to the Debt for Equity Offers (being approximately €200,000,000);
<b>Maximum Potential Enlarged Capital Stock</b>	the issued Ordinary Stock of following the completion of the Proposals and assuming completion of the Placing, the Rights Issue at an issue price of €0.10 (assuming no acceptances of the Debt for Equity Offers other than the maximum possible acceptances of the option to receive Allotment Instruments under the US Debt for Equity Offers after the Early US Debt for Equity Offer Expiration Date at the minimum possible Conversion Price (i.e. the minimum possible Rights Issue Factor) that results from a Rights Issue Price of €0.10), being the maximum potential issued Ordinary Stock arising from the implementation of the Proposals;
<b>Minimum Conversion Price</b>	the price determined by the Dealer Managers, in consultation with the Bank, as being 75% of the Closing Price on 23 April 2010 multiplied by the Rights Issue Factor, provided that if the product of such calculation is less than €0.10, the Minimum Conversion Price shall be €0.10;
<b>Minister for Finance or Minister</b>	the Minister for Finance of Ireland;
<b>Monetary Authorities</b>	the European Central Bank, the Central Bank of Ireland, the Bank of England and the US Federal Reserve;
<b>NAMA</b>	the National Asset Management Agency and, where the context permits, other members of NAMA's group including subsidiaries and associated companies;
<b>NAMA Act</b>	the National Asset Management Agency Act 2009;
<b>NAMAIL</b>	National Asset Management Agency Investment Limited;
<b>National Pensions Reserve Fund</b>	the fund established by the National Pensions Reserve Fund Act, 2000 to meet (insofar as possible) the costs of Ireland's social welfare and public service pensions from 2025 onwards;
<b>New Ireland or New Ireland Assurance</b>	New Ireland Assurance Limited, a subsidiary of the Bank;
<b>Nil Paid Rights</b>	rights to acquire Rights Issue Stock, where the amount payable on acceptance of the offer of Rights Issue Stock has not been paid;
<b>Non-Core Tier 1 Capital</b>	innovative and non-innovative Tier 1 Capital;
<b>Non-Executive Directors</b>	the non-executive directors of the Bank;
<b>Non-US Debt for Equity Offers</b>	the offers to certain holders of the Non-US Debt for Equity Offers Securities;
<b>Non-US Debt for Equity Offer Document</b>	the exchange offer memorandum dated 26 April 2010 relating to the Non-US Debt for Equity Offers;
<b>Non-US Debt for Equity Offers Expiration Date</b>	7 May 2010;
<b>Non-US Debt for Equity Offers Exchange Price</b>	the relevant price at which certain non-US holders of a series of the Non-US Debt for Equity Offers Securities will be eligible to offer to exchange such securities, in the event an offer to exchange is made on or before the Non-US Debt for Equity Offers Expiration Date;
<b>Non-US Debt for Equity Offers Securities</b>	Bank of Ireland UK Holdings plc 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities with nominal value of €476 million as at 31 December 2009; Bank of Ireland UK Holdings plc 6.25% Guaranteed Callable Perpetual Preferred Securities with nominal value of Stg£46 million as at 31 December 2009; Bank of Ireland Capital Funding (No 1) LP Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities with nominal value of €350 million as at 31 December 2009; Bank of Ireland

Capital Funding (No 4) LP Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities with nominal value of Stg£37 million as at 31 December 2009;

