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 ARE A US PERSON WHEREVER LOCATED OR ARE LOCATED IN THE UNITED STATES, SUBJECT TO VERY LIMITED EXCEPTIONS, THIS DOCUMENT AND THE OFFERS DESCRIBED HEREIN ARE NOT INTENDED FOR YOU, AND YOU SHOULD DISCARD THIS DOCUMENT AND MAY NOT ACCEPT ANY OFFERS DESCRIBED HEREIN.

If you sell or have sold or have otherwise transferred all of your Existing Ordinary Stock (other than ex-rights) in certificated form before 12 July 2011 (the "Ex-Rights Date") please send this Circular and any other documents issued by The Governor and Company of the Bank of Ireland (the "Bank") in connection with the Rights Issue, 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 US Person or 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 Circular should not be sent or transmitted to the United States or to any US Person wherever located.** If you sell or have sold or have otherwise transferred all or some of your Existing Ordinary 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 Ordinary 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.

For a discussion of certain risk factors which should be taken into account when considering whether to vote in favour of the Resolutions, see Part II (Risk Factors) of this Circular.

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 Rights Issue of up to 43,500,000,000 units of New Ordinary Stock at €0.10 per unit of New Ordinary Stock

Proposed State Placing of up to 794,912,043 units of New Ordinary Stock at €0.10 per unit of New Ordinary Stock

Proposed Debt for Equity Offers of up to 918,350,560 units of Allotment Instruments convertible into up to 8,126,996,107 units of Ordinary Stock

Proposed issue of €1 billion Contingent Capital Instrument

Notice of Extraordinary General Court

IBI Corporate Finance	Credit Suisse	Davy	UBS Investment Bank	Deutsche Bank
Joint Transaction Co-ordinator and Joint Financial Adviser	*Joint Transaction Co-ordinator, Joint Bookrunner and Joint Financial Adviser*	*Joint Broker, Joint Bookrunner, Irish Sponsor and Joint UK Sponsor*	*Joint Broker, Joint Bookrunner and Joint UK Sponsor*	*Joint Bookrunner*

This Circular does not set out the full terms and conditions of the State Placing, the Rights Issue, the Debt for Equity Offers or the Contingent Capital Instrument 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 Debt for Equity Offers or the Contingent Capital Instrument. 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 Offer Documents. The full terms and conditions of the Contingent Capital Instrument are set out in the form appended to the Transaction Agreement. Any decision to subscribe for any Nil Paid Rights, Fully Paid Rights or New Ordinary 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 Stock or Allotment Instruments must be made only on the basis of the information contained in and incorporated by reference into the Debt for Equity Offer Documents. Copies of the Debt for Equity Offer Documents and copies of the Prospectus can be obtained from the Group website (which is www.bankofireland.com) or free of charge from Computershare Investor Services (Ireland) Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 or by calling the stockholder helpline on 01 2475414 (if calling from within Ireland) or +353 1 2475414 (if calling from outside Ireland) between 9.00 a.m. and 5.00 p.m. on any Business Day.

Your attention is drawn in particular to the letter from the Governor of the Bank of Ireland which is set out in Part I (Letter from the Governor of Bank of Ireland) at pages 6 to 41 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 17 (Documents incorporated by reference) of Part V (Additional Information) of this Circular). Qualifying Stockholders and any other persons contemplating a purchase of Nil Paid Rights, Fully Paid Rights or New Ordinary 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 deciding whether or not to purchase Nil Paid Rights, Fully Paid Rights or New Ordinary 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. on 26 July 2011. 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.

The securities referred to herein being offered pursuant to the Debt for Equity Offers, the Rights Issue or the Contingent Capital Instrument have not been, and will not be, registered under the Securities Act, or under any securities laws of any state or other jurisdiction of the United States and may not be offered, sold, taken up, exercised, resold or renounced by, or transferred, delivered, directly or indirectly, to any US Person wherever located or 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. There will be no public offer in any Excluded Territory.

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 State, or any director, commissioner, officer, official, employee or adviser (including without limitation legal and financial advisers) of any such person (each such person, a "Relevant Person") accepts any responsibility for the contents of, or makes any representation or warranty as to the accuracy, completeness or fairness of any information in, this Circular or any document referred to in this Circular or any supplement or amendment thereto (each a "Transaction Document"). Each Relevant Person expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of any Transaction Document. No Relevant Person has authorised or will authorise the contents of any Transaction Document, or has recommended or endorsed the merits of the offering of securities or any other course of action contemplated by any Transaction Document.

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

Credit Suisse Securities (Europe) Limited (which is authorised and regulated in the United Kingdom by the Financial Services Authority) is acting exclusively for the Bank as joint transaction co-ordinator, joint bookrunner and joint financial adviser and no one else in relation to the matters contained in this Circular and will not regard any other person (including the recipients of this Circular) as a client, nor be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Central Bank, the Financial Services Authority or any applicable Irish law, 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, nor does it authorise, the contents of this Circular or its publication or any other statement made or purported to be made by the Bank, or on its behalf, in connection with the arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person other than the Bank in respect of this Circular or any other statement.

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

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

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 joint bookrunner and no one else in relation to the matters contained in this Circular and will not regard any other person (including the recipients of this Circular) as a client, nor be responsible to anyone other than the Bank for providing the protections afforded to its customers or for providing advice in relation to the matters referred to in this Circular. Apart from the responsibilities and liabilities, if any, which may be imposed by the Central Bank, the Financial Services Authority, FSMA or any applicable Irish law, 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 nor does it authorise, the contents of this Circular or its publication, or any other statement made or purported to be made by the Bank or Deutsche Bank, or on behalf of either of them, in connection with the arrangements described in this Circular, and accordingly disclaims all and any liability whatsoever whether arising out of tort, contract or otherwise which it might otherwise have to any person, other than the Bank, in respect of this Circular or any other statement.

Notice of an Extraordinary General Court to be held at 11.00 a.m. on 11 July 2011 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 and **returned** either electronically via the internet at *www.eproxyappointment.com* or via the CREST system or by hand or post to Computershare Investor Services (Ireland) Limited, P.O. Box 11838, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland **to arrive by no later than 11.00 a.m. on 9 July 2011.**

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.

TABLE OF CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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

Posting of the Circular	18 June 2011
Publication of Prospectus	18 June 2011
Announcement of the Ordinary Stock conversion price for Allotment Instrument exchange option	7.00 a.m. 23 June 2011
Announcement of early participation results under Debt for Equity Offers	23 June 2011
Latest date for receipt of acceptances of Debt for Equity Offers (other than for the Canadian Dollar 2015 Notes)	7 July 2011
Bondholder meetings for holders of Eligible Debt Securities	7 July 2011
Expected announcement of the results of the Debt for Equity Offers	8 July 2011
State informs the Bank of the amount of the State Placing (if any)	8 July 2011
Announcement of Rights Issue size	8 July 2011
Record Date for entitlement under the Rights Issue for Qualifying CREST Stockholders and Qualifying Non-CREST Stockholders*	5.00 p.m. on 8 July 2011
Latest time and date for receipt of Forms of Proxy for the Extraordinary General Court	11.00 a.m. on 9 July 2011
Extraordinary General Court	11.00 a.m. on 11 July 2011
Despatch of Provisional Allotment Letters (to Qualifying Non-CREST Stockholders only)	11 July 2011
Renominalisation becomes effective	Close of business on 11 July 2011
Admission of the Nil Paid Rights and the Fully Paid Rights	8.00 a.m. on 12 July 2011
Issue of Allotment Instruments	12 July 2011
Dealings in the Nil Paid Rights and the Fully Paid Rights commence	**8.00 a.m. on 12 July 2011**
Start of subscription period	8.00 a.m. on 12 July 2011
Record Date Stock marked "ex-rights" by the Irish Stock Exchange and the London Stock Exchange	8.00 a.m. on 12 July 2011
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Stockholders only)	as soon as possible after 8.00 a.m. on 12 July 2011
Nil Paid Right and Fully Paid Rights enabled in CREST	as soon as possible after 8.00 a.m. on 12 July 2011
Settlement for cash payments for Debt for Equity Offers	12 July 2011
The latest time and date for Cashless Take-Up or disposal of Nil Paid Rights using the Computershare Dealing Facility	3.00 p.m. on 19 July 2011
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 20 July 2011

* New Ordinary Stock issued to the NPRFC pursuant to the State Placing is entitled to participate in the Rights Issue notwithstanding that it will not be issued until after the Record Date for the Rights Issue.

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 21 July 2011
Latest time and date for splitting Provisional Allotment Letters, nil or fully paid	3.00 p.m. on 22 July 2011
Latest time and date for acceptance, payment in full and registration or renunciation of Provisional Allotment Letters	**11.00 a.m. on 26 July 2011**
Announcements of results of Rights Issue	**26 July 2011**
Dealings in New Ordinary Stock commence on the Irish Stock Exchange and the London Stock Exchange	By 8.00 a.m. on 29 July 2011
Settlement of the Rump Placing	29 July 2011
New Ordinary Stock credited to CREST accounts	By 29 July 2011
Despatch of definitive stock certificates for the New Ordinary Stock in certificated form	By 5 August 2011
Debt for Equity Stock credited to CREST accounts	By 12 August 2011
Conversion of Allotment Instruments into Debt for Equity Stock	By 12 August 2011

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 which event details of the new times and dates will be notified to the Central Bank, the Irish Stock Exchange, the FSA, the London Stock Exchange and, where appropriate, Qualifying Stockholders.

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

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

(5) 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.

(6) The admission to either or both of the Official Lists of the New Ordinary Stock or admission to trading on the regulated markets for listed securities of the Irish Stock Exchange and/or the London Stock Exchange of the New Ordinary Stock, the Nil Paid Rights and/or the Fully Paid Rights may not occur or may be cancelled in certain circumstances and the acceptance of an offer for Nil Paid Rights, the Fully Paid Rights and the New Ordinary Stock is not conditional on any such admission or continuation of such admission (see for further details paragraph 5 (Rights Issue and Admission) of Part I (Letter from the Governor of Bank of Ireland) under the heading "Admission to Listing and Trading").

The Group's annual report on form 20-F for 2010 is expected to be published on or around 24 June 2011, and an announcement will be made through a Regulatory Information Service to confirm once this publication has occurred.

Should you require further assistance, please call the stockholder helpline on 01 2475414 (if calling from within Ireland) or + 353 1 2475414 (if calling from outside Ireland) between 9.00 a.m. and 5.00 p.m. on any Business Day.

Please note that for legal reasons, the stockholder helpline is only able to provide information contained in this Circular and information relating to the Bank's register of members and is unable to give advice on the merits of the Proposals 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.

OTHER IMPORTANT INFORMATION

EXCHANGE RATES

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

one euro: pound sterling

Period	Average Rate	Period End Rate
Year ended 31 March 2008	0.7116	0.7958
Year ended 31 March 2009	0.8333	0.9308
9 months ended 31 December 2009	0.8851	0.8881
Year ended 31 December 2010	0.8579	0.8607

one euro: US dollar

Period	Average Rate	Period End Rate
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
Year ended 31 December 2010	1.3258	1.3362

For the purposes of the assumptions relating to the number of units of New Ordinary Stock and Debt for Equity Stock, including in the calculations of the potential dilutive impacts of the Rights Issue and the Debt for Equity Offers and the maximum State stockholding, the Core Tier 1 Capital to be generated by the Proposals and the calculation of the Rights Issue size (including variables to that size), the following rates of exchange have been used (being the daily reference rate set by the European Central Bank for 6 June 2011):

euro: pound sterling

€1: £0.8903

euro: US dollar

€1: $1.4596

euro: Canadian dollar

€1: CAD1.4317

The actual number of units of New Ordinary Stock and Debt for Equity Stock, including in the calculations of the potential dilutive impacts of the Rights Issue and the Debt for Equity Offers and the maximum State stockholding, the Core Tier 1 Capital to be generated by the Proposals and the calculation of the Rights Issue size (including variables to that size) will change to the extent that the settlement foreign exchange rates for the Debt for Equity Offers are different from those assumed, save that the maximum size of the Rights Issue is fixed at €4.35 billion.

On 16 June 2011, being the latest practicable date prior to the publication of this Circular, the euro:US dollar exchange rate was €1: $1.4088, the euro:pound sterling exchange rate was €1: £0.8753, the euro:Canadian dollar exchange rate was €1: CAD1.3929 being the daily reference rate set by the European Central Bank for such date.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

FINANCIAL INFORMATION

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

PRESENTATION OF FINANCIAL INFORMATION

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

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

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

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

Unless otherwise stated the financial information contained herein was derived without material adjustment from the 2010 Annual Report.

FORWARD-LOOKING STATEMENTS

This Circular contains or incorporates by reference certain "forward-looking statements" regarding the belief or current expectations of the Group, the Directors and other members of its senior management about the Group's financial condition, results of operations and business and the transactions described in this Circular. Generally, but not always, words such as "may", "could", "should", "will", "expect", "intend", "estimate", "anticipate", "assume", "believe", "plan", "seek", "continue", "target", "goal", "would" or their negative variations or similar expressions identify forward-looking statements including, amongst other things, the targets set out in paragraph 11 (Strategy and Financial Targets) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

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

Such forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict, that may cause the actual results, performance, achievements or developments of the Group or the industries in which it operates to differ materially from any future results, performance, achievements or developments expressed or implied from the forward-looking statements. A number of material factors, as set out in the risk factors in Part II (Risk Factors) of this Circular, could cause actual results to differ materially from those contemplated by the forward-looking statements.

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

It is strongly recommended that Stockholders read Part II (Risk Factors) of the Circular for a more complete discussion of the factors which could affect the Group's future performance and the industries in which it operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this 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 Central Bank, the Irish Stock Exchange, the FSA, the London Stock Exchange, or applicable law, the Group does not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the Central Bank, the Irish Stock Exchange, the FSA, the London Stock Exchange, or applicable law, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART I

LETTER FROM THE GOVERNOR OF BANK OF IRELAND

Bank of Ireland Group

Directors:		*Registered Address:*
Patrick Molloy	Governor	Head Office
Patrick O'Sullivan	Deputy Governor and Senior Independent Director	40 Mespil Road
Richie Boucher	Group Chief Executive	Dublin 4
John O'Donovan	Group Chief Financial Officer	
Tom Considine	Non-Executive Director	
Rose Hynes	Non-Executive Director	
Jerome Kennedy	Non-Executive Director	
Patrick Kennedy	Non-Executive Director	
Joe Walsh	Non-Executive Director	

18 June 2011

Dear Stockholder,

1. Introduction

On 31 March 2011, Bank of Ireland announced that, as a result of the 2011 Prudential Capital Assessment Review ("March 2011 PCAR") carried out by the Central Bank, it would be required to generate incremental Core Tier 1 Capital of €4.2 billion after estimated expenses (including a regulatory buffer of €0.5 billion for additional conservatism) and €1.0 billion of contingent capital through the issue of a debt instrument which, under certain circumstances, would convert in its entirety to units of Ordinary Stock (known as the "Contingent Capital Instrument"). The Central Bank requires that the additional capital must be raised by 31 July 2011.

The Court has considered a number of options for raising the Core Tier 1 Capital required by the March 2011 PCAR, including the possibility of private equity investment and alternative forms of bondholder contribution. Any such alternatives would be required to be completed by 31 July 2011, which is the date set by the Central Bank for the Group to raise the requisite Core Tier 1 Capital as required under the EU/IMF Programme. The Proposals (set out below) represent the basis as of the date of this Circular on which the NPRFC is prepared to underwrite a rights issue to enable the Group to raise the required levels of Core Tier 1 Capital by 31 July 2011. In particular, the NPRFC has the option to elect for a direct placing of up to 794,912,043 units of New Ordinary Stock at €0.10 per unit of New Ordinary Stock on 8 July 2011. Any such New Ordinary Stock would not be offered to Existing Ordinary Stockholders (excluding the State). The Group continues to have active discussions with other sources of private capital to raise the Core Tier 1 Capital required but, as of the date of this Circular, certainty of underwriting in the required quantum is only available from the State.

I am writing to you today to set out how the Group proposes to generate the €4.2 billion Core Tier 1 Capital (after estimated expenses of €150 million) and €1.0 billion of contingent capital required to meet regulatory requirements by 31 July 2011 and to seek your approval for the requisite Resolutions. The €4.35 billion (including estimated expenses) will be raised by a combination of:

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

To the extent the capital the Minister expects to generate through further burden sharing with remaining subordinated bondholders has not been generated by 8 July 2011, it is expected that the Minister would seek the permission of the Central Bank to extend the deadline for the generation of this expected capital beyond 31 July 2011. To the extent such permission is forthcoming, the Rights Issue size will be reduced by the amount expected to be generated through the further burden sharing measures, as well as any capital generated by the Debt for Equity Offers, the compulsory acquisition of Eligible Debt Securities (to the extent such compulsory acquisition amendments are approved at the bondholder meetings) and the State Placing. If such permission is not forthcoming, the Rights Issue will be €4.35 billion (including estimated expenses) less any capital generated by the Debt for Equity Offers, the compulsory acquisition of Eligible Debt Securities and the State Placing.

In relation to capital ratios, had the Proposals been implemented as at 31 December 2010 and based on the other assumptions and adjustments set out in Part IV (Unaudited Pro Forma Financial Information) of this Circular, the Group would have had a Basel II pro forma Equity Tier 1 Capital Ratio of 13.0%, a Core Tier 1 Capital Ratio of 15.4%, a Tier 1 Capital Ratio of 14.7% and a Total Capital Ratio of 14.6%. This compares with a reported Equity Tier 1 Capital Ratio of 7.3%, a Core Tier 1 Capital Ratio of 9.7%, a Tier 1 Capital Ratio of 9.7% and a Total Capital Ratio of 11% at 31 December 2010.

Debt for Equity Offers

On 8 June 2011, the Bank launched the Debt for Equity Offers pursuant to which the holders of approximately €2.6 billion in nominal amount of Tier 1 and Tier 2 Securities (''Eligible Debt Securities'') are being provided the opportunity to exchange these securities either for cash or for Allotment Instruments which are convertible into new units of Ordinary Stock. The deadline for receipt of tenders in the Debt for Equity Offers (other than the Canadian Dollar 2015 Notes) is expected to be 7 July 2011, with the results of the Debt for Equity Offers as at that date (including the expected incremental Core Tier 1 Capital generated) expected to be announced on 8 July 2011. The deadline for receipt of tenders for the Canadian Dollar 2015 Notes is 8 August 2011.*

Compulsory acquisition of Eligible Debt Securities

In addition, at a series of bondholder meetings for the holders of the Eligible Debt Securities, the Group will seek the consent of such holders to grant the Group the right to amend the terms of the Eligible Debt Securities to insert a call option to compulsorily acquire Eligible Debt Securities for cash at 0.001% of their nominal value. The Group intends to exercise these call options in respect of any Eligible Debt Securities remaining outstanding following settlement of the relevant Debt for Equity Offer (including the cash offer component) for that class of Eligible Debt Securities. The nominal amount of Eligible Debt Securities (other than the Canadian Dollar 2015 Notes) which are subject to these call options and any incremental Core Tier 1 Capital consequently generated is expected to be announced on 8 July 2011.

Further burden sharing with subordinated bondholders

To the extent that Eligible Debt Securities are not acquired or exchanged pursuant to the Debt for Equity Offers or acquired pursuant to the exercise of the call options under the amended terms of the Eligible Debt Securities, the Minister for Finance stated on 31 May 2011, ''*The levels of burden-sharing in these LMEs (liability management exercises) are the minimum acceptable to the Government. If these LMEs fail to deliver the expected core tier 1 capital gains to each of the banks, the Government will take whatever steps are necessary under the Credit Institutions (Stabilisation) Act 2010 or otherwise to ensure that burden sharing is achieved. Any further action, after investors have had an opportunity to take part in these LMEs, will result in severe measures being taken in respect of the subordinated liabilities*''. In these circumstances, the Directors believe the level of return to the holders of outstanding Eligible Debt Securities may be materially below that available pursuant to the cash alternative under the Debt for Equity Offers.

The Directors believe that, in the event that there are no elections for cash or Allotment Instruments convertible into units of Ordinary Stock under the Debt for Equity Offers (and no call options over the Eligible Debt Securities are granted), the further burden sharing with bondholders anticipated by the Minister for Finance would result in the generation of Core Tier 1 Capital of approximately €2.3 billion, after taking account of the €0.3 billion assumed corporation tax payable by the Group relating to this gain.

State Placing

Under the Transaction Agreement, the NPRFC has the option to require the Bank to make a direct placing of up to 794,912,043 units of New Ordinary Stock to the NPRFC at €0.10 per unit of New Ordinary Stock, representing approximately 15% of the Existing Ordinary Stock on 16 June 2011. The maximum gross proceeds of the State Placing will be €79,491,204. Any New Ordinary Stock issued to the NPRFC pursuant to the State Placing would (a) be entitled to participate in the Rights Issue and (b) reduce the size of the Rights Issue by an amount equal to the proceeds of the State Placing. The NPRFC will inform the Bank whether it wishes to

* If the Minister obtains the permission of the Central Bank to extend the deadline for the generation of the additional capital expected from the anticipated further burden sharing measures, the Rights Issue will be reduced by the amount of Core Tier 1 Capital that would be generated if all the holders of Canadian Dollar 2015 Notes accepted the cash conversion option (which would be the minimum Core Tier 1 Capital that could be generated from the outstanding Canadian Dollar 2015 Notes). If such permission from the Central Bank is not forthcoming, the Rights Issue will not be reduced for any amount Core Tier 1 Capital that could be generated from the outstanding Canadian Dollar 2015 Notes.

proceed with the State Placing at its sole discretion and, if so, the amount of the State Placing on 8 July 2011 following the announcement of the results of the Debt for Equity Offers.

The State has informed the Bank that the purpose of the State Placing is to afford the State the flexibility:

(a) to facilitate ongoing discussions with private capital by providing the NPRFC with a guaranteed minimum allocation of New Ordinary Stock (in excess of its pro rata entitlement in the Rights Issue) capable of being sold by the NPRFC to third parties with which the State and the Bank are in discussions; and

(b) separately, to enable the NPRFC, if it so elects, to partially mitigate potential dilution of its current proportionate ownership of the Bank resulting from the Proposals.

If the NPRFC elects to proceed with the State Placing, this will reduce the size of the Rights Issue and increase the dilution of Existing Ordinary Stockholders resulting from the Proposals. Whether or not the State Placing proceeds is at the discretion of the NPRFC and there is no certainty that the State Placing will occur.

Rights Issue underwritten by the NPRFC

Under the terms of the Transaction Agreement, the NPRFC has agreed to fully underwrite the Rights Issue up to a maximum size of €4.35 billion (including estimated expenses of €150 million) assuming no Core Tier 1 Capital is generated from (i) the Debt for Equity Offers, (ii) the compulsory acquisition of Eligible Debt Securities and (iii) further burden sharing with subordinated bondholders. The issue price of the Rights Issue will be €0.10 per unit of Ordinary Stock.

The actual size of the Rights Issue is expected to be announced on 8 July 2011 as by this date the Bank will know the results of the Debt for Equity Offers (as the deadline for receipt of tenders is expected to be 7 July 2011 for the vast majority of Eligible Debt Securities, and the Bank will have a high level of visibility of the balance of Eligible Debt Securities outstanding), the results of the bondholder meetings (which will facilitate compulsory acquisition of Eligible Debt Securities), the size of the State Placing (if any), the confirmation of the final expenses of the Proposals and certainty as to the amount of Core Tier 1 Capital that is capable of being generated by the further burden sharing measures anticipated by the Minister's statement of 31 May 2011 to satisfy the Group's obligations to raise Core Tier 1 Capital.

The Directors expect that the full €4.35 billion of required Core Tier 1 Capital will be generated pursuant to the Proposals as follows:

- a minimum of €2.12 billion to be raised from a combination of the Debt for Equity Offers (including the cash offer component), the compulsory acquisition of Eligible Debt Securities pursuant to the exercise of the call options under the amended terms of the Eligible Debt Securities and the further burden sharing with subordinated bondholders anticipated by the Minister for Finance in his statement on 31 May 2011; and
- a maximum of €2.23 billion to be raised from the State Placing (if any) and the Rights Issue.

The expected maximum size of the State Placing (if any) and the Rights Issue of €2.23 billion as set out above is based on the Minister's stated policy that there will be burden sharing with subordinated bondholders through the Debt for Equity Offers (whether under the cash tender or equity exchange options) and, if necessary, action by the Minister under the Stabilisation Act or otherwise. The Directors' expectation is that the Minister, in consultation with the Central Bank, will take the necessary steps to ensure that the Group satisfies its obligations to raise Core Tier 1 Capital in part through burden sharing with subordinated bondholders required by the Minister.

To the extent the capital the Minister expects to generate through such actions has not been generated by 8 July 2011, it is expected that the Minister would seek the permission of the Central Bank to extend the deadline for the generation of this expected capital beyond 31 July 2011. If such permission is not forthcoming, the Rights Issue will be €4.35 billion (including estimated expenses) less any capital generated by the Debt for Equity Offers, the compulsory acquisition of Eligible Debt Securities (to the extent such compulsory acquisition amendments are approved at the bondholder meetings) and the State Placing.

If the Debt for Equity Offers generate the maximum incremental capital through all bondholders electing to accept the Allotment Instrument exchange option under the Debt for Equity Offers, the maximum size of the State Placing and the Rights Issue would be €1.77 billion. Assuming no capital is generated through the Debt for Equity Offers or through the proposed amendments to the terms of Eligible Debt Securities and the Core Tier 1 Capital to be raised by the further burden sharing cannot be taken into account for the purposes of calculating the final Rights Issue size, the maximum size of the State Placing and the Rights Issue would be €4.35 billion.

Contingent Capital Instrument

The State has also agreed to subscribe for €1.0 billion of contingent capital required to meet regulatory requirements pursuant to the Contingent Capital Instrument (subject to the satisfaction of the conditions in the Transaction Agreement), further details of which are set out in paragraph 6 (Contingent Capital Instrument) of this Part I (Letter from the Governor of Bank of Ireland).

Key Implications of the Proposals for Stockholders

If Stockholders approve the Proposals, the combination of the proceeds of the State Placing and the Rights Issue, together with any Core Tier 1 Capital raised through the Debt for Equity Offers, the exercise of the call options under any amended terms of the Eligible Debt Securities, the further burden sharing with subordinated bondholders anticipated by the Minister in his statement on 31 May 2011 and the issue of the Contingent Capital Instrument will be sufficient for the Group to meet the regulatory requirements established by the Central Bank under the March 2011 PCAR.

The Proposals could, if implemented, result in the Government, through the NPRFC, holding up to a maximum of 93.1% of the Enlarged Capital Stock on the basis of a maximum State Placing and Rights Issue of €4.35 billion (or 87.7% based on the expected maximum Rights Issue of €2.23 billion). As such, the Proposals, including any future conversion of the Contingent Capital Instrument into Ordinary Stock, could result in the NPRFC obtaining a majority stake in the Bank and result in an insufficient number of units of Ordinary Stock being in public hands, which would result in the Bank ceasing to be eligible for listing on the Official Lists. Ineligibility for listing would adversely impact the marketability and liquidity of the units of Ordinary Stock and may adversely impact their value. If Qualifying Stockholders subscribe for their Rights Issue entitlements in sufficient numbers, the Bank would continue to satisfy the requirement under the Listing Rules that at least 25% of units of Ordinary Stock remain in public hands. The Bank has agreed with the Irish Stock Exchange that in the event that less than 25% (or such lower level as may be agreed with the Irish Stock Exchange) of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the Irish Stock Exchange and the cancellation of its trading on the main market of the Irish Stock Exchange. The Bank has also agreed with the UKLA that in the event that less than 20% of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation its listing on the Official List of the UKLA and the cancellation of its trading on the main market of the London Stock Exchange. The NPRFC has confirmed that it will vote in favour of any such resolution to enable the Bank to comply with its regulatory requirements. In the event of a breach of these free float thresholds, the Irish Stock Exchange or the UKLA (as the case may be) may suspend listing in the Ordinary Stock on the Irish Stock Exchange and/or the London Stock Exchange respectively.

Even if the Proposals are implemented and the size of Rights Issue is reduced for further anticipated burden sharing with remaining subordinated bondholders not already achieved by 8 July 2011 following the anticipated permission of the Central Bank in its sole discretion (which permission might not be forthcoming) to extend the deadline for generation of the required Core Tier 1 Capital beyond 31 July 2011, the remaining Core Tier 1 Capital expected from these measures might not be generated for any of the following reasons:

(i) if the taking by the Government of whatever steps are deemed necessary by the Minister for Finance, as referred to in the Minister's statement on 31 May 2011 in respect of any Eligible Debt Securities not acquired or exchanged under the Debt for Equity Offers or acquired pursuant to the exercise of the call options under the amended terms of the Eligible Debt Securities is unsuccessful, or

(ii) if the Minister seeks or obtains an order under the Stabilisation Act or otherwise, such an order is subsequently successfully challenged (whether in Ireland or in another jurisdiction) or the implementation of such an order is otherwise delayed, or

(iii) if such an order generates less Core Tier 1 Capital than has been assumed, the Group would be unable to satisfy the Group's obligations to generate Core Tier 1 Capital.

In these circumstances, the Minister would have a number of options to ensure that the remaining Core Tier 1 Capital is generated prior to the expiration of any extension to the deadline that may be granted by the Central Bank in its sole discretion, including seeking alternative measures for burden sharing with bondholders through the introduction of new or amending legislation (subject to the statutory requirements in place, if any, at the relevant time being satisfied) or otherwise or, ultimately, the making of an application pursuant to the Stabilisation Act for a direction order requiring a mandatory capital injection into the Bank by the State prior to the expiration of any extension to the deadline that may be granted by the Central Bank in its sole discretion, which could result in significant dilution of Stockholders' proportionate holdings in the Bank. Such eventualities may also result in an insufficient number of units of Ordinary Stock being in public hands in addition to other

potential breaches of the Bank's continuing obligations under the Listing Rules which would result in ineligibility for listing. Delisting would adversely impact the marketability and liquidity of the units of Ordinary Stock and may adversely impact their value.

Acquiring Ordinary Stock in the Bank (and participation in the Rights Issue) involves 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.

2. Background to the Proposals

March 2010 PCAR and EU/IMF Programme

On 30 March 2010, the Central Bank completed a PCAR exercise on the Bank and informed the Bank that it was required to generate €2.66 billion of Equity Tier 1 Capital in order to meet minimum Equity and Core Tier 1 Capital Ratios of 7% and 8%, respectively, by 31 December 2010. During 2010, the Group made significant progress in strengthening its capital ratios. The Group exceeded the capital requirement set in March 2010 through its 2010 Capital Raising, balance sheet liability management exercises and other actions. The Group's Equity and Core Tier 1 Capital Ratios at 31 December 2010 were 7.3% and 9.7%, respectively.

Despite the progress in strengthening the Group's capital ratios from June 2010, heightened concerns regarding the level of fiscal deficits and sovereign debt levels for peripheral Eurozone countries, including Ireland, and the potential impact of these deficits on their economies resulted in renewed instability in financial markets causing bond yields to increase significantly for these countries. Measures taken to alleviate market tension included the establishment of the European Financial Stability Fund ("EFSF") and the ECB's Securities Market Programme to facilitate the normal functioning of public and private European debt markets together with the publication of the CEBS stress test results in July 2010. In the case of Ireland, there was a significant increase in bond yields and several downgrades of the Irish sovereign credit rating by several rating agencies from August 2010 which led to corresponding downgrades for the senior bond ratings of domestic financial institutions, including the Group. These concerns were exacerbated by, amongst other things, the impact of higher than expected discounts applied to assets transferring to NAMA, the cost to the State of supporting the Irish banking system, the projected debt levels of the State, uncertainties in relation to whether the ELG Scheme, which was due to expire by the end of September 2010, would be extended and subsequent market speculation about the eventual outcomes for bondholders in Eurozone banks. On 1 June 2011, the EU granted State aid approval for the extension of the ELG Scheme to 31 December 2011.

The combination of the substantial rise in Irish sovereign bond yields and the overall need for stability in the Eurozone resulted in an EU/IMF/ECB delegation entering discussions with the Government in late November 2010. On 28 November 2010, it was announced that these discussions had culminated in the Government's agreement, in principle, to the provision of (i) €67.5 billion of financial support to Ireland by the Member States of the European Union through the EFSF and the European Financial Stability Mechanism, bilateral loans from the UK, Sweden and Denmark and the IMF's Extended Fund Facility and (ii) a commitment of €17.5 billion from the NPRFC and other domestic cash resources. This agreement was subsequently formalised in the Programme Documents, announced on 1 December 2010. The overall EU/IMF Programme included up to €35 billion to support the banking system, including the Group, with €10 billion set aside for immediate recapitalisation, in line with the revised capital requirements and up to €25 billion available on a contingency basis. It also set out a programme which provides for a fundamental downsizing and reorganisation of the banking sector and provides for new regulatory capital requirements for the Irish banking system so that it is capitalised at a level which is among the highest international standards.

In tandem with the announcement of the EU/IMF Programme, the Central Bank announced on 28 November 2010 that it had set a new minimum capital requirement for the Irish banking system. Under that requirement, the Group was required to maintain a minimum 10.5% Core Tier 1 Capital Ratio (previously 8%) and also to generate €2.199 billion of Core Tier 1 Capital by 28 February 2011, being the Central Bank's estimate, at that time, of the amount needed to achieve a minimum Core Tier 1 Capital Ratio of 12% (calculated by reference to the position as at 31 December 2010) and maintain a Core Tier 1 Capital Ratio of greater than 10.5%. This deadline was postponed on 9 February 2011 pending the outcome of the Irish general election on 25 February 2011 and the outcome of the March 2011 PCAR and the Prudential Liquidity Assessment Review ("PLAR") results on 31 March 2011.

Capital raising measures since 28 November 2010

Since the announcement of the additional capital requirements on 28 November 2010, the Group has generated €806 million of Core Tier 1 Capital after taking the following measures:

- On 17 December 2010, the Group completed the exchange of €1.4 billion nominal value of certain Lower Tier 2 Securities for approximately €0.7 billion of euro and Sterling Medium Term Notes due in 2012. This generated Core Tier 1 Capital of approximately €0.7 billion whilst reducing Total Capital by approximately €0.7 billion.
- On 10 January 2011, the Group completed the sale of Bank of Ireland Asset Management ("BIAM") to State Street Global Advisors for a total consideration of €57 million. This generated Core Tier 1 Capital of approximately €40 million.
- On 10 February 2011, the Group announced the exchange of €102 million nominal value of certain Canadian Dollar Lower Tier 2 Securities for euro and Canadian Dollar Medium Term Notes due in 2012. This generated Core Tier 1 Capital of €46 million whilst reducing Total Capital by €56 million.
- On 1 June 2011, the Group completed the sale of BOISS to Northern Trust Corporation for a total consideration of up to €60 million. This generated Core Tier 1 Capital of approximately €40 million.

March 2011 PCAR

The March 2011 PCAR undertaken by the Central Bank was a stress test of the capital resources of the Group under an adverse stress scenario, undertaken in order to calculate the capital required to meet the Central Bank's minimum regulatory capital requirements. It included an assessment of potential loan losses over a three year (2011-2013) time horizon under base case and stress scenarios using external assumptions and methodologies.

The Central Bank engaged external consultants, BlackRock Solutions ("BlackRock"), to carry out the loan loss assessment used to calculate the capital requirements for the March 2011 PCAR, with Boston Consulting Group (BCG) providing an independent assessment on the work performed by BlackRock to assess, among other things, that they were sufficiently conservative in output.

The March 2011 PCAR Core Tier 1 Capital requirement has been set with the objective of addressing the following:

- the higher capital ratios required by the Central Bank of a minimum Core Tier 1 Capital Ratio of 10.5% on an ongoing basis and a minimum Core Tier 1 Capital Ratio of 6% under the adverse stress scenario;
- an additional Core Tier 1 Capital regulatory buffer of €0.5 billion reflecting additional conservatism;
- the adverse stress scenario loan loss estimates based on BlackRock's methodology;
- the potential transfer of further loans to NAMA(1) applying what the Central Bank described as haircuts (discounts) "in line with the haircuts applied under NAMA transfers during 2010"; and
- what the Central Bank described as a "prudent" estimate of losses arising from deleveraging under an adverse stress scenario.

Capital Requirement

The result of the March 2011 PCAR is that the Group is required to generate additional Core Tier 1 Capital of €4.2 billion (including a regulatory buffer of €0.5 billion) and €1.0 billion in contingent capital. This supersedes

(1) This included loans eligible to transfer to NAMA where the Group has an individual customer/sponsor has an exposure of greater than €20 million expected to transfer in 2011 and land and development loans of less than €20 million not now expected to transfer to NAMA. See paragraph 14 (NAMA) of this Part I.

the additional required capital announced by the Central Bank on 28 November 2010. Following the March 2011 PCAR, the Group's incremental Core Tier 1 Capital requirement comprises of the following:

Factors driving the additional Core Tier 1 Capital requirement for the Group	€ billion
Higher minimum Core Tier 1 Capital Ratio requirements of 10.5% (previously 8%) announced on 28 November 2010 to include the transfer of further loans to NAMA and deleveraging impacts	2.2
Additional losses on sales of assets to NAMA, and subordinated debt impairment	0.2
Offset by capital generated by the Group from liability management initiatives and business disposals between 28 November 2010 and 31 March 2011	(0.8)
March 2011 PCAR	2.2
Other items (net)	(0.1)
Sub-total	3.7
Regulatory Buffer	0.5
Total Core Tier 1 Capital Requirement	**4.2**

When generated, the additional Core Tier 1 Capital required by the March 2011 PCAR will lead to the Group being strongly capitalised with a pro forma Core Tier 1 Ratio of 15.4% at 31 December 2010 (See Part XV (Unaudited Pro Forma Financial Information) of this Circular).

The €1.0 billion of contingent capital required will be raised via the issue to the State of the Contingent Capital Instrument and which, under certain circumstances, would convert in its entirety to Core Tier 1 Capital in the form of Ordinary Stock. The Contingent Capital Instrument is described in detail in paragraph 6 (Contingent Capital Instrument) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

Loan Loss Estimates

The following table sets out the Group's base case future loan loss estimates compared to the estimates under the March 2011 PCAR BlackRock/Central Bank methodology for the Group's loan portfolios (excluding land and development assets and assets potentially eligible for transfer to NAMA which were not reviewed by BlackRock) for the three year period 2011–2013 (based on Central Bank prescribed macroeconomic variables and property value assumptions for the period 2011–2013).

Base Case Loan Loss Estimates 2011–2013

	Loan Portfolio Volumes 31/12/2010	BlackRock methodology including stock of provisions	Bank of Ireland including stock of provisions	Variance BlackRock Vs Bank Loan Loss Estimates 2011-2013
	(audited) A €bn	(unaudited) B €bn	(unaudited) C €bn	(unaudited) B-C €bn
Mortgages	60	1.4	1.4	—
Consumer/Other	4	0.6	0.6	—
SME & Corporate	31	2.2	2.3	**(0.1)**
Property	20	3.2	1.7	**1.5**
Total	115	7.4	6.0	**1.4**
Stock of Provisions		(3.5)	(3.5)	—
Base Case Loan Loss Estimates 2011-2013		**3.9**	**2.5**	**1.4**

A Source: Gross before balance sheet impairment provisions of €3.5 billion at 31 December 2010 and excluding those assets potentially held for sale to NAMA, which at the time of the March 2011 PCAR included land and development loans less than €20 million to be potentially transferred to NAMA.

B Source: Table 8, Financial Measures Programme.

C Source: Table 8, Financial Measures Programme.

The following table sets out the Group's adverse stress case future loan loss estimates compared to the estimates under the March 2011 PCAR BlackRock/Central Bank methodology for the Group's loan portfolios (excluding land and development assets and assets potentially eligible for transfer to NAMA) for the three year period 2011–2013 (based on Central Bank prescribed adverse stress macroeconomic variables and property value assumptions for the period 2011–2013).

Adverse Stress Scenario Loan Loss Estimates 2011–2013

	Loan Portfolio Volumes 31/12/2010	BlackRock methodology including stock of provisions	Bank of Ireland including stock of provisions	Variance BlackRock Vs Bank Loan Loss Estimates 2011-2013
	(audited) A €bn	(unaudited) B €bn	(unaudited) C €bn	(unaudited) B-C €bn
Mortgages	60	2.4	2.0	**0.4**
Consumer/Other	4	0.9	0.7	**0.2**
SME & Corporate	31	3.0	3.0	**—**
Property	20	3.8	2.2	**1.6**
Total	115	10.1	7.9	**2.2**
Stock of Provisions		(3.5)	(3.5)	—
Adverse Stress Scenario Loan Loss Estimates 2011-2013		**6.6**	**4.4**	**2.2**

A Source: Gross before balance sheet impairment provisions of €3.5 billion at 31 December 2010 and excluding those assets potentially held for sale to NAMA, which at the time of the March 2011 PCAR included land and development loans less than €20 million to be potentially transferred to NAMA.

B Source: Table 8, Financial Measures Programme.

C Source: Table 8, Financial Measures Programme.

The outcome of the March 2011 PCAR was based on future loan loss estimates undertaken by BlackRock on behalf of the Central Bank with, in the Directors' view, conservative assumptions on the performance of the Group's loan portfolios (excluding land and development assets and assets potentially eligible for transfer to NAMA) under the adverse stressed conditions. The resulting incremental capital requirement was primarily driven by the methodology applied by BlackRock to the Group's residential and commercial mortgage books in the adverse stress scenario. This resulted in a variance between the Group's and BlackRock's loan loss estimates of €2.2 billion in the adverse stress case as set out in the table above. The BlackRock methodology applies, in the Directors' view, a "repossess and sale" approach whereby conservative residential and commercial property values and resulting negative equity are the primary driver of loan losses in both mortgage and investment property portfolios. Such an approach, in the Directors' view, assumes a materially higher level of immediate repossession and sale of properties at distressed prices, placing less emphasis on customers' long-term repayment capacity, including contracted income streams and is therefore materially different to, and more conservative than, the methodology used in previous reviews of potential future loan losses by the Group and leading international risk consultants.

As with any stress test, the adverse stress scenario is designed to cover "what-if" situations reflecting even more stressed macroeconomic conditions than might reasonably be expected to prevail. If the additional potential loan losses in the adverse stress scenario do not materialise, the Group should significantly exceed the 10.5% minimum Core Tier 1 Capital Ratio as required by the Central Bank.

Oliver Wyman Reviews

In advance of the March 2011 PCAR process, the Group commissioned Oliver Wyman, leading international risk consultants, to provide an independent review and challenge of the Group's base case future loan loss estimates through a detailed granular review of its customer loan book (excluding land and development assets and assets potentially eligible for transfer to NAMA). Oliver Wyman was previously commissioned to independently review and challenge the Group's future loan loss estimates in 2009 and 2010. The most recent review, as detailed in the Oliver Wyman report for the Group, was based on updated economic assumptions for Ireland and the UK that were consistent with the economic assumptions used in the March 2011 PCAR process. In respect of Ireland, these updated economic assumptions included slower economic growth and elevated unemployment for a more prolonged period of time compared to equivalent assumptions in the Oliver Wyman review of April 2010 and a peak to trough decline in residential house prices of 55% as against a 45% decline in the assumptions used in the Oliver Wyman review of April 2010. Arising from the most recent review, the Group's expectation for impairment charges on Irish mortgages and business banking has increased somewhat, although this is expected to be offset by improved impairment experience in the Group's consumer, corporate loan and UK mortgage portfolios.

Oliver Wyman has confirmed in its report for the Group that, on the basis of work it has performed and subject to the limitations and qualifications set out in the Oliver Wyman report, it believed the Group's base case loan loss estimates (excluding land and development assets and assets potentially eligible for transfer to NAMA which were not reviewed by Oliver Wyman) for the three year period 2011 - 2013 to be reasonable for the assumed base case scenarios. The results of this review were consistent with previous guidance to the market that loan losses (excluding assets sold or held for sale to NAMA) peaked in 2009 and reduced in 2010, with anticipated further reductions in subsequent years.

Future loan loss 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.

March 2011 PLAR

The PLAR, undertaken by the Central Bank together with the EU, IMF and ECB, was an assessment of measures to be implemented with a view to steadily deleveraging the banking system and reducing reliance on short term wholesale funding and liquidity support from Monetary Authorities. The PLAR has set specific funding targets for the Group consistent with the proposals developed by the Basel Committee on Banking Supervision, a forum for regular co-operation on banking supervisory matters (known as "Basel III"), and other international measures to improve the stability and quality of bank funding structures. The PLAR incorporates the Deleveraging Plan which requires a loan to deposit ratio of 122.5% for the Group by 31 December 2013. The Group's loan to deposit ratio at 31 March 2011 was 167%, a decrease from 175% at 31 December 2010 having increased from 143% at 30 June 2010. The PLAR also requires a Net Stable Funding Ratio for the Group of 86% by 31 December 2013 and a Liquidity Coverage Ratio for the Group of 75% by 31 December 2013.

The Deleveraging Plan envisages certain loan portfolios / lending businesses of the Group continuing to be delevered or sold on an orderly basis resulting in an expected reduction in the Group's total loans and advances to customers (excluding assets held for sale to NAMA and net of impairment provisions) from €114 billion at 31 December 2010 to approximately €90 billion by 31 December 2013. This will be achieved through an approximately €30 billion reduction in the Group's non-core loan portfolios of which approximately €10 billion will be in the form of asset disposals. This will equate to a reduction of approximately €24 billion due to a net increase of approximately €6 billion in core loan portfolios. Incorporated within the Core Tier 1 Capital requirement of €4.2 billion is what the Central Bank described as a "prudent" estimate of losses arising on the approximately €10 billion asset disposal under an adverse stress scenario.

The loan portfolios/lending businesses of the Group, that are being/will be delevered or disposed of over time, include:

- Portfolios of UK mortgages that were sourced from brokers and other intermediaries;
- Selected international niche businesses such as project finance, asset based lending and certain previously identified international corporate banking portfolios; and
- Certain international commercial investment property loan portfolios.

The above portfolios are diversified in terms of asset class and geography, and this diversification provides the Group with options as to how it achieves the €10 billion disposal target. Consequently the Group can undertake a disposal process without pressure to concede to the risk of the sale of assets in a rapid manner that would result in a lower price being obtained compared to a more orderly process.

Funding

Despite the positive actions that the Group had undertaken in the first half of 2010 to improve the Group's funding position through its deleveraging initiatives, deposit gathering and extending the maturity profile of wholesale funding, the Group's funding plans and position were severely impacted by the sovereign debt concerns which arose in the second half of 2010 culminating in the announcement by the Government of the EU/IMF Programme on 28 November 2010.

Throughout 2010 and despite intense competition, the Group's retail customer deposit base in Ireland remained stable. The Group's UK business and UK deposit gathering have been enhanced by the incorporation of a UK licensed banking subsidiary (which was approved by the FSA in October 2010), the deposits of which are covered under the terms of the Financial Services Compensation Scheme, which should enable the Group to grow its business and continue to support its customers in the UK, including those of the successful joint ventures with the Post Office, which has over 2.3 million customers.

Following a number of downgrades of the sovereign's credit ratings and the Group since August 2010, the Group experienced a €19 billion decrease in ratings sensitive deposits, primarily from the Group's capital markets division. The maturity profile of wholesale funding has shortened due to very limited access to market sources of wholesale funding. As a result the Group is currently dependent on secured funding from the ECB (€22 billion (net) at 31 March 2011, €23 billion (net) at 31 December 2010 an increase of €12 billion from 31 December 2009) and emergency liquidity assistance from the Central Bank (€9 billion at 31 March 2011, €8 billion at 31 December 2010 and nil at 31 December 2009).

As at 31 December 2010, the Group's loans and advances to customers (excluding assets held for sale to NAMA and net of impairment provisions) have reduced by 4% since 31 December 2009, reflecting customer repayments, redemptions and the Group's deleveraging initiatives. However, notwithstanding the reduction in loans and advances to customers, the impact of the outflow of ratings sensitive deposits has resulted in a significant increase in the Group's loan to deposit ratio to 175% at 31 December 2010 from 143% at 30 June 2010.

Over the period between 31 December 2010 and 16 June 2011, the overall volume of loans and advances to customers (excluding assets held for sale to NAMA and net of impairment provisions) has reduced by approximately 4% from €114 billion at 31 December 2010 reflecting foreign exchange movements, loan redemptions and repayments, certain portfolios being closed for new business and generally muted demand for new loans, notwithstanding the Group's efforts to generate new business opportunities from the Group's core franchises. While competition for deposits has persisted, customer deposits have increased by approximately 1% from €65 billion at 31 December 2010. As a result of these factors, over the period between 31 December 2010 and 16 June 2011 (being the latest practicable date prior to the date of this Circular) the Group's loan to deposit ratio has improved by approximately 10 percentage points from 175% at 31 December 2010, and wholesale funding has reduced by approximately 10% from the €70 billion at 31 December 2010 with net drawings from Monetary Authorities and other liquidity facilities provided by the Central Bank also reducing.

Further information on funding and the maturity profiles of customer deposits is set out in the section entitled "Funding and Liquidity support" of paragraph 4 (Liquidity Management, Liquidity Risk and Funding Strategy) of Part III (Capitalisation and Indebtedness) of this Circular.

Stabilisation Act

As a further measure to expand the financial stability tools available to the Government in respect of the Irish banking sector, on 21 December 2010, the Stabilisation Act was signed into law. The Stabilisation Act provides for significant powers to recapitalise and restructure the Irish banking industry in the period up to 31 December 2012. The powers of the Minister under the Stabilisation Act are significant and include the power to apply to the High Court for formal orders and directions to impose onerous requirements on relevant institutions and the holders of securities issued by the relevant institutions. For further details please refer to paragraph 11 (The Credit Institutions (Stabilisation) Act 2010 and the Central Bank and Credit Institutions (Resolution) (No.2) Bill 2011) of Part V (Additional Information) of this Circular.

On 31 May 2011, the Minister for Finance announced that: "*The levels of burden-sharing in these LMEs are the minimum acceptable to the Government. If these LMEs fail to deliver the expected core tier 1 capital gains to each of the banks, the Government will take whatever steps are necessary under the Credit Institutions (Stabilisation) Act 2010 or otherwise to ensure that burden sharing is achieved. Any further action, after investors have had an opportunity to take part in these LMEs, will result in severe measures being taken in respect of the subordinated liabilities*". The Directors believe that, in the event that there are no elections for cash or Allotment Instruments convertible into units of Ordinary Stock under the Debt for Equity Offers and no call options over Eligible Debt Securities are granted, the further burden sharing with bondholders anticipated by the Minister for Finance would result in the generation of Core Tier 1 Capital of approximately €2.3 billion, after taking account of the associated estimated corporation tax payable by the Bank of approximately €0.3 billion relating to this gain.

