BANK OF IRELAND MORTGAGE BANK ANNUAL REPORT

31 December 2010

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors at 15 April 2011

John Clifford
Jonathan Byrne
Neil Corcoran
Paul Flynn
Brian Kealy
Brian McConnell
Michael Meagher
Richard Milliken

Registered Office

Bank of Ireland Mortgage Bank
New Century House
Mayor Street Lower
I.F.S.C
Dublin 1
Registered Number 386415

Cover-Assets Monitor

Mazars
Harcourt Centre
Block 3
Harcourt Road
Dublin 2

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
One Spencer Dock
North Wall Quay
Dublin 1

Secretary

Hill Wilson Secretarial Limited

The Directors hereby present their report, together with the audited financial statements of Bank of Ireland Mortgage Bank (the "Bank"), for the nine months ended 31 December 2010.

The Bank has changed its financial year end from 31 March to 31 December. This change brings the Bank's financial calendar in line with its parent company, the Governor & Company of the Bank of Ireland. As a consequence, the Bank's statutory financial statements are reported for the nine month period ended 31 December 2010 compared to the twelve month period ended 31 March 2010.

RESULTS

The loss before tax for the nine month period ended 31 December 2010 amounted to €186.4 million, as set out in the profit and loss account on page 12 compared to a loss before tax of €62.6 million for the twelve month period ended 31 March 2010.

Net Interest Income (NII) decreased to €157.6 million for the nine month period ended 31 December 2010, from €199.2 million for the twelve month period ended 31 March 2010. Funding costs have remained high throughout the year, reflecting the challenges faced by both the Irish banking system and the Irish sovereign. Consequently, the net interest margin has remained weak at 0.57%. During the nine month period ended 31 December 2010, a change to the expected cash flows of the mortgage portfolio and the model that determines the basis on which deferred discounts and broker commissions are amortised to the profit and loss account, contributed to an additional €15.9 million of net interest income.

Fees and commissions payable decreased to €75.8 million for the nine month period ended 31 December 2010 from €114.5 million for the twelve month period ended 31 March 2010. After adjusting for the shorter reporting period, the decrease is primarily due to a reduction in fees payable under the Government Guarantee schemes in the current financial reporting period and an over accrual of €2.8 million from the prior period. This resulted in a lower charge of €2.1 million for the nine month period ended 31 December 2010, compared with a charge of €15.8 million for the twelve month period ended 31 March 2010.

After adjusting for the shorter reporting period, administrative expenses increased in the period, primarily due to higher professional fees. The cost income ratio increased to 14.9% due to a combination of lower income and higher professional fees paid (31 March 2010: 13.3%).

Higher levels of arrears and defaults resulted in impairment charges increasing to €224.7 million (31 March 2010: €153.4 million).

The Bank enters into derivative transactions for interest rate hedging purposes only. Net Trading Income reflects hedge ineffectiveness on derivatives to which fair value hedging was originally applied, and interest flows and fair value gains and losses on all other derivatives. For the nine month period ended 31 December 2010 this amounted to a net trading loss of €5.6 million compared to a net trading gain of €20.0 million for the twelve month period ended 31 March 2010.

BOOKS OF ACCOUNT

The measures taken by the Directors to ensure compliance with obligations to keep proper books of account comprise the use of appropriate systems, the implementation of robust procedures and the employment of competent individuals with relevant experience. The books of account are kept at the Bank's registered office.

REVIEW OF BUSINESS

The Bank's principal activities are the provision of Irish residential mortgages and the issuance of securities in accordance with the Asset Covered Securities Acts, 2001 to 2007.

Loans and advances to customers declined by €234.1 million or 1.1% to €20.6 billion (31 March 2010: €20.8 billion). While the Bank continues to increase its market share of new mortgage lending, overall volumes are down due to the continued slowdown in the Irish mortgage market. This, coupled with the higher levels of provisions and sale of assets to NAMA, has resulted in the decline. Mortgages continue to be originated exclusively through the Bank of Ireland branch channel.