<b>Notice of Extraordinary General Court</b>	the notice of the Extraordinary General Court set out in this Circular;
<b>NPRFC</b>	the National Pensions Reserve Fund Commission, established by the National Pensions Reserve Fund Act 2000 to, inter alia, control, manage and insert the assets of the National Pensions Reserve Fund. References herein to the NPRFC mean the NPRFC acting in its capacity as controller and manager of the National Pensions Reserve Fund;
<b>NPRFC Commitment Commission</b>	a fee equal to 0.0275 multiplied by the issue price of the maximum number of units of 2009 Preference Stock that may be converted to units of Ordinary Stock pursuant to the NPRFC Rights Issue Undertaking;
<b>NPRFC Coupon Ordinary Stock</b>	184,394,378 units of Ordinary Stock issued to the NPRFC on Monday 22 February 2010 in lieu of the cash dividend otherwise due on the 2009 Preference Stock;
<b>NPRFC Investment</b>	the subscription by the NPRFC for €3.5 billion of 2009 Preference Stock in the Bank and the issue of the Warrants completed on 31 March 2009;
<b>NPRFC Placing</b>	the proposed conversion by the NPRFC of units of 2009 Preference Stock to units of Ordinary Stock as part of the Placing as further described in this Circular;
<b>NPRFC Placing Fee</b>	a fee payable to the NPRFC equal to 1% of the subscription price for all units of 2009 Preference Stock converted pursuant to the NPRFC Placing;
<b>NPRFC Placing Price</b>	€1.80 per unit of Ordinary Stock issued under the NPRFC Placing;
<b>NPRFC Rights Issue Undertaking</b>	the undertaking by the NPRFC described under “ <i>NPRFC Rights Issue Undertaking</i> ” in paragraph 7 (Government Transaction) of Part I (Letter from the Governor of Bank of Ireland) of this Circular;
<b>NTMA</b>	the National Treasury Management Agency as established by the National Treasury Management Agency Act, 1990;
<b>Official Lists</b>	the official list of the Irish Stock Exchange and/or, as appropriate, the official list maintained by the UK Listing Authority;
<b>Oliver Wyman</b>	Oliver Wyman Limited;
<b>Ordinary Stock or units of Ordinary Stock</b>	the units of ordinary stock having a nominal value of €0.64 each prior to the Renominalisation, and having a nominal value of €0.10 each following the Renominalisation, in the capital stock of the Bank (including, if the context requires, the units of ordinary stock issued pursuant to the Proposals);
<b>Ordinary Stockholder</b>	a holder of a unit of Ordinary Stock;
<b>Overseas Stockholders</b>	Stockholders with registered addresses outside Ireland or the United Kingdom or who are citizens or residents of, or located in, countries outside Ireland or the United Kingdom;
<b>Panel or Takeover Panel</b>	the Irish Takeover Panel;
<b>Participating Institution</b>	a credit institution designated by the Minister for Finance as a participating institution in accordance with the provisions of section 67 of the NAMA Act;
<b>participation in NAMA</b>	includes participation in any scheme pursuant to the NAMA Act to transfer assets to NAMA;
<b>PCAR or Prudential Capital Assessment Review</b>	the prudential capital assessment review announced by the Financial Regulator on 30 March 2010;
<b>Placees</b>	persons with whom Placing Stock is to be placed pursuant to the Institutional Placing;
<b>Placing</b>	the Institutional Placing and/or the NPRFC Placing, as the context so requires;
<b>Placing Stock</b>	the 326,797,386 units of Ordinary Stock to be issued by the Bank pursuant to the Institutional Placing;
<b>POFS</b>	Post Office Financial Services Limited;
<b>POL</b>	Post Office Limited;
<b>Post-Placing Enlarged Capital Stock</b>	the issued Ordinary Stock of Bank of Ireland immediately following the Placing, but before the implementation of the other Proposals;
<b>Preference Stock</b>	means the 2009 Preference Stock and the 1992 Preference Stock;
<b>Preference Stockholders</b>	means the registered holders of Preference Stock from time to time;
<b>Proposals</b>	the Institutional Placing, the Rights Issue, the Debt for Equity Offers and the Government Transaction;
<b>Prospectus</b>	the Prospectus dated 26 April 2009 prepared in connection with the Proposals;