3. Debt for Equity Offers

On 8 June 2011, the Bank launched the Debt for Equity Offers pursuant to which the holders of certain of the Group's Tier 1 Securities and Tier 2 Securities are being provided the opportunity to exchange their securities either for cash or for Allotment Instruments convertible into new units of Ordinary Stock. The full terms of the Debt for Equity Offers were set out in a Consent and Exchange Offer Memorandum dated 8 June 2011, prepared by the Bank. The securities that are the subject of the Debt for Equity Offers (the "Eligible Debt Securities") are as follows:

Issuer	Description	Outstanding amount*
Tier 1 Existing Securities:		
BOI Capital Funding (No.1) LP	Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (ISIN: XS0213178295)	€215,866,000

Issuer	Description	Outstanding amount*
BOI Capital Funding (No.2) LP	Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (ISIN: USG12255AA64 / CUSIP: US055967AA11)	U.S.$61,271,000
BOI Capital Funding (No.3) LP	Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (ISIN: USG12250AA77 / CUSIP: US05568AAA88)	U.S.$19,797,000
BOI Capital Funding (No.4) LP	Fixed Rate/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (ISIN: XS0268599999)	£5,070,000
Bank of Ireland UK Holdings plc	6.25 per cent. Guaranteed Callable Perpetual Preferred Securities (ISIN: XS0165122655)	£40,146,000
Bank of Ireland UK Holdings plc	7.40 per cent. Guaranteed Step-up Callable Perpetual Preferred Securities (ISIN: XS0125611482)	€253,335,000
Upper Tier 2 Existing Securities:		
The Governor and Company of the Bank of Ireland (in substitution for Bristol & West plc)	13.375 per cent. Unsecured Perpetual Subordinated Bonds (ISIN: GB0000510312)	£75,000,000
The Governor and Company of the Bank of Ireland	Undated Floating Rate Primary Capital Notes (ISIN: IE0000750319)	U.S.$75,140,000
Lower Tier 2 Existing Securities:		
The Governor and Company of the Bank of Ireland	Fixed/Floating Dated Subordinated Notes due September 2015 (ISIN: CA062786AA67)	CAD138,721,000
The Governor and Company of the Bank of Ireland	Fixed/Floating Dated Subordinated Notes due September 2018 (ISIN: CA062786AD07)	CAD89,733,000
The Governor and Company of the Bank of Ireland	Callable Step-up Floating Rate Subordinated Notes due January 2017 (ISIN: XS0283474483)	€91,100,000
The Governor and Company of the Bank of Ireland	Callable Step-up Floating Rate Subordinated Notes due 2017 (ISIN: XS0223310862)	€48,100,000
The Governor and Company of the Bank of Ireland	Callable Fixed/Floating Dated Subordinated Notes due January 2018 (ISIN: XS0238792393)	£57,736,000
The Governor and Company of the Bank of Ireland	10.75 per cent. Subordinated Bonds due 2018 (ISIN: XS0044196425)	£27,117,000
The Governor and Company of the Bank of Ireland	Callable Step-up Floating Rate Subordinated Notes due July 2018 (ISIN: XS0309177318)	U.S.$184,241,000
The Governor and Company of the Bank of Ireland	Fixed/Floating Rate Subordinated Notes due 2019 (ISIN: XS0186652557)	€201,487,000
The Governor and Company of the Bank of Ireland	10 per cent. Subordinated Notes due 2020 (ISIN: XS0487711656)	£87,147,000
The Governor and Company of the Bank of Ireland	10 per cent. Subordinated Notes due 2020 (ISIN: XS0487711573)	€747,056,000
The Governor and Company of the Bank of Ireland	Callable Subordinated Step-up Notes due September 2020 (ISIN: XS0381705549)	£272,128,000

* Figures do not include accrued interest.

The deadline for receipt of tenders in the Debt for Equity Offers (save for the Canadian Dollar 2015 Notes) is expected to be 7 July 2011. The deadline for receipt of tenders for the Canadian Dollar 2015 Notes is expected to be 8 August 2011.

The Debt for Equity Offers are being made to certain US bondholders as well as to bondholders outside the US. Due to US securities laws (in particular prompt settlement rules), bondholders who elect to exchange Eligible Debt Securities for equity (rather than cash) will initially receive Allotment Instruments, which will automatically convert into Ordinary Stock of the Bank on or before 12 August 2011. It is expected that bondholders will receive their Allotment Instruments on or around the date that trading in the Nil Paid Rights in respect of the Rights Issue commences.

The issuance of the Allotment Instruments pursuant to the Debt for Equity Offers is conditional on Stockholder approval at the Extraordinary General Court being obtained as the issue of those instruments and the Debt for Equity Stock into which such instruments will convert is a non-pre-emptive offer of Ordinary Stock requiring Stockholder approval under the Listing Rules.

The minimum denomination per unit of the Allotment Instruments offered is €50,000 and the Allotment Instruments will not be admitted to trading on any exchange. As such, a prospectus is not required in respect of the issue of the Allotment Instruments.

Bondholders who elect to exchange their Eligible Debt Securities for Allotment Instruments will receive Allotment Instruments with a nominal amount equal to 20% (or, if tendered after the Early Participation Deadline, 16%) of the nominal amount of the Eligible Debt Securities where such Eligible Debt Securities are Tier 1 Securities, and 40% (or, if tendered after the Early Participation Deadline, 32%) of the nominal value of the Eligible Debt Securities where such Eligible Debt Securities are Tier 2 Securities. Bondholders will also be eligible to receive accrued interest in cash in respect of their securities exchanged for Allotment Instruments. The 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 before the conversion date. Under the terms of the Allotment Instruments, they will automatically convert into units of Ordinary Stock on a conversion date, by no later than 12 August 2011. The number of units of Ordinary Stock to be issued on conversion of the Allotment Instruments will be calculated by dividing the nominal value of the Allotment Instrument by the conversion price which is expected to be announced by the Bank on 23 June 2011 and which will be within the range €0.1130 to €0.1176 per unit of Ordinary Stock. The conversion price will be an amount equal to the estimated ex-rights price (rounded to the nearest 0.0001) ("EExRP") calculated according to a formula which is set out in paragraph 4.32 of Part IX of the Consent and Exchange Offer Memorandum dated 8 June 2011 relating to the Debt for Equity Offers ("CEOM"), subject to cap and floor prices announced in the CEOM. By virtue of the cap and the floor, regardless of the result of the EExRP calculation, the conversion price cannot be greater than €0.1176 or less than €0.1130. The conversion price is based on an estimate of the future market price per unit of Ordinary Stock, subject to a cap and floor. The conversion price is expected to be announced on 23 June 2011. The Directors believe that the conversion price mechanism uses a formula based on reasonable market practice for debt for equity conversion transactions of this nature. This conversion price could, depending on the then prevailing market price, be at a discount of more than 10% to the middle market price per unit of Ordinary Stock on the date of the announcement of the conversion price, and therefore is subject to Stockholder approval under the Listing Rules.

The Ordinary Stock issued pursuant to the conversion of the Allotment Instruments (known as "Debt for Equity Stock") will rank pari passu in all respects with the units of Existing Ordinary Stock, including the right to receive dividends made, paid or declared (if any) after the issue of such Debt for Equity Stock. Based on the minimum conversion price and using exchange rates at the time of the launch of the Debt for Equity Offers, a maximum of 8,126,996,107 units of Ordinary Stock (representing 26.1% of the Enlarged Capital Stock) would be issued to bondholders under the Debt for Equity Offers if all of the bondholders accept the Allotment Instrument exchange option.

Under the cash option of the Debt for Equity Offers, bondholders who elect to exchange their Eligible Debt Securities for cash will receive cash equal to 10% (or, if tendered after the Early Participation Deadline, 8%) of the nominal amount of Eligible Debt Securities which are Tier 1 Securities, and 20% (or, if tendered after the Early Participation Deadline, 16%) of the nominal amount of Eligible Debt Securities which are Tier 2 Securities. Bondholders will not be eligible to receive any accrued interest in respect of their securities exchanged for cash. A maximum of approximately €0.5 billion in cash would be paid by the Group to bondholders under the Debt for Equity Offers, if all of the bondholders accept the cash exchange option.

In addition, it is proposed that, at a series of bondholder meetings for the holders of the Eligible Debt Securities (which have been convened for 7 July 2011, save that the meeting of the holders of the Canadian Dollar 2015 Notes has been convened for 10 August 2011), holders will be invited to consent to amendments to the terms of the Eligible Debt Securities to grant the Group the right to insert call options into the terms of the Eligible Debt Securities at a future date at the discretion of the Group to compulsorily acquire any Eligible Debt Securities which remain outstanding following settlement of the Debt for Equity Offers for cash at a price of 0.001% of the nominal amount of such securities, without accrued interest. The amendment of the terms of each class of Eligible Debt Securities to create the call options will depend on the bondholders of that class approving the right for the Group to insert the amendment at the bondholder meeting for that class by the requisite majority set out in the relevant debt instrument. Bondholders tendering their Eligible Debt Securities in the Debt for Equity Offers will be deemed to vote in favour of such amendments. The objective of the call options is to enable the Group to compulsorily acquire Eligible Debt Securities not tendered in the Debt for Equity Offers in order to generate additional Core Tier 1 Capital. To the extent the right to insert a call option is granted in respect of a class of Eligible Debt Securities, the Group intends to exercise such right and subsequent call option following the settlement of the offer in respect of that class of Eligible Debt Securities.

If the bondholders of a particular class of Eligible Debt Securities do not approve the amendment of the terms of that class, then the Group will not obtain a right to insert a call option over Eligible Debt Securities not exchanged under the Debt for Equity Offers and such Eligible Debt Securities will remain outstanding. Such a rejection will not otherwise impact on the implementation of the Proposals. In the event that any Eligible Debt Securities remain outstanding following the announcement of the result of the Debt for Equity Offers, the Group expects that the Minister would proceed with an application to the High Court for a subordinated liabilities order under the Stabilisation Act, or take other steps available to him under the Stabilisation Act or otherwise, in respect of any such outstanding Eligible Debt Securities to generate a higher level of Core Tier 1 Capital than would be achieved by the acceptance of the cash alternative under the Debt for Equity Offers had such outstanding Eligible Debt Securities been tendered in the Debt for Equity Offers (and the level of return to bondholders in these circumstances may be materially below that available pursuant to the cash option in the Debt for Equity Offers).

If the Resolutions relating to the Proposals are not approved, the issue of the Allotment Instruments under the Debt for Equity Offers will not occur and those holders of Eligible Debt Securities who elected to receive Allotment Instruments will instead be deemed to have elected to receive cash (unless they have indicated when tendering their securities that they would prefer to receive their securities back should the Resolutions not be approved). Since Stockholder approval is not required to complete the cash component of the Debt for Equity Offers, the completion of this aspect of the Debt for Equity Offers will proceed even if the Resolutions are not approved.

The amount of Core Tier 1 Capital that could be generated under the Debt for Equity Offers will vary depending on a number of circumstances.

If all the holders of Eligible Debt Securities were to elect to take up the cash option under the Debt for Equity Offers, the Debt for Equity Offers would (assuming that all securities are tendered by the Early Participation Deadline) generate approximately €2.1 billion of Core Tier 1 Capital.

An exchange of Eligible Debt Securities for Allotment Instruments will generate more Core Tier 1 Capital than an exchange of such securities for cash because, under the former, the full nominal amount of the Eligible Debt Securities exchanged for Allotment Instruments will be converted to Core Tier 1 Capital, while in the cash option only the difference between nominal amount of the Eligible Debt Securities and the cash payment will generate Core Tier 1 Capital.

If all the holders of Eligible Debt Securities were to elect to take up the Allotment Instrument exchange option under the Debt for Equity Offers, the Debt for Equity Offers would (assuming that all securities are tendered by the Early Participation Deadline) generate approximately €2.6 billion of Core Tier 1 Capital (i.e. incremental Core Tier 1 Capital of up to €0.5 billion would be generated compared to the maximum under the cash election option).

To the extent that an order is obtained under the Stabilisation Act and is used in respect of the Eligible Debt Securities not acquired or exchanged pursuant to the Debt for Equity Offers or acquired pursuant to the exercise of the call options under the terms of the Eligible Debt Securities, it is expected that €2.3 billion of Core Tier 1 Capital would be generated (after taking account of the €0.3 billion assumed corporation tax cost to the Bank relating to that gain), assuming no acceptances of the Debt for Equity Offers.

It is expected that the issue of Allotment Instruments under the Debt for Equity Offers in respect of the Eligible Debt Securities (other than the Canadian Dollar 2015 Notes) tendered and accepted will occur by 12 July 2011. If Stockholders do not approve the Resolutions, the Debt for Equity Offers could only proceed in respect of the cash option and, accordingly, Eligible Debt Securities will either be exchanged for cash or remain outstanding. No Core Tier 1 Capital will be generated for the Group in the Debt for Equity Offers in respect of the Eligible Debt Securities that remain outstanding (although, as noted above, the Bank anticipates that the Minister will take steps available to him under the Stabilisation Act or otherwise to generate further Core Tier 1 Capital from such Eligible Debt Securities). Further details are set out in the risk factor entitled "*If the Stockholder Resolutions relating to the implementation of the Proposals are not passed, among other things, the Transaction*

Agreement will not become unconditional and the Group will not meet the additional capital requirements set by the Central Bank. In these circumstances, the Minister has the power to make a proposed direction order and then to make an application to the High Court pursuant to the Stabilisation Act for a direction order permitting a mandatory capital injection into the Bank by the State, and if such a direction order was made by the High Court, it would be likely to have severe adverse implications for the value of units of Ordinary Stock held by Stockholders. In addition, if the requisite Core Tier 1 Capital is not generated, then this may form grounds for action by the Central Bank, including the restriction or suspension of the Group's business" in Part II (Risk factors) of this Circular. The completion of the cash option under the Debt for Equity Offers will proceed even if the Resolutions are not approved by Stockholders.

Assuming full take up under the Allotment Instrument exchange option under the Debt for Equity Offers and the maximum State Placing of €79,491,204, the State Placing and the Debt for Equity Offers may result in Ordinary Stockholders having their proportionate holding in the Bank diluted by up to 83.0% in the case of Ordinary Stockholders who do not apply for any part of their Rights under the Rights Issue and up to 28.7% in the case of Ordinary Stockholders who take up their Rights in full. The Allotment Instruments issued pursuant to the Debt for Equity Offers (and the units of Ordinary Stock into which they are convertible) will be issued ex-rights.

As a result of US "prompt settlement" securities laws, those bondholders who elect to exchange their bonds for equity (as opposed to cash) will, subject to Stockholder approval, be issued with tradeable securities ("Allotment Instruments") which will convert mandatorily into units of new Ordinary Stock (ranking pari passu with Existing Ordinary Stock) by no later than 12 August 2011.

The conversion price will be calculated in accordance with a formula which forms part of the terms of the Debt for Equity Offers. The conversion price will be subject to a cap and a floor, meaning that the conversion price cannot be greater than €0.1176 or less than €0.1130. The Bank expects to announce the conversion price on 23 June 2011.

4. State Placing

Under the Transaction Agreement, the NPRFC has the option to require the Bank to make a direct placing of up to 794,912,043 units of New Ordinary Stock to the NPRFC at €0.10 per unit of New Ordinary Stock, representing approximately 15% of the Existing Ordinary Stock. The gross proceeds of the State Placing will be up to €79.5 million. Any New Ordinary Stock issued to the NPRFC pursuant to the State Placing would (a) be entitled to participate in the Rights Issue and (b) reduce the size of the Rights Issue by an amount equal to the proceeds of the State Placing. The NPRFC will inform the Bank whether it wishes to proceed with the State Placing and, if so, the amount of the State Placing on 8 July 2011 following the announcement of the results of the Debt for Equity Offers.

The State has informed the Bank that the purpose of the State Placing is to afford the State the flexibility:

(a) to facilitate ongoing discussions with private capital by providing the NPRFC with a guaranteed minimum allocation of New Ordinary Stock (in excess of its pro rata entitlement in the Rights Issue) capable of being sold by the NPRFC to third parties with which the State and the Bank are in discussions; and

(b) separately, to enable the NPRFC, if it so elects, to partially mitigate potential dilution of its current proportionate ownership of the Bank resulting from the Proposals.

If the NPRFC elects to proceed with the State Placing, the New Ordinary Stock issued pursuant to the State Placing will be cum-Rights and will therefore carry the proportionate entitlement to participate in the Rights Issue. The combination of the State Placing and the fact that it is cum-Rights will increase the dilution of Existing Ordinary Stockholders resulting from the Proposals. Whether or not the State Placing proceeds is at the discretion of the NPRFC and there is no certainty that the State Placing will occur.

The €0.10 issue price under the State Placing represents the basis, as of the date of this Circular, on which the NPRFC is prepared to support the Proposals and is the same as the price pursuant to the Rights Issue. The €0.10 issue price of the New Ordinary Stock issued pursuant to the State Placing could, depending on the then prevailing market price, be at a discount of more than 10% to the middle market price per unit of Ordinary Stock on the date the State elects to proceed with the State Placing, and therefore is subject to Stockholder approval under the Listing Rules.

5. Rights Issue and Admission

Qualifying Stockholders are being invited to take part in the Rights Issue pursuant to which the Bank will issue up to 43,500,000,000 units of New Ordinary Stock to raise up to €4.35 billion (€4.2 billion after estimated expenses of €150 million).

The Directors expect that the full €4.35 billion of required Core Tier 1 Capital will be generated pursuant to the Proposals as follows:

- a minimum of €2.12 billion to be raised from a combination of the Debt for Equity Offers (including the cash offer component), the compulsory acquisition of Eligible Debt Securities pursuant to the exercise of the call options under the amended terms of the Eligible Debt Securities and the further burden sharing with subordinated bondholders anticipated by the Minister for Finance in his statement on 31 May 2011; and
- a maximum of €2.23 billion to be raised from the State Placing (if any) and Rights Issue.

The expected maximum size of the State Placing (if any) and Rights Issue of €2.23 billion is based on the Minister's stated policy that there will be burden sharing with subordinated bondholders through the Debt for Equity Offers and, if necessary, action by the Minister under the Stabilisation Act or otherwise. The Directors' expectation is that the Minister, in consultation with the Central Bank, will take the necessary steps to ensure that the Bank can satisfy its obligations to raise Core Tier 1 Capital through burden sharing with subordinated bondholders required by the Minister. If this level of burden sharing is not achieved, the maximum size of the combined State Placing and Rights Issue would be €4.35 billion (assuming no capital is generated through the Debt for Equity Offers or through the proposed amendments to the terms of Eligible Debt Securities).

The actual size and Rights Issue ratio of the Rights Issue and the actual size of the State Placing (if any) are expected to be announced on 8 July 2011 once the results of the Debt for Equity Offers are known.

The NPRFC has agreed, under the Transaction Agreement, to underwrite the Rights Issue in full. This means that any units of New Ordinary Stock offered but not taken up by Existing Ordinary Stockholders in the Rights Issue or not placed with placees under the Rump Placing (the proposed placing by the Joint Bookrunners of New Ordinary Stock not taken up under the Rights Issue expected to take place between 26 and 29 July 2011) will be purchased by the NPRFC at the Rights Issue Price, thereby guaranteeing that the capital in the Rights Issue will be raised. The Joint Bookrunners have agreed to use reasonable endeavours to procure placees for all New Ordinary Stock representing Rights not taken up at a price per unit of Ordinary Stock which is at least equal to the aggregate of the Rights Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

Notwithstanding the above, the Joint Bookrunners may cease or decline to endeavour to procure any placees pursuant to the Rump Placing if, in their reasonable opinion (following notification to the Bank and the NPRFC, the Minister and their advisers), it is unlikely that any such placees can be so procured at such a price or if the procurement of placees would give rise to an offer, invitation or solicitation to acquire securities or other action that is unlawful under the securities laws of any relevant jurisdiction, or otherwise unlawful. In addition, under the terms of the Transaction Agreement, the NPRFC has the right to approve placees in the Rump Placing, so that, in the event that the NPRFC were to withhold such approval, this would reduce the number of units of New Ordinary Stock placed by the Joint Bookrunners with placees in the Rump Placing.

If all of the holders of Eligible Debt Securities elect to exchange their existing securities for Allotment Instruments, assuming a conversion price at the minimum level of €0.1130 per unit of Ordinary Stock, and if the NPRFC elects not to proceed with the State Placing and all Qualifying Stockholders take up their Rights in full, then the NPRFC will hold approximately 26.6% of the Enlarged Capital Stock, being the minimum NPRFC holding that could result under the Proposals. However, if none of the holders of the Eligible Debt Securities accept the Debt for Equity Offers (whether under the cash or Allotment Instrument exchange alternatives), no Qualifying Stockholders take up their Rights and none of the New Ordinary Stock representing Rights not taken up is placed with placees, then, on the basis of a maximum State Placing and Rights Issue of €4.35 billion, the NPRFC will hold 45,409,810,044 units of Ordinary Stock, representing approximately 93.1% of the Enlarged Capital Stock (and on the basis of the expected maximum State Placing and Rights Issue of €2.23 billion, the NPRFC could hold 24,165,150,746 units of Ordinary Stock representing approximately 87.7% of the Enlarged Capital Stock).

If all of the holders of the Eligible Debt Securities accept the Allotment Instrument exchange option under the Debt for Equity Offers (assuming a conversion price at the minimum level of €0.1130 per unit of Ordinary Stock) and the State elects to take up its full entitlement under the State Placing, but no Qualifying Stockholders take up their Rights and none of the New Ordinary Stock representing Rights not taken up is placed with placees, then, following the subscription by the NPRFC for the Residual Stock pursuant to its underwriting commitment in the Transaction Agreement, the NPRFC will hold up to 19,573,397,945 units of Ordinary Stock, representing approximately 63.0% of the Enlarged Capital Stock, assuming a maximum Rights Issue of €1.69 billion in those circumstances.

Ordinary Stockholders who cannot or do not apply for any of their Rights entitlement will have their proportionate holding in the Bank diluted, with a maximum dilution of up to 89.1% based on a maximum

combined State Placing and Rights Issue size of €4.35 billion. Assuming the expected maximum size of the combined State Placing and Rights Issue of €2.23 billion, Ordinary Stockholders who cannot or do not apply for any of their Rights entitlement will have their proportionate holding in the Bank diluted by a maximum of 80.8%.

Qualifying Stockholders who take up their full Rights are expected to be diluted because the Ordinary Stock being issued under the Debt for Equity Offers is not being offered to Qualifying Stockholders and because, if the NPRFC elects to proceed with the State Placing, the New Ordinary Stock to be issued to the NPRFC would not be offered to Qualifying Stockholders. As such, Qualifying Stockholders who take up their Rights in full could have their proportionate holding in the Bank diluted by up to a maximum of 28.7% if all the holders of the Eligible Debt Securities accept the Allotment Instrument exchange option at a conversion price at the minimum level of €0.1130 per unit of Ordinary Stock and the NPRFC elects to proceed with the maximum State Placing. Qualifying Stockholders who take up their Rights in full will not have their proportionate holding in the Bank diluted if the NPRFC elects not to proceed with the State Placing and if all the holders of the Eligible Debt Securities accept the cash option under the Debt for Equity Offers.

The units of the New Ordinary Stock and Debt for Equity Stock, when issued and fully paid under State Placing, the Rights Issue and the Debt for Equity Offers, will rank pari passu in all respects with the units of the Existing Ordinary Stock, including the right to receive dividends or distributions made, paid or declared (if any) after the issue of such New Ordinary Stock and the Debt for Equity Stock. The Debt for Equity Stock will be ex-rights for the purposes of the Rights Issue. The New Ordinary Stock (if any) issued in the State Placing will be cum-rights for the purposes of the Rights Issue.

If the State were to proceed with the maximum State Placing of up to 794,912,043 units of Ordinary Stock, the minimum State stockholding would be 32.8% and the maximum holding would be 93.1%. The table below sets out for illustrative purposes only a range of potential outcomes of ownership of the Bank based on certain illustrative assumptions including Debt for Equity Offer, the size of the State Placing and the Rights Issue size and take up, foreign exchange assumptions together with assumptions concerning the application of further burden sharing:

Scenario	**100% Equity Take-up under the Debt for Equity Offer**		**100% Cash Take-up under the Debt for Equity Offer**		**0% Take-up under the Debt for Equity Offer and further burden sharing**[(1)]		**0% Take-up under the Debt for Equity Offers and no further burden sharing**	
Rights Issue ratio	2.8 for 1		3.5 for 1		3.3 for 1		7.0 for 1	
New Ordinary Stock pursuant to Rights Issue	16.9 billion		21.5 billion		19.9 billion		42.7 billion	
New Ordinary Stock pursuant to State Placing	0.8 billion		0.8 billion		0.8 billion		0.8 billion	
Debt for Equity Stock issued pursuant to the Allotment Instrument[(2)]	8.1 billion		NIL		NIL		NIL	
Total Stock to be issued	25.8 billion		22.3 billion		20.7 billion		43.5 billion	
Stockholdings								
Rights Issue take up	100%	0%	100%	0%	100%	0%	100%	0%
State	32.8%	63.0%	44.4%	87.7%	44.4%	86.9%	44%	93.1%
Subordinated bondholders	26.1%	26.1%	NIL	NIL	NIL	NIL	NIL	NIL
Existing Ordinary Stockholders	41.1%	10.9%	55.6%	12.3%	55.6%	13.1%	55.6%	6.9%

(1) The size of the Rights Issue and the implied Rights Issue ratios set out above is based on the Minister's stated policy that there will be burden sharing with subordinated debt holders through the Debt for Equity Offers and, if necessary, action by the Minister under the Stabilisation Act or otherwise. The Directors believe that, in the event that there are no elections for cash or Allotment Instruments convertible into units of Ordinary Stock under the Debt for Equity Offers, the further burden sharing with bondholders anticipated by the Minister would result in the generation of Core Tier 1 Capital of approximately €2.28 billion, after taking account of the associated estimated tax costs to the Bank of approximately €0.3 billion.

(2) Based on an equity conversion price of €0.1130, being the minimum level of the range announced on 8 June 2011.

(3) This table is based on 5.3 billion units of Ordinary Stock in issue as of 7 June 2011.

(4) The impact of accrued interest is not reflected in the illustrative scenarios.

(5) The estimated Rights Issue sizes are based on the closing foreign exchange rates on 6 June 2011 which were €1.00 = USD 1.4596, €1.00 = CAD 1.4317 and €1.00 = GBP 0.8903. The actual size of the Rights Issue will be impacted to the extent the settlement foreign exchange rates for the Debt for Equity Offers are different to these rates.

Admission to Listing and Trading

An application will be made to the Irish Stock Exchange and to the UK Listing Authority for the New Ordinary Stock and the Debt for Equity Stock 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 New Ordinary Stock and the Debt for Equity 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 Nil Paid Rights and Fully Paid Rights will become effective and dealings will commence at 8.00 a.m. on 12 July 2011 and Admission of the Debt for Equity Stock will become effective and dealings will commence at 8.00 a.m. on or before 12 August 2011. Admission of the New Ordinary Stock is expected to occur at 8.00 a.m. on 29 July 2011.

There can be no guarantee that the Bank will continue to satisfy the free float eligibility criteria of the Listing Rules of the Irish Stock Exchange and UKLA (a minimum of 25% of shares in public hands) following completion of the Proposals. If Qualifying Stockholders subscribe for their entitlements in sufficient numbers and if the profile of the participants in the Rights Issue and the Rump Placing is such that their holding qualifies as being in public hands, the Bank will continue to satisfy the free float criteria. The Bank has agreed with the Irish Stock Exchange that in the event that less than 25% (or such lower level as may be agreed with the Irish Stock Exchange) of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the Irish Stock Exchange and the cancellation of its trading on the main market of the Irish Stock Exchange. The Bank has also agreed with the UKLA that in the event that less than 20% of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation its listing on the Official List of the UKLA and the cancellation of its trading on the main market of the London Stock Exchange. The NPRFC has confirmed that it will vote in favour of any such resolution to enable the Bank to comply with its regulatory requirements. In the event of a breach of these free float thresholds, the Irish Stock Exchange or the UKLA (as the case may be) may suspend listing in the Ordinary Stock on the Irish Stock Exchange and/or the London Stock Exchange respectively.

Stockholders and prospective investors should be aware that the Ordinary Stock in issue and the New Ordinary Stock to be issued under the Proposals may, in certain circumstances, cease to be listed on the Official Lists (or any other market) and cease to be admitted to trading on the Irish Stock Exchange and/or the London Stock Exchange. In addition, Stockholders and investors should note that the continuation of admission to either or both of the Official Lists of the Ordinary Stock or the continuation of admission to trading on the regulated markets for listed securities of the Irish Stock Exchange and/or the London Stock Exchange of the Ordinary Stock is not a condition to the acceptance of any offer for Nil Paid Rights, Fully Paid Rights or New Ordinary Stock.

Some questions and answers, together with details of the terms and conditions of the Rights Issue, including the procedure for application and payment, are set out in Parts VIII (Questions and Answers on 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.

6. Contingent Capital Instrument

Subject to Stockholder approval, the Contingent Capital Instrument to be issued to the State by the Bank or by an issuing subsidiary guaranteed by the Bank, by 31 July 2011, will be a €1 billion subordinated Tier 2 debt instrument with a five year and one day maturity denominated in units of €1,000 (with a minimum denomination of €100,000), which will convert or be exchanged immediately and mandatorily in its entirety into units of Ordinary Stock of the Bank in the event that a capital deficiency event occurs. A capital deficiency event will occur where the Group's Adjusted Core Tier 1 Capital Ratio falls below 8.25% or, following the implementation of the Capital Requirements Directive IV in Ireland, the Group's CET 1 Ratio falls below 8.25% or, if the Central Bank, in its sole discretion, notifies the Bank that it has determined that the Group's financial and solvency condition is deteriorating in such a way that a fall below the ratios described above is likely to occur in the short term. No conversion will occur following one of the events above if, notwithstanding the Group's Adjusted Core Tier 1 Capital Ratio or CET 1 Ratio being below 8.25% the Central Bank, at the request of the Bank, has agreed, in its absolute discretion, that a conversion shall not occur because it is satisfied that actions, circumstances or events have had, or imminently will have during the next 90 days, the effect of restoring the Group's Adjusted Core Tier 1 Capital Ratio or CET 1 Ratio to a level above 8.25% that the Central Bank deems to be adequate at such time.

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

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

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

The completion of the Debt for Equity Offers and any action resulting from any subordinated liabilities order/direction order to be issued by the Irish High Court under the Stabilisation Act will not result in the conversion of the Contingent Capital Instrument into units of Ordinary Stock. The provisions of the Master Loan Repurchase Deed, the Special Master Repurchase Agreement, the Facility Deed and the Counter-Indemnity Agreement (each as described in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular) entered into by the Bank will also not trigger the conversion of the Contingent Capital Instrument into units of Ordinary Stock.

In the context of the Central Bank's ongoing March 2011 PCAR framework, the Contingent Capital Instrument can count, upon conversion, as Core Tier 1 Capital for the purposes of the March 2011 PCAR stress testing when the stressed projection shows an Adjusted Core Tier 1 Capital Ratio below 8.25%, which is the trigger for conversion from the Contingent Capital Instrument into Ordinary Stock units. Therefore, while the Contingent Capital Instrument is not treated as Core Tier 1 Capital prior to conversion, it will count as Core Tier 1 Capital upon conversion.

Following a conversion event, the Contingent Capital Instrument will be immediately converted into a variable number of units of Ordinary Stock of the Bank determined by dividing the principal amount of the Contingent Capital Instrument by the conversion price. The conversion price for the conversion of the Contingent Capital Instrument into Ordinary Stock will be the greater of:

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

(ii) the nominal value per unit of Ordinary Stock of the Bank.

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

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

Ordinary Stock issued pursuant to the conversion of the Contingent Capital Instrument will be issued directly to the holder of the Contingent Capital Instrument and the Ordinary Stockholders will not have pre-emption rights or the opportunity to subscribe for any such issue of Ordinary Stock.

The Contingent Capital Instrument carries a fixed mandatory interest rate of 10% of the issue price per annum, payable annually. The State may, where it remains the holder of 100% of the Contingent Capital Instrument, in order to facilitate the sale of the Contingent Capital Instrument to third party investors, at any time (but becoming effective only from the date of such sale being completed and settled) increase the interest rate to a new level determined by an independent remarketing agent nominated by the State, not exceeding 18% per annum. In addition, the Bank shall provide at the request of the initial holder of the Contingent Capital Instrument, sufficient disclosure to allow for the Contingent Capital Instrument to be listed and to be sold to third party investors. The Bank will have the option prior to any such sale of the Contingent Capital Instrument being completed and settled to source third party investors at a potentially lower interest rate, but only if it has sourced sufficient investors to purchase an amount equal to the principal amount paid by the State for the Contingent Capital Instrument on better overall terms. The State shall have discretion as to whether to sell to any such investors. It is expected that the Bank will seek to obtain a listing on the Irish Stock Exchange for the Contingent Capital Instrument by 31 July 2011.

The terms of the Contingent Capital Instrument may also include restrictions on buy-backs, tender offers and other purchases of the Contingent Capital Instrument by the Group. The Contingent Capital Instrument may also be subject to undertakings, indemnities and disclosures by the Bank in a form acceptable to the initial holder of the Contingent Capital Instrument. The Contingent Capital instrument is also expected to impose commercial conduct and behavioural requirements similar in scope to those in the Transaction Agreement and the Minister's Letter.

Under the terms of the Transaction Agreement, the Bank has agreed to pay the NPRFC/the Minister a fee of 1.5% of the amount of the Contingent Capital Instrument, i.e. €15 million. The Group will also be required to pay any debts and expenses associated with the issuance of the Contingent Capital Instrument or its admission to listing.

The Contingent Capital Instrument will rank junior to unsubordinated obligations of the Group and *pari passu* with all other dated subordinated obligations of the Group which qualify as Tier 2 Capital for regulatory purposes (if any).

The Bank has agreed with the Irish Stock Exchange that in the event that the conversion of the Contingent Capital Instrument results in less than 25% (or such lower level as may be agreed with the Irish Stock Exchange) of the Bank's issued Ordinary Stock being in public hands, the Bank would convene and Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the Irish Stock Exchange and the cancellation of its trading on the main market of the Irish Stock Exchange. The Bank has also agreed with the UKLA that in the event that the conversion of the Contingent Capital Instrument results in less than 20% of the Bank's issued Ordinary Stock being in public hands, the Bank would convene and Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the UKLA and the cancellation of its trading on the main market of the London Stock Exchange.

The term sheet of the Contingent Capital Instrument (which is subject to contract) is set out in an annex to the Transaction Agreement. Subject to Stockholder approval of the Government Transaction, the Contingent Capital Instrument is expected to be issued pursuant to an agency agreement and a note purchase agreement between the State and the Bank in accordance with the terms of the Contingent Capital Instrument. The terms of the agency agreement and the note purchase agreement will be agreed by 31 July 2011. If the final terms of the Contingent Capital Instrument are materially different to the subject to contract term sheet summarised in this Circular it will be necessary to publish a supplemental Circular and/or Prospectus, or seek further Stockholder approval, under the Listing Rules and/or the Prospectus Regulations for the Contingent Capital Instrument to be issued.

7. Summary of the terms of the Transaction Agreement

Pursuant to the Transaction Agreement dated 18 June 2011 between the Bank, the Minister, the NPRFC, the Joint Sponsors, the Joint Bookrunners and the NTMA:

- the NPRFC has agreed to subscribe for all units of New Ordinary Stock which are not subscribed for pursuant to the State Placing and not (or are deemed not to have been or are otherwise treated as not having been) taken up pursuant to the State Placing, the Rights Issue or Rump Placing;
- the Bank and the State have agreed that the Rights Issue Price and the issue price per unit of Ordinary Stock under the State Placing will be €0.10 per unit of New Ordinary Stock;
- the State has agreed to subscribe for, and the Bank has agreed to issue, the Contingent Capital Instrument.

In consideration for the NPRFC and the Minister's obligations under the Transaction Agreement, including the underwriting of the Rights Issue, the State Placing and the subscription for the Contingent Capital Instrument, the Bank has agreed to pay the following fees to the NPRFC and/or the Minister:

(i) an underwriting fee of 4% of the gross proceeds of the Rights Issue (including in respect of those securities that the NPRFC is entitled to take up pursuant to its proportionate entitlement);

(ii) a placing fee of 1.5% of the gross proceeds of the State Placing;

(iii) a corporate finance fee of €3.0 million; and

(iv) a fee of 1.5% of the amount of the Contingent Capital Instrument, i.e. €15.0 million,

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

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

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

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

(ii) an incentive fee of 1% of the gross proceeds of the New Ordinary Stock taken up in the Rights Issue or the Rump Placing by 31 July 2011, but excluding any New Ordinary Stock subscribed for by the NPRFC pursuant to its underwriting commitments or taken up pursuant to the State Placing;

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

(iv) a sponsor fee of €1.0 million,

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

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

In addition, under the Transaction Agreement, the NPRFC has the option to require the Bank to make a direct placing of up to 794,912,043 units of New Ordinary Stock to the NPRFC at €0.10 per unit of New Ordinary Stock, representing approximately 15% of the Existing Ordinary Stock. The gross proceeds of the State Placing will be up to €79,491,204. Any New Ordinary Stock issued to the NPRFC pursuant to the State Placing would (a) be entitled to participate in the Rights Issue and (b) reduce the size of the Rights Issue by an amount equal to the proceeds of the State Placing at its sole discretion. The NPRFC will inform the Bank whether it wishes to proceed with the State Placing and, if so, the amount of the State Placing on 8 July 2011 following the announcement of the results of the Debt for Equity Offers.

The Transaction Agreement is conditional on the passing, without amendment, of the Resolutions relating to the Proposals and on the receipt of certain regulatory approvals or consents, for example in relation to State aid and regulatory approvals for changes in shareholding in the Bank as a regulated entity (if required).

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

The Bank has also given certain covenants to the Minister and the NPRFC in relation to the business of the Bank, in particular commitments in relation to measures to promote the availability of credit, corporate governance matters and remuneration.

In addition, in accordance with the terms of the Transaction Agreement, the Joint Bookrunners, as agents of the Bank, have agreed severally to use reasonable endeavours to procure subscribers for New Ordinary Stock under the Rump Placing. This Rump Placing will be used to procure subscribers for units of Ordinary Stock not taken up by Existing Ordinary Stockholders under the Rights Issue. The Ordinary Stock under the Rump Placing will be placed at a price per unit of Ordinary Stock which is at least equal to the aggregate of the Rights Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax).

The Minister, the NPRFC and the NTMA may terminate the Transaction Agreement prior to Admission of the Nil Paid Rights under certain limited circumstances, including, amongst others:

(i) a matter arises which gives rise to an indemnity claim under the Transaction Agreement or under the agreements with the Dealer Managers pursuant to the Debt for Equity Offers against the Bank;

(ii) any condition to the Transaction Agreement has not been satisfied or waived by the NPRFC or if any matter or circumstances arises as a result of which there is no reasonable prospect that any of the conditions to the Transaction 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) an application by the Bank for Admission of the Nil Paid Rights is withdrawn or refused by the Irish Stock Exchange;

(iv) there has been a breach by the Bank of any of its undertakings or covenants or any of the warranties contained in the Transaction Agreement are not, or have ceased to be, true, accurate and not misleading;

(v) a downgrade occurs by at least one of Standard and Poor's or Fitch Ratings that results in a reduction of three notches or more in the senior long-term ratings accorded to debt securities of the Bank; or

(vi) in the opinion of the Minister there shall have been a material adverse change.

Each of the Sponsors is entitled to terminate its rights and obligations under the Transaction Agreement (insofar as such termination relates to its obligations as sponsor only) under certain limited circumstances prior to the settlement of the Rump Placing, which is expected to occur on 29 July 2011.

Each of the Joint Bookrunners is entitled to terminate its rights and obligations under the Transaction Agreement (insofar as such termination relates to its obligations as a joint bookrunner only) if, in the opinion of such Joint Bookrunner, there shall have been a material adverse change (meaning, in this context, any material adverse change, or any event or development occurring or being reasonably likely to occur which results in, or is likely to result in, a prospective material adverse change, in or affecting 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) or a force majeure event which would make it inadvisable or impractical to proceed with the Rump Placing. Such rights are exercisable prior to the settlement of the Rump Placing, which is expected to occur on 29 July 2011.

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

It is a condition of the Transaction Agreement that by 31 July 2011 the Bank will give a number of commitments to the Minister for Finance in respect of its lending, corporate governance, preference dividend payment and remuneration practices to be set out in a letter from the Minister to the Bank (the "Minister's Letter"). Further details of the expected scope of the Minister's Letter are set out in the summary of the Transaction Agreement in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular.

If the Minister's Letter contains commitments that are materially different to the expected scope of the commitments summarised in this Circular, it will be necessary to publish a supplemental Circular and/or Prospectus, or seek further Stockholder approval, under the Listing Rules and/or the Prospectus Regulations for the entry into the Minister's Letter.

The Transaction Agreement is described in more detail in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular.

8. Key benefits of the Proposals

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

- *Satisfy Regulatory Requirements:* Core Tier 1 Capital generated by the Rights Issue, the State Placing, Debt for Equity Offers, the compulsory acquisition of Eligible Debt Securities and the further burden sharing anticipated by the Minister and the issue of the Contingent Capital Instrument are expected to permit the Group to meet the capital requirements imposed by the Central Bank as part of the Financial Measures Programme;
- *Substantially increase Core Tier 1 Capital:* the Proposals are expected to increase Core Tier 1 Capital by not less than €4.2 billion (after estimated expenses). Had the Proposals been implemented as at 31 December 2010 and based on the other assumptions and adjustments set out in Part XV (Unaudited Pro Forma Financial Information) of this Circular, the Group would have had a Basel II pro forma Equity Tier 1 Capital Ratio of 13.0%, a Core Tier 1 Capital Ratio of 15.4%, a Tier 1 Capital Ratio of 14.7% and a Total Capital Ratio of 14.6%. This compares with a reported Equity Tier 1 Capital Ratio of 7.3%, a Core Tier 1 Capital Ratio of 9.7%, a Tier 1 Capital Ratio of 9.7% and a Total Capital Ratio of 11% at 31 December 2010. The Directors consider that these increased 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 is expected to provide wholesale funding markets and depositors with increased confidence in the Group and support a prudent disengagement from the State Guarantee Schemes as market conditions allow;
- *Facilitate the Group in seeking to achieve its strategic objectives:* by strengthening the Group's capital position, the Directors believe that the Proposals together with the capital raised and generated by the Group over the past two years should facilitate the Group's objective of providing for a sustainable future as a systemically important bank, continuing to support the Group's customers, and contributing to economic recovery. The Directors also consider that the implementation of the Proposals will facilitate the Group in

seeking to achieve its business objectives to service customers and achieve profitable growth 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; and

- *Lower Stockholder dilution:* the Bank has sought to reduce dilution for Existing Ordinary Stockholders by including the Rights Issue as a significant component of its capital raising.

9. Current trading, trends and prospects

While trading conditions in the first quarter of 2011 continue to remain challenging, the Group believes that there are indications that the Irish economy may have begun to stabilise. The domestic economy remains weak with low levels of domestic investment, weak consumer sentiment, and elevated levels of unemployment. However, GDP in Ireland is expected to gradually recover in 2011 due to the strong performance of the export sector. The growth in the export sector has led to a rebalancing of the economy resulting in a positive balance of payments surplus in the second half of 2010 with this situation expected to prevail for 2011. In the United Kingdom, despite concerns regarding inflation and the impact of fiscal austerity, modest GDP growth is expected for 2011.

Notwithstanding the expected stabilisation of the Irish economy, the Group's total operating income faces material adverse impacts due to a range of factors including:

- the continuing competition for customer deposits and elevated deposit pricing;
- higher costs of wholesale funding reflecting the impact of term issuance in the second half of 2010 at elevated pricing; and
- higher systemic guarantee fees which increased by €70 million for the five months to May 2011 to €195 million, compared to €125 million for the comparable five month period in 2010.

Although these factors are being partially offset by improved lending pricing, demand for new lending remains muted. Accordingly, the Group expects these factors will continue to impact on its net interest margin for 2011. Operating costs remain under strict control and the Group expects to see some benefits from lower staff (including pension) costs, the impact of business disposals announced since December 2010, infrastructural cost efficiencies beginning to come through and tight control of all variable costs.

The Group maintains its previous guidance that the impairment charge on its non-NAMA designated loans and advances to customers peaked in 2009, reduced in 2010 with anticipated further reductions in subsequent years. The Group's experience in the period between 31 December 2010 and 16 June 2011 (being the last practicable date prior to the date of this Circular) supports this view.

Over this period, the overall volume of loans and advances to customers (excluding assets held for sale to NAMA and net of impairment provisions) has reduced by approximately 4% from €114 billion at 31 December 2010 reflecting foreign exchange movements, loan redemptions and repayments, certain portfolios being closed for new business and generally muted demand for new loans, notwithstanding the Group's efforts to generate new business opportunities from the Group's core franchises. While competition for deposits has persisted, the Group's customer deposits have increased by approximately 1% from €65 billion at 31 December 2010. As a result of these factors, the Group's loan to deposit ratio has improved by approximately 10 percentage points over the period between 31 December 2010 and 16 June 2011 from 175% at 31 December 2010 and wholesale funding reduced by approximately 10% from the €70 billion at 31 December 2010 with net drawings from Monetary Authorities and other liquidity facilities provided by the Central Bank also reducing. The Group's capital ratios have also remained broadly stable compared to December 2010.

The Group is also continuing to progress initiatives to prudently deleverage its balance sheet and further reduce its costs whilst actively managing its credit portfolios.

10. Economic Outlook

Ireland

Ireland is currently experiencing an extremely challenging recessionary environment and period of fiscal adjustment following a prolonged period of over-reliance on construction and property-related activity for the funding of increased Government expenditure and the generation of economic growth. The challenges facing Ireland are exacerbated by the level of State support required by the banking sector. Irish GDP has experienced a severe contraction in recent years and fell by 1.0% in 2010, after declining by 7.6% in 2009 and 3.5% in 2008 (Source: Central Statistics Office (CSO) Quarterly National Accounts Q4 2010). The consensus forecast is for Irish GDP to increase by 0.5% in 2011 (Source: Reuters Poll, 4 May 2011). Unemployment has increased with the unemployment rate standing at 14.8% in May 2011 (Source: CSO, Live Register, May 2011) and the consensus forecasts a rate of 14.2% by the end of 2011 (Source: Reuters Poll, 4 May 2011). Notwithstanding the further contraction in the overall economy in 2010, the export sector performed strongly, helping to limit the decline in GDP. The volume of goods and services exports rose by 9.4% in 2010 (Source: CSO, Quarterly National Accounts Q4 2010), boosted by global economic growth of 5% (Source: IMF World Economic Outlook, April 2011) and recent substantial gains in competiveness (the Commission estimates Ireland's unit labour costs fell by 4.9% in 2010 compared to an average decline of 0.5% for the euro area (Source: European Commission, Spring Economic Forecast, May 2011)).

The residential property market has suffered a very significant decline, with average national house prices in Ireland, as at March 2011, estimated to be 39.5% below the peak in September 2007 (Source: CSO Residential Property Price Index). Commercial property prices have fallen by 61% between the third quarter of 2007 and the first quarter of 2011 (Source: IPD, Irish Commercial Property Index). The Government finances show a significant deficit with an estimated underlying* general Government deficit of 12% of GDP in 2010 (Source: Department of Finance, Stability Programme Update, April 2011), following a deficit of 14.3% of GDP in 2009 and 7.3% in 2008 (Source: Department of Finance, Maastricht Returns, March 2011). Between July 2008 and December 2010, the Government implemented significant fiscal adjustments amounting to €14.6 billion, equivalent to 9.5% of the estimated GDP for 2010, with a further adjustment of €6 billion to be implemented in 2011 through a combination of increased taxes and a reduction in Government spending (Source: Department of Finance, Budget 2011).

The heightened concerns relating to the Irish public finances have, amongst other factors, affected the liquidity and profitability of the financial system in Ireland and have resulted in:

- Higher yields for Government debt;
- Limited liquidity to the Irish banking system and a consequential increase in the reliance by Irish financial institutions on the liquidity provision operations offered by Monetary Authorities; and
- Increased competition among banks to attract customer deposits, resulting in an increased cost of customer deposits.

The planned adjustment to the Irish public finances over the period 2011-2015 (under the EU/IMF Programme) is expected to have a dampening effect on household incomes and consumer spending. As a result, the Government expects consumer spending to fall by 1.8% in real terms in 2011 (after a fall of 1.2% in 2010) and to remain flat in 2012 (Source: Department of Finance, Stability Programme Update, April 2011). The negative impact on consumer spending of the recent budget measures (including an increase in income taxes and a reduction in social welfare payments (amounting to almost €2 billion in 2011)) and contractions in numbers employed could be greater than the Government expects, which could also result in lower than forecast GDP growth with negative implications for unemployment and the public finances. The Department of Finance is currently forecasting the economy to grow by 0.8% in 2011 and by 2.5% in 2012 and the unemployment rate to be 14.4% in 2011 and 13.7% in 2012 (Source: Department of Finance, Stability Programme Update, April 2011).

The market perception of Irish sovereign risk deteriorated significantly between September and November 2010, with the yield on Irish Government 10-year bonds rising to over 9%. Because of the high yields on Irish bonds, which curtailed the State's ability to borrow on the international markets, the then Irish Government agreed on 28 November 2010 to the EU/IMF Programme. As part of the EU/IMF Programme, the Government committed to a four year (2011-2014) €15 billion fiscal adjustment (including €6 billion in 2011) which comprises public expenditure reductions and tax increases to cut the budget deficit to below 3% by 2014. The new Government, which took office on 9 March 2011, has (with the agreement of the EU/IMF) extended the deadline to reach the target to 2015. Ireland's general Government debt, which includes the cost of the State support to the banking sector, is projected to rise to a peak of 118% of GDP in 2013, from 96% in 2010, before falling back to 111% of GDP in 2015 (Source: Department of Finance, Stability Programme Update, April 2011). The March 2011 PCAR/PLAR review, part of the EU/IMF Programme, was completed in March 2011 and concluded that €24 billion in additional recapitalisation is required by the banking sector. The Department of Finance has assumed that additional borrowing of €10 billion will be required to meet the cost of the recapitalisation and this has been incorporated into the projections for the general Government debt (Source: Department of Finance, Stability Programme Update, April 2011). The cost of servicing the Government debt is expected to rise with debt interest payments projected to amount to 20.8% of the State's tax revenues in 2015, although this is below the level in the mid-1980s when interest payments on Government debt amounted to around 33% of the State's tax revenues (Source: Department of Finance, Stability Programme Update, April 2011).

* Underlying excludes the amounts relating to the recapitalisation of Anglo Irish Bank and Irish Nationwide Building Society.

The EU/IMF Programme also contains structural measures and policy guidelines designed to boost the country's competitiveness and improve Ireland's growth rate in the medium term to facilitate the servicing and repayment of the Government debts. Specifically, the EU/IMF Programme includes:

- Fiscal consolidation and structural fiscal reforms to achieve a sustainable fiscal position;
- Financial sector reforms including recapitalisation, reorganisation and deleveraging to achieve a robust, smaller and better capitalised banking system that will effectively serve the needs of the economy; and
- Structural reforms to underpin economic stability and enhance growth and job creation.

The magnitude of the fiscal adjustment agreed under the EU/IMF Programme, in addition to the low level of consumer and business confidence resulting from the economic crisis and ongoing sizeable difficulties with the Irish public finances, elevated levels of unemployment, decreases in asset values and declining business activity, is likely to have a significant effect on economic activity in Ireland.

In its Programme for Government, the Government that took office on 9 March 2011 confirmed its commitment to the EU/IMF Programme and announced a number of new initiatives and policies. The following are particularly relevant to the Group and the banking sector:

- While the Government notes that a smaller banking system is required for the size of the Irish economy, and that banks must reduce their reliance on the ECB and Irish Central Bank for funding, bank deleveraging must be paced to match the return of more normal market conditions and demand for bank assets;
- The Government aims to dispose of public stakes in banks at maximum value to the taxpayer and return the banks to private ownership as soon as the conditions permit it to do so; and
- Once the banking sector has been restored and working effectively, a bank levy will be introduced based on the size of each institution's liabilities (excluding stockholder capital).

Despite the Irish economy's current difficulties, the Group believes that Ireland's core strengths of a strong export sector, favourable demographics with a well educated, skilled workforce together with its pro-business environment should underpin a return to economic growth.