Impaired loans increased to €624.5 million at 31 December 2010 from €359.5 million at 31 March 2010. Impairment provisions have increased to €417.3 million at 31 December 2010 from €214.1 million at 31 March 2010. Arrears on impaired loans amounts to 4.55% (31 March 2010: 4.02%). Total provisions as a percentage of impaired balances amounts to 66.68% (31 March 2010: 59.57%). The level of accounts falling into arrears is increasing due to rising unemployment, lower disposable income and declining property prices. The Bank continues to work closely with customers who find themselves in financial difficulty, with a view to achieving mutually satisfactory outcomes.

While the Bank does not have land or development loans, mortgages may be deemed eligible for transfer by NAMA either by virtue of the customer having connected land & development exposure with Bank of Ireland or another bank governed by NAMA legislation. During the nine month period ended 31 December 2010, the Bank sold €91.6 million of assets to NAMA for a net consideration of €45.5 million in respect of such connected exposures. After taking account of impairment provisions, the loss on disposal incurred by the Bank was €26.5 million.

€20 million of Ordinary Shares were issued at par to the Banks' parent company, the Governor & Company of the Bank of Ireland, during the period.

At 31 December 2010, the Bank's total capital ratio was 8.26% including the impact of transitional capital floors.

The Bank maintains a strong risk management structure and controls framework as described in the notes to the financial statements (see note 26).

On October 24 2008 Bank of Ireland Mortgage Bank elected to participate in the Irish Government Guarantee Scheme the "Credit Institutions (Financial Support) scheme". The covered liabilities of participating institutions for the period from 30 September 2008 to 29 September 2010 inclusive were guaranteed under the laws of Ireland by the Minister of Finance. A quarterly charge was payable to the Irish Government under the scheme. The Bank also joined the Government's Eligible Liabilities Guarantee Scheme on 11 January 2010. The Bank has no eligible liabilities under the scheme and therefore has no charge in the financial statement for the nine months to 31 December 2010. Further information on both schemes is contained in note 30 to the accounts.

On 21 December 2010, The Credit Institutions (Stabilisation) Act, 2010 (the Stabilisation Act) was signed into law. The Stabilisation Act provides extensive powers to recapitalise and restructure the Irish banking industry. In exercising these powers, the Minister of Finance can apply to the High Court to seek formal orders and directions which could impose certain onerous requirements on a relevant institution, including the Bank. To date no such orders have been imposed on the Bank or its parent company, the Governor & Company of the Bank of Ireland

FUNDING

The Bank remains funded through a range of sources including asset-backed securities and direct funding from its parent, the Governor & Company of the Bank of Ireland.

During the nine month period ended 31 December 2010 the Bank continued its programme of asset-backed bond issuance, completing €1.9 billion in transactions with Bank of Ireland and a number of smaller private placements.

	31 March 2010	**31 December 2010**
Rating Agency		
Standard & Poor's	AAA	AA+
Moody's Investor Services	Aaa	A1

Subsequent to 31 December 2010, Moody's Investor Services downgraded the long term ratings for the covered bonds issued by the Bank to Baa3. In addition, the Bank no longer seeks a rating for the covered bonds from Standard & Poor's.

At 31 December 2010, the Bank had a €20.6bn customer loan portfolio funded through the Asset Covered Securities (ACS) programme €10.5bn (51%), Mortgage-Backed Promissory Notes €3.6bn (17%), Capital €0.9bn (4%) and net Group borrowings €5.6bn (28%).

Of the €10.5bn debt securities in issue, €3.4bn is held by Bank of Ireland. The remaining €7.1bn is placed with external bondholders with a range of maturities out to 2048.

The Bank's contingent collateral with the Mortgage Backed Promissory Note programme is no longer eligible for use with the ECB following its recent downgrade by Moody's Investor Services. However the Bank is utilising the underlying security released to increase availability under the Asset Covered Bond programme which remains eligible with the ECB.

Full details of debt securities in issue are contained in note 17 to the accounts.

To fully reflect the long dated funding requirement of the mortgage assets, the Bank has now moved to a funding model whereby variable mortgage assets are funded to their expected average life through longer dated borrowing arrangements contractually linked to the ECB REPO rate.

Subordinated loan borrowings from the parent company amounted to €312.7 million at 31 December 2010 (31 March 2010: €312.5 million)

DIRECTORS & SECRETARY

The names of the persons who were Directors of the Bank at any time during the nine month period ended 31 December 2010 and up to the date of the approval of the financial statements are set out below. Except where indicated they served as directors for the entire period.