<b>Prospectus Regulations</b>	the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (SI No. 324 of 2005);
<b>Prospectus Directive</b>	European Parliament and Council Directive 2003/71/EC of 4 November 2003;
<b>Provisional Allotment Letter or PAL</b>	the provisional allotment letter to be issued to each Qualifying Non-CREST Stockholder pursuant to the Rights Issue;
<b>Prudential Capital Assessment Review or PCAR</b>	the review carried out by the Financial Regulator in March 2010;
<b>Qualifying CREST Stockholders</b>	Qualifying Stockholders holding Ordinary Stock in uncertificated form in CREST;
<b>Qualifying Non-CREST Stockholders</b>	Qualifying Stockholders holding Ordinary Stock in certificated form;
<b>Qualifying Stockholders</b>	holders of Ordinary Stock on the register of members of the Bank at the Record Date and Placees (excluding the NPRFC in respect of the NPRFC Coupon Ordinary Stock);
<b>Receiving Agent</b>	Computershare Investor Services (Ireland) Limited, Registrars and Receiving Agents for the Bank;
<b>Record Date</b>	5.00 p.m. on 17 May 2010;
<b>Record Date Stock</b>	units of Ordinary Stock in issue as at the Record Date;
<b>Registrar or Receiving Agent</b>	Computershare or such other registrar or receiving agent as Bank of Ireland may appoint from time to time;
<b>Regulatory Information Service</b>	one of the regulatory information services authorised by the Irish Stock Exchange and/or UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;
<b>Relevant Person</b>	the Minister for Finance, the Department of Finance, the Irish Government, the NTMA, the NPRFC, the National Pensions Reserve Fund, or any person controlled by or controlling any such person, or any entity or agency of or related to the State, or any director, officer, official, employee or adviser of any such person;
<b>Remuneration Committee</b>	the remuneration committee established by the Court;
<b>Renominalisation</b>	the reduction of the nominal value of units of Ordinary Stock from €0.64 each to €0.10 each and creation of Deferred Stock pursuant to resolution number 1 proposed for the EGC as set out in the Circular;
<b>Resolutions</b>	the resolutions to be proposed at the Extraordinary General Court as set out in this Circular;
<b>Rights</b>	rights to acquire Rights Issue Stock in the Rights Issue;
<b>Rights Issue</b>	the offer by way of rights to Qualifying Stockholders to acquire Rights Issue Stock on the terms and subject to the conditions contained in this Circular and also, where relevant, the Provisional Allotment Letters and also includes, where the context so requires, the NPRFC Rights Issue Undertaking;
<b>Rights Issue Factor</b>	the factor to be determined by the Dealer Managers, in consultation with the Bank to reflect the fact that the Rights Issue Stock is issued at a discount to the Closing Price of the Ordinary Stock as of the date of this Circular, as follows: <div style="text-align: center; margin: 10px 0;"> <math display="block">\text{RIF} = \frac{A+B}{A+C}</math> </div> Where: <b>“RIF”</b> is the Rights Issue Factor; <b>“A”</b> is the number of units of Ordinary Stock in issue as at 11.00 pm (Dublin time) on 19 May 2010 (including the Ordinary Stock issued in the Institutional Placing and the NPRFC Placing due to be settled on that day); <b>“B”</b> is the number of units of Ordinary Stock which the aggregate consideration receivable for the Ordinary Stock issued in the Rights Issue would purchase at the Current Market Price per unit of Ordinary Stock on 19 May 2010; and <b>“C”</b> is the number of units of New Ordinary Stock to be issued in the Rights Issue. For the purposes of determining “B” above, <b>“Current Market Price”</b> means, the closing price of a unit of Ordinary Stock on 19 May 2010 as displayed under the heading “EuComp/Close/Price” on Bloomberg Page “BKIR EU <equity> HP”;
<b>Rights Issue Price</b>	the price per unit of Rights Issue Stock to be determined and publicly announced prior to the EGC;
<b>Rights Issue Stock</b>	the up to 18,851,465,603 units of new Ordinary Stock to be allotted and issued by the Bank pursuant to the Rights Issue;