United Kingdom

Having returned to growth in the fourth quarter of 2009, GDP grew by 1.3% in the United Kingdom in 2010 (Source: Office for National Statistics, Quarterly National Accounts, Q4 2010) after declining by 4.9% in 2009 (Source: Office for National Statistics, Output, Income and Expenditure, Q4 2009). The latest data shows that the economy expanded by 0.5% in the first quarter of 2011. The consensus view is that the economy will grow by 1.5% in 2011 and 2.2% in 2012 (Source: Reuters Consensus Forecast, May 2011). In spite of the economy's improvement during 2010, the impact of austerity measures introduced in the national budget may dampen the recovery leading to an increase in the unemployment rate. Unemployment in the United Kingdom stood at 7.7% at the end of March 2011 (Source: Office for National Statistics) and the consensus forecast is for an 8.0% unemployment rate in 2011 and 8.1% in 2012 (Source: Reuters April 2011).

The UK property sectors have shown some signs of recovery although some uncertainty remains around the pace and scale of future recovery. At April 2011 residential house prices had increased by 12% from the trough in February 2009, while commercial property capital values rose by 21% from the trough in the second quarter of 2009 to the end of the second quarter of 2011 (residential house prices fell 20.6% and the commercial property market experienced a 42% fall in capital values from their peak to trough cycle (from the second quarter of 2007 to the second quarter of 2009)) (Source: Nationwide Index, IPD Commercial Property Index). Significant uncertainty remains around the pace and scale of recovery (as residential property prices have softened over the second half of 2010). This reduction in the value of residential and commercial property has reduced the value of collateral on many of the Group's loans.

Though domestic demand is weak, exports have picked up, helped by the fall in the value of sterling. This rebalancing of the economy, away from an over-reliance on consumption towards external demand, should facilitate more sustainable growth over the medium term.

11. Strategy and Financial Targets

The Directors believe that the combination of a strong capital base following the implementation of the Proposals and a Deleveraging Plan, which will deliver a more conservative funding profile, and core businesses with strong brands, distribution and market positioning supporting the Group's customers and contributing to economic recovery, will assist in contributing to a sustainable future for the Group.

Key Strategic Goals

The Group's key strategic goals are:

- to be the leading bank in Ireland, well positioned in the Group's core markets with strong customer franchises and market positions capable of supporting future economic recovery;
- to be strongly capitalised and to have appropriate returns on services and products to ensure that costs are covered, risk is appropriately priced and capital is rewarded;
- to be funded on a sustainable basis with low reliance on short-term wholesale funding and avoiding reliance on exceptional Monetary Authority support or Government guarantees;
- to be effective at managing its credit and other risks;
- to be efficient with sustainable reduced cost structures; and
- to achieve returns for Stockholders through strong operational performance and return of surplus capital.

To achieve these strategic goals, the Group:

- is focusing its capital and funding on its core businesses, as described below, where it has strong market positions and clear competitive strengths and capabilities.
- is also managing its non-core loan portfolios, that are being delevered or sold, on a basis that optimises the value from the disposals having due regard to the requirement to deleverage the balance sheet within appropriate timescales;
- is enhancing its capital ratios by increasing the quantum of Core Tier 1 Capital in its capital structure through the Debt for Equity Offers, through the Rights Issue, the State Placing (if the NPRFC elects to proceed with the State Placing), the exercise of the call options under the amended terms of the Eligible Debt Securities, an application by the Minister to the Irish High Court for a subordinated liabilities order pursuant to the Stabilisation Act should the Debt for Equity Offers fail to generate the expected capital levels and by managing Risk Weighted Assets in line with the Deleveraging Plan;
- is pursuing a banking model where its core loan portfolios will be substantially funded by customer deposits and Term Wholesale Funding and position the Group to prudently disengage within acceptable timescales from the State Guarantee Schemes and exceptional Monetary Authority support as market conditions allow;
- has enhanced its risk management governance. Following a detailed review of risk governance the recommendations are being implemented by the Group. The key recommendation resulted in the formation of a Court Risk Committee in 2009. The Committee comprises Non-Executive Directors of the Court exclusively and its primary responsibilities are to monitor risks arising in the Group 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 continuing to focus on rebuilding 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 to meet the needs of the Group for the future. Cost reductions are expected to be achieved through ongoing deleveraging, asset disposals and further efficiencies from non-staff costs, savings from the renegotiation of certain major outsourcing contracts and investments in processes and systems to enhance efficiencies.

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 and, consequently, deliver value for Stockholders.

Strategic Shape

In overall terms, the strategic shape and direction of the Group in the future will be as follows:

Ireland

The Group's vision is to be recognised as the leading financial services organisation in Ireland by customers, employees and Stockholders. The Group's plan envisages it being the number one consumer, business and corporate bank in Ireland (currently number one or number two market share positions in each of these areas set out below).

The strategy for the Group remains to grow the business through developing long-term relationships and building its customer franchises. All the Group's businesses are focused on extending the reach and depth of their customer relationships, whilst enhancing product capabilities to build competitive advantage.

In Ireland, the Group has a leading core franchise incorporating:

- a broad product offering including consumer and business banking products, corporate banking, private banking and life and pensions;
- a leading distribution network including 254 full service branches, 22 outlets, supported by approximately 1,300 ATMs; and
- strong direct banking capabilities including online banking and contact centres servicing over one-third of the Group's customers in Ireland.

The Group is a leading provider in Ireland of: residential mortgages, in which it had a mortgage portfolio of €28 billion at 31 March 2011 and a market share of 20.3% of residential mortgage balances (Source: unaudited internal Bank of Ireland market analysis and Central Bank monthly residential mortgage statistics, March 2011); main personal current accounts, in which the Bank has an estimated 35% share of the market (Source: Ipsos MRBI Omnipoll research, December 2010 and February 2011); credit cards, in respect of which the Group has an estimated 34.3% share of credit cards in issue at 31 March 2011 (Source: unaudited internal Bank of Ireland market analysis and Central Bank monthly credit card statistics, 31 March 2011). In Business Banking, the Group had 36% of main business current accounts at 9 April 2009 and 30% of main business loan accounts at 7 March 2008 (Source: Ipsos MORI Business Banking Surveys 2008 and 2009). 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 (Source: unaudited internal Bank of Ireland market analysis) including being a leading provider of foreign exchange and interest rate hedging services. While the Group is required to dispose of New Ireland Assurance plc under the Revised 2011 EU Restructuring Plan, the Group, through New Ireland Assurance plc is ranked number two in life and pensions in Ireland with an estimated 21% market share of new business as at 31 December 2010 (Source: Milliman Ireland, statistical data 25 January 2011 (for fourth quarter 2010), Irish Insurance Federation, New Business figures 8 April 2011) and unaudited Bank of Ireland market analysis) (see also paragraph 13 (EU Notification and approval and Financial Measures) of this Part I).

The key business objectives for the Group's business in Ireland are aligned with the overall key strategic goals noted above and it will seek to achieve these by:

- leveraging the Group's distribution capabilities including the branch network in order to acquire and retain profitable customer relationships;
- developing and communicating a differentiated brand positioning that engages the Group's customers;
- achieving appropriate returns on products and services;
- making further investments in the Group's systems and processes in order to deliver an efficient operational platform from a reduced and sustainable cost base;
- effectively controlling all other costs including those related to staff to ensure the Bank has a sustainable cost base;
- improving service quality;
- managing credit and other risks effectively; and
- supporting customers including through appropriate forbearance (loan modifications and restructuring subject to periodic review).

United Kingdom

The Group's positioning in the UK market has been significantly enhanced through the establishment of its UK licensed banking subsidiary. The Group transferred a considerable proportion of its UK business into a new UK licensed banking subsidiary, Bank of Ireland (UK) plc, with effect from 1 November 2010 which encompasses the Group's successful joint ventures with the UK Post Office, the Group's Northern Ireland branch network and its UK business banking and certain other lending activities.

The establishment of this UK licensed banking subsidiary, directly regulated by the FSA, enables the Group to offer products in the UK market that are directly comparable, from a risk and protection standpoint, with those offered by existing UK mainstream providers and is a very important part of the Group's long-term strategy.

The Group's objective is to continue 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 including banking and insurance products and foreign exchange services through the 11,500 Post Office branches. In addition, the Group will also continue to develop its Northern Ireland business through its full service retail bank network with 44 branches, complemented by approximately 300 ATMs together with telephone and online services.

International

While many of the corporate banking specialist lending businesses in the areas of project finance, asset based lending and certain international property lending will be in controlled rundown, discontinued or disposed of as part of the Group's Deleveraging Plan, the Group will continue to engage in internationally based treasury and corporate lending activities. These include the Group's acquisition finance business, continuing support for major corporates operating internationally, financial institutions and multi-national corporations operating into or out of Ireland.

Non-Core Businesses

As set out in paragraph 2 (Background to the Proposals) of this Part I, the Deleveraging Plan as agreed with the Central Bank augments the asset reductions contained in the Group's Approved 2010 EU Restructuring Plan which are underway, ahead of plan and on track to meet their targets. The Deleveraging Plan envisages certain loan portfolios / lending businesses of the Group continuing to be delevered or disposed of on an orderly basis resulting in an expected reduction in the Group's total loans and advances to customers (excluding assets held for sale to NAMA and net of impairment provisions) from €114 billion at 31 December 2010 to approximately €90 billion by 31 December 2013. This will be achieved through an approximately €30 billion reduction in the Group's non-core loan portfolios of which approximately €10 billion will be in the form of asset disposals. This will equate to a reduction of approximately €24 billion, due to a net increase of approximately €6 billion in core loan portfolios. Incorporated within the Core Tier 1 Capital requirement of €4.2 billion is what the Central Bank described as a "prudent" estimate of losses arising on the approximately €10 billion asset disposal under an adverse stress scenario.

The loan portfolios/lending businesses of the Group, that are being/will be delevered or disposed of over time, include:

- Portfolios of UK mortgages that were sourced from brokers and other intermediaries;
- Selected international niche businesses such as project finance, asset based lending and certain previously identified international corporate banking portfolios; and
- Certain international commercial investment property loan portfolios.

The Group envisages that the international portfolios will be significantly delevered or sold in the period to 31 December 2013 on a basis that will balance the advantage of stronger liquidity ratios with the need to maximise the value of the disposal of such assets without pressure to concede to the risk of the sale of assets in a rapid manner that would result in a lower price being obtained compared to a more orderly sale process.

Financial Targets

Margin recovery from current depressed levels is a key management priority. The Group continues to experience net interest margin attrition primarily as a result of the low interest rate environment, higher cost of wholesale funding, intense competition on deposit pricing and the quantum of residential tracker mortgages in Ireland. From 31 March 2009 to 31 December 2010, the Group's net interest margin reduced by 28 basis points. Continued elevated deposit pricing which is due to intense competition for deposits has resulted in 46 basis points of margin attrition. High wholesale funding costs and lower treasury income have resulted in further attrition of 16 basis points. These factors were partially offset by improved lending margins which resulted in 34 basis points of margin improvement. The expected impact of increased lending margins on new business is muted due to the currently constrained levels of demand for new lending in Ireland. However, the Directors anticipate increased demand for lending arising from economic recovery, increases in base interest rates, reduced deposit pricing as a more normalised market returns and particularly reflecting lower wholesale funding costs through deleveraging are all anticipated in the future to be positive for the Group's net interest margin in the period to 31 December 2014. 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 seeking to achieve a target net interest margin in excess of 200 basis points in the year ending 31 December 2014.

Since March 2008, the Group has demonstrated the scalable nature of its **cost base** as it re-focused on its core portfolios. In the twelve month period to 31 December 2010, the Group reduced its operating costs by 6%. This was achieved through a 4% reduction in staff numbers, an 11% decrease in pension costs following the implementation of changes to pension benefits, and an ongoing focus on cost management across the Group's cost base. Over the period from March 2008 to December 2010, the Group has reduced its workforce by approximately 2,400 staff (approximately 14% reduction) and there has been ongoing restraint on remuneration. The implementation of changes to pension benefits, renegotiation of major outsourcing contracts, reconfiguration of premises requirements and other cost savings have reduced the Group's underlying cost base by 17% in the year to 31 December 2010 when compared to the year ended 31 March 2008 and should provide further cost reduction. In addition to eliminating expenses associated with the non-core businesses and portfolios, the Group is continuing to maintain its rigorous approach to cost management and is implementing a range of initiatives to further reduce costs including investments in, and changes to, systems and processes and ongoing reviews, savings from the renegotiation of certain major outsourcing contracts and increasing the levels of consolidation, standardisation and simplification of its operations. The Directors expect these initiatives, together with the expected margin expansion referred to above, should lower the Group's cost income ratio to below 50% in the year ending 31 December 2014.

The Group has enhanced its approach to **credit management** during the recent challenging economic environment and it is rigorously managing its credit risks. The Group previously stated that it believed that the impairment charge on non-NAMA loans had peaked in 2009 and that the Group expected the charge to reduce in each of 2010, 2011 and 2012. The Group maintains its expectation that impairment charges will progressively reduce in the period from 2011 - 2013 in line with the Group's base case loan loss estimates, leading to a more normalised impairment charge in 2014 of approximately 55 - 65 basis points of average loans and advances to customers.

The Group is pursuing a banking model with a more sustainable **funding strategy**. The Group will aim to substantially fund its core loan portfolios through customer deposits and Term Wholesale Funding. 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 Ireland through its branch network and outside of Ireland through its UK licensed banking subsidiary incorporating its joint ventures 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, until total loans and advances to customers (excluding assets held for sale to NAMA and net of impairment provisions) reducing from €114 billion at 31 December 2010 to approximately €90 billion by 31 December 2014, are expected to reduce the Group's loan to deposit ratio to below 120% at 31 December 2014 which is in line with the key funding ratio set by the recent PLAR carried out by the Central Bank.

The Proposals, if implemented, are expected to fully address, for the three year period to 2013, the Group's **capital requirements** as set out by the Central Bank on 31 March 2011 as a result of the March 2011 PCAR and PLAR. The Rights Issue, the Debt for Equity Offers, the State Placing, the compulsory acquisition of Eligible Debt Securities and the further burden sharing with subordinated bondholders anticipated by the Minister in his statement on 31 May 2011, together with the issue of the Contingent Capital Instrument will strengthen the Group's capital position and are expected to enable it to maintain an Core Tier 1 Capital Ratio in excess of 10.5% under Basel II as required by the Central Bank, and achieve a Core Tier 1 Capital Ratio in excess of 15% prior to any distribution of surplus capital, subject to regulatory, legal and other approvals by 31 December 2014 on a Basel III transitional basis.

The Group's strategy is to disengage from the ELG Scheme in a prudent manner as market conditions allow, including the completion of the capital proposals set out in this Circular, material progress on the achievement of the deleveraging targets as set out in the PLAR resulting in a significant reduction in the Group's loan to deposit ratio, supported by a sustainable improvement in the economic outlook for Ireland. Significant progress on the disengagement from the ELG Scheme is expected by 31 December 2012. If this is not the case, the Group's financial performance is likely to be weaker than the target performance.

These statements do not constitute a profit forecast and should not be interpreted to mean that earnings per share in any financial period will necessarily match or be lesser or greater than those for the relevant preceding period.

12. Use of Proceeds

The purpose of the State Placing, Rights Issue and the Contingent Capital Instrument is to strengthen the Group's capital base. The proceeds will be used in the day-to-day operations of the Bank. Over the medium term, and subject to requisite regulatory approval applicable at the relevant time, the Directors may seek to apply a portion of the proceeds of the Rights Issue and the Contingent Capital Instrument to redeem or repurchase some, or all, of the outstanding 2009 Preference Stock and/or to acquire the 1992 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. Any such redemption or repurchase would also be subject to such other approvals required under the Bye-Laws of the Bank or the Companies Acts (as they apply to the Group) at the relevant time. As set out in Part IV (Unaudited Pro Forma Financial Information) of this Circular, the proceeds raised and/or capital generated from the Proposals are expected, in aggregate, to increase the Group's Core Tier 1 Capital Ratio by 5.3% to 15.4% on a pro forma basis as at 31 December 2010, taking into account the costs and estimated expenses of the Proposals.

13. EU Notification and approval and Financial Measures

The State Guarantee Schemes, the NPRFC Investment and the transfer of bank assets from the Group to NAMA under the NAMA Act were considered by the European Commission to involve the provision of State aid within the meaning of Article 107 TFEU to the Group, which resulted in the requirement for the submission of an EU Restructuring Plan to the European Commission for approval under EU State aid rules. The Group submitted an EU Restructuring Plan to the European Commission on 30 September 2009. On 15 July 2010, the European Commission approved the State aid received by the Group as restructuring aid under EU State aid rules on the basis of the Approved 2010 EU Restructuring Plan submitted to the European Commission. The Approved 2010 EU Restructuring Plan contained certain measures to address the appropriate level of burden-sharing and to limit any competition distortions resulting from the State aid received by the Group as well as an assessment of the long-term viability of the Group. These measures require the Group to effect certain structural and behavioural measures. A Monitoring Trustee was approved by the European Commission on 25 October 2010 to report to the European Commission on the Group's adherence to the Approved 2010 EU Restructuring Plan commitments. The Monitoring Trustee has reported to the European Commission that the Group is complying with all of its commitments under the Approved 2010 EU Restructuring Plan. Further details of these commitments are set out in paragraph 12 (State aid and EU Restructuring Plans) of Part V (Additional Information) of this Circular.

Although the Group continues to proactively implement its Approved 2010 EU Restructuring Plan and is ahead of plan and on track to meet its targets on business disposals and asset deleveraging, the Group's funding objectives were severely impacted by the sovereign debt concerns which arose in the second half of 2010 and culminated in the announcement by the Government of the EU/IMF Programme on 28 November 2010. The Group's funding position has been adversely impacted by systemic issues, sovereign downgrades and reaction to the EU/IMF Programme which together negatively impacted deposits in the period from June 2010 to December 2010 and the ability to raise unsecured wholesale funding. While this impact has been partly mitigated by accelerated deleveraging, funding from Monetary Authorities has materially increased. The Central Bank requested that the Group submit a Deleveraging, Restructuring and Balance Sheet Growth Plan ("Deleveraging Plan") as part of the March 2011 PCAR/PLAR review, which reflected the measures set out in the EU/IMF Programme, i.e. downsizing and reorganising the banking system to reach a more viable loan to deposit ratio of 122.5%, raising capital standards and reducing risk and increasing shock absorption capacity, together with systemic issues, higher discounts on the loans transferred to NAMA and certain conservative assumptions as provided by the Central Bank.

The Group's Deleveraging Plan as set out in more detail in paragraph 2 (Background to the Proposals) of this Part I commits the Group to significantly further deleverage the balance sheet, requiring a loan to deposit ratio of 122.5% by 31 December 2013, as required pursuant to the Financial Measures Programme announced by the Central Bank on 31 March 2011. The Financial Measures Programme sets out the outcome of the March 2011 PCAR together with an assessment of measures, including a combination of run-off and disposals of non-core assets, to be implemented with a view to steadily deleverage the banking sector and reduce reliance on short term wholesale funding and liquidity support from Monetary Authorities. In the case of the Group, the loan portfolios/lending businesses that are being/will be delevered or disposed over time include portfolios of UK mortgages that were sourced through brokers and other intermediaries, selected international niche businesses such as project finance, asset based lending and certain previously identified international corporate banking portfolios and certain international commercial investment property loan portfolios.

Following the March 2011 PCAR/PLAR review, the Minister for Finance, in his statement on banking matters on 31 March 2011, stated that the State will be submitting new restructuring plans for the banks to the European Commission for approval under EU State aid rules in respect of the implications of the changes necessary for the future banking landscape in Ireland. As part of the European Commission State aid review, a Revised 2011 EU Restructuring Plan for the period to 31 December 2015 was prepared by the Group and submitted by the Department of Finance to the European Commission on 29 April 2011. This Revised 2011 EU Restructuring Plan includes the additional deleveraging of assets included in the Deleveraging Plan, together with the measures already agreed in the Approved 2010 EU Restructuring Plan and the amendments outlined in paragraph 12 (State aid and EU Restructuring Plans) of Part V (Additional Information) of this Circular. The Group expects the decision regarding the approval of the Revised 2011 EU Restructuring Plan will be taken by the European Commission by the end of 2011 at the latest. However, it cannot be excluded that the decision will be adopted at a later date. At this stage, there can be no certainty as to the outcome of the State aid proceedings and the final content of the Revised 2011 EU Restructuring Plan. Please see the risk factor entitled "*The State Guarantee Schemes, the NPRFC Investment and the transfer of bank assets by the Group to NAMA under the NAMA Act, were found by the European Commission to involve the provision of EU State aid to the Group and resulted in a European Commission final decision dated 15 July 2010 approving State aid received by the Group, on the basis of the Approved 2010 EU Restructuring Plan submitted to the European Commission, which is subject to a variety of risks. While the European Commission approved the extension of the ELG Scheme to 31 December 2011, the Proposals are currently subject to 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 State, 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*" set out in Part II (Risk Factors) of this Circular. However, following the statement on banking matters by the Minister for Finance and the joint statement by the EU/IMF on 31 March 2011 and based on the current status of negotiations with the European Commission through the Department of Finance, the Group expects that the Revised 2011 EU Restructuring Plan will not be materially different to the Group's Deleveraging Plan.

The Government Transaction could be deemed to involve the provision by the State of additional State aid within the meaning of Article 107 TFEU. Any State aid arising in relation to the Government Transaction requires approval from the European Commission under EU State aid rules before the Government Transaction becomes legally valid and the Rights Issue can proceed. Only Member States may notify the European Commission of plans to provide State aid and therefore it is for the State to notify the European Commission of the proposal to grant any State aid to the Group. The Group is therefore reliant on the State to notify the measures to the European Commission. If the European Commission finds that there is an element of State aid and approves the granting of such aid then the Government Transaction may be implemented and the Rights Issue may proceed. There is no guarantee that any State aid would be approved by the European Commission or, if it were approved that the terms of the approval would be favourable to the Group. If the measures involve State aid and such State aid is not approved by the European Commission, then such State aid may not be provided and the Government Transaction, and consequently the Proposals, may not proceed unless and until the European Commission approved such aid. The State has informed the Group that it will notify the European Commission of the proposed measures and that the State will aim to receive approval by 11 July 2011 in time to enable the State aid to be provided within the necessary timeframe, which the State believes is possible. The Group understands that the Government is in close discussions with the European Commission and the Group has provided all necessary information to assist in this process.

Implementation

The measures included in the Revised 2011 EU Restructuring Plan will be required to be implemented based on the timetable agreed with the European Commission between the date of the European Commission's final decision and 31 December 2015 or as otherwise may be agreed with the State or the European Commission. A Monitoring Trustee was approved by the European Commission on 25 October 2010 to report to the European Commission on the Group's adherence to the Approved 2010 EU Restructuring Plan commitments. The Monitoring Trustee has reported to the European Commission that the Group is complying with all of its commitments. A Monitoring Trustee may also be appointed in respect of the Revised 2011 EU Restructuring Plan.

The implementation of certain agreed actions of the Revised 2011 EU Restructuring Plan may also require various external approvals from financial regulators (including financial regulators in jurisdictions where the Group operates and/or the purchasers of the Group's divestment businesses), Stockholders pursuant to the Listing Rules, or other approvals required under competition law.

Conclusion

The Directors believe that the Revised 2011 EU Restructuring Plan is sufficient to obtain approval from the European Commission for all State aid that the Group has received including as a result of: (i) the NPRFC Investment; (ii) the Group's participation in NAMA; (iii) the State Guarantee Schemes; (iv) the 2010 Capital Raising; and (v) any State aid arising under the Proposals.

On the basis of the historical financial information as set out in paragraph 12 (State aid and EU Restructuring Plans) of Part V (Additional Information) of this Circular, the Directors do not expect that the Revised 2011 EU Restructuring Plan would be materially detrimental to the long term interests of the Group as it is expected to continue to leave the Group's core businesses intact.

14. NAMA

At the Extraordinary General Court 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.

During the 12 month period ended 31 December 2010, the Group sold €9.4 billion of gross assets (before impairment provisions) to NAMA. The nominal consideration receivable for these assets amounted to €5.2 billion resulting in a gross discount of 44%. The gross discount on assets sold to NAMA exceeded the estimate as outlined in the Minister for Finance's Statement on Banking issued on 30 September 2010, which was based on a forecast provided to the Minister by NAMA at that time. At 31 December 2010, the Group held €0.9 billion of assets (before impairment provisions) eligible for transfer to NAMA, where an individual customer/sponsor has an exposure of greater than €20 million. As at 30 April 2011, the Group held €1.0 billion of assets (before impairment provisions) expected to transfer to NAMA, representing an increase of €0.1 billion from 31 December 2010 attributable to the identification by NAMA of additional assets required to transfer (Source: unaudited internal management information). Due to the preponderance of investment property loans in this sub-portfolio, the Group expects that the final discount on the transfer of these assets to NAMA will be less than the average on assets sold prior to 31 December 2010.

In the updated EU/IMF Programme announced on 28 April 2011, the Government stated that if it believes that the Group requires alternative methods to meet the deleveraging targets under the PLAR, it may reconsider the possibility of transferring the land and development loans with a value of less than €20 million to NAMA (Source: EU/IMF Programme: Memorandum of Economic and Financial Policies, Department of Finance, 28 April 2011). The Government requires the Group to provide contingency plans to meet the deleveraging targets. Where the Government believes the contingency plans are not feasible, the Government will find and implement alternate ways of meeting the deleveraging goals and may reconsider the possibility of transferring the land and development loans of less than €20 million to NAMA. Consequently, there is uncertainty in the medium term around the final scope of the Group's loans transferring to NAMA and the potential final consideration to be paid by NAMA for these loans and the related loss to the Group.

As at 16 June 2011, NAMA due diligence is still in progress on approximately €1.9 billion of loans (Source: internal unaudited financial information), that have already been sold to NAMA. As a result, there is continuing uncertainty around the final consideration to be paid by NAMA for these loans.

15. Renominalisation

Pursuant to the Bye-Laws, the Bank is not permitted to issue units of Ordinary Stock at a discount to their nominal value, which is currently €0.10 per unit of Ordinary Stock. It is proposed that the Bank carries out the Renominalisation, which will reduce the nominal value to €0.05 per unit of Ordinary Stock. As the minimum conversion price of the Contingent Capital Instrument is €0.05, this provides the Bank and the holder of the Contingent Capital Instrument with certainty that the Contingent Capital Instrument will convert into units of Ordinary Stock in the circumstances where such a conversion is required under the terms of the Contingent Capital Instrument. 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, (i) each existing unit of Deferred Stock of €0.54 will be subdivided into 54 units of €0.01 each; and (ii) 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 €0.05 in the capital of the Bank ("€0.05 Ordinary Stock") and converted into five units of Deferred Stock of €0.01 in the capital of the Bank. 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 the Bank.

Each Ordinary Stockholder's proportionate interest in the issued Ordinary Stock of the Bank will remain unchanged as a result of the Renominalisation. Aside from the change in nominal value, the rights attaching to €0.05 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 €0.05 Ordinary Stock as existing stock certificates for Existing Ordinary Stock will remain valid in respect of the same number of €0.05 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 should not be impacted by 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 the Bank, 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.

16. Further information

It is strongly recommended that Stockholders 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 value of the Ordinary Stock.

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

Certain of the financial figures used in this Part I and elsewhere in this document are based on certain assumptions regarding currency exchange rates and may differ if the currency exchange rates differ from those assumed. Your attention is drawn to the section under the heading "Exchange Rates" in this Circular for further detail on the assumed currency exchange rates used.

17. Requirement for Stockholder approval

The NPRFC currently holds 36.04% of the Existing Ordinary Stock and is therefore a substantial Stockholder in the Bank and a related party of the Bank under the Listing Rules. The Minister and the NPRFC are together deemed to exercise significant influence over the affairs of the Bank and are therefore related parties of the Bank pursuant to the Listing Rules. The issue of the Contingent Capital Instrument to the State and the entry into the Government Transaction, including the entry into the Transaction Agreement, the Minister's Letter, the payment of fees and expenses to the NPRFC and/or the Minister pursuant to the Transaction Agreement, the underwriting of the Rights Issue by the NPRFC and the State Placing (including associated fees and expenses and including the potential issue of Ordinary Stock at a discount of greater than 10% to the middle market price pursuant to the State Placing), is deemed to be a related party transaction in accordance with the Listing Rules. As a result, neither the NPRFC nor the Minister will vote on either Resolutions 1 or 6 and they will take all reasonable steps to ensure that their associates will not vote on such Resolutions. As such, the Government Transaction is conditional on the approval of Stockholders, other than the NPRFC and its associates. Since the State Placing and/or the Contingent Capital Instrument could result in the issue of units of Ordinary Stock to the State or private investors without first being offered to Existing Ordinary Stockholders at the relevant time and the Debt for Equity Offers involve the issue of Ordinary Stock to holders of Eligible Debt Securities electing to receive units of Ordinary Stock in the Debt for Equity Offers without first being offered to Existing Ordinary Stockholders, the issue of these units of Ordinary Stock on a non-pre-emptive basis requires Stockholder approval under the Listing Rules. Stockholder approval is necessary in order to increase the Bank's authorised ordinary capital stock from 24 billion units of Ordinary Stock to 90 billion units of Ordinary Stock, which will create the additional unissued capital necessary to implement the Proposals and to approve the issue of the New Ordinary Stock pursuant to the State Placing at a price of €0.10 per unit of Ordinary Stock and pursuant to the Debt for Equity Offers at a price per unit within a range of €0.1130 and €0.1176 per unit of Ordinary Stock which could potentially be at a discount of more than 10% to the middle market price on the date of this Circular and therefore require approval under the Listing Rules. In addition, Stockholder approval is required to approve the Renominalisation necessary for the Proposals as it involves the amendment of rights attaching to units of Ordinary Stock.

18. 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. This remains the Bank's policy and the Bank stated in the 2010 Annual Report that it did not propose to issue any dividend in respect of the year ending 31 December 2010.

In addition, under the Approved 2010 EU Restructuring Plan, the Group has committed not to pay dividends on the Ordinary Stock until the earlier of (i) 30 September 2012; or (ii) such time that the 2009 Preference Stock is redeemed or no longer owned by the State, through the NPRFC or otherwise. Under the Revised 2011 EU Restructuring Plan, the commitment from the Group not to pay dividends on Ordinary Stock will be extended to the earlier of (i) 31 December 2015; or (ii) such time as the 2009 Preference Stock is redeemed or no longer owned by the State, through the NPRFC or otherwise.

19. Extraordinary General Court

The EGC, which is being held at O'Reilly Hall, UCD, Belfield, Dublin 4, Ireland at 11.00 a.m. on 11 July 2011 is being held for the purpose of considering and, if thought appropriate, approving the Resolutions. The Notice of Extraordinary General Court is set out on pages 139 to 142 of this Circular.

Resolution 1 proposes to approve the Government Transaction, including the entry into the Transaction Agreement, the State Placing, the underwriting of the Rights Issue by the NPRFC, and the issue of the Contingent Capital Instrument as a related party transaction requiring Ordinary Stockholder approval under the Listing Rules by virtue of its size. If passed, the Resolution will approve the State Placing, the underwriting of the Rights Issue by the NPRFC and the entry into the Transaction Agreement and authorise the Directors and any member of the Group to implement and complete the provisions of the Transaction Agreement and to perform the obligations of the Group arising under the Transaction Agreement. It will also authorise the Directors and any member of the Group to perform the obligations of the Group arising under the Contingent Capital Instrument, if required.

Under the terms of the Contingent Capital Instrument, the lowest price at which it may convert into units of Ordinary Stock is €0.05. The purpose of Resolution 2 is to effect the Renominalisation by reducing the nominal value of the units of Ordinary Stock held by Stockholders from €0.10 per unit to €0.05 per unit in order to help ensure that the conversion price of the Contingent Capital Instrument can, if necessary, be less than €0.10. Resolution 2 is proposed as a special resolution.

Resolution 3 proposes the increase in the Bank's authorised ordinary capital stock from 24 billion units of Ordinary Stock (as sub-divided by Resolution 2) to 90 billion units of Ordinary Stock and from 108 billion units of Deferred Stock (as sub-divided by Resolution 2) to 228 billion units of Deferred Stock, which will create the additional unissued capital necessary to implement the Proposals.

Resolution 4 proposes to authorise the Directors to issue up to 90 billion units of Ordinary Stock and including 100% of the nominal amount of the Ordinary Stock of the Bank as enlarged by Resolution 3 and not previously allotted required pursuant to the State Placing, the Rights Issue conversion of the Contingent Capital Instrument and the Debt for Equity Offers 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 units of Ordinary Stock.

Resolution 6 authorises the issue of units of Ordinary Stock pursuant to the State Placing at at a price of €0.10 per unit of Ordinary Stock and the issue of units of Debt for Equity Stock pursuant to the Debt for Equity Offers at a price within the range of €0.1130 to €0.1176 per unit of Ordinary Stock on a non-pre-emptive basis (including where such issue price is at a discount of more than 10% to the middle market price per unit of Ordinary Stock at the date the issue price is announced (in the case of the Debt for Equity Offers) or at the date the State elects to proceed with the State Placing (in the case of the State Placing). The €0.10 issue price under the State Placing represents the basis, as of the date of this Circular, on which the NPRFC is prepared to support the Proposals and is the same as the underwriting price pursuant to the Rights Issue. The Directors believe that the mechanism for determining the Ordinary Stock issue price under the Debt for Equity Offers uses a formula based on reasonable market practice for debt for equity transactions of this nature. 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 issue price of the units of Ordinary Stock pursuant to the State Placing and the Debt for Equity Offers could represent a discount of more than 10% to the middle market price of the Ordinary Stock at the time the final terms are announced.

Resolutions 1 to 6 are interconditional, which means that none of these Resolutions will be deemed to be passed unless all of these Resolutions are passed.

20. Action to be taken by Stockholders

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

Completed Forms of Proxy should be returned in accordance with the instructions printed on them as soon as possible, but in any event no later than 11.00 a.m. on 9 July 2011. In addition, it is possible to appoint and instruct your proxy electronically by following the instructions on the enclosed Form of Proxy. Completion of Forms of Proxy will not prevent you from attending and voting at the EGC if you so wish. To appoint more than one proxy (each of whom must be appointed to exercise rights attached to the different units of stock held by you), see Note 2 on the front of the Form of Proxy.

Voting at the EGC in respect of the Resolutions 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.

21. Importance of the Resolutions relating to the Proposals

The State's agreement to underwrite the Rights Issue under the Transaction Agreement and to subscribe for the Contingent Capital Instrument is conditional on the approval of Resolutions 1 to 6, and therefore, if each of Resolutions 1 to 6 are not approved, the State Placing, the underwriting of the Rights Issue and the issue of the Contingent Capital Instrument will not proceed. In addition, since it is a term of the equity exchange component of the Debt for Equity Offers that each of Resolutions 1 to 6 is approved, the equity exchange component of the Debt for Equity Offers will not complete if these Resolutions are not approved. Since Stockholder approval is not required to complete the Debt for Equity Offers in respect of the bondholders accepting the cash option, the completion of this aspect of the Debt for Equity Offers will proceed even if the Resolutions are not approved.

The Court believes that if Resolutions 1 to 6 are not approved by Stockholders at the EGC, the Group would be unable to meet the capital requirements set by the Central Bank by the deadline of 31 July 2011. Due to the commitments given by the State in respect of bank capitalisation in the EU/IMF Programme, such an outcome could lead to the Minister making an application to the High Court pursuant to the Stabilisation Act for a direction order permitting a mandatory capital injection into the Bank by the State. If such an order were to be granted by the High Court, the Directors believe that the resulting capital injection by the State would be likely to have severe adverse implications for the value of units of existing Ordinary Stock and Preference Stock, including the very significant dilution of Ordinary Stockholders' proportionate holdings in the Bank. A mandatory capital injection would result in the Government, through the NPRFC, obtaining a significant majority stake in the Bank. This will result in an insufficient number of units of Ordinary Stock being in public hands and/or other breaches of the Bank's general continuing obligations and requirements under the Listing Rules, either of which would result in the Bank being ineligible for listing on the Official Lists. Ineligibility for listing would adversely impact the marketability, liquidity and value of the units of Ordinary Stock. If the requisite Core Tier 1 Capital is not generated by 31 July 2011, then this could have material adverse effects for the Group as it may form grounds for action by the Central Bank, including the restriction or suspension of the Group's business.

See the risk factor entitled "*Even if the Proposals are implemented or the results of the burden sharing exercise are not as expected, there is a risk of increased ownership in the Bank by the Government, including possible majority ownership or nationalisation or ineligibility for listing*" set out in Part II (Risk Factors) of this Circular.

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

Subject to approval of Resolutions 1 to 6, it is intended that:

(i) if you are a Qualifying Non-CREST Stockholder you will be sent a Provisional Allotment Letter giving you details of your Nil Paid Rights by post on 11 July 2011; and

(ii) if you are a Qualifying CREST Stockholder, you will not be sent a Provisional Allotment Letter. Instead, you will receive a credit to your appropriate stock accounts in CREST in respect of your Nil Paid Rights as soon as practicable after 8.00 a.m on 12 July 2011.

If you sell or have sold or otherwise transferred all of your Ordinary Stock held (other than ex-rights) in certificated form before 8.00 a.m. on 12 July 2011, please forward this Circular and any Provisional Allotment Letter, if and when received, at once to the purchaser or transferee or 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 US Person wherever located or to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States and any of the other Excluded Territories.

If you sell or have sold or otherwise transferred only part of your holding of Ordinary Stock (other than ex-rights) held in certificated form before 8.00 a.m. on 12 July 2011, you should refer to the instructions regarding split applications in Part IX (Terms and Conditions of the Rights Issue) of the Prospectus and in the Provisional Allotment Letter.

If you sell or have sold or otherwise transferred all or some of your Ordinary Stock (other than ex-rights) held in uncertificated form before 8.00 a.m. 12 July 2011, 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.

The latest time and date for acceptance and payment in full in respect of the Rights Issue is expected to be 11.00 a.m. on 26 July 2011, unless otherwise announced by the Bank. The procedure for acceptance and payment is set out in Part IX (Terms and Conditions of the Rights Issue) of the Prospectus and, in respect of Qualifying Non-CREST Stockholders other than Qualifying Stockholders with a registered address in, or resident in, one of, subject to certain exceptions, the United States or one of the other Excluded Territories only, in the Provisional Allotment Letter.

For Qualifying Non-CREST Stockholders, the New Ordinary Stock will be issued in certificated form and will be represented by definitive stock certificates, which are expected to be despatched no later than 5 August 2011 to the registered address of the person(s) entitled to them.

For Qualifying CREST Stockholders, the Registrars will instruct Euroclear to credit the CREST stock accounts of the Qualifying CREST Stockholders with their entitlements to New Ordinary Stock in relation to the Rights Issue. It is expected that this will take place by 8.00 a.m. on 29 July 2011.

Qualifying CREST Stockholders who are CREST Sponsored Members should refer to their CREST Sponsor regarding the action to be taken in connection with this Circular and the Rights Issue.

If you are in any doubt as to the action you should take, you are recommended to consult immediately with your stockbroker, solicitor, accountant, fund manager or other independent financial adviser (who, for the avoidance of doubt, is not a member of or an employee of the Group) being, if you are 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 (as amended) and, if you are resident in the United Kingdom, a firm authorised under the FSMA or, if you are not resident in Ireland or United Kingdom, another appropriately authorised independent financial adviser.

Full details of the terms and conditions of the Rights Issue, including instructions for acceptance and payment, are set out in Part IX (Terms and Conditions of the Rights Issue) of the Prospectus.

23. Recommendation from the Court of Directors

The Court of Directors, which has been so advised by Credit Suisse, the Bank's independent financial adviser, considers the State Placing, the Rights Issue, the issue of the Contingent Capital Instrument and the Government Transaction (which constitutes, among other things, the entry into the Transaction Agreement, the State Placing, the underwriting of the Rights Issue by the NPRFC and the payment of fees to the NPRFC and/or the Minister under the Transaction Agreement), being a related party transaction for the purposes of the Listing Rules to be fair and reasonable so far as the Stockholders are concerned. The equity conversion component of the Debt for Equity Offers is contingent on the State Placing, Rights Issue, the issue of the Contingent Capital Instrument and the Government Transaction being approved by Stockholders. In providing advice to the Court of Directors, Credit Suisse has taken into account the Court of Directors' commercial assessments of the State Placing, the Rights Issue, the Debt for Equity Offers, the issue of the Contingent Capital Instrument and the Government Transaction (which constitutes, among other things, the entry into the Transaction Agreement, the State Placing, the underwriting of the Rights Issue by the NPRFC and the payment of fees to the NPRFC and/or the Minister under the Transaction Agreement).

The Court of Directors considers the State Placing, the Rights Issue, the Debt for Equity Offers, the issue of the Contingent Capital Instrument and the Government Transaction (which constitutes, among other things, the entry into the Transaction Agreement, the State Placing, the underwriting of the Rights Issue by the NPRFC and the payment of fees to the NPRFC and/or the Minister under the Transaction Agreement) and the Renominalisation to be in the best interests of the Stockholders as a whole. Accordingly, the Court of Directors recommends that Stockholders vote in favour of Resolutions 1 to 6 at the EGC.

Mr. Tom Considine and Mr. Joe Walsh, the two Directors nominated by the Minister for Finance pursuant to the CIFS Guarantee Scheme, have not taken part in the Court of Directors' consideration of the State Placing (including the potential issue of Ordinary Stock at a discount of greater than 10% to the middle market price pursuant to the State Placing), the Rights Issue, the issue of the Contingent Capital Instrument and the Government Transaction (which constitutes, among other things, the entry into the Transaction Agreement, the underwriting of the Rights Issue by the NPRFC and the payment of fees to the NPRFC and/or the Minister under the Transaction Agreement), will not vote on either Resolutions 1 or 6 at the EGC and will take all reasonable steps to ensure that their associates will not vote on either Resolutions 1 or 6.

The offer of Nil Paid rights, Fully Paid Rights and the New Ordinary Stock is being made by means of the Prospectus. Admission of the Nil Paid rights, Fully Paid Rights, the New Ordinary Stock and the Debt for Equity Stock will also take place by way of the Prospectus. The admission of the Contingent Capital Instrument to the official list of the Irish Stock Exchange and for admission to trading on the Irish Stock Exchange will be made by way of a separate prospectus or equivalent document. Documentation in relation to the Debt for Equity Offers will on request be sent separately to eligible holders of Eligible Debt Securities (a prospectus is not being issued in respect of the Debt for Equity Offers).

Yours faithfully,

PATRICK J. MOLLOY
GOVERNOR

PART II

RISK FACTORS

The following risks should be considered carefully by Stockholders and investors before voting on the Resolutions. 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 and its financial position. In such a case, the market price of Ordinary Stock may decline and Stockholders could lose part or all of their investment.

Stockholders 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 (Letter from the Governor of Bank of Ireland) of this Circular.

RISKS RELATED TO THE PROPOSALS

If the Stockholder Resolutions relating to the Proposals are not passed, among other things, the Transaction Agreement will not become unconditional and the Group will not meet the additional capital requirements set by the Central Bank. In these circumstances, the Minister has the power to make a proposed direction order and then to make an application to the High Court pursuant to the Stabilisation Act for a direction order permitting a mandatory capital injection into the Bank by the State, and if such a direction order was made by the High Court, it would be likely to have severe adverse implications for the value of units of Ordinary Stock held by Stockholders. In addition, if the requisite Core Tier 1 Capital is not generated by 31 July 2011, then this may form grounds for action by the Central Bank, including the restriction or suspension of the Group's business.

The Court believes that if the Resolutions relating to the Proposals are not approved by Stockholders at the Extraordinary General Court and the Transaction Agreement, the equity component of the Debt for Equity Offers and the issue of the Contingent Capital Instrument do not therefore become unconditional, the Group would be unable to meet the capital requirements set by the Central Bank on 31 March 2011 by the 31 July 2011 deadline. Due to the commitments given by the State in respect of bank capitalisation in the EU/IMF Programme, such an outcome could lead to the Minister making a proposed direction order and then making an application to the High Court pursuant to the Credit Institutions (Stabilisation Act) 2010 (the "Stabilisation Act") for a direction order permitting a mandatory capital injection into the Bank by the State. If such an order were to be granted by the High Court, the resulting capital injection by the State would be likely to have severe adverse implications for the value of units of existing Ordinary Stock and Preference Stock, including the very significant dilution of Ordinary Stockholders' proportionate holdings in the Bank. A mandatory capital injection would result in the Government, through the NPRFC, obtaining a significant majority stake in the Bank. This may result in an insufficient number of units of Ordinary Stock being in public hands and/or other breaches of the Bank's continuing obligations and requirements under the Listing Rules, either of which could result in the Bank being ineligible for listing on the Official Lists. Ineligibility for listing would adversely impact the marketability, liquidity and value of the units of Ordinary Stock. If the requisite Core Tier 1 Capital is not generated, then this could have material adverse effects for the Group as it may form grounds for action by the Central Bank, including the restriction or suspension of the Group's business.

Even if the Proposals are implemented, or the results of the burden sharing exercise are not as expected, there is a risk of increased ownership in the Bank by the Government, including possible majority ownership or nationalisation and consequent ineligibility for listing.

A low take-up of the Debt for Equity Offers (whether under the cash tender or equity exchange options) by bondholders, of the Rights Issue by private investors, or if further burden sharing cannot be taken into account would result in the State acquiring a significant additional amount of the Ordinary Stock of the Bank, holding up to a maximum of 93.1% of the Enlarged Capital Stock, pursuant to its underwriting obligations under the Transaction Agreement and, if implemented, the State Placing (assuming the NPRFC will hold up to 45,409,810,044 units of Ordinary Stock, being the maximum stockholding of the NPRFC that could result from the Proposals). See the risk factor entitled "*The Government, through the NPRFC is currently in a position to exert a very significant level of influence over the Group and, following the Rights Issue, the NPRFC may be in a position to exert a greater influence over the Group. The NPRFC could exercise its voting rights in a manner which is not aligned with the interests of the Group or its other Stockholders*".

Even if the Proposals are implemented and the size of Rights Issue is reduced for further anticipated burden sharing with remaining subordinated bondholders not already achieved by 8 July 2011 following the anticipated permission of the Central Bank (which permission might not be forthcoming) to extend the deadline for generation of the required Core Tier 1 Capital beyond 31 July 2011, the remaining Core Tier 1 Capital expected from these measures might not be generated for any of the following reasons:

(i) if the taking by the Government of whatever steps are deemed necessary by the Minister for Finance, as referred to in the Minister's statement on 31 May 2011 in respect of any Eligible Debt Securities not acquired or exchanged under the Debt for Equity Offers or acquired pursuant to the exercise of the call options under the amended terms of the Eligible Debt Securities is unsuccessful, or

(ii) if the Minister seeks or obtains an order under the Stabilisation Act or otherwise, such an order is subsequently successfully challenged (whether in Ireland or in another jurisdiction) or the implementation of such an order is otherwise delayed, or

(iii) if such an order generates less Core Tier 1 Capital than has been assumed, the Group would be unable to satisfy the Group's obligations to generate Core Tier 1 Capital.

In these circumstances, the Minister would have a number of options to ensure that the remaining Core Tier 1 Capital is generated prior to the expiration of any extension to the deadline that may be granted by the Central Bank in its sole discretion, including seeking alternative measures for burden sharing with bondholders through the introduction of new or amending legislation (subject to the statutory requirements in place, if any, at the relevant time being satisfied) or otherwise or, ultimately, the making of an application pursuant to the Stabilisation Act for a direction order requiring a mandatory capital injection into the Bank by the State prior to the expiration of any extension to the deadline that may be granted by the Central Bank in its sole discretion, which could result in significant dilution of Stockholders' proportionate holdings in the Bank. Such eventualities may also result in an insufficient number of units of Ordinary Stock being in public hands in addition to other potential breaches of the Bank's continuing obligations under the Listing Rules which would result in ineligibility for listing. Delisting would adversely impact the marketability and liquidity of the units of Ordinary Stock and may adversely impact their value.

Any of these events are likely to negatively impact on the value of the Ordinary Stock.

If implemented, the Proposals will result in Existing Ordinary Stockholders' proportionate holding in the Bank being diluted.

Even Ordinary Stockholders who do take up their full Rights under the Rights Issue will have their proportionate holding in the Bank diluted because the Ordinary Stock being issued under the State Placing (if the NPRFC elects to proceed with the State Placing) and the Debt for Equity Offers is not being offered to Qualifying Stockholders. As such, Ordinary Stockholders who take up their Rights in full could have their proportionate holding in the Bank diluted by up to a maximum of 28.7% if the NPRFC elects to proceed with the maximum State Placing and if all the holders of the Eligible Debt Securities accept the Allotment Instrument exchange option assuming a conversion price at the minimum level of the indicated guidance range of €0.1130 to €0.1176 per unit of Ordinary Stock.

Ordinary Stockholders who cannot or do not apply for any of their full Rights entitlement will have their proportionate holding in the Bank diluted, with a maximum dilution of 89.1% based on a maximum combined State Placing and Rights Issue size of €4.35 billion.

See the risk factor entitled "*Stockholders would have their percentage ownership further diluted in the event that the Contingent Capital Instrument is converted into Ordinary Stock units*" for further information on the dilutive impact of the Proposals.

There can be no guarantee that the Bank will continue to satisfy the free float eligibility criteria of the Listing Rules of the Irish Stock Exchange and UKLA (a minimum of 25% of shares in public hands) following completion of the Proposals. The Bank has agreed with the Irish Stock Exchange that in the event that less than 25% (or such lower level as may be agreed with the Irish Stock Exchange) of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the Irish Stock Exchange and the cancellation of its trading on the main market of the Irish Stock Exchange. The Bank has also agreed with the UKLA that in the event that less than 20% of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the UKLA and the cancellation of its trading on the main market of the London Stock Exchange. The NPRFC has confirmed that it will vote in favour of any such resolution to enable the Bank to comply with its regulatory requirements. In the event of a breach of these free float thresholds, the Irish Stock Exchange or the UKLA (as the case may be) may suspend listing in the Ordinary Stock on the Irish Stock Exchange and/or the London Stock Exchange respectively. Any such cancellation would have an adverse effect on the marketability, liquidity and value of the Ordinary Stock (including the Existing Ordinary Stock).

There can be no guarantee that the Bank will continue to satisfy the free float eligibility criteria of the Listing Rules of the Irish Stock Exchange and UKLA (a minimum of 25% of shares in public hands) following completion of the Proposals. If Qualifying Stockholders do not subscribe for their entitlements in sufficient numbers and/or if the profile of the participants in the State Placing, the Rights Issue and/or the Rump Placing is such that their holding does not qualify as being in public hands and/or if the NPRFC withholds its approval of a sufficient number of participants in the Rump Placing, the Bank would likely not continue to satisfy the free float criteria. The Bank has agreed with the Irish Stock Exchange that in the event that less than 25% (or such lower level as may be agreed with the Irish Stock Exchange) of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the Irish Stock Exchange and the cancellation of its trading on the main market of the Irish Stock Exchange. The Bank has also agreed with the UKLA that in the event that less than 20% of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the UKLA and the cancellation of its trading on the main market of the London Stock Exchange. The NPRFC has confirmed that it will vote in favour of any such resolution to enable the Bank to comply with its regulatory requirements. In the event of a breach of these free float thresholds, the Irish Stock Exchange or the UKLA (as the case may be) may suspend listing in the Ordinary Stock on the Irish Stock Exchange and/or the London Stock Exchange respectively. Accordingly, while the Bank would seek to retain a trading facility in at least one of its current jurisdictions, admission of the New Ordinary Stock is not a condition of the Rights Issue or the Transaction Agreement. It is accordingly emphasised that there is currently no assurance that the New Ordinary Stock will remain admitted to any stock exchange or regulated market.