Directors	
John Clifford	
Jonathan Byrne	
Neil Corcoran	Appointed 24 January 2011
Mary Davis	Resigned 17 January 2011
Mary Finan	Resigned 11 February 2011
Paul Flynn	Appointed 20 May 2010
Brian Kealy	
Joseph Martin	Resigned 25 January 2011
Brian McConnell	Appointed 17 January 2011
Michael Meagher	
Richard Milliken	Appointed 25 January 2011
Brendan Nevin	Resigned 7 March 2011

Brendan Nevin resigned as Managing Director in March 2011 to pursue other interests outside the Group. The Directors thank him for his contribution and wish him well. A process is underway to appoint a new Managing Director.

DIRECTORS' & SECRETARY'S INTERESTS

The interests of the Directors and Secretary, in office at 31 December 2010, and of their spouses and minor children, in the shares of the Governor & Company of the Bank of Ireland and related Group entities, are disclosed in note 23 of the financial statements.

POLITICAL DONATIONS

The Electoral Act 1997 requires companies to disclose all political donations over €5,079 in aggregate made during the financial period. The directors are satisfied that no political donations were made by the Bank during the period.

AUDIT COMMITTEE

The Bank's Audit Committee, which comprises only independent non-executive Directors, assists the Board to fulfill its responsibilities relating to:

- the integrity of the financial statements
- the relationship between the Bank and its external auditors
- the Bank's internal and financial controls
- internal audit, compliance and risk management functions

CORPORATE GOVERNANCE

The statement on Corporate Governance as outlined in the Corporate Governance section on page 9, forms part of the Report of the Directors.

GOING CONCERN

The information in the financial statements has been prepared on the going concern basis. A number of risk factors including credit, liquidity, market, operational, legal and regulatory risk, impact on the Bank's activities. In addition other factors such as the Irish economy and the period over which it is likely to recover have a considerable impact on its activities.

In preparing these financial statements the Directors have reviewed these risk factors and relevant information to assess the Bank's ability to continue as a going concern. This review included consideration of the impact of the current economic factors affecting the Bank, the liquidity position and the ability to access funds in the wholesale money markets (including the ability to use assets as collateral to raise funds). The Directors have also reviewed the Bank's business plans for the next 12 months. Bank of Ireland has also provided a letter of comfort in support of the Bank.

Based on the factors above, together with the letter of comfort provided by the Governor and Company of Bank of Ireland, the Directors are satisfied that the Bank will have access to adequate resources, both capital and funding, to continue in business for the foreseeable future. Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements at 31 December 2010.

EVENTS SINCE THE PERIOD END

In addition to the Standard & Poor's and Moody's Investor Services downgrade of covered bonds issued by the Bank referred to earlier, the Bank has also raised a further €40m through the issue of ordinary shares to its parent the Governor and Company of Bank of Ireland.

Note 31 to the Financial Statements describes these events.

AUDITORS

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

John Clifford **Chairman**	**Michael Meagher** **Director**	**Jonathan Byrne** **Director**	**For and on Behalf of** **Hill Wilson Secretarial Limited**

15 April 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

In preparing the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2009, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act 2001 to 2007. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

John Clifford **Chairman**	**Michael Meagher** **Director**	**Jonathan Byrne** **Director**	**For and on Behalf of** **Hill Wilson Secretarial Limited**

15 April 2011

Introduction

The Bank is subject to and complies with Irish Statute comprising the Companies Acts 1963 to 2009, the Transparency (Directive 2004-109-EC) Regulations 2007 and the Asset Covered Securities Acts, 2001 to 2007. The Bank does not apply additional requirements in addition to those required by the above.

Financial reporting process

The Board of Directors ("the Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. The company's overall control system around the financial reporting process includes:

- Clearly defined organisation structure with reporting mechanisms to the Board;
- A comprehensive set of policies and procedures, in line with the Bank of Ireland Group, relating to the control around financial reporting and the process of preparing the financial statements;
- Ensuring the integrity of the financial statements and the accounting policies therein.

The Board evaluates and discusses significant accounting and reporting issues as the need arises.

Risk assessment

The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements.