<b>Risk Weighted Assets</b>	assets which are weighted for credit risk according to a formula used by banks that conforms to the BIS's capital adequacy guidelines;
<b>ROE</b>	return on equity;
<b>Rump Placing</b>	the proposed placing by the Joint Bookrunners, as agents of the Bank, of any units of Rights Issue Stock which are not (or are deemed not to be or are otherwise treated as not having been) taken up under the Rights Issue;
<b>SAYE Scheme or Sharesave Scheme</b>	the SAYE scheme as described in paragraph 4 (Directors', Secretary's and Senior Executives' interests) of Part VI (Additional Information) of this Circular;
<b>SEC</b>	United States Securities and Exchange Commission;
<b>Senior Executives</b>	senior managers within the meaning of paragraph 14.1(d) of Annex I of the EU Prospectus Regulations;
<b>SME or SMEs</b>	small and medium enterprises;
<b>Sponsors</b>	the Irish Sponsor and the Joint UK Sponsors;
<b>State</b>	Ireland excluding Northern Ireland;
<b>Sterling or £</b>	Sterling, the lawful currency of the United Kingdom;
<b>Sterling Preference Stock</b>	the 1992 Preference Stock denominated in Sterling;
<b>Stock Account</b>	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
<b>Stock Alternative Scheme</b>	the scheme approved by Ordinary Stockholders at the Annual General Court in 2006 which gave Stockholders the choice to receive dividends by way of cash or in units of Ordinary Stock;
<b>Stockholder</b>	an Ordinary Stockholder and/or Preference Stockholder (as the context so requires);
<b>Stockholder Guide</b>	the guide accompanying the PALs containing instructions as to the completion of the PALs;
<b>Subscription Agreement</b>	a Subscription Agreement with the NPRFC and the Minister for Finance dated 31 March 2009, under which, in consideration for the payment of €3.5 billion, the Bank issued to the NPRFC the 2009 Preference Stock and the Warrants;
<b>Takeover Panel Act</b>	the Irish Takeover Panel Act 1997 (as amended);
<b>Takeover Rules or Irish Takeover Rules</b>	the Irish Takeover Panel Act 1997, Takeover Rules, 2007 (as amended);
<b>TERP or Theoretical Ex Rights Price</b>	the theoretical ex-rights price of a unit of Record Date Stock calculated by reference to the Closing Price on 14 May 2010 of a unit of Record Date Stock;
<b>Thirty Day Average Price</b>	<ul style="list-style-type: none"> <li>(i) 100% of the average daily closing price of the Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, (in the event that the Ordinary Stock issued in the event of non-payment of dividends on the 2009 Preference Stock is settled on the dividend payment date to which it relates); or</li> <li>(ii) 95% of the average daily closing price of the Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date (in the event that the Ordinary Stock, issued in the event of non-payment of dividends on the 2009 Preference Stock, is settled after the dividend payment date to which it relates);</li> </ul>
<b>Tier 1 Capital</b>	Tier 1 capital instruments (within the meaning of the Financial Regulator's requirements at such time or equivalent) which includes Stockholders' funds and innovative and non-innovative Tier 1 Securities;
<b>Tier 1 Capital Ratio</b>	the amount of Tier 1 Capital as a proportion of Risk Weighted Assets on a consolidated basis;
<b>Tier 1 Securities</b>	the securities issued by the Group that constitute Tier 1 Capital;
<b>Tier 2 Capital</b>	undisclosed reserves, revaluation reserves, general provisions and loan loss reserves, hybrid debt-equity instruments, and subordinated long-term debt;
<b>Total Capital</b>	Tier 1 Capital plus Tier 2 Capital;
<b>Total Capital Ratio</b>	Total Capital (including Tier 1 Capital) divided by Risk Weighted Assets;
<b>Trading Day</b>	a day on which dealings in domestic equity market securities may take place on the Irish Stock Exchange and the London Stock Exchange;
<b>Tranche 1 NAMA Assets</b>	the first tranche of Bank of Ireland Eligible Bank Assets which transferred to NAMA on 2 April 2010;
<b>Transaction Co-ordinators</b>	Credit Suisse and IBI Corporate Finance;