Stockholders and prospective investors should be aware that the Ordinary Stock in issue and the New Ordinary Stock to be issued under the Proposals may, in certain circumstances, cease to be listed on the Official Lists (or any other market) and cease to be admitted to trading on the Irish Stock Exchange and/or the London Stock Exchange. In addition, Stockholders and investors should note that the continuation of admission to either or both of the Official Lists of the Ordinary Stock or the continuation of admission to trading on the regulated markets for listed securities of the Irish Stock Exchange and/or the London Stock Exchange of the Ordinary Stock is not a condition to the acceptance of any offer for Nil Paid Rights, Fully Paid Rights or New Ordinary Stock.

Any such cancellation of admission on either of the Official Lists or of cancellation of admission to trading on the main market of the Irish Stock Exchange or the London Stock Exchange, would have an adverse effect on the marketability, liquidity and value of the Ordinary Stock (including the Existing Ordinary Stock).

The Group may be subject to litigation proceedings, including in relation to the Debt for Equity Offers, 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 in connection with the Debt for Equity Offers or otherwise 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 a material adverse effect on the Group's results, financial condition and prospects.

As described in paragraph 7 (Litigation) of Part V (Additional Information) of this Circular, the Group has received a number of complaints from holders of Eligible Debt Securities and solicitors claiming to act for holders of Eligible Debt Securities. One group of holders of Eligible Debt Securities has commenced legal proceedings against the Bank. The legal proceedings commenced and the legal proceedings threatened against the Group include claims for declarations that the proposed resolutions granting the Group the right to insert call options into the terms of the Eligible Debt Securities would be invalid. The legal proceedings commenced also include a claim that a subordinated liabilities order under the Stabilisation Act in relation to Eligible Debt Securities would not be enforceable under English law. The legal proceedings commenced and those threatened also include claims for an injunction by way of final relief restraining the Bank from actions including accepting consents as part of the Debt for Equity Offers, tabling the resolutions proposed at the bondholder meetings and exercising any call options.

Were any such legal proceedings to be successful this could have a material adverse effect on the Group's results, financial condition and prospects, could prejudice or delay the Proposals and could also result in the Minister deciding to take proceedings under the Stabilisation Act in respect of the Group or its securities. If the result of such legal proceedings were that no capital was generated through the Debt for Equity Offers or the proposed amendments to the terms of the Eligible Debt Securities or any Core Tier 1 Capital to be raised by further burden sharing could not be taken into account in sizing the Rights Issue, then this would result in an increase in the size of the Rights Issue.

In addition, the outcome of current litigation and inquiries, including the outcome of appeals initiated by the Bank and the plaintiff, disclosed in paragraph 13 (Litigation) of Part V (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.

The market price of Ordinary Stock may be materially adversely affected by a significant sale of the units of Debt for Equity Stock by the new holders of such Ordinary Stock units.

If implemented, the Debt for Equity Offers are likely to result in a significant number and proportion of Ordinary Stock units being held by holders new to the ordinary stock register. This may include investors who may be more typically holders of fixed income instruments, and who may have a different investment outlook to holders of equity securities. Following the implementation of the Proposals, up to a maximum of 26.1% of the Ordinary Stock of the Bank could be issued to the former holders of debt instruments exchanged under the Debt for Equity Offers. Significant sales of the units of Debt for Equity Stock or a market perception that significant sales may occur in the short or medium term could have a material adverse impact on the market price of the Ordinary Stock and therefore the value of the Group.

Stockholders would have their percentage ownership further diluted in the event that the Contingent Capital Instrument is converted into Ordinary Stock units.

Subject to Stockholder approval, the Contingent Capital Instrument to be issued to the State by the Bank or by an issuing subsidiary guaranteed by the Bank, by 31 July 2011, will be a €1 billion subordinated Tier 2 debt instrument with a five year maturity denominated in units of €1,000, which will convert or be exchanged immediately and mandatorily in its entirety into units of Ordinary Stock of the Bank in the event that a capital deficiency event occurs. A capital deficiency event will occur where the Group's Adjusted Core Tier 1 Capital Ratio falls below 8.25% or, following the implementation of the Capital Requirements Directive IV in Ireland, the Group's CET 1 Ratio falls below 8.25% or, if the Central Bank, in its sole discretion, notifies the Bank that it has determined that the Group's financial and solvency condition is deteriorating in such a way that a fall below the ratios described above is likely to occur in the short term. No conversion will occur following one of the events above if, notwithstanding the Group's Adjusted Core Tier 1 Capital Ratio or CET 1 Ratio being below 8.25% the Central Bank, at the request of the Bank, has agreed, in its absolute discretion, that a conversion shall not occur because it is satisfied that actions, circumstances or events have had, or imminently will have during the next 90 days, the effect of restoring the Group's Adjusted Core Tier 1 Capital Ratio or CET 1 Ratio to a level above 8.25% that the Central Bank deems to be adequate at such time.

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

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

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

Ordinary Stock issued pursuant to the conversion of the Contingent Capital Instrument will be issued directly to the holder(s) of the Contingent Capital Instrument and Ordinary Stockholders will not have pre-emption rights or the opportunity to subscribe for any such issue of Ordinary Stock.

In these circumstances, the number of units of Ordinary Stock that will be issued to the holder(s) of the Contingent Capital Instrument will be calculated by reference to the number of units of Ordinary Stock that could be acquired for €1 billion at the greater of (i) the arithmetic average of the daily volume-weighted average trading price of the Ordinary Stock for the thirty trading days ending on the date of the event triggering the conversion; and (ii) the nominal value per unit of Ordinary Stock of €0.05 subject in each case to anti-dilution adjustments.

The Proposals (including the maximum State Placing), combined with the conversion of the Contingent Capital Instrument into units of Ordinary Stock, would result in Existing Ordinary Stockholders having their proportionate holding in the Bank diluted by a maximum of approximately 56.6% (in the case of Existing Ordinary Stockholders who have taken up their Rights in full under the Rights Issue) and by a maximum of approximately 92.3% (in the case of Existing Ordinary Stockholders who have not taken up any of their Rights under the Rights Issue), while former holders of Eligible Debt Securities exchanged under the Debt for Equity Offers would have their holding diluted by a maximum of approximately 39.1% following the conversion of the Contingent Capital Instrument into units of Ordinary Stock. As a result, the conversion of the Contingent Capital Instrument into Ordinary Stock is likely to have an adverse impact on the market price of the Ordinary Stock.

There can be no assurance that in the event of the conversion of the Contingent Capital Instrument into Ordinary Stock that the resulting State percentage holding of Ordinary Stock would allow the Bank to continue to satisfy the free float eligibility of the Listing Rules, which could result in the Ordinary Stock (including the New Ordinary Stock) ceasing to be listed on the Official Lists and ceasing to be admitted to trading on the main market of the Irish Stock Exchange and the London Stock Exchange (see the risk factor entitled "*There can be no guarantee that the Bank will continue to satisfy the free float eligibility criteria of the Listing Rules of the Irish Stock Exchange and UKLA (a minimum of 25% of shares in public hands) following completion of the Proposals. The Bank has agreed with the Irish Stock Exchange that in the event that less than 25% (or such lower level as may be agreed with the Irish Stock Exchange) of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the Irish Stock Exchange and the cancellation of its trading on the main market of the Irish Stock Exchange. The Bank has also agreed with the UKLA that in the event that less than 20% of the Bank's issued Ordinary Stock is in public hands at any stage, the Bank shall convene an Extraordinary General Court for the purposes of the Bank proposing a resolution for Ordinary Stockholder approval for the cancellation of its listing on the Official List of the UKLA and the cancellation of its trading on the main market of the London Stock Exchange. The NPRFC has confirmed that it will vote in favour of any such resolution to enable the Bank to comply with its regulatory requirements. In the event of a breach of these free float thresholds, the Irish Stock Exchange or the UKLA (as the case may be) may suspend listing in the Ordinary Stock on the Irish Stock Exchange and/or the London Stock Exchange respectively. Any such cancellation would have an adverse effect on the marketability, liquidity and value of the Ordinary Stock (including the Existing Ordinary Stock*").

Further details of the terms of the Contingent Capital Instrument are set out in paragraph 6 (Contingent Capital Instrument) of 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 units of 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 or the London Stock Exchange during the Nil Paid Rights trading period. In addition, because the trading price of the Nil Paid Rights depends on the trading price of the Ordinary Stock, the price of the Nil Paid Rights could be volatile and 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*". Further, the price of the Nil Paid Rights may decline to zero. The fluctuation in the price of the Ordinary Stock may also magnify the price volatility of the Nil Paid Rights.

RISKS RELATED TO BANK OF IRELAND

The introduction of Credit Institutions (Stabilisation) Act 2010 and the exercise of the powers under that legislation could have a material adverse effect on the Group's results, financial condition and prospects, notwithstanding that the objectives of the exercise of such powers may be for preserving, restoring or stabilising the Group or the Irish financial system generally. In addition, the statutory duties imposed on Directors by the Stabilisation Act to have regard to, amongst other things, the interests of the State, could require the Directors to act in a manner which is not always aligned with the interests of Stockholders as a whole.

On 21 December 2010, the Stabilisation Act was signed into law in Ireland. This legislation provides extensive powers to recapitalise and restructure the Irish banking industry. Pursuant to the Stabilisation Act, the Minister for Finance is entitled to make certain proposed orders and to then petition the High Court to make formal orders and directions, which if such orders were granted could impose onerous requirements in relation to a relevant institution, including the Bank. The introduction of the Stabilisation Act has created a mechanism whereby it is possible for the State to intervene in the banking industry to a significant degree.

To date, the Minister has exercised his powers under the Stabilisation Act in respect of four relevant institutions, in each case with the consent of the board of directors of the relevant financial institution. On 23 December 2010, the High Court, pursuant to an application by the Minister, made a direction order in respect of Allied Irish Banks, p.l.c. ("AIB"), including a direction that AIB issue to the NPRFC 675,107,845 ordinary shares and 10,489,899,564 convertible non-voting shares in exchange for a payment of €3.7 billion in cash from the NPRFC, and a direction that AIB apply to cancel its listing of ordinary shares on the main securities market of the Irish Stock Exchange and the main market of the London Stock Exchange. On 8 February 2011, the Minister petitioned the Irish High Court for orders under the Stabilisation Act, requesting the commencement of a process to sell, by way of an auction, certain deposits and matching assets of both Anglo Irish Bank Corporation Limited and Irish Nationwide Building Society. Subsequently, on 24 February 2011, the Minister petitioned the Irish High Court for orders under the Stabilisation Act, directing the transfer of approximately €8.6 billion of deposits and matching assets of Anglo Irish Bank Corporation Limited and approximately €3.6 billion of deposits and matching assets of Irish Nationwide Building Society to two other Irish financial institutions (Source: Department of Finance Statement, 24 February 2011). On 14 April 2011, the High Court, pursuant to an application by the Minister under the Stabilisation Act, made a subordinated liability order in relation to AIB amending certain subordinated debt coupon terms and maturity dates and lifted the dividend stopper. This subordinated liabilities order was the subject of a court challenge as against the Minister (as provided for in the Stabilisation Act) by two investors with holdings in only three of the eighteen affected securities. On 3 June 2011, one of the investors withdrew its Court challenge. The Minister stated on 3 June 2011 that he considers the remaining challenge to be entirely unfounded. This challenge will be dealt with by the Courts and the substantive hearing commenced before the High Court on 7 June 2011. On 9 June 2011, the High Court, pursuant to an application by the Minister under the Stabilisation Act, made a direction order to allow Irish Life and Permanent plc prepare the business and assets of Irish Life Limited for disposal by way of initial public offering or by way of private sale (Source: Department of Finance Statement, 9 June 2011).

Further information on the powers of the Minister pursuant to the Stabilisation Act and the operation of such powers is set out in paragraph 11 (The Credit Institutions (Stabilisation) Act 2010 and the Central Bank and Credit Institutions (Resolution) (No. 2) Bill 2011) of Part V (Additional Information) of this Circular.

Under the provisions of the Stabilisation Act, the Group may be required to comply with direction orders of the High Court which could be adverse to the interests of the Group and/or Stockholders, notwithstanding that the objectives of the exercise of such powers may be for the purposes of stabilising the Group or the Irish financial system generally, and which could have a material adverse effect on the value of Stockholders' holdings in the Bank, including an order to:

- issue stock to the Minister or his nominee on terms and conditions and at a consideration set by the Minister notwithstanding any pre-emption rights;
- apply for the delisting or suspension of the Bank's stock, including the Ordinary Stock, or to change the listing from a regulated market to another multi-lateral trading facility;
- increase the authorised share capital of the Bank to permit it to issue units of stock to the Minister or his nominee;
- make a specific alteration to the Bank's Bye-Laws (including the alteration of the rights of Stockholders or any class of Stockholders); or
- dispose of a specified asset or liability or a specified part of the Group's undertaking.

The Minister is also empowered to petition the High Court to make transfer orders in respect of the assets or liabilities of the Group. If the Minister were to exercise his powers to seek a transfer order and if the High Court subsequently granted such transfer order, the Group may be required to transfer assets on terms specified by the order and in a manner which could be significantly adverse to the interests of the Group as a whole, notwithstanding that the objectives of the exercise of such powers may be for the purposes of stabilising the Group or the Irish financial system generally.

Orders made under the Stabilisation Act may have a significant impact on Stockholders and on the Group's operations and carry severe implications for the governance of the Bank. In particular, the Minister may, if satisfied that it is necessary to secure the purposes of the Stabilisation Act (having consulted with the Governor of the Central Bank), petition the High Court for an order appointing a special manager to the Group for a period of up to six months, to take over the management of the Group and to maintain its business as a going concern. The special manager pursuant to the Stabilisation Act, would have the sole authority over and direction of all officers and employees of the Group and would maintain its business with a view to preserving and restoring the financial position of the Group in a manner consistent with the achievement of the purposes of the Stabilisation Act. A special manager may, with the consent of the Minister, pursuant to the Stabilisation Act, remove Directors, officers, employees and consultants of the Group. During the period when a special manager is appointed, the rights and powers of Stockholders would be suspended and not exercisable and the actions of a special manager may not be aligned with the interests of Stockholders. If the Minister were to exercise his powers to seek an order appointing a special manager and if the High Court subsequently granted such an appointment order, that appointment and the actions of the special manager may have a significant adverse effect on the Group and its performance.

The Minister for Finance could, if he considers it necessary for preserving or restoring the financial position of the Bank, petition the High Court, pursuant to the Stabilisation Act, to make a subordinated liabilities order to postpone, terminate, suspend or modify the rights, liabilities, terms and any obligations associated with subordinated liabilities of the Group, including the payment of interest, the payment of principal, the due date, the applicable law, the right to declare an event of default and any right to enforce payment. Whilst no winding up proceedings can be instituted by subordinated creditors against the Group on the grounds that it has failed to honour the terms of a subordinated liability the subject of a subordinated liabilities order where granted by the High Court, the order could have a significant adverse impact on the relationship between the Group and its subordinated creditors and may delay the Group's return to Term Wholesale Funding markets. If such a High Court order is petitioned for and made in respect of the Group, it could also provide for the granting of an equity interest to creditors affected by a subordinated liabilities order and this could have an adverse impact on the value of the Ordinary Stock and dilute Ordinary Stockholders' proportionate holdings in the Bank.

In addition to the formal orders set out above, the Group is subject to the powers of the Minister and the High Court under the Stabilisation Act which may have a significant impact on Stockholders and on the operations and governance of the Group. The Minister may, by written notice, remove a person from a position of Director or officer of the Bank or terminate the employment by the Group of a person, such removal or termination may be expressed to have immediate effect. The Group may be liable for compensation or damages if claimed by any person removed or whose employment is terminated in such circumstances; however, a court cannot prevent or restrain the Minister from exercising his functions nor can the person removed be reinstated by a court or tribunal.

Pursuant to the Stabilisation Act, the Directors of the Bank, in the performance of their functions, are under a duty to have regard to certain of the purposes of the Stabilisation Act (being those set out in section 4(f)), including the need to protect the State's interest in respect of the guarantees given by it under the State Guarantee Schemes. This duty is owed by the Directors to the Minister on behalf of the State and takes priority over any other duty of the Directors to the extent of any inconsistency. Compliance with this duty on the part of the Bank's Directors requires the Directors to act in a manner which is not always aligned with the interests of Stockholders as a whole. The powers of the Minister in relation to the governance of the Group may result in significant disruption to the Group's business, which may impact adversely on its customers and Stockholders, notwithstanding that the objectives of the exercise of such powers may be for the purposes of stabilising the Group or the Irish financial system generally.

For the reasons set out above, the Minister is currently in a position whereby he may, in limited circumstances, exert a significant level of influence over the Group's business. Any directions by the High Court under the Stabilisation Act could have a material adverse impact on the Group's operations, its financial condition and prospects. In carrying out its obligations and any orders made in respect of the Group under the Stabilisation Act, the Group may be required to act in a manner which may not always be aligned with the interests of Stockholders as a whole.

The Stabilisation Act will cease to have effect on 31 December 2012, or a later date substituted by resolution of both houses of the Oireachtas (parliament of Ireland). It is anticipated that the Central Bank and Credit Institutions (Resolution) (No. 2) Bill 2011, (the "Resolution Bill") will have been enacted and commenced by that time. The Resolution Bill is intended to replace the Stabilisation Act and provide for a mechanism for State intervention in the banking sector through a long term special resolution regime. The potential impact of the introduction of the Resolution Bill is discussed in more detail in the risk factor entitled "*The Irish banking system is required to restructure and change significantly which could have a material adverse effect on the Group's results, financial condition and prospects*".

The Government, through the NPRFC is currently in a position to exert a very significant level of influence over the Group and, following the Rights Issue, the NPRFC may be in a position to exert a greater influence over the Group. 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 approximately 36% of the Existing Ordinary Stock.

The NPRFC also holds all of the issued 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 occurred in February 2010 when the Bank issued the NPRFC Coupon Ordinary Stock in lieu of a cash dividend and could arise again if the Bank was precluded from paying dividends by virtue of the terms of a further "dividend stopper" provision, or by electing not to pay a dividend, or by not having adequate distributable reserves at the relevant dividend declaration date or not being able to demonstrate the same to the satisfaction of the relevant authorities. The most recent dividend on the 2009 Preference Stock was paid in cash in February 2011. As further described in the risk factor *"Under the terms of the 2009 Preference Stock and the ACSM Hybrids, the Group may make discretionary distributions or dividends on such instruments. In the event that the Group elects not to pay such dividends on the 2009 Preference Stock, it will be required to issue units of Ordinary Stock to the holders of the 2009 Preference Stock (being the NPRFC) in lieu of such dividends. In the event that the Group elects not to pay such distributions on the ACSM Hybrids, the Group will be precluded from paying dividends or distributions on certain instruments affected by the terms of a "dividend stopper" (including Ordinary Stock, the 2009 Preference Stock and the ACSM Hybrids) until the Group satisfies the deferred payment. The ACSM Hybrid terms provide for this payment through monies generated by the sale of units of Ordinary Stock issued to a trustee to sell on behalf of the holders of the ACSM Hybrids. Upon the issue of units of Ordinary Stock pursuant to the terms of the 2009 Preference Stock or the ACSM Hybrids, the proportionate ownership and voting interests of Ordinary Stockholders would be diluted"* if the Bank is precluded from paying, or elects not to pay in cash, 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 result in the State holding a significantly larger stake in the Bank.

Through the NPRFC's stockholding in the Bank and the Minister's relationships with the Group (as set out in paragraph 10 (Related Party Transactions) of Part V (Additional Information) of this Circular), the Minister 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 (such 25% to include any directors nominated by the Minister for Finance pursuant to the CIFS Guarantee Scheme). 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. The 2009 Preference Stock also carries the right to "top-up" the NPRFC's total voting rights to 25% of the total voting rights in respect of the appointment or removal of Directors and Control Resolutions where the NPRFC's ordinary voting rights through its holding of Ordinary Stock (or other securities issued in future) fall below this level. These rights apply in full for so long as the NPRFC holds any units of 2009 Preference Stock and they are not reduced or increased in line with any reduction or increase in the number of units of 2009 Preference Stock held. Further details of the terms of the 2009 Preference Stock are set out in paragraph 7 (Description of the 2009 Preference Stock) of Part V (Additional Information) of this Circular.

If all of the holders of Eligible Debt Securities elect to exchange all of their existing securities for Allotment Instruments, assuming a conversion price at the minimum level of the indicated guidance range of €0.1130 to €0.1176 per unit of Ordinary Stock, during the Debt for Equity Offers and if all Qualifying Stockholders take up their Rights in full and the NPRFC does not elect to proceed with the State Placing, then the NPRFC will hold approximately 26.6% of the Enlarged Capital Stock, being the minimum NPRFC holding that could result under the Proposals. However, if none of the holders of the Eligible Debt Securities accept the Debt for Equity Offers (whether under the cash or Allotment Instrument exchange alternatives) and no Qualifying Stockholders take up their Rights and none of the New Ordinary Stock representing Rights not taken up is placed with placees, then, following the subscription by the NPRFC for the Residual Stock pursuant to its underwriting commitment in the Transaction Agreement, the NPRFC will hold up to 45,409,810,044 units of Ordinary Stock, representing approximately 93.1% of the Enlarged Capital Stock, being the maximum NPRFC holding that could result under the Proposals. If all of the holders of the Eligible Debt Securities accept the entire Allotment Instrument exchange option under the Debt for Equity Offers (assuming a conversion price of the minimum level of €0.1130 per unit of Ordinary Stock), but no Qualifying Stockholders take up their Rights and none of the New Ordinary Stock representing Rights not taken up is placed with placees, then, following the subscription by the NPRFC for the Residual Stock pursuant to its underwriting commitment in the Transaction Agreement, the NPRFC will hold up to 19,573,397,945 units of Ordinary Stock, representing approximately 63.0% of the Enlarged Capital Stock.

As a result, the Irish Government, through the NPRFC, which is currently in a position to exert a very significant level of influence over the Group's business, could be in a position to exercise an even greater level of influence under the terms of the Transaction Agreement (as a result of which the NPRFC will subscribe for the Residual Stock (i.e. the Ordinary Stock remaining after the Rump Placing) pursuant to its underwriting commitments). Pursuant to the State Placing, the Bank may issue Ordinary Stock to the Government on a non pre-emptive basis. It is envisaged that such issuance would reduce the size of the balance of the Rights Issue. Such an issuance could occur during the period of the Debt for Equity Offers depending on the course of ongoing discussions between the Bank, the Government and/or potential private investors. Even if the level of Government ownership does not increase following the Proposals, the Government may be a significant Stockholder and could use such stockholding (potentially in combination with the stockholdings of other investors) to exert a high level of influence over the Group's business and/or its capital structure. The Government could exercise its voting rights in a manner which is not aligned with the interests of the Group's other Stockholders.

In addition to the NPRFC's stockholding in the Bank, the Minister, subject to satisfying all requirements of the Stabilisation Act should it elect to petition the High Court to exercise its powers thereunder, would be in a position to exert significant influence over the Group and its businesses pursuant to the extensive powers contained in the Stabilisation Act. See the risk factor entitled, "*The introduction of Credit Institutions (Stabilisation) Act 2010 and the exercise of the powers under that legislation could have a material adverse effect on the Group's results, financial condition and prospects, notwithstanding that the objectives of the exercise of such powers may be for preserving, restoring or stabilising the Group or the Irish financial system generally. In addition, the statutory duties imposed on Directors by the Stabilisation Act to have regard to, amongst other things, the interests of the State, could require the Directors to act in a manner which is not always aligned with the interests of Stockholders as a whole*".

Further downgrades to the Irish sovereign credit ratings or outlook or the restructuring of, or inability to meet Irish sovereign liabilities could further impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position.

As at 16 June 2011, the last practicable date prior to the publication of this Circular, the long-term (outlook)/ short-term sovereign credit ratings for Ireland were BBB+ (Stable)/A-2 from Standard & Poor's, Baa3 (Negative)/P-3 from Moody's Investor Service, BBB+ (Rating Watch Negative)/ F2 from Fitch Ratings, A (Negative Trend)/R-1 (low) from DBRS and BBB+ (Negative)/(A-2) from Ratings and Investment Information Inc. These current ratings are the result of a number of ratings downgrades of the sovereign credit ratings since early 2009 which have seen the long-term (outlook) sovereign ratings for Ireland reduced from: AAA (CreditWatch Stable) from Standard & Poor's, Aaa (Stable) from Moody's Investor Services, AAA (Stable) from Fitch Ratings, AA (Stable) from DBRS (in July 2010 when DBRS commenced rating the sovereign credit rating for Ireland) and AAA (Stable) from Ratings and Investment Information Inc.

Further downgrades would be likely to further delay a return to normal market funding for the State. As the guarantor of certain liabilities of the Group under the ELG Scheme, further sovereign downgrades are also likely to impact adversely on the Group's credit rating (see the risk factor entitled "*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 or deposits markets, trigger additional collateral requirements, further withdrawals of deposits and/or weaken its competitive position.*" for further information) and cost of funding for certain securities guaranteed under this scheme and could restrict refinancing of wholesale funding and also result in further withdrawals of deposits from the Group.

In addition, as a Participating Institution in NAMA, the Group has received 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 Irish Government bonds separate from those issued under NAMA. A downgrade or series of downgrades in the credit 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 "*The Group has a continuous need for liquidity to fund its business activities. It may suffer periods of market-wide and/or firm-specific liquidity constraints and is exposed to the risk that liquidity is not made available to it even if its underlying business remains strong*"). On 31 March 2011, the ECB announced (the "ECB Announcement") the suspension of the minimum credit rating threshold in the collateral eligibility requirements for the purposes of the Eurozone's credit operations in marketable debt instruments issued or guaranteed by the Irish Government. The ECB stated that the suspension applies to all outstanding and new marketable debt instruments and it will be maintained until further notice.

In November 2010, €85 billion of funding was made available to the State pursuant to the EU/IMF Programme. In April 2011, the Minister for Finance confirmed that Ireland would "fully honour all its legal obligations to its creditors" (Source: Written Dáil Answers, 12 April 2011). However the Minister also stated on 31 March 2011, in the context of the recapitalisation of the banks, that "we will seek direct contributions to solving the capital issues of the banking system by looking for a further significant contributions from subordinated debt holders" (Source: Minister for Finance's Statement on Banking Matters on 31 March 2011). If, notwithstanding the availability of the funds under the EU/IMF Programme and other sources, Irish sovereign liabilities are restructured, or the State is otherwise unable to meet these liabilities, such an event would materially impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position.

As such (subject to the terms of the ECB Announcement and its continuance), further downgrades or series of downgrades in the sovereign rating of Ireland, or the restructuring of, or an inability to meet Irish sovereign liabilities, 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 State guaranteed bonds held by the Group and the Group's ability to use the bonds as collateral or sell them, or make it more difficult and/or more expensive for the Group to access private sources of capital and funding. These circumstances would negatively impact on the Group's ability to fund its operations and, in extreme circumstances, if the Group's ability to access the liquidity provision operations offered by Monetary Authorities were to be restricted, the Group may not be in a position to continue to operate without additional funding support, which it may be unable to access.

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 or deposits markets, trigger additional collateral requirements, further withdrawals of deposits and/or weaken its competitive position.

As at 16 June 2011, the last practicable date prior to publication of this Circular, the long-term (outlook)/ short-term (outlook) credit ratings for the Group were BB+ (Creditwatch negative)/B (Creditwatch negative) from Standard & Poor's, Ba2 (Deposit rating Ba1) (Negative)/N-P (Not Prime) (Deposit Rating N-P)(N/A) from Moody's Investor Service, BBB (Negative)/F2(N/A) from Fitch Ratings and BBB high (Negative)/R-2 high (Negative) from DBRS.* These current ratings are the result of a number of downgrades, the most recent of which having occurred in April 2011. Further downgrades in the credit ratings of the Group could have a negative impact on the volume and pricing of its funding and its financial position, further limit the Group's access to the capital and funding markets, trigger material collateral requirements or associated obligations in derivative contracts or other secured-funding arrangements, make ineligible or lower the liquidity value of pledged securities and weaken the Group's competitive position in certain markets. In addition, the availability of deposits is often dependent on credit ratings and further downgrades for the Group could lead to further withdrawals of corporate or retail deposits which could result in a deterioration in the Group's funding and liquidity position.

See the risk factors "*The Group has a continuous need for liquidity to fund its business activities. It may suffer periods of market-wide and/or firm-specific liquidity constraints and is exposed to the risk that liquidity is not made available to it even if its underlying business remains strong*" and "*Further downgrades to the Irish sovereign credit ratings or outlook or the restructuring of, or inability to meet Irish sovereign liabilities could further impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position*" for further information.

The Irish banking system is required to 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 has been severely impacted by a range of Irish specific and international factors. 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 and the Group including:

- The Government has taken significant steps to support or recapitalise all domestic Irish banks and building societies and in doing so has taken significant equity positions in most domestic Irish banks and building societies, in some cases amounting to majority voting control or nationalisation. The Stabilisation Act provides extensive powers to recapitalise and restructure the Irish banking industry, further information on which is set out in the risk factor entitled "*The introduction of Credit Institutions (Stabilisation) Act 2010 and the exercise of the powers under that legislation could have a material adverse effect on the Group's results, financial condition and prospects, notwithstanding that the objectives of the exercise of such powers may be for preserving, restoring or stabilising the Group or the Irish financial system generally. In addition, the statutory duties imposed on Directors by the Stabilisation Act to have regard to, amongst other things, the interests of the State, could require the Directors to act in a manner which is not always aligned with the interests of Stockholders as a whole*". The EU/IMF Programme states that a fundamental downsizing and reorganisation of the banking system in Ireland is essential. As part of this process, the Central Bank has set loan to deposit ratios for each bank to be achieved by 2013 which is likely to lead to significant restructuring of the Irish banking system over the next few years and significant change to the Group's business as a result. The implementation of the deleveraging targets set by the Central Bank under the Financial Measures Programme could have a significant adverse impact on the Group's operations. Further information on the impact of the Financial Measures Programme on the Group's business is set out in the risk factor entitled "*The implementation of the Financial Measures Programme issued pursuant to the State's commitments under the EU/IMF Programme will require deleveraging measures which could have an adverse impact on the Group's results, operations and financial condition*". The Government, in its programme for government for national recovery 2011-2016 (the "Programme for Government"), confirmed its commitment to a smaller banking system and most recently, on 31 March 2011, the Minister announced radical restructuring of the domestic banking system including the reduction of the number of domestic banks to two "pillar banks" (one of which was identified as the Group). The most recent restructuring announcement envisages smaller banks which are more focussed on core operations, and these banks will be required to dispose of non-core operations, which amounts to a deleveraging requirement of approximately €30 billion of assets between December 2010 and December 2013 in the case of the Group.

The Minister's announcement noted that new restructuring plans would be submitted to the European Commission under EU State aid rules.

- On 24 May 2011, in discharge of its commitments under the EU/IMF Programme, the Government published the Resolution Bill. The Resolution Bill is intended to replace the provisions of the Stabilisation Act, upon the expiry of that Act, which is expected to cease to have effect from 31 December 2012. Pursuant to the provisions of the Resolution Bill as currently drafted, the Bank may become subject to a proposed transfer order of part or all of its assets and/or liabilities, a direction to prepare a recovery plan, the preparation of a resolution plan by the Central Bank in respect of the Bank's business, or the appointment of a special manager to the Bank by the High Court on application by the Central Bank. The Central Bank is also empowered to petition the High Court for the winding up of an institution, including the Bank, where such petition is in the public interest. Authorised credit institutions, including the Bank, will be required to make contributions to a resolution fund, administered by the Central Bank. This requirement is likely to impact the Bank's results and financial condition.
- In addition to the Government led restructuring measures outlined above, there is the possibility that in the future, one or more foreign owned banks with stronger credit ratings than the Bank could acquire one or more of the Group's principal competitors in the Irish banking market. This could have an adverse impact on the Group's funding profile if a significant quantum of ratings sensitive depositors were to withdraw their deposits from the Group and deposit them with the competitor due to the new owner's stronger credit ratings, or if the competitor is in a position to lend to Group customers at lower rates than the Group due to access to lower costs of funding.

There is no guarantee that further restructuring measures, in addition to those set out above, will not be imposed by the Government and/or the EU Commission and the IMF in future. The foregoing restructuring measures have disrupted and continue to disrupt the Group's business. Any additional and/or accelerated deleveraging or other restructuring measures required to be taken in the banking sector could lead to further material adverse effects on the Group's business, results and financial condition.

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

Liquidity risk is the risk that 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 the Group's liquidity may be impacted due to a reluctance of the Group's counterparties or the market to finance the Group's operations due to actual or perceived weaknesses in the Group's businesses. Such impacts can also arise from circumstances unrelated to the Group's businesses and outside its control, such as, but not limited to, sovereign credit ratings, disruptions in the financial markets, negative developments concerning other financial institutions, negative views about the financial services industry in general, disruptions in the markets for any specific class of assets, any burden sharing that may be imposed on senior bank bondholders in Ireland or major events or disasters of global significance. The risk can be heightened by an over-reliance on a particular source of funding (including, for example, short-term and overnight funding, securitisations and covered bonds).

From mid-2007, worldwide credit markets experienced a severe reduction in liquidity and in Term Wholesale Funding issuance. Despite government support for much of this time, the market measures of bank counterparty and sovereign risk have increased, significantly impacting banks and the State. Market perception of Irish sovereign risk deteriorated significantly between September and November 2010, with the yield on Government 10 year bonds rising to over 9% which curtailed the State's ability to borrow on international markets. In common with many other banking groups, the Group's access to traditional sources of liquidity has been restricted following the heightened concerns over bank counterparty risk. The availability of sources of liquidity on terms acceptable to the Group has been adversely impacted. The disruption in funding markets led to the introduction of a range of government guarantee and liquidity assistance schemes in a number of countries, including Ireland.

The heightened concerns regarding European sovereign debt experienced in May and June 2010 resulted in renewed instability in financial markets adversely impacting market sentiment, restricting access to wholesale funding markets for financial institutions across Europe and increasing the market cost of credit default protection. These concerns resurfaced during the third quarter of 2010 for peripheral European countries due to heightened concerns in international debt markets about the level of fiscal deficits in these countries and the potential impact of these deficits on their economies. These conditions were exacerbated by, amongst other things, downgrading of the Irish sovereign credit ratings and the downgrades of the senior credit ratings of Irish financial institutions, including the Group. Following the downgrades of the Irish sovereign credit ratings in August 2010 and the consequential downgrade of the Group, the Group has experienced a material deterioration in funding market conditions. As a result, the Group has experienced significant outflows of rating sensitive customer deposits in its capital markets business and a reduction in the average maturity profile of wholesale debt securities in issue and an increased reliance on secured borrowings primarily from Monetary Authorities. A significant further deterioration in the Group's access to the wholesale funding markets could adversely affect the Group by increasing its cost of funds and/or further increasing reliance on funding from the Monetary Authorities.

The Group qualifies for access to the liquidity operations offered by the Monetary Authorities for so long as it meets certain eligibility criteria relating to collateral which it can provide to the Monetary Authorities. As a result of the challenging funding markets, the Group has extended its usage of liquidity facilities provided by Monetary Authorities by means of both its pool of eligible collateral with the ECB and the additional liquidity facilities introduced by the Central Bank. If the quality of the Group's collateral materially deteriorates; if the quantity of the Group's available collateral were to significantly reduce; or if Monetary Authorities materially change eligibility criteria; the Group's ability to access Monetary Authorities' liquidity operations may become less flexible or restricted, which could adversely affect the Group. The quality of the Group's collateral may also be influenced by the sovereign rating of Ireland (see the risk factor entitled "*Further downgrades to the Irish sovereign credit ratings or outlook or the restructuring of, or inability to meet Irish sovereign liabilities could further impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position*" for further information).

The Central Bank prescribes regulatory liquidity ratios for Irish domestic financial institutions. Compliance with these ratios can be adversely impacted by a range of factors, including the term of borrowings, the split between unsecured and secured funding and the mix of liquidity facilities provided by Monetary Authorities. There were temporary breaches in January and April 2011 of liquidity requirements which were subsequently remediated. The Group has notified the Central Bank of the likelihood of a further liquidity breach in the month of June 2011. The actions agreed with the Central Bank to delever the balance sheet post the PLAR exercise are expected to reduce the Group's funding and liquidity risk and ensure ongoing compliance with regulatory liquidity ratios. Further information of such breaches is set out in paragraph 4 (Liquidity Management, Liquidity Risk and Funding Strategy) of Part III (Capitalisation and Indebtedness) of this Circular.

The Group relies on customer deposits to fund a considerable portion of its loan portfolio. A critical loss of customer confidence in the Group's business or in banking businesses generally 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 42% of total Group funding at 31 December 2010. Customer deposits decreased by €19 billion from €84 billion at 30 June 2010 to €65 billion at 31 December 2010. The Group's loan to deposit ratio was 175% (excluding loans held for sale to NAMA) at 31 December 2010 and 143% at 30 June 2010. Further information on the Group's funding is set out in Part III (Capitalisation and Indebtedness) of this Circular. Medium-term growth in the Group's lending activities (consistent with applicable regulatory constraints) will depend, in part, on the availability of customer deposits on appropriate terms, for which there is vigorous competition. The Group has sought to increase its use of retail customer deposits given the challenges in accessing wholesale funding. Increases in the cost of customer deposits has affected and could continue to affect the Group's margins and profit, while a lack of availability of such deposit funding could materially affect the Group's future growth and funding.

A critical loss in confidence in the Group's banking businesses or in banking businesses generally, could significantly impact the amount of deposit withdrawals in a short period of time. Should the Group experience unusually high levels of such withdrawals, this may have a material adverse effect on the Group's results, financial condition and prospects.

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

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

The ELG Scheme is currently approved by the European Commission until 31 December 2011 (bonds and deposits issued under the ELG Scheme before 31 December 2011 will be covered up to maturity, subject to a maximum maturity of five years). In advance of the 31 December 2011 expiry date, the ELG Scheme will be subject to a review by the European Commission. Arising from this review, the European Commission could require the amendment or cessation of the ELG Scheme.

The cancellation, non-renewal or material amendment of the ELG Scheme at any stage prior to, or on the scheduled expiry date of the Issuance Window on 31 December 2011 could introduce systemic weakness to the Irish banking sector and remove an important element of liquidity support for the sector as a whole. The cancellation or material amendment of the ELG Scheme, or the removal of the Group from the ELG Scheme could adversely affect the terms on which the Group would be able to access funding. In addition, any material uncertainty as to whether the ELG Scheme will be renewed (including due to the absence of an announcement of a decision regarding renewal until close to the expiry of the Issuance Window) could cause uncertainty in the market, lead to an increase in outflows of customer deposits and adversely affect the terms on which the Group would be able to access funding prior to the expiry of the Issuance Window. The Group's financial position may also be impacted by material changes to the cost of participating in the ELG Scheme, which may be changed at the discretion of the Minister for Finance and the European Commission.

The on-going costs, which could be subject to further increases, of participating in the ELG Scheme have adversely impacted the Group's net interest income and could adversely affect the Group's financial performance for the period of participation in the ELG Scheme.

The Group's businesses are subject to risks arising from general and sector specific economic conditions in Ireland which have had a material adverse effect on the Group's earnings, together with the effects of the Government's four year plan and the EU/IMF Programme, and are likely to continue to affect its results, financial condition and prospects. In addition, a failure to successfully implement the provisions of the EU/IMF Programme and achieve the fiscal targets within the timeframe envisaged could lead to a termination of the financial support needed under the EU/IMF Programme, which could have a material adverse effect on the Group.

As at 31 December 2010, 64% of the Group's total assets were located in Ireland and during the twelve month period ending 31 December 2010, approximately 63% of its total gross revenue was generated in Ireland. This concentration in Ireland will increase further as a result of the Deleveraging Plan. Prolonged continuation of poor, or worsening economic conditions, as detailed below, would likely have a material adverse impact on the financial condition of the Group's borrowers, which would in turn further increase the Group's non-performing loan ratios, impair the Group's loans and other financial assets and result in decreased demand for borrowing in general. In addition, as at 31 December 2010, the Group's holding of €3.8 billion of Government debt together with €5.1 billion of NAMA bonds guaranteed by the Government represented 5.3% of the Group's total asset portfolio, 120% of the Group's equity and 30% of the Group's liquid asset portfolio. Accordingly, the quality of the Group's assets, financial condition and results of operations are heavily dependent on macroeconomic and political conditions prevailing in Ireland.

Ireland is currently experiencing an extremely challenging recessionary environment and period of fiscal adjustment following a prolonged period of over-reliance on construction and property-related activity to fund Government expenditure and the generation of economic growth. Unemployment has increased with the unemployment rate standing at 14.8% in May 2011 (Source: CSO, Live Register, May 2011) and the consensus forecasts a rate of 14.2% by the end of 2011 (Source: Reuters Poll, 4 May 2011). The residential property market has suffered a very significant decline, with average national house prices in Ireland, as at March 2011, estimated to be 39.5% below their peak in September 2007 (Source: CSO Residential Property Price Index). Commercial property prices have fallen by 61% between the third quarter of 2007 and the first quarter of 2011 (Source: IPD Irish Commercial Property Index). Irish GDP has experienced a severe contraction and fell by 1.0% in 2010, after declining by 7.6% in 2009 and 3.5% in 2008 (Source: CSO, Q4 National Accounts 2010). The Government finances show a significant deficit with an estimated underlying general Government deficit of 12% of GDP in 2010 (Source: Department of Finance, Stability Programme Update, April 2011), following a deficit of 14.3% of GDP in 2009 (Source: Department of Finance, Maastricht Returns, March 2011). Between July 2008 and December 2010, the Government implemented significant fiscal adjustments amounting to €14.6 billion, equivalent to 9.5% of the estimated GDP for 2010, with a further adjustment of €6 billion to be implemented in 2011 through a combination of increased taxes and a reduction in Government spending (Source: Department of Finance, Budget 2011).

The low level of consumer and business confidence resulting from the economic crisis and ongoing sizeable difficulties with the Irish public finances, unemployment, decreases in assets values and declining business activity is likely to continue to have a significant effect on economic activity in Ireland. Increasing unemployment, coupled with declining consumer spending and business investment could result in the value of assets collateralising the Group's secured loans, including houses and other real estate, declining further which could result in the impairment of the value of the Group's loan assets or an increase in the level of non-performing loans which may have a material adverse effect on the Group's results, financial condition and prospects.

The heightened concerns relating to the Irish public finances have affected the liquidity and profitability of the financial system in Ireland and have resulted in:

- Lower market values resulting in higher yields for Government debt;

- Limited liquidity to the Irish banking system and a consequential increase in the reliance by Irish financial institutions on the liquidity provision operations offered by Monetary Authorities; and
- Increased competition between banks to attract customer deposits, resulting in an increased cost of customer deposits.

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.

In late November 2010, the then Government agreed to the EU/IMF Programme, jointly supported by (i) Member States of the European Union, (ii) bilateral loans from the UK, Sweden and Denmark and (iii) the IMF. As part of the EU/IMF Programme the Government committed to a four year (2011-2014) €15 billion fiscal adjustment (including €6 billion in 2011) which comprises public expenditure reductions and tax increases to cut the budget deficit to below 3% by 2014. The new Government, which took office on 9 March 2011, has (with the agreement of the EU/IMF) extended the deadline to reach the target to 2015. The planned fiscal adjustment is expected to have a dampening effect on household incomes and consumer spending. As a result, the Government expects consumer spending to fall by 1.8% in real terms in 2011 (after a fall of 1.2% in 2010) and to remain flat in 2012 (Source: Department of Finance, Stability Programme Update, April 2011). The negative impact on consumer spending of the 2011 budget measures (including an increase in income taxes and a reduction in social welfare payments amounting to almost €2 billion) and contractions in numbers employed could result in lower than expected GDP growth (the Government currently expects the economy to grow by 0.8% in 2011 and by 2.5% in 2012 (Source: Department of Finance, Stability Programme Update, April 2011)), with negative implications for economic activity, unemployment and the public finances. The behaviour of the Group's customers have been affected and, by extension, the demand for, and supply of, the Group's products and services, will affect the Group's financial condition and results.

Ireland's general Government debt, which includes the cost of the State support to the banking sector, is projected to rise to a peak of 118% of GDP in 2013, from 96% in 2010, before falling back to 111% of GDP in 2015. (Source: Department of Finance, Stability Programme Update, April 2011). The March 2011 PCAR/PLAR review, part of the EU/IMF Programme, was completed in March 2011 and concluded that €24 billion in additional recapitalisation is required by the banking sector. The Government has assumed that additional borrowing of €10 billion will be required to meet the cost of the recapitalistion and this has been incorporated into the projections for the general Government debt (Source: Department of Finance, Stability Programme Update, April 2011). Any increase in this figure will have negative consequences for the ratio of general Government debt to GDP. The implementation of fiscal measures to decrease public spending and increase revenues in order to meet the Government's obligations under the EU/IMF Programme, or any revision of the EU/IMF Programme, are expected to have a further dampening effect on household income, with consequent adverse effects on the Group's financial condition and results.

The EU/IMF Programme also contains structural measures and policy guidelines designed to boost Ireland's competitiveness and improve its growth rate in the medium term to enable the servicing and repayment of the Government debts. Specifically, the EU/IMF Programme includes:

- Fiscal consolidation and structural fiscal reforms to achieve a sustainable fiscal position;
- Financial sector reforms including recapitalisation, reorganisation and deleveraging to achieve a robust, smaller and better capitalised banking system that will effectively serve the needs of the economy; and
- Structural reforms to underpin economic stability and enhance growth and job creation.

Further market turmoil and worsening macro-economic conditions in Ireland may result in a failure to successfully implement the provisions of the EU/IMF Programme which could lead to a termination of the financial support provided under the EU/IMF Programme.

In addition to the impact on the Group of its dependence on the performance of the Irish economy, the occurrence of any of these circumstances would be likely to result in further downgrades to the Irish sovereign debt ratings, which could have a material adverse effect on the Group (see the risk factor "*Further downgrades to the Irish sovereign credit ratings or outlook or the restructuring of, or inability to meet Irish sovereign liabilities could further impair the Group's access to funding, trigger additional collateral requirements and weaken its competitive position*").

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 in general economic conditions and in the global financial markets have already materially adversely affected the Group's earnings and may continue to materially 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 continues to surround the pace and scale of global economic recovery and conditions could deteriorate 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 may continue to affect, the Group's customers and, as a consequence, the demand for, and supply of, the Group's products and services and in turn the Group's results, financial condition and prospects. 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 grew by 1.3% in 2010, (Source: Office for National Statistics, *Fourth Quarter Final Estimate Statistical Bulletin*) after declining by 4.9% in 2009 (Source: Office for National Statistics, Output, Income and Expenditure, Fourth Quarter 2009). The latest data shows that the economy expanded by 0.5% in the first quarter of 2011 (Source: ONS, Preliminary GDP, First Quarter 2011). The consensus view is that the UK economy will grow by 1.5% in 2011 and 2.2% in 2012 (Source: Reuters Consensus Forecast, May 2011). In spite of the UK economy's improvement during 2010, the impact of austerity measures introduced in the UK national budget in March 2011 may dampen the economic recovery leading to an increase in the unemployment rate. Unemployment in the United Kingdom stood at 7.7% at the end of March 2011 (Source: Office for National Statistics) and the consensus forecast is for an 8.1% unemployment rate in 2011 and 2012 (Source: Reuters April 2011).

UK property sectors have recovered somewhat over the past two years. At April 2011, residential house prices had increased by 12% from the trough in February 2009 while commercial property capital values rose by 21% from their trough in the second quarter of 2009 to the end of the first quarter of 2011 (residential house prices fell 20.6% and the commercial property market experienced a 42% fall in capital values from their peak to trough cycle (from the second quarter of 2007 to the second quarter of 2009)). (Source: Nationwide Index, IPD Commercial Property Index). Significant uncertainty remains around the pace and scale of recovery as residential property prices have softened since the middle of 2010. A reduction in the value of residential and commercial property has reduced and in the future may reduce the value of collateral on many of the Group's loans.

The precise nature of all the risks and uncertainties the Group faces as a result of the global economic outlook is difficult to predict, in view of uncertainty regarding the scale and pace of economic recovery and the fact that many of these risks are outside the Group's control.

Accordingly, 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 its 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 materially adversely affect the Group's results, financial condition and prospects.

The Group operates in competitive markets (subject to some price regulation) that 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, have better credit ratings 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 (whether by acquisition of an existing institution or otherwise) 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 levels which is a key driver of future profitability. In addition, the Group could encounter difficulties in increasing interest rates to borrowers, 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's participation in the ELG Scheme, the NPRFC Investment, the NAMA Scheme, the CIFS Guarantee Scheme and the transaction agreements entered into with the Government 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 ELG Scheme, the NPRFC Investment, the NAMA Scheme, the CIFS Guarantee Scheme, the Transaction Agreement and the transaction agreement with the Government in connection with the 2010 Capital Raising place restrictions on, and require the Group to submit to a material level of governmental oversight and regulation in relation to the operation of the Group's businesses.

Under 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 Group, 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 ELG 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 ELG Scheme and the Group is required to comply with any directions issued by the NTMA pursuant to the CIFS Guarantee Scheme, which survive its expiry.

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 Group and is required to consult with the Minister for Finance in respect of matters reasonably expected to have a public interest dimension. The Group 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 transaction agreement entered into with the Government in connection with the 2010 Capital Raising, the Group has committed to promote the availability of credit and the development of the Irish economy, including the commitment 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 starting on 1 April 2010 and 1 April 2011. Further details of these obligations are set out in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular under the heading "2010 Government Transaction Agreement relating to the 2010 Capital Raising".

It is a condition of the Transaction Agreement that by 31 July 2011 the Bank will give a number of commitments to the Minister for Finance in respect of its lending, corporate governance, preference dividend payment and remuneration practices to be set out in a letter from the Minister to the Bank (the "Minister's Letter"). Further details of the expected scope of the Minister's Letter are set out in the summary of the Transaction Agreement in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular.

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 require the Group to implement 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 a material adverse effect on the Group's results, financial condition and prospects.

The continued participation of the Group in the ELG Scheme after December 2012 would result in additional fees being paid to the Government in respect of such participation for so long as such participation continues and, as a result, the Group may not meet its strategic and financial targets.

The Group paid an amount of €105 million to the Government for fees due under the CIFS Guarantee Scheme for the period from 1 April 2009 to 31 December 2009. For the period from 1 January 2010 to 31 December 2010, the Group paid an amount of €68 million in respect of the CIFS Guarantee Scheme and €275 million in respect of the ELG Scheme. The Group will continue to incur expenses in respect of the payment of fees to Government for so long as its participation in the State Guarantee Schemes continues. If the Group does not disengage from participation in the State Guarantee Schemes by the end of December 2012, the Group will continue to incur such fees and as a result the Group's financial performance is likely to be weaker than the target performance described in paragraph 11 (Strategy and Financial Targets) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

Concerns regarding the stability of the Eurozone could have material adverse consequences for the Group.

Since the commencement of the credit crisis, sovereign debt as a percentage of GDP has risen, particularly in peripheral Eurozone countries, including Ireland. This has resulted in widening of yields, constrained liquidity and reduced appetite for sovereign debt due to heightened concerns on the ability of sovereign nations to meet future financial obligations. As a result of these concerns, the European Financial Stability Facility (EFSF) and the European Financial Stability Mechanism (EFSM) were created by the European Commission, in order to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism (ESM), which will be activated by mutual agreement, to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries after June 2013.