Control activities

The Board are responsible for ensuring the design and implementation of control structures to manage the risks which they judge to be significant for internal control over financial reporting. Appropriate reconciliations support the prompt production of monthly management accounts and quarterly board reports, plus Group consolidation returns that are required to be submitted within defined timetables. These control structures include appropriate division of responsibilities and specific control activities, with the objective of detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Bank's annual report.

The Bank's Audit Committee reviews the appropriateness and completeness of the system of internal control, reviews the manner and framework in which management ensures and monitors the adequacy of the nature, extent and effectiveness of internal control systems, including accounting control systems, and thereby maintains an effective system of internal control. The composition and responsibilities of the audit committee are also outlined in the Report of the Directors.

Monitoring

The Board ensures that appropriate measures are taken to consider and address any shortcomings identified and measures recommended by the independent auditors.

Bank of Ireland Group Internal Audit function performs a review of controls and procedures employed by the Bank in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Bank in relation to the financial reporting process. The Board ensures that appropriate measures are taken to consider and address any shortcomings identified and measures recommended by these internal audits.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
One Spencer Dock
North Wall Quay
Dublin 1
Ireland
I.D.E. Box No. 137
Telephone +353 (0) 1 792 6000
Facsimile +353 (0) 1 792 6200
www.pwc.com/ie

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK OF IRELAND MORTGAGE BANK

We have audited the financial statements on pages 12 to 55. These financial statements have been prepared under the accounting policies set out in the statement of accounting policies on pages 16 to 21.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 8.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (Ireland). This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Section 193 of the Companies Act, 1990 and Regulation 13 of the European Communities (Directive 2006/46/EC) Regulations, 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act, 2001 to 2007. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Bank has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the Bank to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the Bank, as stated in the balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not disclosed and, where practicable, include such information in our report.

In relation to the corporate governance statement we are required to report whether, in our opinion, the information given in the statement with respect to internal control and risk management systems in relation to financial reporting processes is consistent with our evaluation and testing of the relevant systems which we considered necessary for the purposes of our audit report under Section 193 of the Companies Act, 1990.

We are not required to consider whether the information given in the corporate governance statement on internal control and risk management systems cover all risks and controls, or to evaluate and test the main features of the internal control and risk management systems as described in the corporate governance statement, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Directors' Report and Financial Statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' report, the Statement of directors' responsibilities and Annual Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed. The audit procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to form an opinion on whether the financial statements give a true and fair view and not for the purpose of expressing an opinion on the effectiveness of the internal control and risk management systems.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Bank's affairs as at 31 December 2010 and of its loss and cash flows for the period then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2009, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act, 2001 to 2007.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Bank. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 4 to 7 is consistent with the financial statements.

In our opinion the information given in the corporate governance statement with respect to internal control and risk management systems in relation to financial reporting processes is consistent with our evaluation and testing of the relevant systems which we considered necessary for the purposes of our audit report under Section 193 of the Companies Act, 1990 on the financial statements.

The net assets of the Bank, as stated in the balance sheet on page 13 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 December 2010 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Bank.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin
15 April 2011

	Notes	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Interest income	2	556,161	767,133
Interest expense	3	(398,601)	(567,966)
NET INTEREST INCOME		157,560	199,167
Fee and commission expense	4	(75,790)	(114,499)
TOTAL OPERATING INCOME		81,770	84,668
Operating expenses	5	(11,388)	(13,880)
Impairment charges	13	(224,718)	(153,447)
Loss on sale of assets to NAMA	7	(26,475)	-
Net trading (expense)/income	8	(5,606)	20,038
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(186,417)	(62,621)
Tax credit	9	23,082	7,988
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(163,335)	(54,633)

The movement in reserves is shown in note 21.

The notes on pages 15 to 55 form part of the financial statements.

Loss on ordinary activities arose solely from continuing operations. The bank had no recognised gains or losses other than those disclosed in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

Other than the fair value movements on financial instruments arising under FRS 26, there is no material difference between the results on an unmodified historical cost basis and those included in the profit and loss account above.