<b>Transaction Document</b>	this Circular or any document referred to in this Circular or any supplement or amendment thereto;
<b>Transaction Fee</b>	the transaction fee of €22 million payable to the NPRFC at the closing of the NPRFC Placing;
<b>Transparency Rules</b>	the transparency rules published by the Financial Regulator under section 22 of the Investment, Funds, Companies and Miscellaneous Provisions Act 2006 of Ireland (as amended from time to time);
<b>UBS Investment Bank or UBS or UBS Limited</b>	UBS Limited of 1 Finsbury Avenue, London EC2M 2PP;
<b>UK Listing Authority or UKLA</b>	the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of the FSMA;
<b>uncertificated or in uncertificated form</b>	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>Underwriters</b>	the Joint Bookrunners;
<b>Underwriting Agreement</b>	the underwriting and sponsors' agreement dated 26 April 2010 between the Bank and the Underwriters relating to the Institutional Placing and the Rights Issue;
<b>United Kingdom or UK</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>United States or US</b>	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
<b>Upper Tier 2 Capital</b>	cumulative preferred stock with no stated maturity, debt instruments with no stated maturity and revaluation reserves;
<b>Upper Tier 2 Securities</b>	the securities issued by the Group that constitute Upper Tier 2 Capital;
<b>US Debt for Equity Offers</b>	the offers to holders of the US Debt for Equity Offers Securities;
<b>US Debt for Equity Offers Document</b>	the exchange offer memorandum dated 26 April 2010 relating to the US Debt for Equity Offers;
<b>US Debt for Equity Offers Expiration Date</b>	8 June 2010;
<b>US Debt for Equity Offers Securities</b>	Bank of Ireland Perpetual Floating Rate Primary Capital Notes with nominal value of US\$150 million as at 31 December 2009; Bank of Ireland Capital Funding (No 2) LP Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities with nominal value of US\$400 million as at 31 December 2009 and Bank of Ireland Capital Funding (No 3) LP Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities with nominal value of US\$200 million as at 31 December 2009;
<b>US Federal Reserve</b>	the central bank of the United States;
<b>VAR</b>	value at risk;
<b>Volume Weighted Average Price</b>	the volume-weighted average price per unit of Ordinary Stock (calculated in euro) on a specified trading day as displayed under the heading "Bloomberg VWAP" on Bloomberg Page "BKIR EU<equity> VAP AUTO" (or its equivalent successor page if such page is not available) for the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such Volume Weighted Average Price per unit is unavailable, the market price of one unit of Ordinary Stock on the relevant trading day determined, using a volume-weighted average method, by a financial institution or person (acting as an expert) appointed by the Bank for this purpose);
<b>Voting Rights</b>	in relation to the Bank, the rights exercisable for the time being to cast, or to control the casting of a vote, at General Courts of the Bank, not being such rights that are exercisable only in special circumstances;
<b>Warrant Cancellation</b>	the cancellation of the Warrants in return for the payment of €491 million by the Bank to the NPRFC;
<b>Warrant Instrument</b>	the warrant instrument entered into between the Bank and the NPRFC, constituting the Warrants; and
<b>Warrants</b>	the detachable warrants issued to the NPRFC as part of the NPRFC Investment.

Notes:

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

- (ii) The symbols “€” and “c” refer to euro and cent respectively, the lawful currency of Ireland pursuant to the provisions of the Economic and Monetary Union Act 1998. The symbols “Stg£” or “£” or “p” refer to Pounds Sterling and the symbols “US\$” or “\$” refer to US dollars.
- (iii) The symbol “CHF” refers to Swiss francs; the symbol “CAD” refers to Canadian Dollars; the symbol “HKD” refers to Hong Kong Dollars; the symbol “JPY” refers to Japanese Yen; the symbol “AUD” refers to Australian Dollars; the symbol “NZD” refers to New Zealand Dollars; the symbol “SEK” refers to Swedish Krona; and the symbol “NOK” refers to Norwegian Krone.
- (iv) Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.
- (v) Expressions defined in the manual published by Euroclear from time to time in connection with the operation of CREST bear the same meaning when used in this Circular.
- (vi) Terms defined in the Companies Acts and in the European Communities (Companies: Group Accounts) Regulations, 1992 and used in this Circular shall have the same meaning when used in this Circular.

## NOTICE OF EXTRAORDINARY GENERAL COURT

### BANK OF IRELAND

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Court of the Bank will be held at 11.00 a.m. on 19 May 2010 at O'Reilly Hall, UCD, Belfield, Dublin 4, Ireland, to consider and, if thought fit, pass the following resolutions:

#### RESOLUTIONS

##### Resolution 1

As an Ordinary Resolution:

“That, subject to all of Resolutions 2 to 7 in the Notice of this Extraordinary General Court being duly passed, each of the units of Ordinary Stock of €0.64 each in the capital of the Bank be sub-divided into one unit of Ordinary Stock of €0.10 in the capital of the Bank each carrying the same rights and obligations as the existing units of Ordinary Stock of €0.64 in the capital of the Bank, save as to nominal value, and one unit of Deferred Stock of €0.54 in the capital of the Bank each carrying the rights and obligations, including special rights and obligations, set out in the new Bye-Laws of the Bank proposed for adoption pursuant to Resolution 3.”