Despite the establishment of the EFSF, the EFSM and the announcement of the ESM in order to provide funding to Eurozone countries in financial difficulty, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations. This has resulted in concerns regarding the overall stability of the Eurozone and the suitability of a single currency to appropriately deal with specific circumstances in individual Member States. If such concerns were to be realised, this could lead to the re-introduction of individual currencies in all or some Member States, which would result in the redenomination of the Group's euro issued assets and liabilities to the currency of the state in which they were issued, which could result in a mismatch in the values of assets and liabilities.

Continued concerns regarding the stability of the Eurozone could materially adversely affect the Group by increasing its costs of funding, reducing its access to the wholesale funding markets and/or increasing its reliance on funding from Monetary Authorities, thereby adversely impacting on the Group's ability to fund its operations, which could materially adversely affect the Group's results, financial condition and prospects.

Deterioration 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 significant 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 consensus expectation is that the recovery in the Irish economy will be relatively subdued. 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 system, have reduced, and are expected to continue to reduce, the recoverability and value of the Group's assets. A slowdown in economic activity, high levels of unemployment, lower disposable income, poor consumer sentiment, business insolvencies, falling asset values, low levels of transactions and illiquidity in property markets 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 2010, 45% of the Group's loans and advances to customers (excluding loans held for sale to NAMA and before impairment provisions) were in Ireland, 46% were in the United Kingdom and 9% 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 (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*"). Residential property prices continue to be under pressure in Ireland with some weakness re-emerging in the UK market. 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.

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.

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 declines 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 results, financial condition 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 the profit and loss account. In addition, any further deterioration in the performance of the assets in the Group's AFS portfolio could lead to additional impairment losses. The AFS portfolio accounted for 9% of total Group assets as at 31 December 2010.

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.

At 31 December 2010, total loans and advances to customers (excluding assets held for sale to NAMA and before impairment provisions) were approximately €119 billion and included €60 billion of residential mortgages (of which €28 billion were in Ireland and €32 billion in the United Kingdom) and €24 billion of property and construction lending (of which €9 billion was in Ireland, €13 billion in the United Kingdom and €2 billion in the rest of the world). In respect of the Group's property and construction lending, approximately €20 billion was investment property lending with the remainder being exposure to landbank and development lending.

Declines in residential and commercial property prices have led to a significant contraction in the construction sector in Ireland, including withdrawal by, or insolvency of, a number of construction firms and a slowdown in the construction sector in 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 property lending market and further decreases in residential and commercial property prices.

The Group has a material exposure to residential mortgages representing 51% or €60 billion of the Group's total loans and advances to customers (excluding loans held for sale to NAMA and before impairment provisions) at 31 December 2010. Buy-to-let mortgages in Ireland and the United Kingdom represent approximately 32% of outstanding mortgages provided by the Group (38% of which are in Ireland and 62% in the United Kingdom) at 31 December 2010. The ongoing economic slowdown in Ireland, lower levels of employment, reduced disposable income and falling home prices have and may continue to adversely impact the level of residential mortgage arrears, which increased significantly in 2010. 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 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. United Kingdom self-certified mortgages represent 8% of the total mortgage book of the Group as at 31 December 2010. 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 Ireland, the United Kingdom and the rest of the world, in particular, exposures to investors in the commercial and residential property sectors. Interest rates could rise from the current low levels 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. In the commercial property sector, a proposal to bring forward legislation to end upward only rent reviews for existing leases in Ireland, if introduced, may also lead to further declines in values of collateral and investments. 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 the value of these loans.

Investors in commercial and residential property, particularly in Ireland, are facing especially challenging market conditions. As discussed in the risk factor "*The Group's businesses are subject to risks arising from general and sector specific economic conditions in Ireland which have had a material adverse effect on the Group's earnings, together with the effects of the Government's four year plan and the EU/IMF Programme, and are likely to continue to affect its results, financial condition and prospects. In addition, a failure to successfully implement the provisions of the EU/IMF Programme and achieve the fiscal targets within the timeframe envisaged could lead to a termination of the financial support needed under the EU/IMF Programme, which could have a material adverse effect on the Group.*" the property market has suffered a very significant decline. If the current economic downturn in Ireland continues, with further falls in property prices or 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, exchange rates, bond and equity prices and other market prices. The Group's average one day interest rate trading book value at risk ("VAR") in the 12 months ended 31 December 2010 was €1.2 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 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-domestic currencies. Structural foreign exchange risk arises primarily from the Group's net investment in its subsidiaries which report in Sterling. At 31 December 2010, the Group's Sterling net assets accounted for 46% of the Group's total 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. For example, if a 10% appreciation of the euro against Sterling and the US Dollar had occurred on 31 December 2010, it would have resulted in a reduction in reserves of €403 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 (as it does not hold proprietary equity investment or trading portfolios), it is indirectly exposed to equity markets through its 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; however, revenue from these business areas is dependent on, amongst other things, the market value of such 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.

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.

The Group measures certain of its financial instruments at fair value in the balance sheet. These include trading securities, other financial assets and liabilities at fair value through profit or loss, all derivatives and AFS financial assets, NAMA subordinated bonds and NAMA senior bonds (on initial recognition only). The fair values of financial instruments are determined by reference to observable market prices where available and an active market exists. Where an active market does not exist for the instrument in question, fair values are determined using valuation techniques including discounted cash flow models which, to the extent possible, use observable market inputs (including, in the case of NAMA senior bonds, on initial recognition only and NAMA subordinated bonds). Valuations in the repo market are also considered where these are observable, independently priced and viewed to be reflective of fair value. 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, those assumptions, judgements and estimates often relate to matters that are inherently uncertain, such as expected cash flows, the ability of counterparties and borrowers to meet their contractual payments, and the Group's own credit spreads.

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 an adverse effect on the Group's earnings and financial condition. 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.

The State Guarantee Schemes, the NPRFC Investment and the transfer of bank assets by the Group to NAMA under the NAMA Act, were found by the European Commission to involve the provision of EU State aid to the Group and resulted in a European Commission final decision dated 15 July 2010 approving State aid received by the Group, on the basis of the Approved 2010 EU Restructuring Plan submitted to the European Commission, which is subject to a variety of risks. While the European Commission approved the extension of the ELG Scheme to 31 December 2011, the Proposals are currently subject to 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 State, 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.

On 15 July 2010, the European Commission approved the State aid received by the Group under EU State aid rules on the basis of the Group's EU Restructuring Plan submitted on 30 September 2009 and updated on 26 May 2010. Having assessed the Group's Approved 2010 EU Restructuring Plan, the European Commission approved the aid measures relating to the Group as restructuring aid as they were compatible with the internal market pursuant to Article 107(3)(b) of the TFEU, provided that the State and the Group adhere to the commitments set out in the European Commission's approval decision dated 15 July 2010.

In accordance with the March 2011 PCAR/PLAR procedures, the Group submitted a Deleveraging Plan to the Central Bank, which reflected the measures set out in the EU/IMF Programme, i.e. downsizing and reorganising the banking system to reach a loan to deposit ratio of 122.5%, by 31 December 2013, raising capital standards and reducing risk and increasing shock absorption capacity, together with systemic issues, higher discounts on the loans transferred to NAMA and certain conservative assumptions as provided by the Central Bank. On 31 March 2011, the Central Bank published a report entitled "The Financial Measures Programme: 31 March 2011" which included the March 2011 PCAR/PLAR results. The report states that the Group will implement the Deleveraging Plan agreed with the Central Bank, by the strategic separation of assets into "core" and "non-core" divisions, and a gradual run-off and targeted asset disposal of the non-core assets, thereby avoiding a sale of assets in a rapid manner that would result in a lower price being obtained compared to a more orderly sale process. The Group's non-core division consists largely of international loan assets, primarily in the UK, the US and Europe, together with certain businesses already committed for divestment under the Approved 2010 EU Restructuring Plan, including New Ireland Assurance Plc.

On 31 March 2011, the Minister for Finance, in his Statement on Banking Matters, stated that the State will be submitting new restructuring plans for the banks to the European Commission for approval under EU State aid rules in respect of the implications of the changes necessary for the future banking landscape in Ireland. As part of the European Commission State aid review, a Revised 2011 EU Restructuring Plan was prepared by the Group and submitted by the Department of Finance to the European Commission on 29 April 2011 (see paragraph 12 (State aid and EU Restructuring Plans) of Part V (Additional Information) of this Circular. The Revised 2011 EU Restructuring Plan is subject to the European Commission's approval. The Group expects the decision regarding the approval of the Revised 2011 EU Restructuring Plan will be taken by the European Commission by the end of 2011 at the latest. However, it cannot be precluded that the decision will be adopted at a later date. Therefore, at this stage, there can be no certainty as to the outcome of the State aid proceedings.

The Group could be subject to risks as a result of implementing the Revised 2011 EU Restructuring Plan. There is no assurance that the price that the Group receives for any asset sold pursuant to the Revised 2011 EU

Restructuring Plan will be at a level the Group considers acceptable or which it could obtain in circumstances in which the Group was not required to sell such assets in order to implement the Revised 2011 EU Restructuring Plan or if such sale were not subject to the restrictions contained in the terms thereof. Should the Group fail to complete any divestments, agreed under the Approved 2010 EU Restructuring Plan within the relevant time periods 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). In respect of the incremental divestments (as set out in paragraph 2 (Background to the Proposals) of Part I (Letter from the Governor of Bank of Ireland) of this Circular) in the Revised 2011 EU Restructuring Plan, the divestiture trustee(s) could have a mandate to complete the disposal at discounts no greater than those agreed with the Central Bank under the PCAR/PLAR procedures or the European Commission. If by a certain time, the Group has failed to implement its commitment to run-off its non core portfolio to a certain level under the Revised 2011 EU Restructuring Plan, the Group will be required to ensure that within a certain period, on a consolidated basis, it meets its loan to deposit ratio as prescribed by the Central Bank.

In implementing the Revised 2011 EU Restructuring Plan, the Group will lose existing customers, deposits and other assets through the sale of businesses and may potentially suffer damage to the rest of the Group's business arising from implementing the Revised 2011 EU Restructuring Plan regarding the divestment and deleveraging measures. The Group's potential for realising additional associated revenues and margins that it might otherwise have achieved in the absence of such disposals and deleveraging, may also be hindered. Such implementation may also result in disruption to the retained business, which may adversely impact its customers and could result in separation costs which could potentially be substantial.

The Group will also be subject to other risks as a result of implementing the Revised 2011 EU Restructuring Plan. The implementation by the Group of the behavioural measures agreed with the Group by the European Commission as part of the approval of the Revised 2011 EU Restructuring Plan may lead to the emergence of new competitors and stronger current competitors in the market which could have a material adverse impact on the performance of the Group. In implementing the behavioural measures, the Group is required to provide access to its customers for the benefit of new and current competitors. This, and other potential consequences of implementing the behavioural measures, will mean that the Group could lose some existing customers (including their deposits) and, through damage to the Group's business arising from implementing such measures, impact on 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 adversely impact its customers and could result in operational costs which could potentially be substantial.

If the Group fails to comply with commitments contained in the Revised 2011 EU Restructuring Plan or if the Group materially deviates from the Revised 2011 EU Restructuring Plan or needs additional State aid not foreseen in the Commission's decision approving the Revised 2011 EU Restructuring Plan, the Commission may reopen the State aid control procedure and/or open a new procedure and reassess the aid measures in their entirety. This may result in an adverse outcome for the Group such as the imposition of additional divestiture obligations or behavioural restrictions going beyond the ones contained in the Revised 2011 EU Restructuring Plan.

A Monitoring Trustee was approved by the European Commission on 25 October 2010 with respect to the Group's adherence to the commitments under the Approved 2010 EU Restructuring Plan. The actions of the Monitoring Trustee (and any divestment trustee(s)) could further adversely impact on the Group and its performance by requiring the Group to act in a manner which is not always aligned with the interests of Stockholders and which could lead to disruption in the Group's operations, financial condition and prospects. Further details on the Monitoring Trustee are set out in paragraph 12 (State aid and EU Restructuring Plans) of Part V (Additional Information) of this Circular.

The Group could be subject to risks as a result of the implementation of the State Measures. Following agreement from the Department of Finance, on 8 October 2010, the Irish Bankers' Federation shared the details of these commitments with its member institutions, noting that they were fully agreed between the State and the European Commission. The implementation of these State Measures may lead, for example, to the emergence of new competitors and stronger current competitors in the Irish market, which could have a material adverse affect on the performance of the Group. These, together with corporate governance restrictions which may result from the Central Bank's recommendations for the reform of the boards of credit institutions as set out in the consultation paper CP41 issued on 22 March 2011 and other potential consequences of the implementation of the State 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 State Measures. In addition, further more onerous measures may be required of the State by the European Commission.

The effect of implementing the Revised 2011 EU Restructuring Plan and the State 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.

In addition to the measures mentioned above, the Government Transaction could be deemed to involve the provision by the State of additional State aid within the meaning of Article 107 TFEU. Any State aid arising in relation to the Government Transaction requires approval from the European Commission under EU State aid rules before the Government Transaction becomes legally valid and the Rights Issue can proceed. Only Member States may notify the European Commission of plans to provide State aid and therefore it is for the State to notify the European Commission of the proposal to grant any State aid to the Group. The Group is therefore reliant on the State to notify the measures to the European Commission. If the European Commission finds that there is an element of State aid and approves the granting of such aid then the Government Transaction may be implemented and the Rights Issue may proceed. There is no guarantee that any State aid would be approved by the European Commission or, if it were approved that the terms of the approval would be favourable to the Group. If the measures involve State aid and such State aid is not approved by the European Commission, then such State aid may not be provided and the Government Transaction may not proceed unless and until the European Commission approved such aid. The State has informed the Group that it will notify the European Commission of the proposed measures and that the State will aim to receive approval by 11 July 2011 in time to enable the State aid to be provided within the necessary timeframe, which the State believes is possible. The Group understands that the Government is in close discussions with the European Commission and the Group has provided all necessary information to assist in this process.

The European Commission may make its approval of any State aid arising under the Proposals dependent on the imposition of conditions which may be onerous to the Group, taking into account the additional State support measures granted in relation to the Group after the Commission's approval of the Approved 2010 EU Restructuring Plan in July 2010 and as may be prevailing at the time of the Commission's decision on such matter. It may result in an adverse outcome for the Group, including any or all of the following:

- The European Commission could impose conditions that are materially more disadvantageous to the Group than those contained in the Revised 2011 EU Restructuring Plan;
- The Group could be required to dispose of or deleverage a significantly larger proportion of its assets and/or agree to a significantly more stringent divestment timetable than those contained in the Revised 2011 EU Restructuring Plan; and
- The Group could be required to comply with more onerous behavioural restrictions than those contained in the Revised 2011 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 Revised 2011 EU Restructuring Plan.

In addition, the possibility that the European Commission would determine that the Group has received additional State aid elements by means of other State measures cannot be excluded.

If the Group failed to comply with the Revised 2011 EU Restructuring Plan, and/or any additional commitments and obligations as approved by the European Commission, the European Commission may require the State to recover the State aid from the Group (plus interest).

Subject to time limits contained in the TFEU, the Group could challenge any European Commission decision on the Government Transaction and/or Revised 2011 EU Restructuring Plan adverse to the interests of the Group in the EU courts. However, such appeals do not suspend the Group's obligation to comply with the European Commission's decisions. A final judgment may therefore come too late to allow the Group to abstain from implementing one or more obligations following such decisions. Similarly, should the Group ultimately be unsuccessful in any such challenge, the Group would be required to comply with the European Commission's decision. In both cases, the consequences for the Group could, as described above, be significantly adverse to the Group's interests.

It is possible that a third party may challenge in the EU courts a decision by the European Commission to approve any State aid arising under the Transaction Agreement and/or the decision by the European Commission to approve the Revised 2011 EU Restructuring Plan. If such a challenge were to emerge and succeed, the European Commission would need to reconsider the relevant decision, which may result in an adverse outcome for the Group including any or all of the outcomes described above.

If any or all of the risks described in this risk factor materialise or have a greater impact than expected or any other currently unforeseen risks materialise, the Group's business, operations and competitive position could be materially adversely affected. Further details on the Revised 2011 EU Restructuring Plan are set out in paragraph 12 (State aid and EU Restructuring Plans) of Part V (Additional Information) of this Circular.

The implementation of the Financial Measures Programme issued pursuant to the State's commitments under the EU/IMF Programme will require deleveraging measures which could have an adverse impact on the Group's results, operations and financial condition.

On 31 March 2011, in discharge of its commitments under the EU/IMF Programme, the Central Bank published the Financial Measures Programme, including the outcome of the March 2011 PCAR review of the capital resources of the domestic Irish banks under an adverse stress scenario, together with an assessment of measures to be implemented with a view to steadily deleverage the banking sector and reduce reliance on short term wholesale funding and liquidity support from Monetary Authorities.

Under the terms of the Financial Measures Programme, each domestic Irish bank must meet liquidity requirements of a loan to deposit ratio of 122.5% by 31 December 2013 through a combination of run-off and disposals of non-core assets. In order to meet the requirements of the Financial Measures Programme, the Group may be required to dispose of assets at a price which the Group considers to be below an acceptable level. Implementation of the deleveraging requirements envisaged by the Financial Measures Programme, including restructuring of core and non-core businesses, may also result in disruption to the retained business which may adversely impact its customers and could result in separation costs which could potentially be substantial.

For further information on the risks associated with the implementation of deleveraging plans under the EU/IMF Programme, see the risk factor entitled "*The State Guarantee Schemes, the NPRFC Investment and the transfer of bank assets by the Group to NAMA under the NAMA Act, were found by the European Commission to involve the provision of EU State aid to the Group and resulted in a European Commission final decision dated 15 July 2010 approving State aid received by the Group, on the basis of the Approved 2010 EU Restructuring Plan submitted to the European Commission, which is subject to a variety of risks. While the European Commission approved the extension of the ELG Scheme to 31 December 2011, the Proposals are currently subject to 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 State, 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*".

Participation in the NAMA Scheme may subject the Group to directions from the Central Bank, 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 the NAMA Scheme, the Group could be subject to additional directions from the Central Bank 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 laws and regulations applicable to credit institutions. See risk factor entitled "*The Group's participation in the ELG Scheme, the NPRFC Investment, the NAMA Scheme, the CIFS Guarantee Scheme and the transaction agreements entered into with the Government 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 the NAMA Scheme, the Group does 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 Central Bank may direct the Group to provide any report that the Central Bank considers necessary to monitor the Group's compliance with the obligations under or by virtue of the NAMA Act. The Central Bank could also exercise its power under the NAMA Act to require the consolidation or merger of Participating Institutions, including the Group. 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 Central Bank 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 assets transferred to NAMA when they are notified by the State and this includes the possible application of 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 materially adversely affect the Group's results, financial condition and prospects.

The introduction of new government policies or the amendment of existing policies in Ireland or the United Kingdom could have a significant impact on the Group's results, financial condition and prospects.

Government policy in Ireland or the United Kingdom in respect of the banking system, including its supervision, regulation, recapitalisation and structure, has had, 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, including the Stabilisation Act, 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.

Implementation of Government policy and other requirements arising from the EU/IMF Programme, in particular, those that may impact banks in Ireland, could give rise to policies and changes that may not be aligned with the interests of the Group or its Stockholders.

Uncertainty remains over the final scope and consideration of Bank of Ireland Eligible Assets to be transferred to NAMA and for some loans that have already been transferred and, even after the disposal 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, which could adversely impact the Group's capital and results of operations.

As at 31 December 2010, the Group had sold €9.4 billion of gross assets (before impairment provisions) to NAMA and held €0.9 billion of assets (before impairment provisions) eligible for transfer to NAMA. As at 30 April 2011, the Group held €1.0 billion of assets (before impairment provisions) expected to transfer to NAMA, representing an increase of €0.1 billion from 31 December 2010 attributable to the identification by NAMA of additional assets required to transfer. (Source: unaudited internal management information).

In the updated EU/IMF Programme announced on 28 April 2011, the Government stated that if it believes that the Group requires alternative methods to meet the deleveraging targets under the PLAR, it may reconsider the possibility of transferring the land and development loans with a value of less than €20 million to NAMA (Source: EU/IMF Programme: Memorandum of Economic and Financial Policies, Department of Finance, 28 April 2011). The Government requires the Group to provide contingency plans to meet the deleveraging targets. Where the Government believes the contingency plans are not feasible, the Government will find and implement alternate ways of meeting the deleveraging goals and may reconsider the possibility of transferring the land and development loans of less than €20 million to NAMA. Consequently, there is uncertainty in the medium term around the final scope of the Group's loans transferring to NAMA and the potential final consideration to be paid by NAMA for these loans and the related loss to the Group.

As at 16 June 2011, NAMA due diligence is still in progress on approximately €1.9 billion of loans (Source: internal unaudited Bank of Ireland financial information), that have already been sold to NAMA. As a result, there is continuing uncertainty around the final consideration to be paid by NAMA for these loans.

If NAMA makes a loss, the shortfall up to the value of the non-guaranteed subordinated bonds issued by NAMA will be shared by Participating Institutions, including the Group, 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 bonds could ultimately prove to be of little or no value to the Group, which could have an adverse impact on the Group's results, financial condition and prospects.

Furthermore, 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, 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 could have an adverse impact 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 14 (NAMA) of Part I (Letter from the Governor of Bank of Ireland) of this Circular and paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular.

The Group has obligations in relation to the accuracy of information which it has supplied, and continues to supply, to NAMA in relation to assets potentially eligible for transfer to NAMA and assets already sold to NAMA. Should it be established that information given by the Group to NAMA is inaccurate, the Group could be subject to a claim of damages and the Group and its officers could be subject to penalties, which could adversely impact the Group's business, reputation and financial condition.

The Group is subject to extensive regulation and oversight. New regulatory obligations 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 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 the Group could be subject either at a 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;
- the Central Bank's on-going assessment of the Group's capital and liquidity requirements through regular PCAR and PLAR reviews, including prescribed minimum capital ratios under base and stress scenarios;
- the on-going assessment of the Group's capital and liquidity requirements as part of the European wide reviews carried out by the EBA. The outcome of this assessment, due in June 2011, is uncertain. For further information, please see paragraph 3 (Capital Resources) of Part III (Capitalisation and Indebtedness) of this Circular;
- general changes in Government or regulatory policy or changes in regulatory regimes, e.g., the ELG Scheme, the NPRFC Investment or directions under the NAMA Act 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;
- any orders or directions made under the Stabilisation Act which require the Directors to prioritise objectives other than Stockholder value creation;
- any orders or directions made under the Stabilisation Act which could lead to disruption in the Group's operations;
- measures agreed with the European Commission under the Approved 2010 EU Restructuring Plan, including directions from the Monitoring Trustee;
- changes in markets caused by divestment of assets in compliance with Financial Measures Programme;
- if enacted as currently drafted, any orders made under the Resolution Bill (imposing a requirement on the Group to make compulsory contributions to the statutory fund, or transfer orders), or proposed special management orders in respect of the Group which, subject to High Court approval, could potentially suspend Stockholders' rights and lead to significant disruptions to the Group's operations;
- 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, regulated subsidiaries of the Group 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, including the requirement under the Approved 2010 EU Restructuring Plan to offer third party products to the Group's customers;
- 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 EU 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;
- the application of new, or additional, regulatory regimes that may affect the products that the Group may offer to customers and the manner and channels through which products may be offered;
- impact of the US Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and the regulations adopted thereunder, which will impose wide-ranging US financial regulatory reform by addressing, among other matters: systemic risk oversight; risk-based capital, leverage, liquidity and other prudential standards; over-the-counter derivatives; the ability of banking entities to engage in proprietary trading activities and invest in hedge funds and private equity in the US; corporate governance; and consumer and investor protection;
- 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 the failure of any individual member of the Group, or even third party participants in guarantee schemes;
- implementation of, or costs related to, 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.

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, will 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 or enacted, which would significantly alter the Group's capital requirements. These initiatives include:

- EC Directive 2009/111/EC ("CRD II"): CRD II was implemented on 21 December 2010. In particular, it made changes to the criteria for assessing hybrid capital eligible to be included in Tier 1 Capital and requires the Group to replace, over a staged grandfathering period, existing capital instruments that do not fall within these revised eligibility criteria. It is noted that the Capital Requirements Directive IV ("CRD IV") is expected to further define the treatment of existing capital instruments.
- The EU Capital Requirements Directive III ("CRD III"): CRD III was implemented on 1 January 2011 with some specific items being phased in over the next two years. It introduces a number of changes in response to recent and current market conditions, which may:
  - Restrict the remuneration payable to senior management and other individuals fulfilling roles with potential impact on a bank's risk profile;

- 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. On 26 July 2010, the Basel Committee on Banking Supervision announced revised proposals, which were further clarified on 12 September 2010. The final paper was published on 16 December 2010 entitled "Basel III: A global regulatory framework for more resilient banks and banking systems". These proposals are to be phased in from 1 January 2013 to 1 January 2018.

Basel III transition rules result in the deferred tax asset, minority interests, AFS reserve and expected loss deduction being direct deductions from Common Equity Tier 1 Capital on a phased basis with a 20% impact in 2014 and 40% in 2015 and so on until 2018. When the changes to minimum capital standards are implemented as currently proposed, in particular the changes proposed by the Basel Committee and the CRD IV consultation document relating to the definition of instruments that are eligible to be included within the Core Tier 1 Capital base, they are expected to have an impact on the capital and asset and liability management of the Group, which in turn would be expected to have a material adverse effect on the Group's results, financial condition and prospects.

- The introduction of the Basel III/CRD IV will result in the introduction of new liquidity metrics. The first such measure is the liquidity cover ratio under which the Group will be required to hold a stock of high-quality liquid assets against its total net cash outflows over the following 30 days. The new requirement will become mandatory from 1 January 2015 under the BIS requirements where a 100% ratio will be required. The second measure is the Net Stable Funding Ratio which will require that the amount of long term stable funding held by the Group be relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations. This measure will become mandatory from 1 January 2018 under BIS requirements where a 100% ratio will be required. Under the PLAR, the Group will be positioned to converge to Basel III liquidity standards over time. In addition, Basel III will prohibit the payment of dividends by the Group if its capital levels do not exceed certain thresholds above the minimum capital requirements.
- On 26 February 2010, the European Commission issued a public consultation document on further possible changes to CRD IV which is closely aligned with the proposals of 16 December 2009 from the Basel Committee. Final changes in CRD IV are expected during the second quarter of 2011.
- 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.

The Group's UK subsidiary could be subject to special resolution regime powers under the UK Banking Act 2009.

The Group's subsidiary bank in the United Kingdom, Bank of Ireland (UK) plc, comprises the Group's Post Office joint ventures, its branch business in Northern Ireland, assets from its former intermediary mortgage business, and other parts of its UK business banking operations.

Under the UK Banking Act 2009 (the "Banking Act"), substantial powers have been granted to HM Treasury, the Bank of England and the FSA (the "Authorities") as part of a special resolution regime (the "SRR"). These powers enable the Authorities to deal with a UK bank (such as Bank of Ireland (UK) plc), building society or other UK institution with permission to accept deposits pursuant to the FSMA (each a "relevant entity") in circumstances in which the Authorities consider its failure has become highly likely and that a threat is posed to the public interest. The SRR consists of three stabilisation options and two insolvency and administration procedures applicable to UK banks which may be commenced by the Authorities. The stabilisation options provide for: (i) private sector transfer of all or part of the business of the relevant entity; (ii) transfer of all or part of the business of the relevant entity to a bridge bank established by the Bank of England; and (iii) temporary public ownership (nationalisation) of the relevant entity. In each case, the Authorities have been granted wide powers under the Banking Act including powers to modify contractual arrangements in certain circumstances and powers for HM Treasury to disapply or modify laws (with possible retrospective effect) to enable the powers under the Banking Act to be used effectively. The following paragraphs set out some of the possible consequences of the exercise of those powers under the SRR.

The purpose of the stabilising options is to address the situation where all or part of a business of a relevant entity has encountered, or is likely to encounter, financial difficulties, giving rise to wider public interest concerns. Accordingly, the stabilisation options may only be exercised if (a) the FSA is satisfied that a relevant entity (such as Bank of Ireland (UK) plc) is failing, or is likely to fail, to satisfy the threshold conditions within the meaning of section 41 of the FSMA (which are the conditions that a relevant entity must satisfy in order to retain its authorisation to accept deposits), (b) following consultation with the other Authorities, the FSA determines that it is not reasonably likely that (ignoring the stabilising options) action will be taken that will enable the relevant entity to satisfy those threshold conditions, and (c) the Authorities consider the exercise of the stabilisation options to be necessary, having regard to certain public interest considerations (such as the stability of the UK financial systems, public confidence in the UK banking system and the protection of depositors). It is therefore possible that one of the stabilisation options could be exercised prior to the point at which any insolvency proceedings with respect to the relevant entity could be initiated.

If Bank of Ireland (UK) plc were made subject to the SRR, HM Treasury or the Bank of England may exercise extensive share transfer powers (applying to a wide range of securities) and property transfer powers (including powers for partial transfers of property, rights and liabilities subject to certain protections made under The Banking Act 2009 (Restrictions of Partial Property Transfers) Order 2009) in respect of Bank of Ireland (UK) plc. Exercise of these powers could involve taking various actions in relation to any securities issued by Bank of Ireland (UK) plc (including ordinary shares) without the consent of the Bank (as its sole shareholder), including (among other things): (i) transferring the shares notwithstanding any restrictions on transfer and free from any trust, liability or encumbrance; (ii) converting the shares into another form or class; (iii) modifying or disapplying certain terms of the shares; and/or (iv) where property is held on trust, removing or altering the terms of such trust.

There can be no assurance that the taking of any such actions would not adversely affect the existence, nature or value of the Bank's investment in Bank of Ireland (UK) plc. If Bank of Ireland (UK) plc were made subject to the SRR and a partial transfer of its business to another entity were effected, the quality of the assets and the quantum of the liabilities not transferred and remaining with Bank of Ireland (UK) plc may result in a deterioration in the creditworthiness or insolvency of Bank of Ireland (UK) plc. In such circumstances, the Bank may have a claim for compensation under one of the compensation schemes existing under, or contemplated by, the Banking Act, but there can be no assurance that it would thereby recover compensation promptly or equal to any loss actually incurred.

As at the date of this Circular, the Authorities have not made an instrument or order under the Banking Act in respect of Bank of Ireland (UK) plc and there has been no indication that they will make any such instrument or order. However, there can be no assurance that this will not change and/or that Stockholders will not be adversely affected by any such order or instrument if made.

The Group's UK subsidiary could be subject to future structural and non-structural reforms currently under consideration by the UK Government.

The Independent Commission on Banking (ICB) was established by the UK Government in 2010 in order to consider and report to the Government on potential structural and other reforms to the UK banking sector to promote financial stability and competition. The ICB is due to issue its final report in September 2011. However, based on the interim report issued by the ICB on 11 April 2011, the ICB is ultimately likely to recommend a combination of structural and non-structural reforms intended principally to protect UK retail depositors. This may include, among other things, possible ring-fencing of the retail operations of Bank of Ireland (UK) plc and/or capital surcharges over and above EU requirements, "bail-in" powers for certain existing debt securities, as well as possible behavioural restrictions designed to increase competition in the UK retail banking sector. If these proposals are ultimately implemented in the UK, this may result in restrictions being imposed upon Bank of Ireland (UK) plc, which in consequence may have an effect on the Group's results, 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 services 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 businesses 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 and highly skilled and qualified specialist personnel may also adversely impact on the Group's ability to retain and attract staff. In particular, the Finance Act 2011 provisions relating to performance related payments for employees of participating institutions in the ELG Scheme (which introduced an effective rate of tax of 90% on any such payments) presents a significant staff retention risk in Ireland. Additionally, the Government has stated in its Programme for Government that all remuneration schemes at banks in receipt of State support, including the Group, will undergo a fundamental review to ensure an alignment of interest between banks, their staff and the taxpayer. The timing, form and consequences of such review and its implications for the Group are as yet unknown.

Further, the Central Bank issued a consultation paper on 22 March 2011 on the imposition of statutory standards of fitness and probity for individuals in regulated institutions pursuant to Part 3 of the 2010 Reform Act. These statutory standards are expected to come into effect on 1 September 2011. The Central Bank has announced that it will carry out a review of the fitness and probity of persons performing certain designated functions (including the Directors and Senior Executives) in credit institutions that have received financial support from the State, including the Group, for persons intending to perform those functions after 1 January 2012. Where the review causes the Head of Regulation of the Central Bank to form the opinion that there is reason to suspect the person's fitness and probity to perform the relevant function, an investigation may be conducted which may result in a prohibition notice being issued preventing the person from carrying out the function. The timing, form and consequences of such a review and its implications for the Group are as yet unknown but they may be adverse for the Group.

On 20 April 2011, in response to the report published by the formal statutory investigation (the "Statutory Commission of Investigation") which was established by the Government on 21 September 2010 pursuant to the Commissions of Investigation Act, 2004, the Minister set out three measures to strengthen the boards and management of all licensed credit institutions in Ireland, including the Group. First, the chairman of each financial institution will have to provide the Minister and the NTMA with a board renewal plan. The board renewal plan will have regard to company law and regulatory requirements and will set out, for each institution, the steps to be taken to ensure that the skills and competence levels of board members are fully adequate to the demands of the current situation and the planned future for the Irish banking system. Second, the board of each institution will be asked to provide a management renewal plan. The management renewal plan will set out for the relevant institution the steps to be taken to ensure that the skills and competence levels of directors and senior executives are fully adequate to the demands of the current situation and the planned future for the Irish banking system and that each director and senior executive will be capable of meeting the Central Bank's new fitness and probity standards referred to above. Third, having regard to the size of the State's shareholding in each institution, and the necessity of ensuring that the State's interest is properly represented on each board, the Minister noted that he will nominate members of the boards of each bank, from among qualified individuals with appropriate skills and experience to ensure that there are an appropriate number of non-executive directors. With respect to the board renewal plan, the Minister also stated on 20 April 2011, that a programme of rotation of board members, commencing with board members appointed before September 2008, will be expected to be part of the plan. This should apply to both executive and non-executive directors and provide a process to ensure a smooth succession of incumbent board members who were in place before September 2008. The Minister also stated that he would expect this succession to be substantially completed by early 2012 and that he will use the relevant powers at his disposal to effect such changes if necessary. Loss of key personnel or failure by the Group to staff its operations appropriately following the implementation of the board renewal plan and the management renewal plan, may have a material adverse effect on the Group's operating results, financial condition and prospects. These measures do not relate to Bank of Ireland (UK) plc which is regulated by the FSA.

In addition, the Department of Finance is currently undertaking a review of the Group's remuneration policies. If the Group decides not to, or is precluded from, making payments under historically contracted incentive arrangements, and/or recruitment arrangements and/or retention arrangements with certain individual employees or groups of employees, the Group could face legal actions from employees and/or could lose the commitment from, or services of, key employees which could impact on the reputation of the Group and the Group's business, financial condition and prospects. See paragraph 13 (Litigation) of Part V (Additional Information) of this Circular for further information in relation to the Department of Finance remuneration review.

The Group is also subject to restrictions on remuneration arising from the implementation of the CEBS remuneration guidelines and CRD III (effective since 1 January 2011) which will not apply to non-EU financial institutions in respect of their operations outside of the EU and this could negatively impact the Group's ability to recruit and retain qualified personnel in the US.

In addition, the Minister's Letter is expected to contain restrictions on the Group paying to any director or employee of the Group a bonus for the two years commencing 18 June 2011 (save pursuant to a court order to do so), any termination payment, any compensation for the pensions cap imposed by the Finance Act 2006 or any pension benefit enhancement (subject to certain permitted exceptions, such as where the enhancement does not result in a cost to the Group), in each case without the prior consent of the NTMA and the Minister. The Minister's Letter is also expected to impose a restriction for two years commencing 18 June 2011, subject to certain exceptions, on the Group paying any aggregate remuneration to a director or employee that exceeds €500,000 per annum (or, if lower, the amount recommended by the Covered Institution Remuneration Oversight Committee's report to the Minister dated 27 February 2009). Any of these restrictions could impact on the Group's ability to recruit and retain qualified personnel.

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

Both preliminary reports were published on 31 May 2010 and their findings formed the basis for the terms of reference of the Statutory Commission of Investigation. The Statutory Commission of Investigation examined the performance of individual banks and bank directors, the performance of regulatory authorities, the response of Government and Government agencies and the structure of the banking system in Ireland generally. The Statutory Commission of Investigation presented its report to the Minister for Finance on 22 March 2011 and it has been forwarded to the Attorney General. The report was published on 19 April 2011. Further inquiry may result from the findings of the Statutory Commission of Investigation, including the possibility of public hearings.

The Group may incur significant costs, including legal and financial adviser costs, in facilitating and/or engaging with any ancillary investigations that may arise following the initial investigations. The Group may be exposed to criminal sanctions and/or fines in connection with a range of offences under the Commissions of Investigation Act, 2004, which offences include the making of statements material in the investigation concerned knowing them to be false or not believing them to be true, the failure to comply with directions of the Statutory Commission of Investigation and intentionally obstructing its work (which offences could result in the Group, or an officer of the Group, being subject to a fine of up to €300,000 on conviction on indictment of an offence). The results of these investigations could also lead to ancillary investigations that may result in sanctions or other actions being taken against the Group (or an officer of 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 13 (Litigation) of Part V (Additional Information) of this Circular for further information in relation to the inquiry into the banking sector.

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 or if the Group is required to contribute towards the funding of the proposed pensions levy to be introduced by the Government.

The Group sponsors a number of defined benefit pension schemes for past and current employees. As at 31 December 2010, these pension schemes had a deficit of €424 million (calculated on the basis of IAS 19). In 2010, the Group carried out an extensive pensions review exercise with the majority of staff in order to address the deficit by a combination of benefits restructuring and additional employer contributions over a period of time. To date, the Group has received in excess of 99% acceptance from individual active members of five of its pension schemes, including the main Bank Staff Pensions Fund, to a series of benefit reductions which have delivered a reduction of approximately 50% in the total deficit across all schemes relative to the IAS 19 deficit position of €1.6 billion as at 31 December 2009. The deficit reduction approach was also supported by the main bank union, the IBOA, and recommended by an independent third party chairman. As the proposals have been accepted by staff and have been implemented, the Group expects to make discretionary cash contributions of up to €750 million, in addition to existing cash contributions, to the schemes so as to eliminate the remaining 50% of the IAS 19 deficit as at 31 December 2009 over five to seven years.

Notwithstanding the implementation of the proposals to reduce the current pension scheme deficits, the pension funds are subject to market fluctuations and changes in the value of underlying securities, as well as interest rate risk, mortality 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.

Following the Government announcement on 10 May 2011 of the proposed levy on private sector pension funds by the Government of 0.6% of the market value of the funds' assets under management, it remains to be determined how the cost of such levy will be funded in respect of the defined pension schemes sponsored by the Group. It might not be possible to fund some or all of the levy by reducing the benefits due under the schemes which could result in the Group choosing or being obliged to discharge some or all of the pensions levy. While it is currently envisaged that the pensions levy will be introduced for a fixed duration of four years, the pensions levy could be extended for a longer period. The payment of part or all of the costs of funding the pensions levy could adversely impact on the Group's financial condition and trading performance, in particular if the duration of the pensions levy is extended beyond its currently envisaged term.

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 business and losses can arise from potentially inadequate or failed processes, events including fraud (internal or external), errors made by employees or by third parties, a failure to obtain proper authorisation for or to properly document transactions, a failure to comply with relevant regulatory rules and regulations (including those arising from anti-money laundering and anti-terrorism legislation), information technology or equipment failures, failure of critical suppliers or counterparties, failures or inadequacies in equipment, models, systems and controls or natural disasters. Any weakness in these controls or actions could result in an adverse impact on the Group's results and financial condition.

The Group has obligations 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 insurance 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 occurrence or non-occurrence 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 originally accounted for. Morbidity risk is the risk of deviations in timing and amount of claims by policy holders due to the occurrence or non-occurrence of disability and sickness. A material change in relation to any of these risks could materially and adversely affect the results, financial condition and prospects of the Group's life assurance business.

The Group's life assurance business is also subject to persistency risk which is the risk that policyholders may not continue with their insurance for the full term of the contract, or may do so at a reduced level, in which case the

Group's life assurance business will receive less fees from the provision of insurance services than envisaged at the inception of the contract.

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, the UK 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, the United Kingdom and the Isle of Man 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 schemes significantly increases the levies to be paid by firms or changes the coverage or funding levels, or that regulators in other jurisdictions in which the Group operates introduce similar schemes, the associated costs to the Group may have a material impact on its profitability, financial condition and prospects.

If the Group becomes subject to employment disputes or industrial action, this could adversely affect its business and the financial condition and prospects of the Group.

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, organisation change 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 and may adversely affect the financial condition and prospects of the Group.

The Group has been subject to a recent review by the Department of Finance on some of the Group's incentive and retention arrangements. If the Group is unable to make such payments this could adversely affect the Group's business.

The Group has certain historic incentive arrangements and/or retention arrangements with certain individual employees or groups of employees. These have been recently reviewed and reported on by the Department of Finance. If the Group decides not to, or is precluded from, making payments under these arrangements, the Group could face legal actions from employees and/or could lose the commitment from, or services of, key employees which could impact on the reputation of the Group and the Group's business, financial condition and prospects.

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 remuneration practices, money laundering or mis-selling of financial products. Negative public or industry opinion may adversely affect the Group's ability to have a positive relationship with the Government and/or keep and attract customers and, in particular, depositors, the loss of which would in each case adversely affect the Group's business, financial condition and prospects.

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

The Bank and its subsidiaries are parties to joint ventures, derivative contracts and other contracts and 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 State, obtaining a majority stake in the Bank including in connection with the Rights Issue or the conversion of the Contingent Capital Instrument in its entirety into units of Ordinary Stock. 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. Although the Bank does not believe that the NPRFC obtaining a majority stake in the Bank pursuant to the Rights Issue or conversion of the Contingent Capital Instrument into Ordinary Stock will of itself trigger the change of control provisions in the financial services or foreign exchange joint ventures, a court may find to the contrary. 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 crystalisation of change of control provisions could also result in the loss of contractual rights and benefits, difficulties in sourcing alternative counterparties on acceptable terms to the

Bank, 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 an 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 significantly the recoverable amount of the deferred tax assets currently recognised in the financial statements.

The Programme for Government envisages the imposition of a banking levy on all credit institutions once the banking sector has been restored and is functioning effectively. This levy will be based on the size of the relevant financial institution's liabilities, other than shareholder capital and, if implemented, would adversely impact the Group's results, financial condition and prospects.

In the United Kingdom, a bank levy was introduced with effect from 1 January 2011 for all UK banks, building societies and foreign banks operating in the UK through a subsidiary, including the Bank's subsidiaries. The levy is charged at different rates on the short-term chargeable liabilities and long-term chargeable equity and liabilities as reported in the relevant balance sheet at the end of the chargeable period. The levy is payable with corporation tax in quarterly instalment payments. Any increase or amendment to the method of calculation of this levy, if implemented, would adversely impact the financial condition and prospects of the Group.

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 disaster, 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 through impact on borrower's ability to repay and through direct impact on Group operations.

The Proposals may result in Ordinary Stockholders, other than the NPRFC, holding an aggregate level of Ordinary Stock which constitutes a minority holding in the Bank. As certain provisions of the Irish Takeover Rules have been disapplied in respect of the Bank, the NPRFC will not be obliged to make a mandatory cash offer for all issued Ordinary Stock arising from the Proposals.

Under the Takeover Rules, if an acquisition of Ordinary Stock were to increase the aggregate holding of the acquirer and its concert parties to Ordinary Stock carrying 30% or more of the voting rights in the Bank, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Irish Takeover Panel) to make an offer for the outstanding units of Ordinary Stock at a price not less than the highest price paid for the Ordinary Stock by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by an acquisition of Ordinary Stock by a person holding (together with its concert parties) Ordinary Stock carrying between 30% and 50% of the voting rights in the Bank if the effect of such acquisition were to increase that person's percentage of the voting rights by 0.05% within a 12 month period.

However, in accordance with section 15A of the National Pensions Reserve Fund Act 2010, no acquisition by the NPRFC of shares or securities in connection with a "relevant acquisition" constitutes an offer or any takeover transaction for the purposes of the Takeover Rules or the Takeover Panel Act. A relevant acquisition in this context means an acquisition of an interest in a financial institution, including the Bank, determined by the Minister for Finance, following consultations with the Central Bank, necessary to remedy a serious disturbance in the economy of Ireland or to prevent potential serious damage to the financial system in Ireland and ensure the conditional stability of that system. The acquisition of Ordinary Stock by the NPRFC pursuant to the 2010 Capital Raising, the proposed potential acquisition of New Ordinary Stock by the NPRFC pursuant to the State Placing, the Rights Issue, including pursuant to its underwriting obligations under the Transaction Agreement and the potential acquisition of Ordinary Stock by the State pursuant to a conversion of the Contingent Capital Instrument in its entirety, are relevant acquisitions for these purposes.

As such, the NPRFC has not made, and is not, required to make, and Ordinary Stockholders will not receive, a mandatory cash offer for their Ordinary Stock as would otherwise be the case pursuant to the Takeover Rules if the NPRFC's holding of Ordinary Stock increased further.

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.

The Bank 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.

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 and price decreases 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, including market sentiment towards the financial services sector, the market's response to the Proposals, effect of the level of the NPRFC's holding in the Bank, 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 the Bank's future ability to pay dividends on the units of Ordinary Stock including due to insufficient regulatory capital 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. The Group's securities may also experience further fluctuations and price decreases if the Central Bank'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 issue price of Ordinary Stock under the Debt for Equity Offers and/or the Rights Issue and/or the State Placing. 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 Rights under the Rights Issue. Should the market price of the Ordinary Stock decline below the Rights Issue Price after Qualifying Stockholders take up their Rights, such Qualifying Stockholders would suffer an immediate unrealised loss on the New Ordinary Stock issued in respect of their Rights. Moreover, there can be no assurance that, following the take up of their New Ordinary Stock pursuant to the Rights Issue, Qualifying Stockholders will be able to sell the New Ordinary 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 or other significant Ordinary Stockholders (including any additional units of Ordinary Stock acquired pursuant to the State Placing, the Rights Issue, the Debt for Equity Offers or the conversion of the Contingent Capital Instrument).

The NPRFC's holding of Ordinary Stock is not subject to any restrictions on its disposal. The NPRFC is a significant Stockholder of the Bank and if the NPRFC or other significant Stockholder disposed of all, or a significant portion of, its holding of Ordinary Stock including any additional units of Ordinary Stock acquired pursuant to the State Placing, the Rights Issue, the Debt for Equity Offers or the conversion of the Contingent Capital Instrument in its entirety, this could have a material adverse effect on the market price of the Ordinary Stock and therefore the value of the Group. 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.

Under the terms of the 2009 Preference Stock and the ACSM Hybrids, the Group may make discretionary distributions or dividends on such instruments. In the event that the Group elects not to pay such dividends on the 2009 Preference Stock, it will be required to issue units of Ordinary Stock to the holders of the 2009 Preference Stock (being the NPRFC) in lieu of such dividends. In the event that the Group elects not to pay such distributions on the ACSM Hybrids, the Group will be precluded from paying dividends or distributions on certain instruments affected by the terms of a "dividend stopper" (including Ordinary Stock, the 2009 Preference Stock and the ACSM Hybrids) until the Group satisfies the deferred payment. The ACSM Hybrid terms provide for this payment through monies generated by the sale of units of Ordinary Stock issued to a trustee to sell on behalf of the holders of the ACSM Hybrids. Upon the issue of units of Ordinary Stock pursuant to the terms of the 2009 Preference Stock or the ACSM Hybrids, the proportionate ownership and voting interests of Ordinary Stockholders would be diluted.

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 10.25% per annum of the issue price, which is payable annually at the discretion of the Bank on 20 February. The next payment is due on 20 February 2012. In the event that the Bank does not pay any cash dividend 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 in accordance with the terms of the 2009 Preference Stock as set out in more detail in paragraph 7 (Description of the 2009 Preference Stock of Part V (Additional Information) of this Circular).

In the event that the Directors elect not to pay a cash dividend due on the 2009 Preference Stock (including, for example, if the Group has insufficient regulatory capital or the Bank has inadequate distributable reserves), the Bank will be required to issue further units of Ordinary Stock to the NPRFC. The issue of further units of Ordinary Stock in the event of non-payment of any cash dividend due on the 2009 Preference Stock would result in the further dilution of Existing Ordinary Stockholders' proportionate ownership and voting interests in the Group.

Under the terms of the ACSM Hybrids, a deferral of payment of distributions (scheduled to be paid annually in March at the discretion of the Bank) triggers the "dividend stopper" provisions under those securities which prevent any dividend or coupon payments being made on Ordinary Stock, non-cumulative euro 1992 Preference Stock and Sterling 1992 Preference Stock, the 2009 Preference Stock and Hybrid/Preferred Securities until the deferred distributions are satisfied. The terms of the ACSM Hybrids provide that such deferred distributions are required to be satisfied using the proceeds from a sale of Ordinary Stock issued to a trustee to sell on behalf of the holders ("Procedure"). The amount of the deferred coupon itself bears interest at the applicable rate under the ACSM Hybrids, plus (other than in certain circumstances) an additional 2%. Once all deferred distributions are satisfied in full, the payment of cash distributions on the ACSM Hybrids may (subject to any "dividend stopper" restrictions in effect under the other Tier 1 Securities of the Group) resume. If units of Ordinary Stock are issued pursuant to the Procedure, the proportionate ownership and voting interests of Ordinary Stockholders will be diluted.

As at the date of this Circular, all payments due on the ACSM Hybrids have been satisfied in full, and no "dividend stopper" period subsists. However, if in the future the Group elects or is required to defer payments on the ACSM Hybrids, that will trigger a "dividend stopper" period which, under the terms in effect of the ACSM Hybrids requires the Procedure to apply in order to lift the "dividend stopper".

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 Ordinary Stockholders would increase for each successive issue of Ordinary Stock, as the proportionate ownership of such Existing Ordinary Stockholders would be reduced after each such issue. The Debt for Equity Offers will include an offer to the holders of the ACSM Hybrids to exchange the ACSM Hybrids for units of Ordinary Stock or for cash; however there is no guarantee that some or all of the ACSM Hybrids will be cancelled as a result of the Debt for Equity Offers.

Future issues of Ordinary Stock on a non-pre-emptive basis may further dilute the holdings of Existing Ordinary Stockholders and could materially affect the market price of the Ordinary Stock.

It is possible that the Bank may decide to offer additional Ordinary Stock in the future, to raise capital, or for other purposes. In addition, the Bank is required under the terms of the 2009 Preference Stock and the ACSM Hybrids to issue additional Ordinary Stock in certain circumstances as described in greater detail in the risk factor "*Under the terms of the 2009 Preference Stock and the ACSM Hybrids, the Group may make discretionary distributions or dividends on such instruments. In the event that the Group elects not to pay such dividends on the 2009 Preference Stock, it will be required to issue units of Ordinary Stock to the holders of the 2009 Preference Stock (being the NPRFC) in lieu of such dividends. In the event that the Group elects not to pay such distributions on the ACSM Hybrids, the Group will be precluded from paying dividends or distributions on certain instruments affected by the terms of a "dividend stopper" (including Ordinary Stock, the 2009 Preference Stock and the ACSM Hybrids) until the Group satisfies the deferred payment. The ACSM Hybrid terms provide for this payment through monies generated by the sale of units of Ordinary Stock issued to a trustee to sell on behalf of the holders of the ACSM Hybrids. Upon the issue of units of Ordinary Stock pursuant to the terms of the 2009 Preference Stock or the ACSM Hybrids, the proportionate ownership and voting interests of Ordinary. Stockholders would 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.