John Clifford **Chairman**	**Michael Meagher** **Director**	**Jonathan Byrne** **Director**	**For and on Behalf of** **Hill Wilson Secretarial Limited**

15 April 2011

BALANCE SHEET

	Notes	31 December 2010 €'000	31 March 2010 €'000
ASSETS			
Cash and balances at central banks	10	50	50
Loans and advances to banks	11	18,469,538	15,008,004
Loans and advances to customers	12	20,595,439	20,829,572
Derivative financial instruments	15	369,745	426,455
Deferred tax asset	14a	18,762	3,571
Other assets	14	16,196	8,282
		39,469,730	36,275,934
LIABILITIES			
Deposits by banks	16	24,368,776	22,704,218
Debt securities in issue	17	14,130,709	12,421,187
Derivative financial instruments	15	46,523	1,990
Other liabilities	18	36,158	117,771
Subordinated liabilities	19	312,665	312,534
		38,894,831	35,557,700
SHAREHOLDERS' FUNDS			
Called up capital stock	20	644,000	624,000
Reserves	21	(69,101)	94,234
		574,899	718,234
		39,469,730	36,275,934

At 31 December 2010 the Bank had commitments of € 782 million (31 Match 2010: € 965 million) relating to undrawn approved mortgage applications. For further details see note 28.

The notes on pages 15 to 55 form part of the financial statements.

John Clifford **Chairman**	**Michael Meagher** **Director**	**Jonathan Byrne** **Director**	**For and on Behalf of** **Hill Wilson Secretarial Limited**

15 April 2011

Cash flows from operating activities	31 December 2010 €'000	31 March 2010 €'000
Loss on ordinary activities before taxation	(186,417)	(62,621)
Amortisation of issue costs and mortgage discounts	1,567	(2,379)
Interest charged on subordinated liabilities	2,664	6,533
Impairment charges	224,718	153,447
Loss on sale of assets to NAMA	26,475	-
Fair value adjustments	(5,022)	(2,218)
Net cash flow from trading activities	63,985	92,762
Net (increase) / decrease in loans and advances to banks	(3,396,700)	334,593
Net (increase) in loans and advances to customers	(68,107)	(481,808)
Net (increase) / decrease in other assets	(21)	1,800
Net increase in deposits by banks	1,686,991	1,050,846
Net increase / (decrease) in debt securities in issue	1,750,318	(1,037,660)
Net (decrease) / increase in other liabilities	(81,613)	98,671
Net decrease / (increase) in derivative financial instruments	69,616	(28,471)
Net cash flow from operating activities	24,469	30,733
Financing activities		
Interest paid on subordinated liabilites	(2,664)	(6,533)
Dividend	-	(20,000)
Issue of ordinary stock	20,000	-
Net cash flow from financing activities	17,336	(26,533)
Net increase in cash in the period	**41,805**	**4,200**

ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET

	Cash	Loans and advances to / from Banks on demand	Total Cash
31 December 2010			
	€'000	€'000	€'000
Net change in cash and cash equivalents	-	41,805	41,805
Opening cash and cash equivalents	50	(11,411)	(11,361)
Closing cash and cash equivalents	50	30,394	30,444
31 March 2010			
	€'000	€'000	€'000
Net change in cash and cash equivalents	-	4,200	4,200
Opening cash and cash equivalents	50	(15,611)	(15,561)
Closing cash and cash equivalents	50	(11,411)	(11,361)

John Clifford
Chairman

Michael Meagher
Director

Jonathan Byrne
Director

For and on Behalf of
Hill Wilson Secretarial Limited

15 April 2011

INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS — PAGE

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial statements on pages 12 to 55 have been prepared under the historical cost convention, modified by the revaluation of certain financial instruments, in accordance with the Companies Acts, 1963 to 2009, the European Communities (Credit Institutions: Accounts) Regulations 1992, the Asset Covered Securities Acts 2001 to 2007 and with accounting standards generally accepted in Ireland.

The financial statements are prepared in euro (€) and except where otherwise indicated are expressed in thousands. Costs, assets and liabilities are inclusive of irrecoverable value added taxes, where appropriate. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by Chartered Accountants Ireland and issued by the Accounting Standards Board.

The information in the financial statements has been prepared on the going concern basis. A number of risk factors including credit, liquidity, market, operational, legal and regulatory risk, impact on the Bank's activities. In addition other factors such as the Irish economy and the period over which it is likely to recover have a considerable impact on its activities.