##### Resolution 2

As an Ordinary Resolution:

“That, subject to all of Resolutions 1 and 3 to 7 in the Notice of this Extraordinary General Court being duly passed, the authorised capital stock of the Bank be and is hereby enlarged by €2.2 billion comprising 22 billion units of new Ordinary Stock of €0.10 each, each ranking *pari passu* with the existing units of Ordinary Stock of €0.10 (as sub-divided by Resolution 1), subject to the new Bye-Laws of the Bank proposed for adoption pursuant to Resolution 3.”

##### Resolution 3

As a Special Resolution:

“That, subject to all of Resolutions 1 to 2 and 4 to 7 in the Notice of this Extraordinary General Court being duly passed and the approval of the holders of the 2009 Preference Stock of the amendment of the rights and obligations attaching to the 2009 Preference Stock resulting from the adoption of the new Bye-Laws proposed for adoption pursuant to this Resolution, the Bye-Laws of the Bank which have been signed by the Chairman of this Extraordinary General Court for identification purposes and which have been available for inspection at the registered office of the Bank since the date of the Notice of this Extraordinary General Court be and are hereby adopted as the new Bye-Laws of the Bank in substitution for and to the exclusion of the existing Bye-Laws of the Bank.”\*

\* See note 16 below in respect of the availability of the proposed Bye-Laws for inspection.

##### Resolution 4

As an Ordinary Resolution:

“That, subject to all of Resolutions 1 to 3 and 5 to 7 in the Notice of this Extraordinary General Court being duly passed, the Directors be and are hereby generally empowered and authorised to issue, allot or otherwise dispose of the Ordinary Stock of the Bank pursuant to the Proposals (as defined in the circular issued by the Bank dated 26 April 2010 (the “**Circular**”)) excluding the NPRFC Placing and the NPRFC Rights Issue Undertaking (each as defined in the Circular), including (without limitation) the issue of Conversion Ordinary Stock pursuant to the Allotment Instrument (as defined in Resolution 5), on a non-pre-emptive basis for cash or non-cash consideration, or to agree to do any of the foregoing acts, up to and including 100% of the nominal amount of the Ordinary Stock of the Bank as created by Resolution 2 and not previously allotted, provided that this authority is without prejudice to and in addition to the authority granted pursuant to resolutions 5 and 6 passed at the Annual General Court of the Bank held on 3 July 2009. This authority shall lapse on 31 December 2010.”

##### Resolution 5

As an Ordinary Resolution:

“That, subject to all of Resolutions 1 to 4 and 6 to 7 in the Notice of this Extraordinary General Court being duly passed, the entry by the Bank into the allotment instrument whereby allotment rights in respect of units of Ordinary Stock will be granted to eligible participants who elect to accept the Debt for Equity Offers (as defined in the Circular) (the “**Allotment Instrument**”) and opt to receive Conversion Ordinary Stock (as defined in the Circular) be and is hereby approved and the Directors be and are hereby generally empowered and authorised to issue, allot or otherwise dispose of allotment rights in respect of the Conversion Ordinary Stock pursuant to the Allotment Instrument on a non-pre-emptive basis for cash or non-cash consideration.”

##### Resolution 6

As an Ordinary Resolution:

“That, subject to all of Resolutions 1 to 5 and 7 in the Notice of this Extraordinary General Court being duly passed, the issue of Ordinary Stock pursuant to the Institutional Placing at a price of €1.53 per unit of Ordinary Stock (which is a discount of more than 10% to the middle market price (within the meaning of Rule 6.5.10(1) of the Listing Rules of the Irish Stock Exchange and Rule 9.5.10(1) of the Listing Rules of the UK Listing Authority) of the units of Ordinary Stock at the date of the Circular) be and is hereby approved.”