PART III

CAPITALISATION AND INDEBTEDNESS

1. Capitalisation and indebtedness

The tables below show the capitalisation and indebtedness of the Group as at 31 December 2009, as at 31 December 2010 and as at 31 March 2011.

Capitalisation

	31 March 2011	31 December 2010	31 December 2009
	(unaudited) million	(audited) million	(audited) million
Capital Stock—authorised			
Euro	**€**	**€**	**€**
24 billion units of €0.10 of ordinary stock	2,400	2,400	—
2 billion units of €0.54 of deferred stock	1,080	1,080	—
2 billion units of €0.64 of ordinary stock	—	—	1,280
100 million units of non-cumulative preference stock of €1.27 each	127	127	127
100 million units of undesignated preference stock of €0.25 each	25	25	25
3.5 billion units of non-cumulative preference stock (2009 Preference Stock) of €0.01 each	35	35	35
Stg£	**Stg£**	**Stg£**	**Stg£**
100 million units of non-cumulative preference stock of Stg£1 each	100	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25	25
US dollar	**US$**	**US$**	**US$**
8 million units of non-cumulative preference stock of US$25 each	200	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25	25
Capital Stock—Allotted and fully paid	**€**	**€**	**€**
5.294 billion units of ordinary stock of €0.10 each	529	529	—
1.211 billion units of deferred stock of €0.54 each	654	654	—
993 million units of ordinary stock of €0.64 each	—	—	636
27.7 million units of treasury stock of €0.10 each	2	2	—
33.2 million units of treasury stock of €0.64 each	—	—	21
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3	3
3 million units of non-cumulative preference stock of €1.27 each	4	4	4
1.837 billion (31 December 2009: 3.5 billion) units of non-cumulative preference stock of €0.01 each (2009 Preference Stock)	18	18	35
Reserves	5,683	6,156	5,775
Own stock held for the benefit of life assurance policyholders	(14)	(15)	(87)
Total Stockholders' equity	**6,879**	**7,351**	**6,387**

Source: December 2009 Annual Report, 2010 Annual Report and unaudited internal management information for 31 March 2011.

Group Indebtedness

	31 March 2011	31 December 2010	31 December 2009
	(unaudited) €m	(audited) €m	(audited) €m
Subordinated liabilities			
Undated subordinated liabilities	756	769	1,521
Dated subordinated liabilities	1,889	2,006	4,532
Total subordinated liabilities	2,645	2,775	6,053
Debt securities			
Debt securities in issue	22,992	28,148	42,672
Liabilities held at fair value through profit or loss (Debt securities)	524	545	472
Total Debt securities	**23,516**	**28,693**	**43,144**
Total indebtedness	**26,161**	**31,468**	**49,197**

Source: Extracted without material adjustment from December 2009 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2011.

2. Cash flow analysis

The cash flow analysis of the Group for (i) the year ended 31 March 2009 is set out on pages 106 to 107 of the 2009 Annual Report, (ii) the nine months ended 31 December 2009 is set out on pages 154 to 155 of the December 2009 Annual Report, (iii) the year ended 31 December 2010 is set out on pages 194 to 195 of the 2010 Annual Report, such pages being incorporated by reference into this Circular.

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 strategy.

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

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

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

The Group aims to meet its objectives in terms of capital management through the maintenance of capital ratios above the minimum levels and targets advised by the Central Bank and also relative to the targets set by the Central Bank and 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's regulatory capital includes the Group's Stockholders' funds (which includes €1.8 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 when calculating 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, 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 Central Bank.

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 1 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 (i.e. using risk weightings prescribed by asset class in the CRD), which is a more granular approach to the calculation of risk weightings than under Basel I, albeit less granular than under IRBA. At 31 December 2010, the Group applied the foundation IRBA and retail IRBA to 75% (66% at 31 December 2009) of its exposures which resulted in 73% of credit Risk Weighted Assets being based on IRBA (44% at 31 December 2009) (Source: unaudited internal management information).

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 announced this information on 18 June 2010.

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 December 2009, 31 December 2010 and 31 March 2011. The information for 31 December 2009, 31 December 2010 and 31 March 2011 contained in this table is extracted without material adjustment from the December 2009 Annual Report, the 2010 Annual Report and unaudited internal management reports for 31 March 2011.

	31 March 2011	31 December 2010	31 December 2009
	(unaudited) €m	(audited) €m	(audited) €m
Share capital and reserves	6,937	7,407	6,437
Regulatory retirement benefit obligation adjustments	270	424	1,632
Available for sale reserve and cash flow hedge reserve	1,063	1,063	1,118
Goodwill & other intangible assets	(426)	(435)	(488)
Preference stock and warrants	(1,876)	(1,877)	(3,521)
Other adjustments	(597)	(782)	80
Equity Tier 1 Capital	**5,371**	**5,800**	**5,258**
Preference stock	60	60	59
2009 Preference stock and warrants	1,816	1,817	3,462
Core Tier 1 Capital	**7,247**	**7,677**	**8,779**
Innovative hybrid debt	296	299	752
Non-innovative hybrid debt	278	280	574
Supervisory deductions	(622)	(580)	(454)
Tier 1 Capital	**7,199**	**7,676**	**9,651**
Tier 2 Capital			
Undated loan capital	176	183	225
Dated loan capital	1,864	2,018	3,716
IBNR provisions	240	174	772
Revaluation reserves	14	14	40
Supervisory deductions	(622)	(580)	(454)
Other adjustments	54	54	11
Tier 2 Capital	**1,726**	**1,863**	**4,310**
Total Capital before supervisory deductions	**8,925**	**9,539**	**13,961**
Supervisory deductions			
Life and Pensions Business	(770)	(816)	(797)
Total capital	**8,155**	**8,723**	**13,164**
Risk Weighted Assets (RWA)—Basel II			
Risk Weighted Assets			
Credit risk	66,772	71,403	89,785
Market risk	1,764	1,964	2,133
Operational risk	5,678	5,678	6,415
Total Risk Weighted Assets	**74,214**	**79,045**	**98,333**
Key Capital Ratios			
Equity Tier 1 Capital Ratio (Core Tier 1 less Preference Stock)	7.2%	7.3%	5.3%
Core Tier 1 Capital Ratio	9.8%	9.7%	8.9%
Tier 1 Capital Ratio	9.7%	9.7%	9.8%
Total Capital Ratio	11.0%	11.0%	13.4%

Source: Extracted without material adjustment from December 2009 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2011.

In June 2009 the Group 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 Group 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 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 Group was to trigger the "dividend stopper" provisions of the LP2 Securities. Under the "dividend stopper", the Group was 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. The Group 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 Group completed the exchange of certain Lower Tier 2 Securities for a new series of longer dated Lower Tier 2 Securities. 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.

On 9 June 2010 the Group completed the 2010 Capital Raising. This capital initiative generated net additional equity for the Group of €2.94 billion. Within this capital raising, the exchange of Non Core Tier 1 and 1 Upper Tier 2 Security for equity yielded a gain to Equity Tier 1 Capital and Core Tier 1 Capital of €300 million whilst leaving the total capital position unchanged. €871 million in carrying value of Non Core Tier 1 and Upper Tier 2 Securities were exchanged for €588 million in equity giving rise to the €300 million gain.

On 16 September 2010 the Group completed the exchange of a Canadian Dollar Lower Tier 2 Security for new longer dated Canadian Dollar Lower Tier 2 Security. This yielded a gain of €25 million from €132 million in nominal value of Lower Tier 2 Securities, which were exchanged for €107 million in nominal of value of new Lower Tier 2 Securities, leaving the total capital position unchanged.

On 17 December 2010 the Group completed the exchange of certain Lower Tier 2 Securities for euro and Sterling Medium Term Notes due 2012. This yielded a gain to Equity Tier 1 Capital and Core Tier 1 Capital of €0.7 billion whilst reducing the total capital position by €0.7 billion. €1.355 billion in nominal value of Lower Tier 2 Securities were exchanged for the equivalent of €700 million of new securities.

On 10 February 2011, the Group announced the exchange of €102 million nominal value of certain Canadian Dollar Lower Tier 2 Securities for €56 million of euro and Canadian Dollar Medium Term Notes due in 2012. This generated Core Tier 1 Capital of €46 million whilst reducing Total Capital by €56 million.

Under the Approved 2010 EU Restructuring Plan, the Group committed not to make discretionary payments of coupons on hybrid capital securities on or before 31 January 2011. Following the expiry of this commitment, on 1 February 2011 the Group paid the deferred coupon and interest payable in respect of the ACSM Hybrids. In light of the lifting of the "dividend stopper", the Group also paid the distribution payable in respect of the LP2 Securities and the LP3 Securities on 1 February and 4 February 2011.

On 8 June 2011, the Bank launched the Debt for Equity Offers pursuant to which the holders of €2.6 billion in nominal value of Tier 1 and Tier 2 Securities (known as "Eligible Debt Securities") were provided the opportunity to exchange these securities for cash or for new units of Ordinary Stock. The deadline for receipt of tenders for the Debt for Equity Offers (other than the Canadian Dollar 2015 Notes) is 7 July 2011. It is expected that the results of the Debt for Equity Offers, including incremental Core Tier 1 Capital generated, will be announced on 8 July 2011. The completion of the equity component of the Debt for Equity Offers is conditional on Stockholder approval at the Extraordinary General Court to be held on 11 July 2011.

Impact of NAMA on Capital

During the twelve month period ended 31 December 2010, the Group sold €9.4 billion of gross assets (before impairment provisions) to NAMA. The nominal consideration receivable for these assets amount to €5.2 billion resulting in a gross discount of 44%. The gross discount on assets sold to NAMA exceeds the estimate as outlined in the Minister for Finance's Statement on Banking issued on 30 September 2010, which was based on a forecast provided to the Minister by NAMA at that time. At 31 December 2010, the Group held €0.9 billion of assets (before impairment provisions) eligible for transfer to NAMA, where an individual customer/sponsor has an exposure of greater than €20 million. As at 30 April 2011, the Group held €1.0 billion of assets (before impairment provisions) expected to transfer to NAMA, representing an increase of €0.1 billion from 31 December 2010 attributable to the identification by NAMA of additional assets required to transfer (Source: unaudited internal management information). The Group expects that the final discount on the transfer of these assets to NAMA will be less than the average on assets sold prior to 31 December 2010.

As announced by the Minister for Finance on 15 April 2011, all existing land and development loans of less than €20 million will not transfer to NAMA. Consequently, the Group believes that remaining land and development loans will be retained by the Group as non-core assets to be delevered or sold over time. However, the Group is required to submit contingency plans to the Government to meet the deleveraging targets under the PLAR. If these plans are not deemed feasible, the Government has stated that, if it believes that the Group requires alternative methods to meet the deleveraging targets under the PLAR, it may reconsider transferring the land and development loans of less than €20 million to NAMA.

March 2011 PCAR

The March 2011 PCAR undertaken by the Central Bank was a stress test of the capital resources of the Group under an adverse stress scenario, undertaken in order to calculate the capital required to meet the Central Bank's minimum regulatory capital requirements. It included an assessment of potential loan losses over a three year (2011-2013) time horizon under base case and stress scenarios using external assumptions and methodologies.

The Central Bank engaged external consultants, BlackRock Solutions ("BlackRock"), to carry out the loan loss assessment used to calculate the capital requirements for the March 2011 PCAR, with Boston Consulting Group (BCG) providing an independent assessment on the work performed by BlackRock to assess, among other things, that they were sufficiently conservative in output.

The March 2011 PCAR Core Tier 1 Capital requirement has been set with the objective of addressing the following:

- the higher capital ratios required by the Central Bank of a minimum Core Tier 1 Capital Ratio of 10.5% on an ongoing basis and a minimum Core Tier 1 Capital Ratio of 6% under the adverse stress scenario;
- an additional Core Tier 1 Capital regulatory buffer of €0.5 billion reflecting additional conservatism;
- the adverse stress scenario loan loss estimates based on BlackRock's methodology;
- the potential transfer of further loans to NAMA applying what the Central Bank described as haircuts (discounts) "in line with the haircuts applied under NAMA transfers during 2010"; and
- what the Central Bank described as a "prudent" estimate of losses arising from deleveraging under an adverse stress scenario.

As with any stress test, the adverse stress scenario is designed to cover "what-if" situations reflecting even more stressed macroeconomic conditions than might reasonably be expected to prevail. If the additional potential loan losses in the adverse stress scenario do not materialise, the Group should significantly exceed the 10.5% minimum Core Tier 1 Capital Ratio as required by the Central Bank.

The result of the March 2011 PCAR is that the Group is required to generate additional Core Tier 1 Capital of €4.2 billion (including a regulatory buffer of €0.5 billion) and €1.0 billion in contingent capital. This supersedes the additional required capital announced by the Central Bank on 28 November 2010. Following the March 2011 PCAR, the Group's incremental Core Tier 1 Capital requirement comprises of the following:

Factors driving the additional Core Tier 1 Capital requirement for the Group	**€ billion**
Higher minimum Core Tier 1 Capital Ratio requirements of 10.5% (previously 8%) announced on 28 November 2010 to include the transfer of further loans to NAMA and deleveraging impacts	2.2
Additional losses on sales of assets to NAMA, and subordinated debt impairment	0.2
Offset by capital generated by the Group from liability management initiatives and business disposals between 28 November 2010 and 31 March 2011	(0.8)
March 2011 PCAR	2.2
Other items (net)	(0.1)
Sub-total	3.7
Regulatory Buffer	0.5
Total Equity Capital Requirement	**4.2**

When generated, the additional Core Tier 1 Capital required by the March 2011 PCAR will lead to the Group being strongly capitalised with a pro forma Core Tier 1 Capital Ratio of 15.4% at 31 December 2010 (See Part IV (Unaudited Pro Forma Financial Information) of this Circular).

The €1.0 billion of contingent capital required will be raised via the issue to the State of the Contingent Capital Instrument and which, under certain circumstances, would convert in its entirety to Core Tier 1 Capital in the form of Ordinary Stock.

EBA stress testing

The EBA is required, in cooperation with the European Systemic Risk Board (ESRB), to initiate and coordinate EU-wide stress tests to assess the resilience of financial institutions to adverse market developments. Building on experience of two previous EU-wide stress tests undertaken by the EBA's predecessor, the Committee of European Banking Supervisors (CEBS), the EBA is conducting a stress test on a wide sample of banks (including the Group) in the first half of 2011. This exercise is being undertaken in coordination with national supervisory authorities, the ESRB, the European Central Bank (ECB) and the European Commission.

The Group is subject to this test and the exercise is being carried out between March 2011 and June 2011. After a series of national supervisory authority reviews all results will be submitted centrally to the EBA. These results will undergo an extensive quality control and peer review process that will involve further interaction with national supervisory authorities and relevant banks as appropriate.

The final set of results will be reviewed by the EBA's Board of Supervisors before expected publication in June 2011. The stress test is one of a range of supervisory tools used for assessing the resilience of individual financial institutions as well as the overall resilience of the system. The exercise is conducted on a bank-by-bank basis and the objective of the stress test is to assess the resilience of the EU banking system, and the specific solvency of individual financial institutions, to hypothetical stress events under certain restrictive conditions imposed by supervisors.

Capital Resources

Capital strategy is integrated into the overall strategy of the Group reflecting its importance to the operations of the Group.

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 March 2011	31 December 2010	31 December 2009
	(unaudited) €m	(audited) €m	(audited) €m
Stockholders' funds			
Equity (including other equity reserves)	6,854	7,326	6,345
Non-cumulative preference stock	25	25	42
Minority interests—equity	58	56	50
Undated loan capital	756	769	1,521
Dated loan capital	1,889	2,006	4,532
Total capital resources	**9,582**	**10,182**	**12,490**

Source: Extracted without material adjustment from December 2009 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2011.

In the 12 month period ended 31 December 2010 the Group's total capital resources reduced by €2.3 billion to €10.2 billion. The movements in total capital resources were driven by movements in equity, undated and dated loan capital. The increase in equity was driven by a number of factors including the 2010 Capital Raising initiatives which increased equity by €1.3 billion (net of 2009 (NPRFC) preference stock converted to ordinary stock); a gain of €0.4 billion due to changes in actuarial assumptions in the defined benefit pension schemes offset by an after tax loss of €0.6 billion (driven by impairment charges on loans and advances to customers and losses incurred on the sale of assets to NAMA). The reduction in undated and dated loan capital of €0.8 billion and €2.5 billion, respectively, resulted from a series of liability management exercises of subordinated debt securities which reduced subordinated capital by €2.4 billion together with the redemption of a further €0.75 billion of subordinated debt securities.

In the 3 month period ended 31 March 2011, the Group's total capital resources reduced by €0.6 billion to €9.6 billion. The movements in total capital resources were primarily driven by movements in equity and dated loan capital. The decrease in equity of €0.47 billion is driven by a number of items including; an after tax loss in the period of €0.2 billion; the payment by the Group of dividends totaling €0.22 billion on its euro and sterling preference stock and in respect of 2009 Preference Stock held by the NPRFC; movements of €0.14 billion in the foreign exchange reserve; offset by, an actuarial gain on defined pension benefit schemes of €0.1 billion. The reduction in dated loan capital of €0.1 billion resulted primarily from the exchange of securities with a nominal value of CAD$138 million to new senior debt securities in February 2011.

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 16 June 2011, the last practicable date prior to the publication of this Circular were as follows:

Senior Debt	Long-Term (Outlook)/Short-Term (Outlook)
Moody's Investor Service	Baa2 (Deposit Rating Ba1)(Negative) /N-P (Not Prime) (Deposit Rating N-P)(N/A)
Standard & Poor's	BB+ (Creditwatch Negative)/B (Creditwatch Negative)
Fitch	BBB (Negative)/F2 (N/A)
DBRS	BBB high (Negative)/R-2 high (Negative)

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 16 June 2011, the last practicable date prior to the publication of this Circular, 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 is the risk that the Group will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds.

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven, among other things, by the maturity structure of loans and investments held by the Group, while cash outflows are driven by the term of the debt issued by the Group and the outflows from deposit accounts held for customers.

Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt which are often associated with times of distress or adverse events such as a credit rating downgrade(s) or economic or financial turmoil.

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.

The following table provides the maturity analysis of the Group's financial assets and liabilities as at 31 December 2010:

	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Assets	**9,900**	**15,501**	**12,723**	**44,052**	**76,550**	**158,726**
Liabilities	**33,551**	**60,534**	**14,816**	**23,328**	**11,202**	**143,431**

Source: extracted without material adjustment from the 2010 Annual Report.

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 expected maturity profile of assets and liabilities and the Group's debt issuance strategy.

In addition, the Group is required to comply with the liquidity requirements applied by the Central Bank and with the requirements of local regulators in those jurisdictions in which the liquidity requirements apply to the Group. The Central Bank 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. Compliance with the regulatory liquidity ratios prescribed by the Central Bank can be adversely impacted by a range of factors including the term of borrowings, the split between unsecured and secured funding and the mix of liquidity facilities made available by Monetary Authorities including the Central Bank. Notwithstanding the Group's more restrictive internal liquidity measures described above, it has experienced two temporary breaches of the prescribed Central Bank liquidity limits. The first of these occurred on 14 January 2011. Against a Central Bank limit of 100% cover for 0 to 8 day cashflows the Group's cover fell to 84.6% at its lowest, before being resolved on 28 January 2011. The second occurred on 6 April 2011. Against the Central Bank 90% limit for 8 to 30 day cashflows, the Group's cover fell to 74.1% at its lowest, before being resolved on 20 April 2011. The breaches have been associated with the contraction in the availability of unsecured wholesale funding and changes in the eligibility criteria of the ECB, resulting in increased usage of shorter term Monetary Authority funding. The Group has notified the Central Bank of the likelihood of a further liquidity breach in the month of June 2011. The actions agreed with the Central Bank to delever the balance sheet post the PLAR exercise are expected to reduce the Group's funding and liquidity risk and ensure ongoing compliance with regulatory liquidity ratios.

As a result of contraction in the availability of unsecured wholesale funding and the deposit outflows experienced in the second half of 2010, the Group's reliance on Monetary Authority funding has increased significantly. The Group is currently dependent on secured funding from the ECB of €22 billion (net) at 31 March 2011 from €23 billion (net) at 31 December 2010 and €11 billion (net) at 31 December 2009 and emergency liquidity assistance from the Central Bank of €9 billion at 31 March 2011 from €8 billion at 31 December 2010 and nil at December 2009. Further details of wholesale funding, including Monetary Authority funding are set out in paragraph 4 (Liquidity Management, Liquidity Risk and Funding Strategy) of this Part III under the headings "Funding and Liquidity Support" and "Wholesale Funding" (Source: internal unaudited management information).

Bank of Ireland (UK) plc is subject to FSA liquidity regulations, including the requirement to hold liquid assets for its use which cannot be used by other members of the Group for other purposes. The targeted lending and deposit growth in Bank of Ireland (UK) plc (including the requirement to hold adequate liquid assets in Bank of Ireland (UK) plc) forms part of the Group's overall plan to achieve the PLAR targets, including the required loan to deposit ratio. Bank of Ireland (I.O.M.) Limited is subject to similar liquidity regulations set by the Isle of Man Financial Supervision Commission.

While liquidity conditions are presently constrained, the Group, in the normal course, aims to maintain 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.

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 42% of the funding of the balance sheet of the Group as at 31 December 2010 (excluding Bank of Ireland Life funds held on behalf of policyholders). Customer deposits amounted to €65 billion at 31 December 2010 compared to €85 billion at 31 December 2009. Medium term growth in the Group's lending activities will depend, in part, on the availability of customer deposits on appropriate terms (consistent with applicable regulatory constraints), for which there is vigorous competition.

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 (€50 billion of total customer deposits as at 31 December 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 (including funding from Monetary Authorities) programmes account for a further 45% of the Group's funding requirements as at 31 December 2010 (excluding Bank of Ireland Life funds held on behalf of policyholders) and cover diverse geographies and a range of different investor types.

The funding programmes that the Group has available are as follows:

- ECP programmes (European Commercial Paper): securities issued pursuant to the ECP programmes 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;

- USCP programmes (US Commercial Paper): securities issued pursuant to the USCP programmes are either guaranteed or unguaranteed and available from 1 month to 12 month maturities in USD;
- YCD facilities (Yankee Certificate of Deposit): securities issued pursuant to the YCD facilities 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;
- €5 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 securities for sale into the US domestic market;
- €15 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 mortgages. Issuances pursuant to this programme are in euro; and
- BOI UK Covered Bond programme: this is a €15 billion programme.

Due to constrained liquidity conditions, utilisation of these programmes is limited. Further information is set out in the table showing the Group's funding sources on page 88 of this Circular.

In addition to its funding programmes, the Group currently accesses liquidity schemes provided by Monetary Authorities as referenced in the section entitled "Funding and Liquidity support" below.

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

Following the recent rating agency downgrades of the Irish sovereign credit ratings and the Group's credit ratings and in line with many other financial institutions, the Group has experienced a deterioration in funding market conditions in recent months, thereby adversely affecting the Group's funding position. At 31 March 2011, the Group had a loan to deposit ratio of 167% (excluding loans held for sale to NAMA) which represented an improvement of 8 percentage points from 175% at 31 December 2010 and a disimprovement of 26 percentage points from 141% at 31 December 2009.

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 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 dislocation within funding markets.

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 the Bank, to the Irish economy introduced the CIFS Guarantee Scheme on 30 September 2008 which guaranteed the deposits and certain liabilities of covered institutions and expired on 29 September 2010.

The ELG Scheme facilitates participating institutions issuing debt securities and taking deposits which have a maturity of up to five years, provided the relevant liabilities are incurred during the Issuance Window. The ELG Scheme had an original expiry of 29 September 2010. The ELG Scheme was approved by the European Commission under the EU State aid rules on 20 November 2009. On 9 December 2009, the Minister for Finance commenced the ELG Scheme which is subject to six-monthly State aid approval by the European Commission. The Bank announced on 11 January 2010 that it and a number of its subsidiaries had joined the ELG Scheme.

On 28 June 2010, following a request from the Minister for Finance, the European Commission approved a modification of the ELG Scheme to provide a prolongation of the Issuance Window (subject to the introduction of new pricing rates for participating institutions). The Issuance Window was extended from 1 July 2010 to 31 December 2010 for (a) debt liabilities, corporate deposits and interbank deposits with a maturity of between

3 months and five years and (b) retail deposits of any duration up to five years. Additionally, the Issuance Window was extended from 1 July 2010 to 29 September 2010 for debt liabilities, interbank deposits and corporate deposits with a maturity of less than 3 months.

On 22 September 2010, following a request from the Minister for Finance, the European Commission approved a modification of the ELG Scheme to provide a prolongation of the Issuance Window from 29 September 2010 to 31 December 2010 (subject to an increase in fees for participating institutions) for debt liabilities, interbank deposits and corporate deposits with a maturity of less than 3 months.

The ELG Scheme was subsequently extended to 30 June 2011. On 1 June 2011, the European Commission, following an application from the Minister for Finance, granted State aid approval for the extension of the plan to 31 December 2011.

Following the downgrades of the Irish sovereign credit ratings in August 2010 and September 2010, the consequent downgrades of the Group and uncertainty in relation to whether the ELG Scheme would be extended, the Group experienced a material deterioration in funding market conditions. As a result, the Group has experienced significant outflows of rating sensitive customer deposits in its capital markets business. While retail Ireland deposit volumes have remained stable throughout 2010, the Group continues to experience strong growth in retail deposit volumes in its UK Post Office joint ventures and deposits in the Group's capital markets division have broadly stabilised since 31 December 2010, unsecured wholesale funding has been materially adversely affected.

On 10 November 2010, the Minister for Finance announced the extension of the ELG Scheme to 31 December 2011 subject to six-monthly State aid approval by the European Commission. State aid approval was given by the European Commission on 10 November 2010 for an initial extension of the Issuance Window of the ELG Scheme to 30 June 2011, in accordance with the EU Commission practice of approving Member State guarantee schemes for 6 month periods at a time.

The Group's total liabilities (excluding both equity and Bank of Ireland Life policyholder liabilities) at 31 December 2010 amounted to €147 billion. €39 billion or 27% is guaranteed under ELG Scheme with a further €35 billion or 24% guaranteed under deposit protection schemes operating pursuant to the Deposit Guarantee Schemes Directive. In the 12 months ended 31 December 2010 the cost of the State Guarantee Schemes was €343 million (an increase of €238 million when compared to the 12 month period ended 31 December 2009).

The heightened concerns regarding European sovereign debt experienced in May and June 2010 resulted in renewed instability in financial markets, adversely impacting market sentiment, restricting access to wholesale funding markets for financial institutions across Europe and increasing the market cost of credit default protection. These concerns resurfaced during the third quarter of 2010 for peripheral European countries, and particularly Ireland, due to heightened concerns in international debt markets about the level of fiscal deficits in these countries and the potential impact of these deficits on their economies.

The Group qualifies for access to the liquidity operations offered by the Monetary Authorities for so long as it meets certain eligibility criteria relating to collateral which it can provide to the Monetary Authorities. As a result of the challenging funding markets the Group has extended its usage of liquidity facilities provided by Monetary Authorities by means of both its pool of eligible collateral with the ECB and the additional liquidity facilities introduced by the Central Bank. The pool of eligible collateral with the ECB includes borrowings collateralised by the retained Bank issued Government guaranteed debt. In February 2011, Standard & Poor's, Moody's Investor Service and Fitch further downgraded the long term ratings for the Group. As a result of these downgrades, the Group's ability to obtain liquidity from certain instruments in its contingent collateral pool was negatively impacted by approximately €2 billion. The Group is currently dependent on secured funding from the ECB (€22 billion (net) at 31 March 2011, €23 billion (net) at 31 December 2010 an increase of €12 billion from 31 December 2009) and emergency liquidity assistance from the Central Bank (€9 billion at 31 March 2011, €8 billion at 31 December 2010 and nil at 31 December 2009).

As also noted in the risk factor entitled "*The Group has a continuous need for liquidity to fund its business activities. It may suffer periods of market-wide and/or firm-specific liquidity constraints and is exposed to the risk that liquidity is not made available to it even if its underlying business remains strong*", the Group's compliance with regulatory liquidity ratios prescribed by the Central Bank could be adversely impacted by a range of factors including the term of borrowings, the split between unsecured and secured funding and the mix of facilities provided by the Monetary Authorities, including the Central Bank.

The Group's focus on deleveraging its balance sheet should help to reduce the Group's funding and liquidity risk in the future. In addition, the Directors believe that the Rights Issue 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 when market conditions 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.

The following table shows the Group's funding sources:

Summary Liabilities (excluding Bank of Ireland Life policyholder liabilities)	31 March 2011		31 December 2010		31 December 2009	
	€bn	%	€bn	%	€bn	%
	(unaudited)		(audited)		(audited)	
Deposits from banks[1]	43	29%	41	27%	18	11%
Senior Debt/Asset Covered Securities	18	12%	23	15%	27	16%
Commercial Paper/Certificates of deposits	—	—	1	0%	10	6%
Securitisations	5	3%	5	3%	6	3%
Total wholesale funding	**66**	**44%**	**70**	**45%**	**61**	**36%**
Subordinated Debt	3	2%	3	2%	6	4%
Customer Deposits	66	44%	65	42%	85	50%
Stockholders' equity	7	5%	7	5%	6	4%
Other	8	5%	10	6%	11	6%
Total Group Funding (excluding Bank of Ireland Life Liabilities)	**150**	**100%**	**155**	**100%**	**169**	**100%**

Source: Extracted without material adjustment from the December 2009 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2011.

(1) Includes secured funding obtained from the ECB (€22 billion (net) at 31 March 2011, €23 billion (net) at 31 December 2010, an increase of €12 billion from 31 December 2009 and emergency liquidity assistance from the Central Bank (€9 billion at 31 March 2011, €8 billion at 31 December 2010 and nil at 31 December 2009).

The following table provides a maturity analysis of wholesale funding:

Wholesale funding maturity analysis	31 March 2011		31 December 2010		31 December 2009	
	€bn	%	€bn	%	€bn	%
	(unaudited)		(audited)		(audited)	
Less than 3 months[1]	41	62%	43	61%	23	38%
3 months to one year	6	9%	5	7%	19	31%
One to five years	16	24%	16	23%	10	16%
More than five years	3	5%	6	9%	9	15%
Total wholesale funding	**66**	**100%**	**70**	**100%**	**61**	**100%**

Source: Extracted without material adjustment from the December 2009 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2011.

(1) Includes secured funding obtained from the ECB (€22 billion (net) at 31 March 2011, €23 billion (net) at 31 December 2010, an increase of €12 billion from 31 December 2009 and emergency liquidity assistance from the Central Bank (€9 billion at 31 March 2011, €8 billion at 31 December 2010 and nil at 31 December 2009).

Balance Sheet Deleverage and PLAR

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 outside the UK, into run-off.

The PLAR, undertaken by the Central Bank together with the EU, IMF and ECB, was an assessment of measures to be implemented with a view to steadily deleveraging the banking system and reducing reliance on short term wholesale funding and liquidity support from Monetary Authorities. The PLAR has set specific funding targets for the Group consistent with the proposals developed by the Basel Committee on Banking Supervision, a forum for regular co-operation on banking supervisory matters (known as "Basel III"), and other international measures to improve the stability and quality of bank funding structures. The PLAR incorporates the Deleveraging Plan which requires a loan to deposit ratio of 122.5% for the Group by 31 December 2013. The Group's loan to deposit ratio at 31 March 2011 was 167% a decrease from 175% at 31 December 2010 having increased from 143% at 30 June 2010. (Source: internal unaudited management information)

The Deleveraging Plan envisages certain loan portfolios / lending businesses of the Group continuing to be delevered or disposed of on an orderly basis resulting in an expected reduction in the Group's total loans and advances to customers (excluding assets held for sale to NAMA and net of impairment provisions) from €114 billion at 31 December 2010 to approximately €90 billion by 31 December 2013. This will be achieved through an approximately €30 billion reduction in the Group's non-core loan portfolios of which approximately €10 billion will be in the form of asset disposals. This will equate to a reduction of approximately €24 billion due to a net increase of approximately €6 billion in core loan portfolios. Incorporated within the Core Tier 1 Capital requirement of €4.2 billion is what the Central Bank described as a "prudent" estimate of losses arising on the approximately €10 billion asset disposal under an adverse stress scenario.

The loan portfolios / lending businesses of the Group, that are being/will be delevered or disposed of over time, include:

- Portfolios of UK mortgages that were sourced from brokers and other intermediaries;
- Selected international niche businesses such as project finance, asset based lending and certain previously identified international corporate banking portfolios; and
- Certain international commercial investment property loan portfolios.

The Group envisages that the international portfolios will be significantly delevered or sold in the period to 31 December 2013 on a basis that will balance the advantage of stronger liquidity ratios with the need to maximise the value of the disposal of such assets without pressure to concede to the risk of the sale of assets in a rapid manner that would result in a lower price being obtained compared to a more orderly sale process.

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 254 full time branches, in Northern Ireland through its 44 branches, and internationally through its joint ventures 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.

	31 March 2011		31 December 2010		31 December 2009	
Customer deposits	**€bn**	%	**€bn**	%	**€bn**	%
	(unaudited)		**(audited)**		**(audited)**	
Retail Ireland	**34**	**52%**	**35**	**54%**	**35**	**41%**
—Deposits	23		24		24	
—Current account credit balances	11		11		11	
UK Financial Services (€bn equivalent)[(1)]	**23**	**35%**	**21**	**32%**	**21**	**25%**
UK Financial Services (£bn)[(1)]	20		18		19	
—POFS	13		11		9	
—Business Banking	7		7		10	
Capital Markets	**9[(2)]**	**13%**	**9**	**14%**	**29**	**34%**
Total customer deposits	**66**	**100%**	**65**	**100%**	**85**	**100%**

Source: Extracted without material adjustment from the December 2009 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2011.

(1) Material deposits held by Bank of Ireland (UK) plc.

(2) The customer deposits for Capital Markets as at 31 March 2011 include €1.4 billion of deposits from the NTMA.

The following table provides a maturity analysis of customer deposits:

	31 March 2011		31 December 2010		31 December 2009	
Customer Deposit maturity analysis	**€bn**	%	**€bn**	%	**€bn**	%
	(unaudited)		**(audited)**		**(audited)**	
Less than 3 months	**50**	**76%**	50	77%	68	80%
3 months to one year	**11**	**17%**	11	17%	12	14%
One to five years	**4**	**6%**	4	6%	4	5%
More than five years	**1**	**1%**	—	—	1	1%
Total customer deposits	**66**	**100%**	**65**	**100%**	**85**	**100%**

Source: Extracted without material adjustment from the December 2009 Annual Report, the 2010 Annual Report and unaudited internal management information for 31 March 2011.

Reflecting the difficult market conditions experienced in the second half of 2010, the Group has experienced significant outflows of ratings sensitive customer deposits in the capital markets business. However, despite intense competition, the Group's retail customer deposit base in Ireland has been stable throughout 2010. Retail deposit gathering activities in the joint ventures with the UK Post Office continue to perform. The recent incorporation of the Group's UK retail and commercial banking activities, into an FSA approved and licensed wholly owned subsidiary is expected to support the Group's deposit raising strategies in the UK over the medium term. The Group's deposit base decreased by €20 billion from €85 billion at 31 December 2009 to €65 billion at 31 December 2010 due principally to the €19 billion decrease in rating sensitive deposits in the Group's capital markets division and has broadly stabilised since with €66 billion at 31 March 2011.

The Group's loans to deposit ratio (excluding loans held for sale to NAMA) has increased from 141% at 31 December 2009 to 175% at 31 December 2010 and 167% at 31 March 2011.

Wholesale Funding

The heightened concerns regarding European sovereign debt experienced in May and June 2010 resulted in renewed instability in financial markets and restricted access to wholesale funding markets for financial institutions across Europe. These concerns resurfaced during the third quarter particularly for Irish sovereign debt.

Following the rating agency downgrades of the State in August 2010 and the Group in October 2010 and in line with many other financial institutions, the Group has experienced a deterioration in funding market conditions. This has resulted in a shortening of the maturity profile of wholesale funding due to limited access to Term Wholesale Funding markets and an increased reliance on secured borrowing.

As a result, the Group has extended its usage of liquidity facilities made available by Monetary Authorities by means of both its pool of eligible collateral with the ECB and the additional liquidity facilities introduced by the Central Bank.

During 2010, the Group issued €6.8 billion of Term Wholesale Funding with an average maturity of 3.3 years and an average spread of 2.4%. Wholesale funding as a percentage of the Group total funding (excluding Bank of Ireland Life policyholder liabilities) decreased to 44% (€66 billion) at 31 March 2011 from 45% (€70 billion) at 31 December 2010), compared to 36% (€61 billion) at 31 December 2009. At 31 March 2011, 29% or €19 billion of this wholesale funding was Term Wholesale Funding, compared to 32% at 31 December 2010 and 32% at 31 December 2009. (Extracted without material adjustment from the December 2009 Annual Report, the 2010 Annual Report and unaudited internal management information for 2011.)

Impact of the Proposals on Funding and Liquidity

The strengthened capital position resulting from the Proposals is expected to provide wholesale funding markets and depositors with increased confidence in the Group and support a prudent disengagement from the State Guarantee Schemes as market conditions allow.

5. Potential impact of EU Restructuring Plan

The implementation of the Revised 2011 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 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 Revised 2011 EU Restructuring Plan are provided in paragraph 13 (EU Notification and approval and Financial Measures) of Part I (Letter from the Governor of Bank of Ireland) of this Circular.

6. Working Capital

As discussed above, the markets for short and medium-term sources of funding on which banks rely to support their business activities remain constrained. As a result, support by the Minister for Finance and Monetary Authorities 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 uncertainties surrounding this support, the Irish Stock Exchange and the UKLA 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 IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION

SECTION A

Effect of the Proposals

The unaudited pro forma financial information set out in this Part IV is based on the audited results of the Group for the year ended 31 December 2010, which were prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS in accordance with the European Communities (Credit Institutions: Accounts) Regulations, 1992.

The unaudited pro forma financial information has been prepared after applying the adjustments described in the notes set out below and in accordance with item 10.3.3 of the Listing Rules of the Irish Stock Exchange and item 13.3.3 of the Listing Rules of the UK Listing Authority. The unaudited pro forma financial information has been prepared to illustrate the effect of the Proposals as if they had occurred on 31 December 2010.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, the pro forma financial information addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

1. Unaudited pro forma balance sheet as at 31 December 2010

		Adjustments			
	Reported position as at 31 December 2010	The Proposals excluding Contingent Capital Instrument	Contingent Capital Instrument	Cost of the Proposals	Pro forma adjusted position as at 31 December 2010
	€ millions Note 1	€ millions Note 2	€ millions Note 3	€ millions Note 4	€ millions Note 5
ASSETS					
Cash and balances at central banks	1,014	1,712	985	(150)	3,561
Items in the course of collection from other banks	491				491
Trading securities	151				151
Derivative financial instruments	6,375		96		6,471
Other financial assets at fair value through profit or loss	10,045				10,045
Loans and advances to banks	7,458				7,458
Available for sale financial assets	15,576				15,576
NAMA senior bonds	5,075				5,075
Loans and advances to customers	114,457				114,457
Assets held for sale to NAMA	804				804
Interest in associates	26				26
Interest in joint venture	199				199
Intangible assets—goodwill	44				44
Intangible assets—other	408				408
Investment properties	1,304				1,304
Property, plant and equipment	372				372
Deferred tax assets	1,128				1,128
Current tax assets	125				125
Other assets	2,291				2,291
Retirement benefit asset	11				11
Other assets classified as held for sale	119				119
Total assets	**167,473**	**1,712**	**1,081**	**(150)**	**170,116**

		Adjustments			
	Reported position as at 31 December 2010	The Proposals excluding Contingent Capital Instrument	Contingent Capital Instrument	Cost of the Proposals	Pro forma adjusted position as at 31 December 2010
	€ millions Note 1	€ millions Note 2	€ millions Note 3	€ millions Note 4	€ millions Note 5
EQUITY AND LIABILITIES					
Deposits from banks	41,075				41,075
Customer accounts	65,443				65,443
Items in the course of transmission to other banks	293				293
Derivative financial instruments	5,445				5,445
Debt securities in issue	28,693				28,693
Liabilities to customers under investment contracts	5,271				5,271
Insurance contract liabilities	7,188				7,188
Other liabilities	3,102	(180)			2,922
Current tax liabilities	139				139
Provisions	64				64
Deferred tax liabilities	91				91
Retirement benefit obligations	435				435
Subordinated liabilities	2,775	(2,582)	957		1,150
Liabilities classified as held for sale	52				52
Total liabilities	**160,066**	**(2,762)**	**957**	**—**	**158,261**
Equity					
Capital stock & Stock premium account	5,136	2,181		(130)	7,187
Retained earnings	3,740	2,349		(20)	6,069
Other reserves	(1,510)	(56)	124		(1,442)
Own shares held for the benefit of life assurance policyholders	(15)				(15)
Stockholders' equity	**7,351**	**4,474**	**124**	**(150)**	**11,799**
Non-controlling interests	56				56
Total equity	**7,407**	**4,474**	**124**	**(150)**	**11,855**
Total equity and liabilities	**167,473**	**1,712**	**1,081**	**(150)**	**170,116**

Notes:

(1) Information on the assets, liabilities and equity of the Group as at 31 December 2010 has been extracted without material adjustment from the audited consolidated balance sheet included in the 2010 Annual Report as published on 14 April 2011. Capital stock and stock premium account have been combined in the above analysis in order to simplify the presentation.

(2) This column represents the impact of the Proposals, excluding the Contingent Capital Instrument, assuming a 100% cash take-up under the Debt for Equity Offers.

The Group is proposing to generate €4.2 billion incremental Core Tier 1 Capital required under the March 2011 Financial Measures Programme (which includes a regulatory buffer of €0.5 billion for additional conservatism). Taking account of estimated expenses of €150 million, this results in a requirement to generate a gross €4.35 billion of incremental Core Tier 1 Capital.

The Rights Issue is to be fully underwritten by the NPRFC. The maximum Rights Issue size is therefore €4.35 billion (including the total estimated expenses of €150 million).

On the basis of the assumptions set out below, the Bank assumes that the actual maximum size of the Rights Issue would be €2,101 million, as a minimum of €2,169 million would be raised through the Debt for Equity Offers and €79.5 million through the State Placing (this has been rounded to €80 million for the purpose of the pro forma financial information).

The amount of €2,169 million generated through the Debt for Equity Offers, which is the gain arising from the difference between the nominal amount of €2,638 million and the amount paid out in cash of €469 million, is based on the following assumptions:

(i) No equity take-up (all of the Debt for Equity Offers are settled in cash);

(ii) A discount of 90% is assumed for Tier 1 securities on a nominal balance of €582 million, generating a gain of €524 million; and

(iii) A discount of 80% is assumed for Tier 2 securities on a nominal balance of €2,056 million, generating a gain of €1,645 million.

The reduction in subordinated liabilities of €2,582 million arises from the Tier 1 Securities of €582 million and Tier 2 Securities of €2,000 million. The reduction in "Other reserves" is due to a floating rate note in the amount of €56 million (which is classified as a Tier 2 Security for regulatory capital purposes) but which is accounted for in "Other reserves" rather than subordinated liabilities, in accordance with IFRS.

If the NPRFC elects to proceed with the maximum State Placing, the Bank would issue 794,912,043 units of ordinary stock to the State at a price of €0.10 per unit. The resultant proceeds of the State Placing would be €79.5 million.

On the basis of the above assumptions a residual balance of €2,101 million would be raised through the Rights Issue.

This results in a total net cash inflow (before estimated expenses of €150 million) under the Debt for Equity Offers, Rights Issue and State Placing of €1,712 million.

The expected Debt for Equity Offers would have also resulted in a release of interest accruals totalling €180 million had they taken place at 31 December 2010. This is not included in determining the make-up of the €4.2 billion (net of estimated expenses) incremental Core Tier 1 Capital required.

The impact of the above assumptions is summarised in the following table:

	Nominal amount	Discount assumed	Capital stock & stock premium	Retained earnings	Cash inflow/ (outflow)
	€ millions	€ millions	€ millions	€ millions	€ millions
Debt for Equity Offers					
Tier 1 Securities	582	90%		524	(58)
Tier 2 Securities	2,000	80%		1,600	(400)
Reduction in Subordinated liabilities	2,582				
Tier 2 Securities included in other reserves	56	80%		45	(11)
Interest accrual released				180	—
State Placing			80		80
Right Issue			2,101		2,101
Net impact			**2,181**	**2,349**	**1,712**

By way of comparison, assuming a 100% equity take-up under the Debt for Equity Offers the net cash inflow would be €1,712 million, with a total increase in capital stock and stock premium of €2,651 million excluding related expenses.

No material tax impact is expected to arise under the Debt for Equity Offers (on the basis of either the 100% cash take-up scenario or a 100% equity take-up scenario). In the event of nil acceptances of the Debt for Equity Offers, the tax effect is estimated at a liability of €0.3 billion, which would result in a corresponding increase in the amount required to be raised under the Proposals.

(3) This column represents the adjustments for the issue of the Contingent Capital Instrument with a nominal value of €1.0 billion. The Contingent Capital Instrument will constitute unsecured and subordinated obligations of the Group. The issue of the Contingent Capital Instrument is expected to generate a net cash inflow of €985 million, after taking account of a related up-front fee payable of €15 million to the NPRFC pursuant to the terms of the Transaction Agreement.

The Contingent Capital Instrument is required to be fair valued on initial recognition. As the instrument will not initially trade in an active market, a valuation technique has been applied. Based on management's expectation as to coupons payable over the life of the instrument, and on market inputs as at 31 December 2010, this valuation technique would result in a value for the instrument of €861 million and the recognition of a capital contribution of €124 million, an embedded derivative asset of €96 million and a resulting subordinated liability of €957 million at that date.

The Contingent Capital Instrument contains an equity conversion feature which represents an embedded derivative which is recognised separately. Based on market inputs as at 31 December 2010, the valuation technique would result in a valuation of €96 million for this derivative at that date.

The assumptions and inputs above have been based on market conditions as at 31 December 2010 and may not necessarily be indicative of assumptions or inputs that will be used upon ultimate recognition of the Contingent Capital Instrument in the Group's next published results.

(4) This column represents the estimated aggregate costs and expenses payable by the Group in connection with the Proposals (including amounts in respect of VAT) amounting to €150 million in cash. €130 million of these estimated aggregate costs relate to equity issuance costs, with the remaining €20 million relating to costs associated with the Debt for Equity Offers. The total estimated aggregate costs and expenses are assumed to be settled in cash.

(5) This column is the sum of notes (1) to (4) and represents the unaudited pro forma consolidated balance sheet as at 31 December 2010 based on the assumption that the relevant transactions set out in notes (2) to (4) took place on 31 December 2010.

(6) No account has been taken of the Group's trading performance, changes in the Group's liquidity or funding positions or any other transactions (actual or proposed) of the Group since 31 December 2010.

2. Unaudited pro forma regulatory capital ratios as at 31 December 2010

		Adjustments			
	As at 31 December 2010	The Proposals excluding Contingent Capital Instrument	Contingent Capital Instrument	Cost of the Proposals	Pro forma adjusted position as at 31 December 2010
	Note 7	Note 8	Note 9	Note 10	Note 11
Key Balance Sheet metrics					
Total Risk Weighted Assets (€ million)	79,045				79,045
Equity Tier 1 Capital (€ million)	5,800	4,530	124	(150)	10,304
Core tier 1 Capital (€ million)	7,677	4,530	124	(150)	12,181
Total Tier 1 Capital (€ million)	7,676	3,948	124	(150)	11,598
Total Capital (€ million)	8,723	1,892	1,081	(150)	11,546
Equity Tier 1 Capital (ratio)	7.3%				13.0%
Core Tier 1 Capital (ratio)	9.7%				15.4%
Total Tier 1 Capital (ratio)	9.7%				14.7%
Total Capital (ratio)	11.0%				14.6%

Notes:

(7) Information on the risk weighted assets, capital amounts and capital ratios of the Group as at 31 December 2010 has been extracted without material adjustment from the 2010 Annual Report as published on 14 April 2011.

(8) This column represents the adjustments for the Proposals excluding the Contingent Capital Instrument, inclusive of the release of the related interest accrual of €180 million at 31 December 2010. Full details are set out in Note (2) above.

	Nominal amount	Equity Tier 1 Capital	Core Tier 1 Capital	Total Tier 1 Capital	Total Capital
	€ millions	€ millions	€ millions	€ millions	€ millions
Debt for Equity Offers					
Tier 1 Securities	582	524	524	(58)	(58)
Tier 2 Securities	2,000	1,600	1,600	1,600	(400)
Tier 2 Securities included in other reserves	56	45	45	45	(11)
Interest accrual released		180	180	180	180
State Placing		80	80	80	80
Right Issue		2,101	2,101	2,101	2,101
Net impact		**4,530**	**4,530**	**3,948**	**1,892**

(9) This column represents the adjustments for the issue of the Contingent Capital Instrument. Full details are set out in Note (3) above.

(10) This column represents the estimated aggregate costs and expenses payable by the Group in connection with the Proposals (including amounts in respect of VAT) amounting to €150 million. €130 million of these estimated aggregate costs relate to equity issuance costs, with the remaining €20 million relating to costs associated with the Debt for Equity Offers. The total estimated aggregate costs and expenses are assumed to be settled in cash.

(11) This column is the sum of Notes (7) to (10) above and represents 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 Ratio, Core Tier 1 Ratio, Tier 1 Capital Ratio, and Total Capital Ratio on the basis that the relevant transactions set out in notes (8) to (10) took place on 31 December 2010.

(12) No account has been taken of the Group's trading performance, changes in the Group's liquidity or funding positions or any other transactions (actual or proposed) of the Group since 31 December 2010.

SECTION B

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

PRICEWATERHOUSECOOPERS

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

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

UBS Limited
1 Finsbury Avenue
London EC2M 2PP
United Kingdom

18 June 2011

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 IV of the Bank's circular dated 18 June 2011 (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 might have affected the financial information presented on the basis of the accounting policies adopted by the Bank in preparing the financial statements for the financial period ended 31 December 2010. 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 the Institute of Chartered Accountants in Ireland. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma Information with the Directors of the Bank.

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

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

Opinion

In our opinion:

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

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

Yours faithfully,

PricewaterhouseCoopers
Dublin, Ireland

Chartered Accountants

PART V

ADDITIONAL INFORMATION

1. Responsibility Statement

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

2. Information on the Group

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

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

3. Directors and Secretary

Patrick Molloy	Governor
Patrick O'Sullivan	Deputy Governor and Senior Independent Director
Richie Boucher	Group Chief Executive
John O'Donovan	Group Chief Financial Officer
Tom Considine	Non-Executive Director
Rose Hynes	Non-Executive Director
Jerome Kennedy	Non-Executive Director
Patrick Kennedy	Non-Executive Director
Joe Walsh	Non-Executive Director
Helen Nolan	Group Secretary

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

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

Directors' interests in capital stock

The table below sets out the interests of the Directors in the Bank's Ordinary Stock as at 16 June 2011, the last practicable date prior to the publication of this Circular. The Directors intend either to take up in full their Rights to acquire New Ordinary Stock or to subscribe for not less than the number of units of New Ordinary 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 Rights Issue and State Placing are set out in the table below:

	No. of Units of Ordinary Stock	Maximum Potential No. of Units of Ordinary Stock held following the Proposals(1)
Richie Boucher	82,817	762,616
Tom Considine	12,500	115,105
Rose Hynes	62,500	575,528
Jerome Kennedy	20,155	185,596
Patrick Kennedy	55,357	509,752
Patrick Molloy	2,094,170	19,284,070
John O'Donovan	227,814	2,097,815
Patrick O'Sullivan	25,000	230,211
Joe Walsh	26,832	247,081

Note:

(1) The maximum potential number of units of Ordinary Stock held following the Proposals assumes: (i) all the Directors take up in full their Rights to acquire New Ordinary Stock and (ii) the size of the combined Rights Issue and State Placing is set at the maximum size of €4.35 billion.