In preparing these financial statements the Directors have reviewed these risk factors and relevant information to assess the Bank's ability to continue as a going concern. This review included consideration of the impact of the current economic factors affecting the Bank, the liquidity position and the ability to access funds in the wholesale money markets (including the ability to use assets as collateral to raise funds). The Directors have also reviewed the Bank's business plans for the next 12 months. Bank of Ireland has also provided a letter of comfort in support of the Bank.

1.2 Interest Income and Expense

Interest income and expense are recognised in the profit and loss account for all instruments measured at amortised cost using the effective interest method. Interest income / expense in derivative financial instruments qualifying for hedge accounting are accounted for in net interest income, in line with the underlying hedged asset / liability. Interest in relation to derivatives not qualifying for hedge accounting is included in trading income.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees, broker commissions and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purposes of measuring the impairment loss.

Where the Bank revises its estimates of payments or receipts on a financial instrument measured at amortised cost, the carrying value of the financial instrument (or group of financial instruments) is adjusted to reflect actual and revised estimated cash flows. The Bank recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised in profit or loss as income or expense.

A change to the accounting estimate of expected cash flows of the mortgage portfolio and the model that determines the basis on which deferred discounts and broker commissions are amortised to the profit and loss account contributed an additional €15.9 million income in the nine month period ended 31 December 2010.

1.3 Fee & commission income / expense

Fees and commissions which are not an integral part of the effective interest rate are generally recognised on an accruals basis when the service has been provided. Fees and commissions payable relating to the cost of services received are recognised on an accrual basis.

1.4 Loss on disposal of assets to NAMA

Derecognition of the assets transferred to NAMA occurred when substantially all of the risks and rewards of ownership were transferred to NAMA. This occurred on a phased basis when ownership of the beneficial interest in each tranche was legally transferred to NAMA.

On the derecognition date, a gain or loss has been recognised which was measured as the difference between the fair value of the consideration received and the balance sheet value of the assets transferred, less transaction costs and any provision for the ongoing cost of servicing these assets on behalf of NAMA. The consideration received was measured at fair value at initial recognition.

1.5 Financial Assets

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money directly to a debtor with no intention of trading receivables.

Loans are recorded at fair value plus transaction costs when cash is advanced to the borrowers. They are subsequently accounted for at amortised cost using the effective interest method.

1.6 Financial Liabilities

Financial liabilities are initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at amortised cost. For liabilities subsequently carried at amortised cost, any difference between the proceeds net of transaction costs and the redemption value is recognised in the profit and loss account using the effective interest method.

1.7 Deferred Taxation

Deferred taxation is recognised on all timing differences where the transaction or event that gives rise to an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted by the balance sheet date. Deferred tax is measured on a non discounted basis.

The taxation charge accounts for amounts due to fiscal authorities' in the Republic of Ireland and includes estimates on a judgement of the application of law in certain cases to determine the quantification of any liabilities arising. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

At 31 December 2010 the bank had a net deferred tax asset of €18.8 million (31 March 2010: €3.6 million) relating entirely to incurred trading losses.

A deferred tax asset is recognised to the extent that it is more then likely that future taxable profits will be available against which deductible timing differences and unutilised tax losses can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences.

To the extent that the recognition of a deferred tax asset is dependent on sufficient future profitability, a degree of estimation and the use of assumptions are required. The judgement takes into consideration the impact of both positive and negative income, the impact of tax legislation and future reversals of existing taxable temporary differences.

The most significant judgement relates to the assessment of the recoverability of the portion of the deferred tax asset relating to trading losses. Under current Irish tax legislation; there is no time restriction on the utilisation of these losses. Based on its projection of future taxable income, the Directors have concluded that it is more than likely that sufficient taxable profits will be generated to recover this deferred tax asset, and it has been recognised in full.

1.8 Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment charges are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
    - adverse changes in the payment status of borrowers in the group; or
    - national or local economic conditions that correlate with defaults on the assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment charge is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment charge on loans and receivables carried at amortised cost has been incurred, the amount of the charge is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future impairment charges that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the charge is recognised in the profit and loss account. If a loan has a variable interest rate, the discount rate for measuring any impairment charge is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less cost for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Bank's grading process that considers asset type, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

1.8 Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment charge decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

When a loan is uncollectable, it is written off against the related provision for loan-impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit and loss account.