## **Resolution 7**

As an Ordinary Resolution:

“That, subject to all of Resolutions 1 to 6 in the Notice of this Extraordinary General Court being duly passed:

- (a) 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 (each as defined in the Circular), being a related party transaction for the purposes of the Listing Rules of the Irish Stock Exchange Limited and the Listing Rules of the UK Listing Authority, be and is hereby approved;
- (b) the Directors be and are hereby generally empowered and authorised to issue, allot or otherwise dispose of the Ordinary Stock of the Bank pursuant to the NPRFC Placing and the NPRFC Rights Issue Undertaking on a non-pre-emptive basis for cash or non-cash consideration, or to agree to do any of the foregoing acts, up to and including the entire nominal amount of the Ordinary Stock of the Bank as created by Resolution 2 not previously allotted, provided that this authority is without prejudice to and in addition to the authority granted pursuant to resolutions 5 and 6 passed at the Annual General Court of the Bank held on 3 July 2009;
- (c) the issue of Ordinary Stock pursuant to the NPRFC Rights Issue Undertaking at a price not less than €0.10 per unit of Ordinary Stock (including at a discount of more than 10% to the middle market price (within the meaning of Rule 6.5.10(1) of the Listing Rules of the Irish Stock Exchange and Rule 9.5.10(1) of the Listing Rules of the United Kingdom Listing Authority) of the units of Ordinary Stock at the date of the Circular) be and is hereby approved;
- (d) the Directors be and are hereby generally empowered and authorised to cancel the Warrants (as defined in the Circular) pursuant to the Warrant Cancellation (as defined in the Circular).”

## **Resolution 8**

As a Special Resolution:

“Subject to and with the consent of the High Court, that the stock premium of the Bank be reduced by cancelling €0.8 billion of the stock premium of the Bank, the reserve resulting from the cancellation of the stock premium to be treated as profits available for distribution as defined by section 45 of Companies (Amendment) Act 1983.”

## **BY ORDER**

*H Nolan*  
*Secretary*

The Governor and Company of the Bank of Ireland  
Lower Baggot Street  
Dublin 2  
Ireland

Dated: 26 April 2010

## **Notes:**

### **Entitlement to attend and vote**

1. Only those Stockholders who are holders of fully paid units of capital stock of the Bank and are registered on the Bank’s register of members at:
  - 6.00 pm on 17 May 2010 (being the record date specified by the Bank for eligibility for voting pursuant to section 134A of the Companies Act 1963); or
  - if the Extraordinary General Court is adjourned, at 6.00 pm on the day two days prior to the adjourned Extraordinary General Court,

shall be entitled to participate and vote at the Extraordinary General Court to the extent permitted to do so under the Listing Rules. In addition to holders of Ordinary Stock, holders of 1992 Preference Stock are eligible to vote at the EGC, where permitted to do so under the Listing Rules. See paragraph 18 (Extraordinary General Court) of Part I (Letter from the Governor of Bank of Ireland) of the Circular for further information on the voting rights attaching to the 1992 Preference Stock.

### **Website giving information regarding the Extraordinary General Court**

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

### **Attending in person**

3. The Extraordinary General Court will be held at 11.00 am. If you wish to attend the Extraordinary General Court in person, you are recommended to attend at least 15 minutes before the time appointed for holding of the Extraordinary General Court to allow time for registration. Please bring the attendance card attached to your Forms of Proxy and present them at the Stockholder registration desk before the commencement of the Extraordinary General Court.

## Electronic Participation

4. Stockholders can vote electronically by logging on to the website of the Bank's registrars, Computershare Investor Services (Ireland) Limited: [www.computershare.com/ie/voting/bankofireland](http://www.computershare.com/ie/voting/bankofireland). Stockholders will need their 5-digit PIN Number and Stockholder Reference Number printed on the enclosed Forms of Proxy.