Secretary and Senior Executives' Interest in capital stock

The table below sets out the interests of the Secretary and Senior Executives in the Bank's Ordinary Stock as at 16 June 2011, the last practicable date prior to the publication of this Circular.

	No. of Units of Ordinary Stock	**Maximum Potential No. of Units of Ordinary Stock held following the Proposals(1)**
Helen Nolan	54,707	503,766
Des Crowley	329,403	3,033,292
Denis Donovan	465,567	4,287,152
Liam McLoughlin	18,029	166,019
Peter Morris	58,597	539,587
Vincent Mulvey	73,304	675,016
Julie Sharp	nil	nil

Note:

(1) The maximum potential number of units of Ordinary Stock held following the Proposals assumes: (i) all the Directors take up in full their Rights to acquire New Ordinary Stock and (ii) the size of the combined Rights Issue and State Placing is set at the maximum size of €4.35 billion.

Stock options held by Directors, Secretary and Senior Executives

Executive stock options

Options to subscribe for Ordinary Stock in the Bank granted to the Directors, Secretary and Senior Executives, at 16 June 2011, the last practicable date prior to the publication of this Circular, are set out in the following table:

	Date of grant	**Earliest exercise date**	**Expiry date**	**Exercise Price**	**No. of Options**
Richie Boucher	26 July 2004	26 July 2007	26 July 2014	10.76	26,000
	21 June 2005	21 June 2008	21 June 2015	12.85	23,000
					49,000
Des Crowley	24 June 2002	24 June 2005	24 June 2012	12.50	25,000
	18 June 2003	18 June 2006	18 June 2013	10.77	50,000
	26 July 2004	26 July 2007	26 July 2014	10.76	35,000
	21 June 2005	21 June 2008	21 June 2015	12.85	32,500
					142,500
Denis Donovan	24 June 2002	24 June 2005	24 June 2012	12.50	30,000
	18 June 2003	18 June 2006	18 June 2013	10.77	50,000
	26 July 2004	26 July 2007	26 July 2014	10.76	35,000
	21 June 2005	21 June 2008	21 June 2015	12.85	32,500
					147,500
Helen Nolan	18 June 2003	18 June 2006	18 June 2013	10.77	10,000
	26 July 2004	26 July 2007	26 July 2014	10.76	12,000
	21 June 2005	21 June 2008	21 June 2015	12.85	11,000
					33,000
Vincent Mulvey	24 June 2002	24 June 2005	24 June 2012	12.50	10,000
	18 June 2003	18 June 2006	18 June 2013	10.77	12,000
	26 July 2004	26 July 2007	26 July 2014	10.76	14,000
	21 June 2005	21 June 2008	21 June 2015	12.85	10,500
					46,500

	Date of grant	Earliest exercise date	Expiry date	Exercise Price	No. of Options
John O'Donovan	24 June 2002	24 June 2005	24 June 2012	12.50	25,000
	18 June 2003	18 June 2006	18 June 2013	10.77	50,000
	26 July 2004	26 July 2007	26 July 2014	10.76	35,000
	21 June 2005	21 June 2008	21 June 2015	12.85	32,500
					142,500
Peter Morris	24 June 2002	24 June 2005	24 June 2012	12.50	15,000
	26 July 2004	26 July 2007	26 July 2014	10.76	14,000
	21 June 2005	21 June 2008	21 June 2015	12.85	9,500
					38,500
Liam McLoughlin					Nil
Julie Sharp					Nil

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

Long Term Incentive Plan (LTIP)

Conditional awards of units of Ordinary Stock were made to Group Senior Executives in prior years under the terms of the LTIP. These awards do not vest 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 2008 under the LTIP were not met in June 2011 and the awards granted under the scheme lapsed.

The Group did not make an award under the LTIP in 2010.

Prior to the introduction of the LTIP in 2004, conditional awards of units of Ordinary Stock were made under the LTPSP. A minimum of 80% of the vested stock must be retained for two years from maturity of award. After the two year retention period, an additional award of 20% is made. If the award is retained for an additional five years, a further award of 30% is made. Matching awards due on 21 May 2011 were waived by the Directors.

The conditional awards of units of Ordinary Stock made to the Directors, Secretary and the Senior Executives under the LTPSP as at 16 June 2011, the last practicable date prior to the publication of this Circular are set out in the table below:

Name	Retained Awards under the LTPSP Scheme(*)	Additional 30% Conditional Awards of Ordinary Stock	Maturity Date of Additional 30% Conditional Awards
Des Crowley	7,070	1,767	24 June 2012
	7,070	1,767	
Denis Donovan	4,714	1,178	24 June 2012
	4,714	1,178	
John O'Donovan	6,034	1,508	24 June 2012
	6,034	1,508	

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

5. Material Contracts

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

Transaction Agreement

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

In consideration for the NPRFC and the Minister's obligations under the Transaction Agreement, including the underwriting of the Rights Issue, the State Placing and the subscription for the Contingent Capital Instrument, the Bank has agreed to pay the following fees to the NPRFC and/or the Minister:

(i) an underwriting fee of 4% of the gross proceeds of the Rights Issue (including in respect of those securities that the NPRFC is entitled to take up pursuant to its proportionate entitlement);

(ii) a placing fee of 1.5% of the gross proceeds of the State Placing;

(iii) a corporate finance fee of €3.0 million; and

(iv) a fee of 1.5% of the amount of the Contingent Capital Instrument, i.e. €15.0 million,

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

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

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

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

(ii) an incentive fee of 1% of the gross proceeds of the New Ordinary Stock taken up in the Rights Issue or the Rump Placing by 31 July 2011, but excluding any New Ordinary Stock subscribed for by the NPRFC pursuant to the Rights Issue, its underwriting commitments or taken up pursuant to the State Placing;

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

(iv) a sponsor fee of €1.0 million,

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

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

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

(i) the passing, without amendment, of Resolutions 1 to 6;

(ii) each condition to enable the Nil Paid Rights and the Fully Paid Rights to be admitted as a participating security in CREST of the Nil Paid Rights and Fully Paid Rights being satisfied on or before 12 July 2011;

(iii) the fulfilment by the Bank of its obligations under the Transaction Agreement which fall to be performed before Admission of the Nil Paid Rights by the dates and times specified therein; and

(iv) the European Commission approving the Government Transaction pursuant to EU State aid rules;

(v) the warranties given by the Bank pursuant to the Transaction Agreement being true, accurate and not misleading on and as of the date of the Transaction 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.

The Minister, the NPRFC and the NTMA may terminate the Transaction Agreement prior to the Admission of the Nil Paid Rights under certain limited circumstances, including, amongst others:

(i) a matter arises which gives rise to an indemnity claim under the Transaction Agreement or under the agreements with the Dealer Managers pursuant to the Debt for Equity Offers against the Bank;

(ii) any condition to the Transaction Agreement has not been satisfied or waived by the NPRFC or if any matter or circumstances arises as a result of which there is no reasonable prospect that any of the conditions to the Transaction 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) there has been a breach by the Bank of any of its undertakings or covenants or any of the warranties contained in the Transaction Agreement are not, or have ceased to be, true, accurate and not misleading;

(v) a downgrade occurs by at least one of Standard and Poor's or Fitch Ratings that results in a reduction of three notches or more in the senior long-term ratings accorded to debt securities of the Bank; or

(vi) in the opinion of the Minister there shall have been a material adverse change (meaning, in this context, any material adverse change, or any event or development occurring or being reasonably likely to occur which results in, or is likely to result in a prospective material adverse change, in, or affecting the condition (financial, operational, legal or otherwise) or in the earnings, profitability, 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).

Pursuant to the Transaction Agreement, the parties to the Transaction 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 in respect of the Rights Issue, 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 Transaction 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 Minister, the NPRFC and the NTMA. The liabilities of the Bank in respect of such representations, warranties, undertakings and indemnities are unlimited as to time and amount.

The Joint Sponsors have agreed to act as sponsors in relation to the Rights Issue. In addition, the Joint Bookrunners, as agents of the Bank, have agreed severally to use reasonable endeavours to procure subscribers for New Ordinary Stock under the Rump Placing at a price per unit of Ordinary Stock which is at least equal to the aggregate of the Rights Issue Price and the expenses of procuring such subscribers (including any applicable brokerage and commissions and amounts in respect of value added tax) to the extent that such units of Ordinary Stock are not taken up (or deemed not to be or otherwise treated as not having been taken up) under the Rights Issue.

Notwithstanding the above, with the consent of the NTMA (not to be unreasonably withheld or delayed), the Joint Bookrunners may cease or decline to endeavour to procure any such subscribers if, in their opinion, it is unlikely that any such subscribers can be procured at such a price and by 29 July 2011. If and to the extent that subscribers for New Ordinary Stock cannot be procured on the basis outlined above, the relevant New Ordinary Stock will be subscribed for by the NPRFC or sub-underwriters (if any) at the Rights Issue Price pursuant to the terms of the Transaction Agreement.

The obligations of each of the Joint Sponsors and each of the Joint Bookrunners under the Transaction Agreement is subject to certain limited conditions including, amongst others: (i) the passing, without amendment, of the Resolutions; (ii) Admission of the Nil Paid Rights occurring not later than 8.00 am on 12 July 2011, or such later time as the Bank and the NTMA 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 12 July 2011; (iv) the fulfilment by the Bank of its obligations under the Transaction 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 Transaction Agreement being true, accurate and not misleading on and as of the date of the Transaction 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 its rights and obligations under the Transaction Agreement (insofar as such termination relates to its obligations as sponsor only) under certain limited circumstances prior to the settlement of the Rump Placing, which is expected to occur on 29 July 2011.

Each of the Joint Bookrunners is entitled to terminate its rights and obligations under the Transaction Agreement (insofar as such termination relates to its obligations as a joint bookrunner only) if, in the opinion of such Joint Bookrunner there shall have been a material adverse change (meaning, in this context, any material adverse change, or any event or development occurring or being reasonably likely to occur which results in, or is likely to result in, a prospective material adverse change, in or affecting 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 or a force majeure event which would make it inadvisable or impractical to proceed with the Rump Placing. Such rights are exercisable prior to the settlement of the Rump Placing, which is expected to occur on 29 July 2011.

The term sheet of the Contingent Capital Instrument (which is subject to contract) is set out in an annex to the Transaction Agreement. Subject to Stockholder approval of the Government Transaction, the Contingent Capital Instrument is expected to be issued pursuant to an agency agreement and a note purchase agreement between the State and the Bank in accordance with the terms of the Contingent Capital Instrument. The terms of the agency agreement and the note purchase agreement will be agreed by 31 July 2011. If the final terms of the Contingent Capital Instrument are materially different to the subject to contract term sheet summarised in this Circular, it may be necessary to publish a supplemental Circular and/or Prospectus or seek further Stockholder approval under the Listing Rules and/or the Prospectus Regulations for the Contingent Capital Instrument to be issued.

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

- The Group will commit to promote the availability of credit and the development of the Irish economy. Specifically, the Group will commit to use all reasonable efforts to meet a lending target of €3 billion per annum for new or increased credit facilities to SMEs in Ireland in the twelve month period commencing 1 January 2011, €3.5 billion in the twelve month period commencing 1 January 2012 and €4.0 billion in the twelve month period commencing 1 January 2013. The Group also expected to provide €20 million for domestic venture capital purposes (this is in addition to the commitments previously met under the 2010 Government Transaction Agreement in respect of seed capital), with the fund criteria to be agreed with Enterprise Ireland, and to make available a lending fund of €100 million for two years to support environmental, clean energy and innovation projects.
- The Bank has also undertaken to use all reasonable steps to remove any obstacles to the payment of cash on the 2009 Preference Stock, including the release of any "dividend stoppers".
- The Minister's Letter is expected to contain a number of undertakings by the Bank in respect of the corporate governance of the Group, including in respect the maintenance of monitoring, reporting, risk management and audit controls, the provision to the Minister and/or the NTMA of reasonable access to the Bank's records and personnel. The corporate governance commitments include an undertaking by the Bank to develop and implement a medium term funding plan (with the Central Bank) and a directors/ management renewal plan (with the Minister and the NTMA).
- The Minister's Letter is expected to contain restrictions on the Group from paying to any director or employee of the Group a bonus for the two years commencing 18 June 2011 (save pursuant to a court order to do so), any termination payment, any compensation for the pensions cap imposed by the Finance Act 2006 or any pension benefit enhancement (subject to certain permitted exceptions, such as where the enhancement does not result in a cost to the Group), in each case without the prior consent of the NTMA and the Minister. The Minister's Letter is also expected to impose a restriction for two years commencing 18 June 2011, subject to certain exceptions, on the Group paying any aggregate remuneration to a director or employee that exceeds €500,000 per annum (or, if lower, the amount recommended by the Covered Institution Remuneration Oversight Committee's report to the Minister dated 27 February 2009).

If the Minister's Letter contains commitments that are materially different to the expected scope of the commitments summarised in this Circular; it will be necessary to publish a supplemental Circular and/or Prospectus, or seek further Stockholder approval, under the Listing Rules and/or the Prospectus Regulations for the entry into the Minister's Letter.

Underwriting Agreement relating to the 2010 Capital Raising

The Bank entered into an underwriting agreement on 26 April 2010 with J&E Davy, UBS Limited, Citigroup Global Markets U.K. Equity Limited, Credit Suisse Securities (Europe) Limited and Deutsche Bank AG, London Branch in connection with the underwriting of the institutional placing and rights issue components of the 2010 Capital Raising.

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

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

2010 Government Transaction Agreement relating to the 2010 Capital Raising

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

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

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

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

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

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

The Bank also committed to promote the availability of credit and the development of the Irish economy. Specifically, the Bank committed to use all reasonable efforts to meet a lending target of €3 billion per annum for new or increased credit facilities to SMEs in Ireland in each of the twelve month periods commencing 1 April 2010 and 1 April 2011. The Bank reports on its lending to SMEs to the Minister for Finance on a monthly basis. In addition, the Bank committed to use all reasonable efforts to provide €20 million for seed capital to Enterprise Ireland supported ventures and €100 million for environmental, clean energy and innovation projects (this is in addition to the commitments previously met under the Subscription Agreement). The Bank is also required to work with Enterprise Ireland and the Irish Banking Federation to develop sectoral expertise in the modern growth sectors of the Irish economy and to work with Enterprise Ireland to develop a range of banking services to meet the needs of Irish SMEs trading internationally. The Bank has also undertaken to take a number of steps to develop new credit products in areas where cashflow, rather than property or assets, is relied on as the basis for business lending. These commitments are in addition to those previously given by the Bank pursuant to the terms of the Subscription Agreement. The commitments given by the Bank pursuant to the terms of the Subscription Agreement are discussed in this paragraph 5 under the heading *Subscription Agreement relating to the NPRFC Investment*.

Master Loan Repurchase Deed

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

Special Master Repurchase Agreement

The Special Master Repurchase Agreement (Trust Account) (the "SMRA") dated 17 November 2010 and made between the Bank and the Central Bank provides for arrangements for the sale and repurchase of certain eligible securities of the Bank with the Central Bank. Such arrangements have been used by the Central Bank to provide short-term liquidity to the Bank, with the purchase and repurchase price for securities that are the subject of any transaction under the SMRA agreed between the parties.

Facility Deed

The Facility Deed dated 23 December 2010 and made between the Bank and the Central Bank ("Facility Deed") provides an uncommitted facility, guaranteed by the Minister for Finance and to a maximum amount of €10 billion or such increased amount as the Central Bank may, in its absolute discretion determine (subject only to the prior written consent of the guarantor, as more particularly referenced under "Counter-Indemnity Agreement" below). Its initial term was one month from the date of execution, which has been extended for a further seven month period to 23 July 2011.

Counter-Indemnity Agreement

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

Post Office Joint Venture Agreements

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

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

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

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

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

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

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

Although the Bank does not believe that that the NPRFC obtaining a majority stake in the Bank pursuant to the Rights Issue, the State Placing or conversion of the Contingent Capital Instrument into Ordinary Stock will of itself trigger the change of control provisions in the financial services or foreign exchange joint ventures, a court may find to the contrary.

Master IT Services Agreement with IBM

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

Master Services Agreement (Training and Procurement)

The Master Services Agreement dated 25 November 2005 and made between the Bank and Accenture deals with the provision by Accenture to the Bank of certain training services for staff and procurement services to support designated purchasing activities of the Bank. Subject to the termination provision set out in the agreement, as extended on 19 July 2010, will expire on 31 May 2017.

Network Services Agreement (Telecommunications)

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

Master Services Agreement with HCL

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

TSYS Outsourcing Agreement (Payment Processing)

The agreement dated 16 April 2004 entered into between the Bank and Total Systems Services, Inc (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 eight years subject to the termination rights of the parties. On 13 August 2010, the agreement was extended by four years to terminate on 31 May 2016, subject to the termination provisions set out in the agreement.

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

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

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

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

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

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

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

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

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

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

Guarantee Acceptance Deeds in respect of the CIFS Guarantee Scheme

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

Building Society. The terms of the guarantee acceptance deeds relating to the CIFS Guarantee Scheme survive notwithstanding the expiry of the CIFS Guarantee Scheme.

ELG Scheme

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

Application to be designated a Participating Institution in NAMA

On 12 February 2010, the Bank's application pursuant to section 62 of the NAMA Act to become a Participating Institution under the NAMA Act was accepted. Under section 206 of the NAMA Act, the Central Bank may, with the approval of the Minister for Finance, give a direction to a Participating Institution in order to achieve the purposes of the NAMA Act. A direction under this section may restrict balance sheet growth, restrict the institution's ability to take over other credit institutions, require balance sheet reductions, or restrict or require consolidation and merger of Participating Institutions. Under section 207 of the NAMA Act the Central Bank may also direct a Participating Institution in writing to make any report that the Central Bank considers necessary to monitor the Participating Institution's compliance with the obligations under or by virtue of the NAMA Act. Pursuant to section 208 of the NAMA Act, a Participating Institution may also be directed by the Minister for Finance to draw up, or amend, a restructuring or business plan and take reasonable steps to ensure than any draft business plan submitted to the Minister for Finance accurately contains all relevant information. If the Minister for Finance approves a draft business plan, the Participating Institution is obliged to take reasonable steps to implement that plan.

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

In the updated EU/IMF Programme announced on 28 April 2011, the Government stated that if it believes that the Group requires alternative methods to meet the deleveraging targets under the PLAR, it may reconsider the possibility (envisaged by the former Government) of transferring the land and development loans with a value of less than €20 million to NAMA (Source: EU/IMF Programme: Memorandum of Economic and Financial Policies, Department of Finance, 28 April 2011). The Government requires the Group to provide contingency plans to meet the deleveraging targets. Where the Government believes the contingency plans are not feasible, the Government will find and implement alternate ways of meeting the deleveraging goals and may reconsider the possibility of transferring the land and development loans of less than €20 million to NAMA. Consequently, there is uncertainty in the medium term around the final scope of the Group's loans transferring to NAMA and the potential final consideration to be paid by NAMA for these loans and the related loss to the Group.

Subscription Agreement relating to the NPRFC Investment

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

Bank also committed to certain undertakings pursuant to the Subscription Agreement, including commitments to increase lending capacity to small to medium enterprises and provide additional mortgage lending capacity for first time buyers, compliance with the Code of Conduct for Business Lending to Small and Medium Enterprises and compliance with the Code of Conduct for Mortgage Arrears.

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

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

6. Description of the New Ordinary Stock

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

Entitlements to units of New Ordinary Stock pursuant to the Rights Issue will be rounded down to the nearest whole number and fractions of units of New Ordinary Stock will not be allotted to Qualifying Stockholders but will be aggregated and the resulting units of New Ordinary 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. The New Ordinary Stock will be in registered form and will be capable of being held in uncertificated form and title to such stocks may be transferred by means of a relevant system. An application will be made to the Irish Stock Exchange and the London Stock Exchange for New Ordinary Stock issued pursuant to the Rights Issue and the State 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 and to the UKLA for listing. It is expected that admission to trading of the Nil Paid Rights and Fully Paid Rights on the Irish Stock Exchange and London Stock Exchange will become effective before 12 July 2011. The admission to either or both of the Official Lists or admission to trading on the regulated markets for listed securities of the Irish Stock Exchange and/or the London Stock Exchange may not occur in certain circumstances and the acceptance of an offer for Nil Paid Rights, Fully Paid Rights and New Ordinary Stock is not conditional on any such admission (see for further details paragraph 4 (Rights Issue) of Part I (Letter from the Governor of Bank of Ireland) under the heading "Admission to Listing and Trading").

Under Irish law, and under the Bye-Laws of the Bank, dividends are payable on the Ordinary Stock only out of profits available for distribution. Holders of the Ordinary Stock are entitled to receive such dividends as may be declared by the Stockholders in General Court, provided that the dividend cannot exceed the amount recommended by the Directors. Pursuant to the Bye-Laws, no dividend on the Ordinary Stock may be declared unless the dividend on the 1992 Preference Stock and the 2005 Preference Stock most recently payable prior to the relevant General Court shall have been paid in cash. The Bank may pay Stockholders such interim dividends as appear to the Directors to be justified by the profits of the Bank. Any dividend which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

An Annual General Court may, by resolution, before the issue of Ordinary Stock, determine that the same or any of it shall be offered, either at par or at a premium, to all the holders of the existing Ordinary Stock in such proportion as nearly as may be to the amount of such Ordinary Stock held by them respectively, or make any other provisions as to the issue of such new Ordinary Stock.

In the event of any surplus arising on the occasion of the liquidation of the Bank the Ordinary Stockholders would be entitled to a share in that surplus *pro rata* to their holdings of Ordinary Stock.

7. Description of the 2009 Preference Stock

On 31 March 2009, the Bank issued 3,500,000,000 units of non-cumulative Preference Stock of €0.01 each (the 2009 Preference Stock) in the capital of the Bank to the NPRFC, of which 1,837,041,304 units remain in issue as at 16 June 2011, the last practicable date prior to the date of this Circular.

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

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

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

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

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

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

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

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

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

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

8. Directors' Service Contracts & Letters of Appointment

Each of the Executive Directors, Richie Boucher and John O'Donovan has a service contract with the Bank. The service contracts of Richie Boucher 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. 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 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 whom it relates. Richie Boucher and John O'Donovan are entitled to receive a pension from the Bank Staff Pension Fund for Executives on retirement. Save as set out in this paragraph 8, 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 Bank. Each letter of appointment is for a fixed period of three years, subject to the provisions of the Bye-Laws or other applicable law or at the discretion of either party. The letters of appointment provide that Non-Executive Directors are typically expected to serve a second three year term subject to satisfactory performance, the needs of the business and stockholder re-election as required at Annual General Courts. The letters also provide that Non-Executive Directors may, in exceptional circumstances, be invited to serve a further and final term of up to three years. Save as set out in this paragraph 8, the letters of appointment of the Non-Executive Directors do not provide for any payments or benefits on termination.

9. Significant Stockholdings

As at 16 June 2011, being the last practicable date prior to publication of this Circular, the NPRFC held 36.04% of the issued Ordinary Stock. If none of the holders of the Eligible Debt Securities accept the Debt for Equity Offers (whether under the cash or Ordinary Stock exchange alternatives) and no Qualifying Stockholders take up their Rights and none of the New Ordinary Stock representing Rights not taken up is placed with placees, then, following the subscription by the NPRFC for the Residual Stock pursuant to its underwriting commitment in the Transaction Agreement, the NPRFC will hold up to 45,409,810,049 units of Ordinary Stock, representing approximately 93.1% of the Enlarged Capital Stock. Further details of the NPRFC's stockholding is set out in paragraph 7 (Description of the 2009 Preference Stock) of this Part V (Additional Information) of this Circular.

In the event that the Contingent Capital Instrument is converted into Ordinary Stock, the State as holder of the Contingent Capital Instrument would hold up to a maximum of 95.1% of the issued Ordinary Stock (assuming the issued Ordinary Stock at the time of the conversion is equal to the Enlarged Capital Stock plus the new Ordinary Stock issued upon the conversion of the Contingent Capital Instrument and assuming such new Ordinary Stock is issued at the lowest permissible issue price).

As at 16 June 2011, being the last practicable date prior to publication of this Circular, the Bank had received notification of the following other significant interests in the issued Ordinary Stock:

Harris Associates L.P.: 290,174,492 units of Ordinary Stock comprising 5.47% of the Existing Ordinary Stock.

Assuming Harris Associates L.P. take up all of their Rights pursuant to the Rights Issue and assuming no take up of the Allotment Instrument exchange option under the Debt for Equity Offers and no take-up under the State Placing, following the Proposals, Harris Associates L.P. would hold 5.47% of the Enlarged Capital Stock.

As at 16 June 2011, 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 9 of this Part V (Additional Information) of this Circular.

10. Related Party Transactions

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

Other than the Transaction Agreement (a summary of which is set out in paragraph 7 (Summary of the terms of the Transaction Agreement) of Part I (Letter from the Governor of Bank of Ireland)), the 2010 Government Transaction Agreement relating to the 2010 Capital Raising (a summary of which is set out in paragraph 5 (Material Contracts) of this Part V; see also note 56 of the 2010 Annual Report), the issue of the Contingent Capital Instrument (a summary of which is set out in paragraph 6 (Contingent Capital Instrument) of Part I (Letter from the Governor of Bank of Ireland)), the Facility Deed (a summary of which is set out in paragraph 5 (Material Contracts) of this Part V; see also note 56 of the 2010 Annual Report) and the Counter-Indemnity Agreement (a summary of which is set out in paragraph 5 (Material Contracts) of this Part V; see also note 56 of the 2010 Annual Report) or disclosed in this paragraph 10 (Related Party Transactions) of this Part V, 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, 31 December 2009, 31 December 2010 or during the period between 1 January 2011 and 16 June 2011 (being the last practicable date prior to publication of this Circular). A number of banking transactions are entered into between the Bank 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 16 June 2011, the last practicable date prior to the publication of this Circular, are set out below:

	Associates and joint ventures
	(€m)
Loans and advances to customers	91
Customer accounts	17

Government

Throughout the 12 months ended 31 December 2010, the Government through both the Group's participation in the CIFS Guarantee Scheme and the investment by the NPRFC in the 2009 Preference Stock and in units of Ordinary Stock, is a related party of the Bank. An amount of €105 million has been paid to the Government for fees due under the CIFS Guarantee Scheme for the period from 1 April 2009 to 31 December 2009. This payment was disclosed in the December 2009 Annual Report (see note 6 to the financial statements). For the period from 1 January 2010 to 31 December 2010, an amount of €68 million has been expensed in respect of the CIFS Guarantee Scheme and €275 million in respect of the ELG Scheme. This payment was disclosed in the 2010 Annual Report (see note 4 to the financial statements). For the period from 1 January 2011 to 16 June 2011 (the last practicable date prior to the date of this Circular), an amount of €219 million has been expensed in respect of the ELG Scheme (Source: unaudited internal management information). A summary of the relations with the Irish Government is set out in note 56 to the financial statements in the 2010 Annual Report. As set out in detail in paragraph 5 (Material Contracts) of this Part V, under the heading "2010 *Government Transaction Agreement relating to the 2010 Capital Raising*", the Bank entered into a transaction agreement with the NPRFC and the Minister for Finance dated 26 April 2010 in relation to the NPRFC's rights and obligations under the 2010 Capital Raising. Under this agreement, the NPRFC agreed to subscribe for 575,555,556 units of Ordinary Stock at a price of €1.80 per unit of Ordinary Stock effected by way of the conversion of 1,036,000,000 units of 2009 Preference Stock (at their subscription price of €1.00 per unit of 2009 Preference Stock) to units of Ordinary Stock. As at 16 June 2011 (being the last practicable date prior to the publication of this Circular), the NTMA held deposits totalling €3 billion with the Group.

As at 16 June 2011 (being the last practicable date prior to the publication of this Circular), the Group held Irish Government bonds totalling €3,560 million and NAMA Senior bonds totalling €4,867 million. It also held bonds issued by entities which are considered to be related parties of the Group due to their relationship and the Group's relationship with the Irish Government, as follows:

	Balance as at 16 June 2011
	(€m)
Allied Irish Banks plc	231
Anglo Irish Bank Corporation Limited	52
EBS Building Society	—
Irish Nationwide Building Society	—
Total	**283**

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 49 million "A" shares to NAMA. As a result, the Group holds 17% of the total ordinary share capital of NAMAIL. NAMAIL is a holding company and its subsidiaries are the entities to which Participating Institutions transfer Eligible Bank Assets.

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. As at 16 June 2011, being the last practicable date prior to the publication of this Circular, the Group continues to hold its shareholding in NAMAIL.

NAMA

Information on NAMA is outlined in note 28 in the 2010 Annual Report.

During the 12 month period ended 31 December 2010, the Group sold €9.4 billion of gross assets (before impairment provisions) to NAMA. The nominal consideration receivable for these assets amounted to €5.2 billion resulting in a gross discount of 44%. The gross discount on assets sold to NAMA exceeds the estimate as outlined in the Minister for Finance's Statement on Banking issued on 30 September 2010, which was based on a forecast provided to the Minister by NAMA at that time. At 31 December 2010, the Group held €0.9 billion of assets (before impairment provisions) eligible for transfer to NAMA, where an individual customer/sponsor has an exposure of greater than €20 million. As at 30 April 2011, the Group held €1.0 billion of assets (before impairment provisions) expected to transfer to NAMA, representing an increase of €0.1 billion from 31 December 2010 attributable to the identification by NAMA of additional assets required to transfer (Source: unaudited internal management information). Due to the preponderance of investment property loans in this sub-portfolio, the Group expects that the final discount on the transfer of these assets to NAMA will be less than the average on assets sold prior to 31 December 2010.

As announced by the Minister for Finance on 15 April 2011, all existing land and development loans of less than €20 million will not transfer to NAMA. Consequently, the Group believes that the remaining land and development loans will be retained by the Group as non-core assets to be delevered or sold over time. However, the Group is required to submit contingency plans to the Government to meet the deleveraging targets under the PLAR. If these plans are not deemed feasible, the Government has stated that, if it believes that the Group requires alternative methods to meet the deleveraging targets under the PLAR, it may reconsider transferring the land and development loans of less than €20 million to NAMA.

Pension funds

As at 16 June 2011, 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 2010 was €25 million (Source: 2010 Annual Report).

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), 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) and 31 December 2010 (as set out in *Note 55(d) Related Party Transactions* on pages 298 to 302 and the *Remuneration Report* on pages 173 to 184 of the 2010 Annual Report), no transactions with key management personnel were entered into by the Group during the financial periods ended 31 March 2008, 31 March 2009, 31 December 2009 or 31 December 2010.

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 16 June 2011 (being the last practicable date prior to the publication of this Circular). The Bank maintains a register of Directors' loans constituting related party transactions, as required by the licence condition imposed by the Central Bank on 20 May 2010.

The aggregate amounts outstanding and the number of persons concerned, in respect of all loans, quasi-loans, credit transactions and deposits between the Bank and its key management personnel, as defined above, including members of their close families and entities influenced by them together with the disclosure of the balances as at 16 June 2011 (being the last practicable date prior to the publication of this Circular) are shown in the table below:

Key Management Personnel in office as at 16 June 2011	Balance as at 16 June 2011	Number of KMP as at 16 June 2011
	€'000	
Loans*	8,101	13
Deposits	9,803	14

* 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 in the guarantees entered into by key management personnel in favour of the Bank since 31 December 2010, save that the amount of such guarantees has reduced from €0.88 million as at 31 December 2010 to €0.60 million as at 16 June 2011 (being the last practicable date prior to the date of this Circular).

There have been no material changes in the guarantees entered into by key management personnel in favour of the Bank since 31 December 2010, save that the amount of such guarantees has reduced from €0.88 million as at 31 December 2010 to €0.60 million as at 16 June 2011 (being the last practicable date prior to the date of this Document).

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.

11. The Credit Institutions (Stabilisation) Act 2010 and the Central Bank and Credit Institutions (Resolution) (No.2) Bill 2011

As a further measure to expand the Government's powers in respect of the banking sector, on 21 December 2010, the Stabilisation Act was signed into law. The Stabilisation Act provides for significant powers under which certain orders can be made by the High Court in respect of certain Irish credit institutions and their group companies (known as "relevant institutions"), including the Bank, for the period up to 31 December 2012.

Pursuant to the Stabilisation Act, where the Minister is of the opinion that an order under the Stabilisation Act is necessary to achieve the purpose of the legislation, or in the case of a subordinated liabilities order, the preservation or restoration of the financial position of a relevant institution, the Minister may, following consultation with the Governor of the Central Bank and the relevant institution, make a proposed order in relation to the relevant institution and then apply to the High Court to make an order in the terms of the proposed order. The proposed order may take the form of a direction order, a transfer order, a special management order or a subordinated liabilities order as follows:

Direction orders

The Minister is empowered to apply to the High Court to make orders requiring a relevant institution to take or refrain from taking any action, where such orders are necessary for the achievement of the purposes of the Stabilisation Act, including direction orders to:

- issue shares to the Minister or his nominee on terms and conditions and at a consideration set by the Minister notwithstanding any pre-emption rights or the provisions of the Listing Rules;
- apply for the delisting or suspension of a relevant institution's stock, or to change the listing from a regulated market to another multi-lateral trading facility;
- increase the authorised share capital of a relevant institution to permit it to issue units of stock to the Minister or his nominee;
- make a specific alteration to the memorandum and articles of a relevant institution (including the alteration of the rights of stockholders or any class of stockholders); or
- dispose of a specified asset or liability or a specified part of a relevant institution's undertaking.

Transfer orders

The Minister, after making a proposed transfer order, is empowered to apply to the High Court to make transfer orders in respect of the assets or liabilities of a relevant institution and may specify the name of the transferee, any terms and conditions to which the transfer is subject, the assets and liabilities or classes or kinds of assets or liabilities to be transferred and any consideration to be paid by the transferee. The Minister may, directly or indirectly, provide a financial incentive (a payment, loan, guarantee or other financial assistance) to any person to become a transferee of assets or liabilities of a relevant institution.

Special management orders

The Minister may make a proposed special management order and is empowered to apply to the High Court to make an order appointing a special manager to a relevant institution, for a period of up to six months, to take over the management of a relevant institution and to maintain its business as a going concern. The special manager would have the sole authority over, and direction of, all officers and employees of the relevant institution and would maintain its business with a view to preserving and restoring the financial position of the relevant institution in a manner consistent with the achievement of the purposes of the Stabilisation Act. A special manager would have the power to remove Directors, officers, employees and consultants of a relevant institution. During the period when a special manager is appointed, the rights and powers of stockholders would be suspended and not exercisable.

Subordinated liabilities orders

The Minister may make a proposed subordinated liabilities order and is empowered to apply to the High Court to make a subordinated liabilities order to postpone, terminate, suspend or modify the rights, liabilities, terms and any obligations associated with subordinated liabilities of a relevant institution, including the payment of interest, the payment of principal, the due date, the applicable law, the right to declare an event of default and any right to enforce payment. No proceedings can be instituted by subordinated creditors against a relevant institution on the grounds that it has failed to honour the terms of a subordinated liability where the High Court has made an order under the Stabilisation Act in respect of that subordinated liability if the terms of the said order have modified the subordinated liability and the relevant institution is in compliance with the terms as modified. The High Court order may also provide for the granting of an equity interest to creditors affected by a subordinated liabilities order.

Procedure

In advance of making an application to the High Court, the Minister makes a proposed order in respect of a relevant institution, following consultation with the Central Bank. The Minister may then apply to the High Court on an ex parte basis for a formal order in the terms of the proposed order. In the case of proposed direction orders, transfer orders and special management orders, the Stabilisation Act prescribes that the High

Court must, if satisfied that the opinion of the Minister in making the proposed order is reasonable and is not vitiated by an error of law, grant the order in the terms of the proposed order. The High Court may grant an order in terms varied from the terms of the proposed order if there has been non-compliance with the statutory procedural requirements or the opinion of the Minister as to the necessity for the order was unreasonable, and it is appropriate and necessary to vary the terms having regard to the purpose of the legislation and any reports submitted to the court by the Central Bank. A slightly different procedure applies in respect of proposed subordinated liabilities orders. In advance of making a proposed subordinated liabilities order, the Minister is obliged to have regard to a number of specified matters, including the amount of indebtedness of the relevant institution and the likely extent and nature of financial support provided to that institution by the Minister. The Minister then, following consultation with the Central Bank, makes an application to the High Court for an order on the terms of the proposed order. The High Court will have regard to the above matters in adjudicating the reasonableness of the Minister's opinion in making the proposed subordinated liabilities order.

In advance of the making of a proposed order under the Stabilisation Act, the Minister must deliver a written notice to the relevant institution setting out the terms of the proposed order and the reasons for the making of the order. The relevant institution then has up to 48 hours in which to make written submissions to the Minister. Where there is an imminent threat to the financial stability of the relevant institution, an imminent threat to the financial stability of the financial system, or the Minister has reasonable grounds for believing that the confidentiality of the order may be breached, the notice period shall not apply and an application to the High Court for an order in the terms of the proposed order may be made without notice to the relevant institution. The notice period shall not apply where the relevant institution consents to the making of a proposed order.

The relevant institution, or a member of a relevant institution may apply to the High Court, within five days of the making of an order under the Stabilisation Act, to have the order set aside. In the case of a subordinated liabilities order, a subordinated creditor is permitted to make an application to the court. The High Court may set aside an order only in limited circumstances, namely, where there has been a failure to comply with the procedures set out in the Stabilisation Act, or where the Minister's opinion as to the necessity for the order is considered by the High Court to be unreasonable or vitiated by an error of law.

Ministerial requirements

In addition to the formal orders set out above, the Minister may impose a wide range of other requirements on a relevant institution under the Stabilisation Act. A relevant institution may be required to provide information on request, suspend a specified activity for a specified period, draw up or amend one or more restructuring plans, and to take specified steps to restructure its executive management responsibilities, strengthen its management capacity and improve its corporate governance. In addition, the Minister may, by written notice, remove a person from a position of director or officer of the relevant institution or terminate the employment of a person with immediate effect. A relevant institution may be liable for compensation or damages if claimed by any person removed or whose employment is terminated in such circumstances, however a court cannot prevent or restrain the Minister from requiring the removal nor can the person removed be reinstated by a court or tribunal.

Directors' obligations

Pursuant to the Stabilisation Act, directors of relevant institutions, in the performance of their functions, are under a duty to have regard to certain of the purposes of the Stabilisation Act (being those set out in section 4(f)), including the need to protect the State's interest in respect of the guarantees given by it under the State Guarantee Schemes, to protect the interests of tax payers, to restore confidence in the banking sector and to underpin government support measures in relation to that sector and to align the activities of the relevant institution with the public interest. This duty is owed by directors to the Minister on behalf of the State and takes priority over any other duty of the directors to the extent of any inconsistency. The Minister may publish guidelines in relation to this duty. If the Minister is of the opinion that it is no longer necessary for this duty to apply in relation to a particular relevant institution, he may so order.

Legal effect of orders under the Stabilisation Act

The Stabilisation Act provides that any action taken pursuant to the legislation, which could give rise to a claim against a relevant institution in accordance with the relevant institution's contractual arrangements with third parties, will not give rise to such claims. Steps taken in preparation for the making of, or consequences arising from, an order, which could, of themselves, constitute events of default under the terms of a relevant institution's contractual arrangements are protected from claims under the legislation. The Stabilisation Act provides that actions taken on the basis of High Court orders made pursuant to the Stabilisation Act have effect notwithstanding the Companies Acts, any other rule of law or equity, any code of practice, the memorandum and articles of the relevant institution, the Listing Rules or any agreement to which a relevant institution in bound or has an interest in. The taking of any action which is required pursuant to the Stabilisation Act does not require Stockholder or Director approval and any resolution passed by Stockholders which would otherwise prevent the taking of action by a relevant institution pursuant to the Stabilisation Act is of no effect.

If the Minister petitions the High Court to make an order in relation to a relevant institution and the intention of the order, or part of order, is the preservation or restoration of the financial position of a credit institution, the Minister must declare in the proposed order that the proposed order, or part of it, is made with that intention, in accordance with the CIWUD Directive. If the Minister has made such a declaration in the proposed order and the Court is satisfied that the Minister made the proposed order, or part of it, with that intention, the Court shall declare in the relevant order that the order, or the relevant part of it, is a re-organisation measure for the purposes of the CIWUD Directive. This will enable the order to have extraterritorial effect in the EU.

The Minister may, following consultation with the Governor of the Central Bank, declare by order that certain provisions of the Stabilisation Act will not apply to a relevant institution, where in the opinion of the Minister the lifting of the provisions is necessary for one of several specified purposes, including to need promote the financial stability of the institution and the need to facilitate the return to normal operations of that institution.

The Stabilisation Act will cease to have effect on 31 December 2012, or a later date substituted by resolution of both houses of the Oireachtas (parliament of Ireland). It is anticipated that the Resolution Bill will have been enacted and commenced by that time.

Further information in relation to the impact of the Stabilisation Act on the Group's business is set out in the risk factor entitled *"The introduction of Credit Institutions (Stabilisation) Act 2010 and the exercise of the powers under that legislation could have a material adverse effect on the Group's results, financial condition and prospects, notwithstanding that the objectives of the exercise of such powers may be for preserving, restoring or stabilising the Group or the Irish financial system generally. In addition, the statutory duties imposed on Directors by the Stabilisation Act to have regard to, amongst other things, the interests of the State, could require the Directors to act in a manner which is not always aligned with the interests of Stockholders as a whole"* in Part II (Risk Factors) of this Circular.

The Resolution Bill, which was published on 24 May 2011, aims to provide an effective and expeditious resolution regime for dealing with credit institutions that are failing or are likely to fail, while minimising the cost to the State. The Resolution Bill, if enacted, will apply to all authorised credit institutions in the State (including the Group) once the temporary emergency regime under the Stabilisation Act expires. The Central Bank will be given sweeping powers to intervene where a credit institution is failing.

The powers of the Central Bank are similar to those granted to the Minister for Finance under the Stabilisation Act. If enacted as published, the Resolution Bill will also:

(a) establish a Credit Institutions Resolution Fund to provide a source of funding for the resolution of financial instability in, or an imminent serious threat to the financial stability of, an authorised credit institution;

(b) empower the Central Bank to establish "bridge-banks" to hold assets or liabilities transferred pursuant to a transfer order;

(c) empower the Central Bank to present a petition to the High Court for the winding up of a credit institution; and

(d) empower the Central Bank to direct that an authorised credit institution prepare and implement a recovery plan and empowers the Central Bank to prepare a resolution plan for the institution.

There are various pre-conditions which must be met before the Central Bank can intervene under the Resolution Bill, which include:

- the existence of a present or imminent serious threat to the financial stability of the authorised credit institution or that of the State, or serious concerns relating to the financial stability of the authorised credit institution;
- the credit institution failing, or the likelihood that a credit institution will fail, to meet a regulatory requirement; and
- circumstances exist in which it is not in the public interest to wind up the credit institution immediately.

The Resolution Bill proposes that a fund be established for the resolution of financial instability in credit institutions. This fund would be financed by a levy on credit institutions and any contribution from the Minister for Finance. The fund would be managed by the Central Bank. The Programme for Government confirms the Government's commitment to the introduction of a comprehensive special resolution regime for the banking sector.

If the pre-conditions are met and if it is considered necessary, the Central Bank, following consultation with the Minister, would be able to make an application to the High Court seeking an order to:

- transfer all or part of the assets and/or liabilities of an authorised credit institution, or subsidiary or holding company of that credit institution, to a designated transferee, including a bridge-bank established to hold such assets and liabilities temporarily; and
- impose a special management regime on a credit institution.

The Central Bank would be empowered to present a petition to the High Court for the winding up of a failing credit institution in certain circumstances and further, no person would be allowed to petition to wind up a credit institution without giving the Central Bank notice and receiving the approval of the Central Bank.

The Central Bank would be able to direct an ailing credit institution to submit and implement a recovery plan. The Central Bank could itself prepare a resolution plan in relation to a credit institution if deemed necessary.

12. State aid and EU Restructuring Plans

Approved 2010 EU Restructuring Plan

As set out in paragraph 13 (EU Notification and approval and Financial Measures) of Part I (Letter from the Governor of Bank of Ireland), the Group was required to submit an EU Restructuring Plan to the European Commission, under EU State aid rules, which was approved on 15 July 2010. This Approved 2010 EU Restructuring Plan contained certain measures to address the appropriate level of burden-sharing and to limit 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 key elements of the Approved 2010 EU Restructuring Plan are as follows:

Business Disposals

The Group committed 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 and forms part of the Bank of Ireland Life operating segment.
- New Ireland had approximately €12 billion of life assurance assets (primarily unit-linked) at 31 December 2009.
- New Ireland distributes products through approximately 1,600 registered brokers and approximately 180 direct salespersons and through the Group's network with these distribution channels having an estimated 19% market share of new business within Ireland as at 31 December 2009.

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, which forms part of the Retail Republic of Ireland operating segment.
- 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 also agreed to sell Foreign Currency Exchange Corporation (the Group's US foreign exchange business) and its stakes in Paul Capital Top Tier Investments LLC (asset management) and Irish Credit Bureau Limited (which forms part of the Retail Republic of Ireland operating segment).

Loan Portfolios Deleveraging/Sale

As per the Group's announcement of 8 January 2009, the Group is deleveraging its UK intermediary sourced mortgage portfolio and also certain discontinued international corporate lending portfolios (comprising approximately 25% of loans and advances to customers at 31 December 2009). This deleveraging forms part of the Approved 2010 EU Restructuring Plan. The Group will attempt to accelerate the deleveraging 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 delevered or sold its UK intermediary mortgage book to below an agreed level by 30 June 2013, it will commit on a consolidated basis to meet the following target from 31 December 2013 until the end of the restructuring period:

$$\frac{\text{BOI group customer loans}}{\text{BOI group customer deposits plus BOI group wholesale funding} > 1 \text{ year}} \leq 100\%$$

Behavioural Commitments

The Group agreed with the European Commission as part of the Approved 2010 EU Restructuring Plan to certain behavioural commitments including:

- The Group will commit to two market opening measures being (a) to make available a service package to Relevant Competitors comprising of access to the Group's clearing system, debit card access to the Group's network, cash supply and distribution services and foreign exchange supply and distribution services, together with certain market intelligence including macro economic data, etc and (b) to facilitate customer mobility by undertaking certain direct mailings of Relevant Competitors with regard to Relevant Products to the Group's customer base, subject to certain conditions and with the cost of the mailing being borne by the Relevant Competitor;
- The Group commits to limit its marketing, advertising and sponsorship expenditure in the Ireland at the same level as it was for its financial year ended 31 March 2008 for a certain period and not to refer to any State support provided to the Group in its advertising;
- The Group commits to actively raise further awareness, and promotion of, customer switching and will contribute to a dedicated public awareness campaign related to switching;
- A commitment from the Group not to pay dividends on Ordinary Stock until the earlier of (i) 30 September 2012; or (ii) such time 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 of any financial institution until the earlier of (i) 31 December 2014; or (ii) such time as the 2009 Preference Stock is redeemed or no longer owned by the State, through the NPRFC or otherwise.

Implementation

These measures are required to be implemented over various time frames between the European Commission's final decision of 15 July 2010 and 31 December 2014.

The following sets out the implementation progress of the Approved 2010 EU Restructuring Plan:

Business Disposals

The Group has already disposed of the following businesses: Bank of Ireland Asset Management and the Group's shareholding in Paul Capital Investments LLC. The Group has also announced the sale of its Foreign Currency Exchange Corporation (its US foreign exchange business).

Monitoring Trustee

On 25 October 2010, the European Commission approved the appointment of a Monitoring Trustee to the Group. In conformity with the commitments agreed as part of the Approved 2010 EU Restructuring Plan, the Monitoring Trustee is mandated with the tasks of monitoring and of ensuring the Group's adherence to these commitments.

The duties and obligations of the Monitoring Trustee includes (i) overseeing the on-going management of the divestment businesses with a view to using reasonable efforts to ensure its continued economic viability, marketability and competitiveness and monitor compliance by the Group with their obligations, (ii) reviewing and assessing the suitability and independence of potential purchasers, (iii) monitoring the Group's compliance with the loan portfolio deleveraging / sale commitments, (iv) monitoring the Group's compliance with the behavioural commitments and (v) proposing to the Group such measures as the Monitoring Trustee considers necessary to ensure the Group's compliance with its commitments.

The Monitoring Trustee is required to report to the European Commission on the Group's adherence to the commitments and to date the Monitoring Trustee reports state that the Group is complying with all of its commitments and that the Group is providing the Monitoring Trustee with all such cooperation, assistance and information as it may reasonably require to perform its tasks.

Revised 2011 EU Restructuring Plan

Following the March 2011 PCAR/PLAR review, the Minister for Finance, in his statement on banking matters on 31 March 2011 stated that the State will be submitting new restructuring plans for the banks to the European Commission for approval under EU State aid rules in respect of the implications of the changes necessary for the future banking landscape in Ireland.

The Revised 2011 EU Restructuring Plan, submitted to the European Commission on 29 April 2011, includes the following key amendments to the Approved 2010 EU Restructuring Plan:

Business Disposals

New Ireland Assurance Company plc ("New Ireland")

The divestment period for this business will be extended by 12 months from the original agreed date.

ICS Building Society

The commitment to divest of ICS Building Society is cancelled. ICS Building Society will be retained by the Group.

Behavioural Commitments

Certain amendments were made to the behavioural commitments, including:

- The market opening measures will now apply from 1 January 2013 to 31 December 2015 and may involve broadening of the Relevant Product scope;
- The commitment from the Group not to pay dividends on Ordinary Stock will be extended to the earlier of (i) 31 December 2015; or (ii) such date as the 2009 Preference Stock is redeemed or no longer owned by the State;
- The commitment from the Group with respect to restrictions on acquisitions will be extended to the earlier of (i) 31 December 2015; or (ii) such date as the 2009 Preference Stock, Ordinary Stock and Contingent Capital Instrument are redeemed / repaid or no longer owned by the State; and
- The commitment from the Group with respect to restrictions on marketing spend will be extended by approximately 12 months.

Loan Portfolios Deleveraging/Sale

The Revised 2011 EU Restructuring Plan includes incremental deleveraging in the Deleveraging Plan as agreed as part of the PLAR process and set out below, which requires a loan to deposit ratio of 122.5% for the Group by 31 December 2013 (comprising approximately 26% of loans and advances to customers at 31 December 2010).

The loan portfolios / lending businesses of the Group, that are being/will be delevered or sold over time, include:

- Portfolios of UK mortgages that were sourced from brokers and other intermediaries and reported in the UK Financial Services segment;
- Selected international niche businesses such as project finance, asset based lending and certain previously identified international corporate banking portfolios and reported in the Capital Markets segment; and
- Certain international commercial investment property loan portfolios and reported in the Capital Markets and UK Financial Services segments.

These portfolios / lending businesses will be delevered or sold until the end of the Revised 2011 EU Restructuring Plan, being 31 December 2015.

The Group will attempt to accelerate the deleveraging of these portfolios by way of sale, but will not have an obligation to sell these portfolios at disposal discounts greater than those agreed with the Central Bank under the March 2011 PCAR/PLAR procedures or as agreed with the European Commission.

Implementation

The Revised 2011 Restructuring Plan remains subject to approval by the European Commission under EU State aid rules and the terms of any such approval may differ from the terms of the Revised 2011 Restructuring Plan.