1.9 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow models which typically incorporate observable market data, principally interest rates.

All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities (fair value hedge).
(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.
If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

(b) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit and loss account in net trading income.

1.10 Issued Debt Securities

Issued debt securities, which comprise Mortgage Covered Securities, are initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Issued debt securities are subsequently measured at amortised cost. Any difference between the proceeds net of transaction costs and the redemption value is recognised in the profit and loss account using the effective interest rate method.

1.11 Pensions

Bank of Ireland Mortgage Bank is a minority participating employer in the ICS Building Society Pension Plan. The scheme is a Defined Benefit Scheme based on final pensionable pay and operated for eligible employees of ICS Building Society and the Bank.

Whilst the scheme is a defined benefit scheme, it has not identified separately its share of the underlying assets and liabilities of the scheme and hence it is treated as a defined contribution scheme in the financial statements of the Bank.

The pension cost relating to this scheme is assessed in accordance with the advice of a qualified actuary. Contributions are charged to the profit and loss account in the period in which they became payable. The disclosures required under Financial Reporting Standard 17 ("Retirement Benefit") for the nine month ended 31 December 2010 are shown in note 25.

1.12 Accrued interest

Accrued interest is presented on the balance sheet with the relevant asset / liability.

1.13 Subordinated Liabilities

Borrowings are initially recognised at fair value and subsequently measured at amortised cost.

1.14 Comparatives

Comparative figures have been adjusted where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period.

1.15 Use of estimates or judgements

In preparing the financial statements, the Bank makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements 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. As management judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Bank's financial statements are set out below.

(a) Impairment charges on financial assets
A key judgemental area is in relation to impairment charges. This loan portfolio has been significantly affected in the current economic climate, as values of security have considerably reduced and there are very low levels of activity in the sector. Mortgage loans before impairment provisions at 31 December 2010, including amounted to €21,012 million (31 March 2010: €21,044 million), against which were held provisions for impairment of €417 million (31 March 2010: €214 million).

The estimation of impairment charges is subject to uncertainty, which has increased in the current economic environment, and is highly sensitive to factors such as the level of economic activity, unemployment rates, bankruptcy trends, property price trends and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment charges are reviewed regularly in the light of differences between loss estimates and actual loss experience. See note 26 for more information.

(b) Taxation
At 31 December 2010, the Bank had a net deferred tax asset of €18.8 million (31 March 2010: €3.6 million), of which all related to incurred trading losses.

A deferred tax asset is recognised to the extent that it is more likely then not that future taxable profits will be available against which deductible timing differences and unutilised tax losses can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences.

To the extent that the recognition of a deferred tax asset is dependent on sufficient future profitability, a degree of estimation and the use of assumptions are required. The Bank's judgement takes into consideration the impact of both positive and negative evidence, including historical financial performance, projections of future taxable income, the impact of tax legislation and future reversals of existing taxable temporary differences. The most significant judgement relates to the Bank's assessment of the recoverability of the portion of the deferred tax asset relating to trading losses. Under current Irish tax legislation, there is no time restriction on the utilisation of these losses. There is however, a restriction on the utilisation of tax losses carried forward by an institution participating in NAMA. This lengthens the period over which the deferred tax asset will reverse by restricting the amount of profits against which the carried forward trading losses can be utilised. The balance continues to be available for indefinite carry forward and there is no time limit on the utilisation of these losses.

Based on its projection of future taxable income, the Bank has concluded that it is probable that sufficient taxable profits will be generated to recover this deferred tax asset, and it has been recognised in full.

1.15 Use of estimates or judgements (continued)

(c) Effective interest rate method
The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees, broker commissions and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

In determining the effective interest rate, management exercise judgement on such matters as the expected life, expected cash flows and the appropriateness of how the cash flows are spread over the expected life. As part of this review, economic factors such as unemployment levels, consumer confidence and economic and fiscal stability were considered, along with mortgage market specific factors such as house price levels, switcher activity and consumer demand. In the nine month period to the 31 December 2010, a change to these assumptions has resulted in an additional €15.9 million income.