## Voting by Corporate Representatives

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

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

## Appointment of proxies

6. A Stockholder who is entitled to attend, speak, ask questions and vote at the Extraordinary General Court is entitled to appoint a proxy to attend, speak, ask questions and vote instead of him. A Stockholder may appoint more than one proxy to attend, speak, ask questions and vote at the Extraordinary General Court in respect of stock held in different securities accounts. A Stockholder acting as an intermediary on behalf of one or more clients may grant a proxy to each of its clients or their nominees provided each proxy is appointed to exercise rights attached to different stock held by that Stockholder. A proxy need not be a Stockholder of the Bank. If you wish to appoint more than one proxy then please contact the Bank's registrars, Computershare Investor Services (Ireland) Limited, by sending an email to [clientservices@computershare.ie](mailto:clientservices@computershare.ie).
7. Forms of Proxy for use by Ordinary Stockholders, holders of euro denominated Preference Stock and holders of Sterling denominated Preference Stock are enclosed with this Notice of Extraordinary General Court (or is otherwise being delivered to Stockholders). Completion of Forms of Proxy (or submission of proxy instructions electronically) will not prevent a Stockholder from attending the Extraordinary General Court and voting in person should they wish to do so.

## Completion of Forms of Proxy

8. To be valid, Forms of Proxy and any power or other authority under which it is executed (or a duly certified copy of any such power or authority) must be lodged by hand or by post with the Bank's registrars, Computershare Investor Services (Ireland) Limited, P.O. Box 11838, Heron House, Corrig Road, Sandymount Industrial Estate, Dublin 18, Ireland not later than 48 hours before the Extraordinary General Court or adjourned Extraordinary General Court or (in the case of a poll taken otherwise than at or on the same day as the Extraordinary General Court or adjourned Extraordinary General Court) at least 48 hours before the taking of the poll at which it is to be used.

## Appointment of proxy electronically

9. To appoint a proxy electronically log on to the website of the registrars, [www.computershare.com/ie/voting/bankofireland](http://www.computershare.com/ie/voting/bankofireland). Stockholders will need their 5-digit PIN Number and Stockholder Reference Number printed on the enclosed Forms of Proxy.

## Appointment of a proxy by a CREST Member

10. CREST Members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Extraordinary General Court and any adjournment(s) thereof by following the procedures laid down in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s) should refer to their CREST Sponsor or voting service provider(s), who will be able to take appropriate action on their behalf.
11. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy) must be transmitted so as to be received by the Bank's registrars, Computershare Investor Services (Ireland) Limited, (ID Number **3RA50**) by the latest time(s) for receipt of proxy appointments specified in this notice of Extraordinary General Court. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Computershare Investor Services (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
12. CREST Members and where applicable, their CREST Sponsors or voting service providers, should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST Sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Bank may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Companies Act, 1990 (Uncertificated Securities) Regulations 1996.

### **Questions at the Extraordinary General Court**

13. Under section 134C of the Companies Act 1963, the Bank must answer any question you ask relating to the business being dealt with at the Extraordinary General Court unless:
- (i) answering the question would interfere unduly with the preparation for the Extraordinary General Court or the confidentiality and business interests of the Bank;
  - (ii) the answer has already been given on a website in the form of an answer to a question; or
  - (iii) it appears to the Chairman of the Extraordinary General Court that it is undesirable in the interests of the good order of the Court that the question be answered.

### **Stockholders' right to table draft resolutions**

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

### **Voting on a Poll**

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

### **Documents available for inspection**

16. Paper copies of:
- the Bye-Laws;
  - the proposed Bye-Laws to be adopted at the EGC;
  - December 2009 Annual Report, 2009 Annual Report and 2008 Annual Report;
  - 2009 Annual Report on Form 20-F;
  - Report on the unaudited pro forma financial information by PricewaterhouseCoopers set out in Part V (Unaudited Pro Forma Financial Information) of this Circular;
  - Report from Oliver Wyman;
  - Consent letters referred to in paragraph 13 (Consent to inclusion of names) of this Part VI;
  - the Government Transaction Agreement;
  - the Prospectus; and
  - this Circular

will be available for inspection at the following addresses during normal business hours on each Business Day from the date of this Circular up to 14 June 2010 (being the date of Admission of the Rights Issue Stock):

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

They will also be available for inspection at O'Reilly Hall, UCD, Belfield, Dublin 4, Ireland from at least 15 minutes prior to the Extraordinary General Court until the conclusion of that meeting.