These measures will be required to be implemented over various time frames between the date of the European Commission's final decision and 31 December 2015.

It is envisaged that as part of monitoring implementation, a Monitoring Trustee (who may be the existing Monitoring Trustee) will be appointed to monitor implementation.

Historical Financial impact on the Group—business disposals and deleveraging/sale of loan portfolios

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 2010, the businesses to be divested and the loan portfolios to be delevered/sold comprised approximately €37 billion of lending and approximately €20 billion of Risk Weighted Assets. For the 12 month period ended 31 December 2010, the Group estimates that the businesses to be divested and the loan portfolios to be delevered/sold generated underlying total income of approximately €0.5 billion, generated underlying operating profit (before impairment charges) of approximately €0.3 billion, and contributed approximately €0.1 billion of underlying profit before tax to the Group (Source: unaudited internal management information).

Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: gain on liability management exercises, impact of changes in pension benefits, gains arising on the movement in credit spreads on the Group's own debt and deposits accounted for at "fair value through profit or loss", impact of "coupon stopper" on subordinated debt, gross-up for policyholder tax in the life business, investment return on treasury stock held for policyholders, cost of restructuring programmes and gain / (loss) on disposal of business activities.

13. Litigation

Save as disclosed in this paragraph 13, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware) during the 12 months preceding the date of this Circular which may have, or have had in the recent past, significant effects on the financial position or profitability of the Bank or its subsidiaries.

Procom litigation

In May 2007, the Bank, through Bank of Ireland Private Banking, entered into an agreement with Procom Desarollos Urbanos, SA and Cecosa Hipermercados S.L.U (the "Plaintiff") to purchase the entire issued share capital of Procom Desarrollo Comercial de Zaragoza, SA, which is a Spanish incorporated company involved in the development of a shopping centre and retail park in Zaragoza, Spain. The agreement contained a number of pre-conditions. The Bank contends that one of the pre-conditions was not satisfied and accordingly did not proceed to purchase Procom Desarrollo Comercial de Zaragoza, SA. In February 2009, the Plaintiff initiated legal proceedings against Bank of Ireland Private Banking and the Bank for specific performance or, failing this, damages in relation to the terminated agreement claiming €142 million in damages. On 10 February 2010, the Madrid Court of First Instance ruled in favour of Plaintiff and awarded damages of €90.87 million. An appeal has been lodged by both the Bank and the Plaintiff. The parties submitted briefs to the appellate court on 25 May 2011 and a decision is expected shortly. 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 commissioned two preliminary investigatory reports. A report on the functions of the Central Bank over the period from the establishment of the Financial Regulator (now the Central Bank) in May 2003 to the end of September 2008 was prepared by the Governor of the Central Bank. A second report, dealing with an investigation into the specific factors within the Irish banking sector which exacerbated the impact of the international financial crisis for Ireland, was prepared by independent experts appointed by the Minister. The preliminary report by the independent experts involved an inquiry into the conduct, management and corporate governance of individual financial institutions, including the Group.

Both preliminary reports were published on 31 May 2010 and their findings formed the basis for the terms of reference of a formal statutory investigation (the "Statutory Commission of Investigation") which was established by the Government on 21 September 2010 pursuant to the Commissions of Investigation Act, 2004. The Statutory Commission of Investigation examined the performance of individual banks and bank directors, the performance of regulatory authorities, the response of Government and Government agencies and the structure of the banking system in Ireland generally. The Statutory Commission of Investigation presented its report to the Minister for Finance on 22 March 2011 and has been forwarded to the Attorney General. The report was published on 19 April 2011. Further inquiry may result from the findings of the Statutory Commission of Investigation, including the possibility of public hearings.

The Group may be exposed to criminal sanctions and/or fines in connection with a range of offences under the Commissions of Investigation Act 2004, which offences include the making of statements material in the investigation concerned knowing them to be false or not believing them to be true, the failure to comply with directions of the Statutory Commission of Investigation and intentionally obstructing its work (which offences could result in the Group, or an officer of the Group, being subject to a fine of up to €300,000 on conviction on indictment).

Department of Finance remuneration review

The Department of Finance has recently conducted a review of the bonus payments to staff made by the Group since the commencement of the State Guarantee Schemes in September 2008.

Certain of the Group's historic incentive arrangements and/or retention arrangements with certain individual employees or groups of employees have been reviewed by the Department of Finance and a report detailing the findings of this review was published on 3 March 2011.

The report concluded that the Group did not properly disclose to the Department of Finance details of its historic incentive arrangements for the purposes of a response to a question raised in the Dáil on the payment of performance bonuses by banks since the commencement of the State Guarantee Schemes. A specific misunderstanding arose in relation to the scope of the question raised and in response to the question, the Group responded stating that performance bonuses were no longer paid by the Group. The Group has now accepted that it provided incorrect information for the purposes of the answer to the Dail question.

While there was no intention on the part of the Group to mislead in relation to the original Dail question, the end result was that errors were made and the Group has acknowledged this in its response to the findings of the review.

The Group has given assurances that it has now provided the Department of Finance with accurate information in relation to bonus payments to employees. The Group has made a payment of €2 million to the State to recognise the difficulties caused by the way in which the Group dealt with the request for information and with the subsequent review. An internal Group investigation to identify the actions necessary to ensure there is no re-occurrence of these issues has taken place and the recommendations arising from this review are being implemented. Definitions of different types of non salary payments and the purposes of each have now been clarified with the Department of Finance.

If the Group decides not to, or is precluded from, making payments under historically contracted incentive arrangements, and/or recruitment arrangements and/or retention arrangements with certain individual employees or groups of employees, the Group could face legal actions from employees and/or could lose the commitment from, or services of, key employees which could impact on the reputation of the Group and the Group's business, financial condition and prospects.

Litigation in respect of application of Stabilisation Act

(i) AIB

On 14 April 2011, the High Court, pursuant to an application by the Minister under the Stabilisation Act and with the consent of the board of AIB, issued a subordinated liabilities order in relation to AIB amending certain subordinated debt coupon terms and maturity dates and lifted the dividend stopper. This subordinated liabilities order was the subject of a court challenge as against the Minister (as provided for in the Stabilisation Act) by two investors with holdings in only three of the eighteen affected securities. On 3 June 2011, one of the investors withdrew its Court challenge. The Minister stated on 3 June 2011 that he considers the remaining challenge to be entirely unfounded. The substantive hearing commenced before the High Court on 7 June 2011. On 9 June 2011, a High Court order confirmed that this challenge will not affect the remaining bondholders. The subordinated liabilities order is therefore effective from 22 April 2011 in relation to 16 of the 18 subordinate debt instruments that were the subject of that order.

In the event that the remaining challenge is successful, it could (depending on the terms of the High Court judgment) adversely impact on the ability of Government to successfully proceed with an application to the High Court for a subordinated liabilities order under the Stabilisation Act in respect of the Eligible Debt Securities of the Group. Even if the challenge is not successful, the litigation in respect of the subordinated liabilities of AIB could delay the granting of a subordinated liabilities order by the High Court in respect of the Eligible Debt Securities of the Group. Accordingly the proceedings in respect of AIB could have an impact on the Group and are therefore being disclosed in this paragraph. For further information on the risks associated with these outcomes, see the risk factor entitled *"Even if the Proposals are implemented, or the results of the burden sharing exercise are not as expected, there is a risk of increased ownership in the Bank by the Government, including possible majority ownership or nationalisation or ineligibility for listing"* in Part II (Risk Factors) of this Circular.

(ii) Bank of Ireland—Litigation in relation to the Debt for Equity Offers and application of the Stabilisation Act

The Bank has received a number of complaints from holders of Eligible Debt Securities regarding the Debt for Equity Offers and, as described below, one group of holders of Eligible Debt Securities has commenced legal proceedings against the Bank.

The complaints include allegations relating to the validity of the proposed resolutions granting the Group the right to insert call options into the terms of the Eligible Debt Securities (the "Proposed Resolutions"), the fairness of the Debt for Equity Offers and the timetable for the Debt for Equity Offers. Some of these complaints have included threats of legal proceedings against the Group. The Bank is aware that some of these complaints have also been made or copied to regulatory authorities and other bodies. The Group has amended the terms of the Debt for Equity Offers in respect of the Bank of Ireland 13.375% Unsecured Perpetual Subordinated Bonds (ISIN: GB 0000510312) (the "13.375% Bonds"), issued by the Bank (in substitution for Bristol and West plc) to take into account the unique circumstances of the manner in which the 13.375% Bonds are held so as to facilitate holders by applying the nominal value previously applicable to the Early Participation Deadline for an extended period.

The Bank has also received correspondence from a firm of solicitors claiming to act for holders of the 13.375% Bonds. It alleges on behalf of its clients that the Proposed Resolution in relation to the 13.375% Bonds would be invalid and threatens to commence legal proceedings for declarations to this effect and an injunction by way of final relief restraining the Bank from tabling the Proposed Resolution or exercising the call option in relation to the 13.375% Bonds. The Bank has responded to the firm stating that it intends to vigorously defend the proceedings if brought.

Separately, a group of parties claiming to hold approximately US$750 million of Lower Tier 2 Eligible Debt Securities commenced legal proceedings in England on 17 June 2011 against the Bank and The Law Debenture Trust Corporation Plc to obtain declarations including that the Proposed Resolutions in relation to these Eligible Debt Securities would be invalid and that a subordinated liabilities order under the Stabilisation Act in relation to these Eligible Debt Securities would not be enforceable under English law. The legal proceedings also seek an injunction by way of final relief restraining the Bank from accepting offers to participate in the Debt for Equity Offers, taking any further steps in relation to the Debt for Equity Offers and acting on the outcome of the Debt for Equity Offers including tabling the Proposed Resolutions and exercising the call option. The Bank intends to vigorously defend these proceedings.

14. No significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2010 (the date to which the latest published audited financial information of the Group was prepared).

15. 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 IV (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 New Ordinary Stock has 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.

16. Documents available for inspection

Paper copies of:

- the Bye-Laws;
- the 2010 Annual Report, the December 2009 Annual Report, the 2009 Annual Report and the 2008 Annual Report;
- Report on the unaudited pro forma financial information by PricewaterhouseCoopers set out in Part IV (Unaudited Pro Forma Financial Information) of this Circular;
- Consent letters referred to in paragraph 15 (Consent to inclusion of names) of this Part V;
- Oliver Wyman Report;
- the Transaction Agreement, including the annex setting out the subject to contract term sheet of the Contingent Capital Instrument;
- 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 29 July 2011:

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

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

Paper copies of:

- the agency agreement and note purchase agreement between the State and the Bank entered into in respect of the Contingent Capital Instrument; and
- the Minister's Letter,

will be made available for inspection at the above places once their terms are finalised.

17. Documents incorporated by reference

The 2010 Annual Report, the December 2009 Annual Report, the 2009 Annual Report and the 2008 Annual Report are available for inspection in accordance with paragraph 16 (Documents available for inspection) of this Part V of this Circular and contains information which is relevant to the Rights Issue. These documents are also available on the Bank's website at *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 Listing Rules and to ensure that Stockholders and others are aware of all information which, according to the particular nature of the Bank is necessary to enable Stockholders and others to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Bank.

Document	Section	Page numbers in such document
2010 Annual Report	Operating and Financial Review	12 to 86
	Risk Management Report	89 to 150
	Independent Auditors' Report	187 to 188
	Consolidated income statement	189
	Consolidated statement of other comprehensive income	190
	Consolidated balance sheet	191
	Consolidated statement of changes in equity	192 to 193
	Consolidated cash flow statement	194 to 195
	Group accounting policies	196 to 222
	Notes to the consolidated financial statements	223 to 316
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	156 to 179
	Notes to the consolidated financial statements	180 to 260
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	108 to 127
	Notes to the consolidated financial statements	128 to 200
2008 Annual Report	Independent Auditors' Report	69 to 70
	Consolidated income statement	71
	Consolidated balance sheet	72
	Consolidated statement of recognised income and expense	74
	Consolidated cash flow statement	75 to 76
	Group accounting policies	77 to 95
	Notes to the consolidated financial statements	96 to 173
Prospectus	Part VIII (Questions and Answers about 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
	Paragraph 4 (Remuneration of Directors, Secretary and Senior Executives) of Part XVII (Directors, Corporate Governance and Employees)	the entire part

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: 18 June 2011

PART VI

DEFINITIONS

1992 Preference Stock	the preference capital stock of the Bank, other than the 2009 Preference Stock and the 2005 Preference Stock, as at the date of this Circular;
2005 Preference Stock	new units of preference stock which may be allotted by the Directors pursuant to Bye-Law 7 and which can be either redeemable or non-redeemable and can be denominated in US dollars, in euro or in Sterling;
2008 Annual Report	the Bank's annual report for the year ended 31 March 2008;
2009 Annual Report	the Bank's annual report for the year ended 31 March 2009;
2009 Preference Stock	the units of 10.25% non-cumulative preference stock of €0.01 each in the capital of the Bank;
2010 Annual Report	the Bank's annual report for the year ended 31 December 2010;
2010 Capital Raising	the capital raising exercise carried out by the Bank between April and June 2010;
2010 Government Transaction Agreement	the transaction agreement between the Bank, the NPRFC and the Minister for Finance entered into in connection with the 2010 Capital Raising, further details of which are set out in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular;
2010 Placing	the NPRFC placing as more particularly described in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular;
2010 Reform Act	the Central Bank Reform Act 2010;
ACSM Hybrids	Bank of Ireland UK Holdings plc €600 million (of which €253 million is outstanding) 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities and Bank of Ireland UK Holdings plc £350 million (of which £40 million is outstanding) 6.25% Guaranteed Callable Perpetual Preferred Securities;
Adjusted Core Tier 1 Capital Ratio	the Central Bank applies capital requirement rules and a definition of Core Tier 1 Capital as prescribed by the Capital Requirement Directives, which is the prevailing standard. To increase conservatism, the Central Bank has included all supervisory deductions, including 50:50 deductions (which are supervisory deductions for which 50% is removed from Tier 1 Capital (this element is deducted from Core Tier 1 Capital in arriving at the Adjusted Core Tier 1 Capital ratio) and Tier 2 Capital);
Admission	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;
Admission and Disclosure Standards	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;
Admission to Trading Rules	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;
AFS	available for sale;

AIB	Allied Irish Banks plc;
ALCO	Group Asset and Liability Committee;
Allotment Instrument	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 Debt for Equity Stock;
Allotment Instrument Deed Poll	the instrument by way of a deed poll relating to the Allotment Instruments, to be executed by the Bank on or about 12 August 2011;
Annual General Court or **AGC**	an annual general court of the Bank;
Approved 2010 EU Restructuring Plan	the EU restructuring plan for the Group for the period to 31 December 2014 approved by the European Commission on 15 July 2010;
ATM	automated teller machine;
Authorities	HM Treasury, the Bank of England and the FSA;
the Bank or **Bank of Ireland**	the Governor and Company of the Bank of Ireland, established in Ireland by Charter in 1783 and having limited liability;
Bank of Ireland Eligible Bank Assets	those assets of the Group that are designated as Eligible Bank Assets;
Banking Act	UK Banking Act 2009;
Banking Consolidation Directive	Directive 2000/12/EC of March 2000, repealed and recast as part of Directive 2006/48/EC;
Basel Committee	the Basel Committee on Banking Supervision;
Basel I	the International Convergence of Capital Measurements and Capital Standards published by the Basel Committee in July 1988;
Basel II	the Capital Adequacy Framework issued in June 2004 by the Basel Committee, as implemented by Directive 2006/48/EC and Directive 2006/49/EC;
Basel III	the proposed updated guidelines for capital and banking regulations prepared by the Basel Committee, which were published on 16 December 2010 entitled "Basel III: A Global regulatory framework for more resilient banks and banking systems", and which are to be phased in from 1 January 2013, together with (where the context so permits) any amendments, development or subsequent drafts of such guidelines and any legislative measures to implement any of the foregoing;
BCG	Boston Consulting Group;
BIS	Bank of International Settlement;
BIAM	Bank of Ireland Asset Management;
BlackRock	BlackRock Solutions;
BOISS	Bank of Ireland Securities Services Limited, Bank of Ireland Nominees Limited, IBI Nominees Limited and the Bank's custody and securities business;
Bonus Stock	units of Ordinary Stock in the Bank issued to the NPRFC if a cash dividend is not paid by the Bank pursuant to the rights attaching to the 2009 Preference Stock;
Business Day	a day (excluding Saturdays, Sundays and public holidays) on which banks are generally open for business in London and Dublin;
Bye-Laws	the bye-laws of the Bank, as amended from time to time;
Canadian Dollar 2015 Notes	the Fixed/Floating Rated Subordinated Notes due September 2015 (ISIN: CA062786AA67) issued by the Bank
Capital Adequacy Directive	Council Directive 1993/6/EC of 15 March 1993;

Capital Requirements Directive	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;
Capital Requirements Directive II or **CRD II**	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;
Capital Requirements Directive III or **CRD III**	Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2009/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies;
Capital Requirements Directive IV or **CRD IV**	proposal for a Directive of the European Parliament and of the Council amending Directives 2006/48/EC, 2006/49/EC supplementing the two sets of revisions adopted by the Commission in October 2008 and July 2009 as regards liquidity standards, definition of capital, leverage ratio, counterparty credit risk, countercyclical measures, systemically important financial institutions and single rule book in banking;
Cashless Take-Up	the procedure described in Part IX (Terms and Conditions of the Rights Issue) of the Prospectus enabling Qualifying Non-CREST Stockholders to sell a sufficient number of Nil Paid Rights to raise money to take up the remainder;
CEBS	the Committee of European Banking Supervisors;
Central Bank	the Central Bank of Ireland;
certificated or **in certificated form**	where stock or other security is not in uncertificated form;
CET 1 Amount	means, at any time, as calculated by the Bank on a consolidated basis and expressed in the Bank's reporting currency, the sum of all amounts (whether positive or negative) of Common Equity Tier 1 Capital of the Group as at that time;
CET 1 Ratio	means, in respect of any semi-annual reporting period, the ratio (expressed as a percentage) of the CET 1 Amount divided by the RWA Amount, as at the date of the financial statements contained in the semi-annual published financial report, as calculated by the Bank and appearing in its relevant semi-annual published financial report;
CIFS Guarantee Scheme	the Credit Institutions (Financial Support) Scheme 2008 (S.I. No 411 of 2008);
Circular	the circular to be sent to Stockholders and the NPRFC convening the EGC to approve the Proposals published in accordance with the Listing Rules;
CIROC Report	the Covered Institution Remuneration Oversight Committee report to the Minister dated 27 February 2009;
CIWUD Directive	Directive 2001/24/EC on the Re-organisation and Winding-up of Credit Institutions;
Closing Price	the closing middle-market quotation of a unit of Ordinary Stock as derived from the Daily Official List;
Code of Conduct for Business Lending to Small to Medium Enterprises	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);
Code of Conduct for Mortgage Arrears	Code of Conduct for Mortgage Arrears published by the Financial Regulator (such functions now being carried out by the Central Bank) on 13 February 2009 (as amended or replaced from time to time);

Common Equity Tier 1 Capital	means all items that constitute common equity tier 1 capital less deductions from and any other adjustments to common equity tier 1 capital, in each case within the meaning of these terms or equivalent in the Capital Requirements Directive IV and as implemented in Ireland;
Companies Acts	the Companies Acts, 1963 to 2009 (as amended) of Ireland (insofar as they apply to the Bank having regard to the Ninth Schedule to the Companies Act, 1963);
Computershare	Computershare Investor Services (Ireland) Limited, Registrars and Receiving Agents for the Bank;
Computershare Dealing Facility	the dealing service in respect of the Nil Paid Rights provided by Computershare;
Contingent Capital Instrument	the convertible debt instrument to be issued to the State as part of the Proposals, the subject to contract term sheet of which is more particularly described in paragraph 6 (Contingent Capital Instrument) of Part I (Letter from the Governor of Bank of Ireland) of this Circular;
Control	the holding, whether directly or indirectly, of stock of the Bank that confer, in aggregate, more than 50% of the voting rights in the Bank;
Control Resolution	a resolution of those Stockholders who are entitled to so vote for the approval of any agreement or transaction (including a merger) whereby, or in consequence of which, Control of the Group, or substantially all of the Group's business, is or may be acquired by any person or persons (excluding any government concert party) acting in concert and which for the avoidance of doubt shall include any resolution to approve a scheme of arrangement pursuant to section 201 of the Companies Act 1963 pursuant to which a takeover of the Group (within the meaning of the Irish Takeover Panel Act 1997 Takeover Rules (as amended, replaced or substituted from time to time)) would be effected or approved or a merger or division of the Bank pursuant to the European Communities (Mergers and Divisions of Companies) Regulations, 1987 (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);
Core Tier 1 Capital	Tier 1 Capital excluding innovative and non-innovative Tier 1 Securities and before deductions required from Tier 1 Capital;
Core Tier 1 Capital Ratio	the amount of the Bank's Core Tier 1 Capital as a proportion of its Risk Weighted Assets on a consolidated basis;
Counter-Indemnity Agreement	the counter-indemnity agreement between the Bank and the Minister for Finance as more particularly described in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular;
Court or **Court of Directors**	the Court of Directors of the Bank;
Credit Reviewer	the credit reviewer appointed by the Government to review decisions to refuse credit in accordance with the Credit Review Guidelines;
Credit Review Guidelines	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);
Credit Suisse	Credit Suisse Securities (Europe) Limited of One Cabot Square, London E14 4QJ;
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations);
CREST Manual	the rules governing the operation of CREST, consisting of the CREST Reference Manual, CREST International Manual, CREST Central Counterparty Service Manual, CREST Rules, Registrars Service

	Standards, Settlement Discipline Rules, CCSS Operations Manual, Daily Timetable, CREST Application Procedure and CREST Glossary of Terms (all as defined in the CREST Glossary of Terms);
CREST Member	a person who has been admitted to Euroclear as a system-member (as defined in the CREST Regulations);
CREST Participant	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
CREST Regulations or **Regulations**	the Companies Act 1990 (Uncertified Securities) Regulations 1996 (SI No. 68/1996) of Ireland (as amended in 2003);
CREST Sponsor	a CREST Participant admitted to CREST as a CREST Sponsor;
CREST Sponsored Member	a CREST Member admitted to CREST as a sponsored member;
CSO	Central Statistics Office;
Daily Official List	the daily Official List of the Irish Stock Exchange;
Davy	J&E Davy of Davy House, 49 Dawson Street, Dublin 2, trading as Davy or, as the context so requires, any affiliate thereof or company within its group;
DBRS	DBRS Limited;
Dealer Managers	the dealer managers of the Debt for Equity Offers;
Debt for Equity Offers	the offer to certain holders of certain Tier 1 and Tier 2 Securities;
Debt for Equity Stock	units of Ordinary Stock to be issued to certain holders of Eligible Debt Securities pursuant to the conversion of the Allotment Instruments to be issued in respect of the Debt for Equity Offers;
December 2009 Annual Report	the Bank's annual report for the nine months ended 31 December 2009;
Deferred Stock	units of deferred stock in the capital of the Bank having a nominal value of €0.54 each and following the Renominalisation, having a nominal value of €0.01 each;
Deleveraging Plan	the Group's plan for certain loan portfolios / lending businesses to be delevered or disposed of on an orderly basis as set out in more detail in paragraph 2 (Background to the Proposals) of Part I of this Circular which commits the Group to significantly further deleverage the balance sheet, requiring a loan to deposit ratio of 122.5% by 31 December 2013;
Department of Finance	Department of Finance of Ireland;
Deposit Guarantee Scheme Directive	Council Directive 94/19/EC of 30 May 1994;
Deutsche or Deutsche Bank	Deutsche Bank AG, London Branch of Winchester House, 1 Winchester Street, London EC2N 2DB;
Directors	the Non-Executive Officers, Executive Directors and Non-Executive Directors of the Bank;
Early Participation Deadline	22 June 2011, save in the case of the 13.37% Unsecured Perpetual Subordinated Bonds (ISIN: IE 0000750319) issued by the Bank (in substitution for Bristol and West plc)
EBA	European Banking Authority;
ECB	European Central Bank;
ELG Scheme	the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. No. 490 of 2009) as amended by S.I. No. 546 and S.I. 547 of 2010;
Eligible Bank Assets	those classes of assets prescribed as eligible bank assets by the Minister for Finance, in accordance with section 69 of the NAMA Act;

Eligible Debt Securities	the Tier 1 and Tier 2 Securities that are the subject of the Debt for Equity Offers, as set out in the table in paragraph 3 (Debt for Equity Offers) of Part I (Letter from the Governor of Bank of Ireland) of this Circular, subject to any amendments to the terms thereof, to the extent that such amendments are approved at meetings of the bondholders;
Employee Stock Issue Scheme	the employee stock issue scheme as described in paragraph 4 (Remuneration of Directors, Secretary and Senior Executives) of Part XVII (Directors, Corporate Governance and Employees) of the Prospectus;
Employee Stock Schemes	the LTIP, the LTPSP, the ESOS, the Stock Alternative Scheme, the Employee Stock Issue Scheme and the SAYE Scheme;
Enlarged Capital Stock	the maximum number of issued units of Ordinary Stock immediately following the issue of the New Ordinary Stock and the Debt for Equity Stock, based on the number of issued units of Ordinary Stock on 16 June 2011, being the last practicable date prior to the date of this Circular, plus the maximum number of units of New Ordinary Stock and the Debt for Equity Stock capable of being issued under the Rights Issue, the State Placing and the Debt for Equity Offers;
Equity Tier 1 Capital	the amount of the Bank's Core Tier 1 Capital less all Preference Stock of the Bank;
Equity Tier 1 Capital Ratio	the amount of the Bank's Equity Tier 1 Capital as a proportion of its Risk Weighted Assets on a consolidated basis;
ESOS	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;
EU/IMF Programme	the Programme of Financial Support for Ireland as announced by the EU and IMF on 1 December 2010 and, where the context so permits, as updated and supplemented on 28 April 2011;
EU or **European Union**	the European Union;
EU Prospectus Regulations	Commission Regulation (EC) No. 809/2004;
EU Restructuring Plan	a restructuring plan for a bank for submission to the European Commission under EU State aid rules for the purpose of establishing the bank's long term viability without State support, adequate burden sharing and measures to minimise any distortion of competition arising from State aid provided to the bank;
euro	the single currency of the EU Member States that adopt or have adopted the euro as their lawful currency under the legislation of the European Union or European Monetary Union;
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST;
European Commission or **Commission**	the Commission of the European Union;
European Council	the European Union's legislative body which consists of one representative at ministerial level from each Member State, a president and the president of the European Commission;
European Financial Stability Facility or **EFSF**	the facility agreed by the Member States of the European Union on 9 May 2010, aiming at preserving financial stability in Europe by providing financial assistance to members of the Eurozone in economic difficulty;
European Financial Stability Mechanism or **EFSM**	the emergency funding programme reliant upon funds raised on the financial markets and guaranteed by the European Commission using the budget of the European Union as collateral which runs under the supervision of the European Commission and aims at preserving

	financial stability in Europe by providing financial assistance to Member States in economic difficulty;
European Stability Mechanism	the permanent rescue funding programme to succeed the temporary EFSF and EFSM, which is due to be launched in mid-2013;
Eurozone	the member states of the European Union which have adopted the euro as their common currency;
Excluded Territories and each an **Excluded Territory**	United States, South Africa, New Zealand, Australia, Japan, Canada and Switzerland and any other jurisdiction which is deemed to be excluded pursuant to the terms of the Rights Issue and the Rump Placing;
Executive Directors	the executive directors of the Bank;
Existing Ordinary Stock	the units of Ordinary Stock in issue as at the date of this Circular;
Existing Ordinary Stockholder	a holder of Existing Ordinary Stock as at the date of this Circular;
Extended Fund Facility	the IMF lending facility established in 1974 to assist member countries in overcoming balance of payments issues that stem largely from structural problems;
Extraordinary General Court or **EGC**	an extraordinary general court of the Bank and, unless otherwise specified, the extraordinary general court of the Bank to be held on 11 July 2011;
Facility Deed	the facility deed between the Bank and the Central Bank as more particularly described in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular;
Financial Measures Programme	the financial measures programme announced by the Central Bank on 31 March 2011 comprising the independent loan loss assessment exercise carried out by BlackRock, the March 2011 PCAR and the PLAR;
Financial Regulator	the Irish Financial Services Regulatory Authority which was dissolved on 1 October 2010 pursuant to the Central Bank Reform Act, 2010 and its existing functions were merged into the Central Bank;
Financial Services Compensation Scheme	the compensation scheme established in the UK under the FSMA which became operational on 1 December 2001;
Form of Proxy	the form of proxy relating to the Extraordinary General Court;
FSA or **Financial Services Authority**	Financial Services Authority of the United Kingdom;
FSMA	Financial Services and Markets Act 2000, as amended;
Fully Paid Rights	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;
GDP	Gross Domestic Product;
GEC	the group executive committee of the Bank;
General Court	an AGC or an EGC;
Government or **Irish Government**	the Government of Ireland;
Government Body	(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 (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;
Government Preference Stockholder	a Government Body holding 2009 Preference Stock;
Government Transaction	means the entry into the Transaction Agreement, including the State Placing and the obligation of the NPRFC to underwrite the Rights Issue, the issue of the Contingent Capital Instrument to the State and the entry into the Minister's Letter;
Great Britain	the territories of England, Scotland and Wales;
Group or **the Group**	the Bank and each of its subsidiaries and subsidiary undertakings from time to time;
GRPC	the Group Risk Policy Committee;
HM Treasury	UK economics and finance ministry;
Hybrid/Preferred Securities	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;
IAS	International Accounting Standards;
IASB	International Accounting Standards Board;
IBI Corporate Finance	IBI Corporate Finance Limited, which is a subsidiary of the Bank;
IBNR	incurred but not reported;
IBOA	Irish Bank Officials' Association—The Finance Union;
IFRS	International Financial Reporting Standards as adopted for use in the European Union;
IMF	International Monetary Fund;
IPD	Investment Property Databank;
IRBA	Internal Ratings Based Approach;
Ireland	means Ireland, excluding Northern Ireland, and the word "Irish" shall be construed accordingly;
Irish Sponsor	Davy;
Irish Stock Exchange	the Irish Stock Exchange Limited;
Issuance Window	in respect of a State Guarantee Scheme, the period of time during which securities and other obligations can be issued that are covered by that State Guarantee Scheme;
Joint Bookrunners	Credit Suisse, Davy, Deutsche and UBS;
Joint Sponsors or Joint Brokers	Davy and UBS;
KMP	Key Management Personnel;
Liquidity Coverage Ratio	the ratio of the stock of highly liquid assets to net cashflow over a 30 day stress period where the stress is introduced to the calculation by a set of weightings applied to the 30 day inflows and outflows which are included;
Listing Rules	the listing rules of the Irish Stock Exchange and/or where appropriate the UK listing rules made under section 73A of the FSMA;
London Stock Exchange	London Stock Exchange plc;
Lower Tier 2	fixed-maturity subordinated notes with a minimum initial maturity of five years, with no deferral of coupon payments and no loss absorption through the write-down of principal or interest;

Lower Tier 2 Securities	securities issued by the Group that qualify as Lower Tier 2;
LP2 Securities	Bank of Ireland Capital Funding (No. 2) LP US$800 million ($61 million outstanding) Fixed Rate/Floating Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities;
LP3 Securities	Bank of Ireland Capital Funding (No. 3) LP US$400 million ($20 million outstanding) Fixed Rate/Floating Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities;
LTIP	Long Term Incentive Plan of the Bank;
LTPSP	Long Term Performance Stock Plan of the Bank;
March 2011 PCAR	the prudential capital assessment review undertaken by the Central Bank, the results of which were announced on 31 March 2011;
Master Loan Repurchase Deed	the master loan repurchase deed between the Bank and the Central Bank as more particularly described in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular;
Member States	member states of the European Union;
Minister for Finance or **Minister**	the Minister for Finance of Ireland;
Minister's Letter	the letter agreement between the Minister for Finance and the Bank to be entered into pursuant to the Transaction Agreement, further details of which are set out in the summary of the Transaction Agreement in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular;
Monetary Authorities	the ECB, the Central Bank, the Bank of England, the US Federal Reserve;
Monitoring Trustee	a monitoring trustee appointed by the Bank, subject to the approval of the European Commission, in charge of the overall tasks of monitoring and of ensuring, under the Commission's instructions, compliance with the commitments contained in the Group's EU Restructuring Plan;
NAMA	the National Asset Management Agency and, where the context permits, other members of NAMA's group including subsidiaries and associated companies;
NAMA Act	the National Asset Management Agency Act 2009;
NAMA Scheme	the asset relief scheme operated by NAMA under the NAMA Act;
NAMAIL	National Asset Management Agency Investment Limited;
National Pensions Reserve Fund	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;
Net Stable Funding Ratio	the amount of longer-term stable sources of funding employed by an institution relative to the liquidity profile of assets being funded, with the denominator of the ratio, known as required stable funding calculated as a weighted total of the assets being funded and the numerator of the ratio, known as available stable funding calculated as a weighted total of the sources of funding;
New Ireland or **New Ireland Assurance**	New Ireland Assurance Limited, a subsidiary of the Bank;
New Ordinary Stock	up to 43,500,000,000 units of Ordinary Stock of €0.05 each in the capital of the Bank to be issued pursuant to the Rights Issue and the 794,912,043 units of Ordinary Stock of €0.05 to be issued pursuant to State Placing, or either the Rights Issue or the State Placing where the context so requires, and "unit of New Ordinary Stock" means any unit of such stock;

Nil Paid Rights	rights to acquire New Ordinary Stock in the Rights Issue, where the amount payable on acceptance of the offer of New Ordinary Stock has not been paid;
Non-Core Tier 1 Capital	innovative and non-innovative Tier 1 Capital;
Non-Executive Directors	the non-executive directors of the Bank;
Northern Trust	Northern Trust Company and Northern Trust (Ireland) Limited;
NPRF	National Pensions Reserve Fund;
NPRFC	the National Pensions Reserve Fund Commission, established by the National Pensions Reserve Fund Act 2000 to, inter alia, control, manage and invest the assets of the National Pensions Reserve Fund. References herein to the NPRFC mean the NPRFC acting in its capacity as controller and manager of the NPRF;
NPRFC Coupon Ordinary Stock	184,394,378 units of Ordinary Stock issued to the NPRFC on Monday 22 February 2010 in lieu of the cash dividend otherwise due on the 2009 Preference Stock;
NPRFC Investment	the subscription by the NPRFC for €3.5 billion of 2009 Preference Stock in the Bank and the issue of the Warrants completed on 31 March 2009;
NTMA	the National Treasury Management Agency as established by the National Treasury Management Agency Act, 1990;
Official Lists	the official list of the Irish Stock Exchange and/or, as appropriate, the official list maintained by the UK Listing Authority;
Oliver Wyman	Oliver Wyman Limited;
Ordinary Stock or **units of Ordinary Stock**	the units of ordinary stock having a nominal value of €0.10 each in the capital stock of the Bank prior to the Renominalisation and a nominal value of €0.05 each in the capital of the Bank following the Renominalisation;
Ordinary Stockholder	a holder of a unit of Ordinary Stock;
Panel or **Takeover Panel**	the Irish Takeover Panel;
Participating Institution	a credit institution designated by the Minister for Finance as a participating institution in accordance with the provisions of section 67 of the NAMA Act;
participation in NAMA	includes participation in any scheme pursuant to the NAMA Act to transfer assets to NAMA;
PCAR or **Prudential Capital Assessment Review**	a prudential capital assessment review undertaken by the Central Bank;
PLAR or **Prudential Liquidity Assessment Review**	a prudential liquidity assessment review being undertaken by the Central Bank;
POFS	Post Office Financial Services Limited;
POL	Post Office Limited;
Preference Stock	means the 2009 Preference Stock and the 1992 Preference Stock;
Preference Stockholders	means the registered holders of Preference Stock from time to time;
Programme Documents	the documents outlining the details of the EU/IMF Programme;
Programme for Government	the document published by the Government on 6 March 2011 entitled "Programme for Government for National Recovery 2011-2016";
Proposals	the Debt for Equity Offers, the State Placing, the Rights Issue, the entry into the Transaction Agreement and the issue of the Contingent Capital Instrument;

Prospectus	the prospectus dated 18 June 2011 which has been approved under Directive 2003/71/EC;
Prospectus Regulations	the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland (SI No. 324 of 2005);
Prospectus Directive	European Parliament and Council Directive 2003/71/EC of 4 November 2003;
Provisional Allotment Letter or **PAL**	the provisional allotment letter to be issued to each Qualifying Non-CREST Stockholder pursuant to the Rights Issue;
Qualifying CREST Stockholders	Qualifying Stockholders holding Ordinary Stock in uncertificated form in CREST;
Qualifying Non-CREST Stockholders	Qualifying Stockholders holding Ordinary Stock in certificated form;
Qualifying Stockholders	holders of Ordinary Stock on the Stockholder register of the Bank at the Record Date who are not resident in Excluded Territories or any other jurisdictions excluded by the terms of the Rights Issue and who are not US Persons wherever located;
RAROC	risk adjusted return on capital;
Receiving Agent	Computershare Investor Services (Ireland) Limited, Registrars and Receiving Agents for the Bank;
Record Date	5.00 p.m. on 8 July 2011;
Record Date Stock	units of Ordinary Stock in issue as at the Record Date;
Registrar	Computershare or such other registrar or receiving agent as the Bank may appoint from time to time;
Regulatory Information Service	one of the regulatory information services authorised by the Irish Stock Exchange and/or UK Listing Authority to receive, process and disseminate regulatory information in respect of listed companies;
Relevant Competitors	a credit institution operating in Ireland (including a new entrant to the markets) with a market share of less than 15% and the Group has a market share of more than 30% in respect of relevant products;
Relevant Product	(i) personal current accounts in Ireland (ii) personal credit cards in Ireland (iii) business current accounts in Ireland (iv) business credit cards in Ireland;
Relevant Person	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, commissioner, officer, official, employee or adviser of any such person;
Renominalisation	the reduction of the nominal value of units of Ordinary Stock from €0.10 each to €0.05 each and the reduction of the nominal value of Deferred Stock from €0.54 each to €0.01 each pursuant to resolution number 2 to be proposed at the EGC on 11 July 2011;
Residual Stock	New Ordinary Stock not taken up pursuant to the exercise of Rights in the Rights Issue and not placed pursuant to the Rump Placing;
Resolutions	the resolutions to be proposed at the Extraordinary General Court on 1 July 2011;
Resolution Bill or **Bill**	Central Bank and Credit Institutions (Resolution) (No.2) Bill 2011;
Resolution Fund	the fund proposed to be established pursuant to the Resolution Bill;
Revised 2011 EU Restructuring Plan	the revised 2011 EU Restructuring Plan for the Group, for the period to 31 December 2015, due to additional State aid, including any potential element of State aid which could be contained in the ELG

	scheme and/or the Proposals, which is subject to European Commission approval;
Rights	Rights to acquire New Ordinary Stock in the Rights Issue;
Rights Issue	the offer by way of rights to Qualifying Stockholders to acquire New Ordinary Stock on the terms and subject to the conditions contained in the Prospectus and also, where relevant, the Provisional Allotment Letter;
Rights Issue Price	€ 0.10;
Risk Weighted Assets	assets which are weighted for credit risk according to formula used by banks that conform to BIS's capital adequacy guidelines;
Rump Placing	the proposed placing by the Joint Bookrunners, as agents of the Bank, of any units of New Ordinary Stock which are not (or are deemed not to be or are otherwise treated as not having been) taken up under the Rights Issue;
RWA Amount	means, at any date, the aggregate amount of all Risk Weighted Assets of the Group calculated on a consolidated basis pursuant to the Capital Requirements Directives;
SAYE Scheme	the SAYE scheme as described in paragraph 4 (Remuneration of Directors, Secretary and Senior Executives) of Part XVII (Directors, Corporate Governance and Employees) of the Prospectus;
SEC	United States Securities and Exchange Commission;
Securities Market Programme	ECB programme for intervention in the public and private debt markets of the Eurozone;
Senior Executives	senior managers within the meaning of paragraph 14.1(d) of Annex I of the EU Prospectus Regulations;
SME or **SMEs**	small and medium enterprises;
Solvency II Directive	Council Directive 2003/138/EC of 25 November 2009;
SOX	Sarbanes-Oxley Act of 2002;
Special Master Repurchase Agreement or **SMRA**	the special master repurchase deed between the Bank and the Central Bank as more particularly described in paragraph 5 (Material Contracts) of Part V (Additional Information) of this Circular;
Sponsors	the Irish Sponsor and the Joint UK Sponsors;
SRR	special resolution regime;
Stabilisation Act	the Credit Institutions (Stabilisation) Act 2010;
State	Ireland excluding Northern Ireland (including the Government and any governmental agency);
State Guarantee Schemes	the CIFS Guarantee Scheme and the ELG Scheme;
State Measures	the commitments made by the State to the European Commission under the Approved 2010 EU Restructuring Plan to enhance competition in the Irish banking market by facilitating the entry and expansion of competitors and enhancing consumer protection in the financial sector;
State Placing	the potential placing of up to 794,912,043 units of New Ordinary Stock with the NPRFC as described in paragraph 4 (State Placing) of Part I (Letter from the Governor of Bank of Ireland) of this Circular;
Statutory Commission of Investigation	the commission of investigation established by the Government pursuant to the Commissions of Investigation Act, 2006;
Sterling or **£**	Sterling, the lawful currency of the United Kingdom;

Stock Account	an account within a member account in CREST to which a holding of a particular share or other security in CREST is credited;
Stock Alternative Scheme	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;
Stockholder	an Ordinary Stockholder and/or Preference Stockholder (as the context so requires), and, in the context of references to Stockholder approval, the Ordinary Stockholders and the Preference Stockholders, when such stockholders have active entitlements to vote at a general court of the Bank;
Subscription Agreement	a Subscription Agreement with the NPRFC and the Minister for Finance dated 31 March 2009, under which, in consideration for the payment of €3.5 billion, the Bank issued to the NPRFC the 2009 Preference Stock and the Warrants;
Takeover Panel Act	the Irish Takeover Panel Act 1997 (as amended);
Takeover Rules or **Irish Takeover Rules**	the Irish Takeover Panel Act 1997, Takeover Rules, 2007 (as amended);
Term Wholesale Funding	Wholesale funding with a maturity of greater than one year;
TFEU	The Treaty on the Functioning of the European Union;
Tier 1 Capital	Tier 1 capital instruments (within the meaning of the Central Bank's requirements at such time or equivalent) which includes Stockholders' funds and innovative and non-innovative Tier 1 Securities;
Tier 1 Capital Ratio	the amount of Tier 1 Capital as a proportion of Risk Weighted Assets on a consolidated basis;
Tier 1 Securities	the securities issued by the Group that constitute Tier 1 Capital;
Tier 2 Securities	the securities issued by the Group that constitute Tier 2 Capital;
Tier 2 Capital	undisclosed reserves, revaluation reserves, general provisions and loan loss reserves and subordinated long-term debt;
Total Capital	Tier 1 Capital plus Tier 2 Capital less regulatory deductions;
Total Capital Ratio	Total Capital (including Tier 1 Capital) divided by Risk Weighted Assets;
Trading Day	a day on which dealings in domestic equity market securities may take place on the Irish Stock Exchange and the London Stock Exchange;
Transaction Agreement	means the transaction agreement dated 18 June 2011 between the Bank, the NPRFC, the NTMA, the Minister for Finance, the Joint Sponsors and Joint Bookrunners, further details of which are set out in Part I (Letter from the Governor of Bank of Ireland) of this Circular, including the annex to the Transaction Agreement setting out the term sheet of the Contingent Capital Instrument (which is subject to contract) and including the obligation to enter into the Minister's Letter;
Transaction Document	this Circular or any document referred to in this Circular or any supplement or amendment thereto;
UBS Investment Bank or **UBS**	UBS Limited of 1 Finsbury Avenue, London EC2M 2PP;
UK Listing Authority or **UKLA**	the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA and in the exercise of its functions in respect of the admission to the Official List otherwise than in accordance with Part VI of the FSMA;
uncertificated or **in uncertificated form**	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;

United Kingdom or **UK**	the United Kingdom of Great Britain and Northern Ireland;
United States or **US**	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
Upper Tier 2 Capital	cumulative preferred stock with no stated maturity, debt instruments with no stated maturity and revaluation reserves;
Upper Tier 2 Securities	the securities issued by the Group that constitute Upper Tier 2 Capital;
US Federal Reserve	the central bank of the United States;
US Person	as defined by the United States Securities and Exchange Commission in Regulation S under the US Securities Act;
US Securities Act	the United States Securities Act 1933, as amended;
VAR	trading book value at risk; and
Warrants	the detachable warrants issued to the NPRFC as part of the NPRFC Investment.

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

NOTICE IS HEREBY GIVEN that an Extraordinary General Court of the Bank will be held at 11.00 a.m. on 11 July 2011 at O'Reilly Hall, UCD, Belfield, Dublin 4, Ireland, to consider and, if thought fit, pass the following resolutions:

Resolution 1

As an Ordinary Resolution:

"That, subject to Resolutions 2 to 6 in the Notice of this Extraordinary General Court being duly passed, the entry into the Government Transaction (as defined in the circular issued by the Governor and Company of the Bank of Ireland (the "**Bank**") dated 18 June 2011 (the "**Circular**")), comprising the Transaction Agreement to be entered into between the Bank, the National Pensions Reserve Fund Commission (the "**NPRFC**") the National Treasury Management Agency ("**NTMA**"), the Minister for Finance, and the issue of the Contingent Capital Instrument by the Bank or by an issuing subsidiary guaranteed by the Bank (each as defined in the Circular) to the Irish State, or a nominated agency of the Irish State, 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 and that the Court of Directors and any member of the Bank of Ireland Group (the "**Group**") be and is hereby authorised to implement the provisions of the Transaction Agreement and the Contingent Capital Instrument and to perform the obligations of the Group arising under the Transaction Agreement and the Contingent Capital Instrument and to do all such other acts and execute such other documents arising from the entry into the Transaction Agreement and/or the Contingent Capital Instrument."

Resolution 2

As a Special Resolution:

"That, subject to Resolutions 1, 3, 4, 5 and 6 in the Notice of this Extraordinary General Court being duly passed, each of the units of Deferred Stock (as defined in the Circular) of €0.54 each be sub-divided into 54 units of Deferred Stock of €0.01 each and each of the units of Ordinary Stock of €0.10 each in the capital of the Bank be sub-divided and converted into one unit of Ordinary Stock of €0.05 and five units of Deferred Stock of €0.01 and the Ordinary Stockholders hereby approve such sub-divisions and conversions for all purposes, including to the extent they constitute the amendment of the rights attaching to the Ordinary Stock, and Bye-Laws 3(a) and 3(e) of the Bye-Laws of the Bank are amended accordingly."

Resolution 3

As an Ordinary Resolution:

"That, subject to Resolutions 1, 2, 4, 5 and 6, in the Notice of this Extraordinary General Court being duly passed, the authorised capital stock of the Bank be and is hereby enlarged by €3.3 billion comprising 66 billion units of Ordinary Stock of €0.05 each, each ranking *pari passu* with the existing units of Ordinary Stock of €0.05 (as sub-divided by Resolution 2) and 226 billion units of Deferred Stock of €0.01 each, each ranking *pari passu* with the existing units of Deferred Stock (as sub-divided by Resolution 2)."

Resolution 4

As an Ordinary Resolution:

"That, subject to Resolutions 1, 2, 3, 5 and 6 in the Notice of this Extraordinary General Court being duly passed, the Directors be and are hereby generally empowered to issue, allot, grant options over or otherwise dispose of Ordinary Stock of the Bank pursuant to the State Placing, the Rights Issue, the conversion of the Contingent Capital Instrument, the issue of Ordinary Stock pursuant to the Allotment Instrument, each as defined in the Circular, for cash, or non-cash consideration, on a non-pre-emptive basis (including the issue of the Contingent Capital Instrument and other securities convertible into Ordinary Stock) 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 3 and not previously allotted, provided that this authority is without prejudice to and in addition to the authority granted pursuant to resolutions 5, 7 or 8 passed at the Annual General Court of the Bank held on 15 June 2011. This authority shall lapse on 31 December 2011."

Resolution 5

As an Ordinary Resolution:

"That, subject to Resolutions 1, 2, 3, 4 and 6 in the Notice of this Extraordinary General Court being duly passed, the entry by the Bank into the allotment instrument deed 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) (being the Allotment Instrument, as defined in the Circular) and opt to receive new units of Ordinary Stock 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 new units of 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, 2, 3, 4 and 5 in the Notice of this Extraordinary General Court being duly passed, the issue of Ordinary Stock pursuant to the State Placing (as defined in the Circular) at a price of €0.10 per unit of Ordinary Stock (including where such issue price is 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 UK Listing Authority (the "**middle market price**") per unit of Ordinary Stock at the date the State elects to proceed with the State Placing) and the issue of Ordinary Stock pursuant to the Debt for Equity Offers (as defined in the Circular) at a price within the range of €0.1130 to €0.1176 per unit of Ordinary Stock (including where such issue price is at a discount of more than 10% to the middle market price per unit of Ordinary Stock at the date the issue price under the Debt for Equity Offers is determined) be and is hereby approved."

Terms defined in any of the Resolutions shall have the same meanings in the other Resolutions.

BY ORDER

H Nolan
Secretary

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

Dated: 18 June 2011

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 p.m. on 9 July 2011 (being the record date specified by the Bank for eligibility for voting pursuant to section 134A of the Companies Act 1963 and Regulation 14 of the Companies Act 1990 (Uncertificated Securities) Regulations, 1996); or

   - if the Extraordinary General Court is adjourned, at 6.00 p.m. 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 of the Irish Stock Exchange Limited and the Listing Rules of the UK Listing Authority.

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/egc2011*.

Attending in person

3. The Extraordinary General Court will be held at 11.00 a.m. 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 the holding of the Extraordinary General Court to allow time for registration. Please bring the attendance card attached to your Form of Proxy and present it at the Stockholder registration desk before the commencement of the Extraordinary General Court.

Electronic Participation

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

Voting by Corporate Representatives

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

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

Appointment of proxies

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

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

Completion of Forms of Proxy

8. To be valid a Form 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, Sandyford Industrial Estate, Dublin 18, Ireland not later than 48 hours before the Extraordinary General Court or adjourned Extraordinary General Court or (in the case of a poll taken otherwise than at or on the same day as the Extraordinary General Court or adjourned Extraordinary General Court) at least 48 hours before the taking of the poll at which it is to be used.

Appointment of proxy electronically

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

Appointment of a proxy by a CREST Member

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

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

message by the CREST Applications Host) from which Computershare Investor Services (Ireland) Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

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

Questions at the Extraordinary General Court

13. Under section 134C of the Companies Act 1963, the Bank must (subject to any reasonable measures the Bank may take to identify Stockholders) 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.

1992 Preference Stockholders

16. Holders of the 1992 Preference Stock, although entitled to receive Notice of any General Court, are not entitled to attend and vote at the Extraordinary General Court due to the fact that the dividend on the 1992 Preference Stock was paid by the Bank to such Stockholders on 21 February 2011.

Documents available for inspection

17. Paper copies of:

    - the Bye-Laws;
    - 2010 Annual Report, December 2009 Annual Report and 2009 Annual Report;
    - Oliver Wyman Report;
    - the Transaction Agreement, including the annex setting out the terms of the Contingent Capital Instrument;
    - Consent letters referred to in paragraph 15 (Consent to inclusion of names) of Part V (Additional Information) of the Circular; and
    - the Circular,

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

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

They will also be available for inspection 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.

Merrill Corporation Ltd, London
11ZAN42930