2 INTEREST INCOME

	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Loans and advances to banks	138,169	201,797
Loans and advances to customers	417,992	565,336
	556,161	767,133

Included in interest income on Loans and advances to customers is €20.0 million (31 March 2010: €23.3 million restated) relating to interest on impaired loans.

3 INTEREST EXPENSE

	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Debt securities in issue	118,892	204,528
Other interest payable	276,848	358,822
Interest on subordinated liabilities	2,861	4,616
	398,601	567,966
Of which due to the Governor & Company of the Bank of Ireland	181,887	272,390

4 FEE AND COMMISSION EXPENSE

	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Service fee payable to Bank of Ireland Group companies	73,701	98,702
Government Guarantee Scheme	2,089	15,797
	75,790	114,499

The service fee payable to Bank of Ireland Group companies relates to fees for servicing the Bank's mortgage portfolio.

The Government guarantee scheme fee relates to the fee paid under the CIFS scheme, which commenced on 30 September 2008 and expired on 29 September 2010. This fee is included as a fee and commission expense as it is neither directly attributable nor incremental to the issue of specific financial liabilities. Further information on the CIFS scheme is outlined in note 30.

5 OPERATING EXPENSES

	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Staff Costs:		
- wages and salaries	196	287
- social security costs	21	31
- pension costs	62	59
	279	377
Other operating expenses	11,109	13,503
Total operating expenses	11,388	13,880

In addition to the fee payable to Bank of Ireland Group companies for servicing the mortgage portfolio the Bank is recharged for support service costs. These costs are included within other administrative expenses.

Employee Information

For the period ended 31 December 2010 the average number of employees was 4 (31 March 2010: 4 employees).

6 AUDITORS' REMUNERATION

	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Loss before taxation has been arrived at after charging:		
Auditors Remuneration (excluding VAT)		
Statutory audit	50	49
Other assurance services	25	20
Taxation services	-	-
Other non-audit services	-	-
Total	75	69

7 LOSS ON SALE OF ASSETS TO NAMA

The loss on sale of assets to NAMA reflects those assets that were sold to NAMA in the nine month period ended 31 December 2010 as set out below.

		9 months ended 31 December 2010
	€'000	€'000
Fair value of consideration received		45,464
Assets transferred		
- Loan sold to NAMA (nominal value)	(91,646)	
- Impairment provisions at date of sale	20,559	(71,087)
Other items		(852)
Loss on sale of assets to NAMA		(26,475)

1 Fair value of consideration received consists of NAMA senior bonds (representing 95% of the nominal consideration) and non-Government guaranteed subordinated bonds (representing 5% of the nominal consideration) All bonds are held in the parent company, the Governor & Company of the Bank of Ireland who in turn transferred the cash equivalent of the consideration to the Bank.

2 Other items include adjustments in respect of movements in assets between the due diligence valuation date and the date at which they transferred to NAMA.

NAMA has the power to acquire from Participating Institutions, Eligible Bank Assets, that is land and development loans and certain associated loans. Associated loans comprise of non land and non development related loans to borrowers of land and development related loans, or loans to certain associated entities of borrowers who provided security in respect of the land or development related loans. All loans transferred from the Bank are categorised as associated loans.

8. NET TRADING (EXPENSE) / INCOME

	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Net (loss) / gain from derivative assets and liabilities held for trading		
Interest rate contracts	(10,630)	1,058
Fair value hedges		
Fair value (loss) / gain on derivative contracts in fair value hedge relationships	(31,627)	103,022
Fair value gain / (loss) on liabilities in fair value hedge relationships	36,651	(84,042)
	(5,606)	20,038

Within fair value hedges there is a €5 million gain (31 March 2010: €19 million gain) which represents the net hedge ineffectiveness in relation to fair value hedges. See note 15 for details of interest rate contracts and fair value hedging arrangements. Included in interest rate contracts is the fair value of interest rate swaps and the related interest rate contracts that do not qualify for hedge accounting.

9 TAXATION

	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Current Tax		
Current taxation :	-	4,257
Amounts receivable in respect of Group relief	7,817	-
Under provision from prior year	74	-
	7,891	4,257
Deferred Tax		
Trading losses	15,490	3,485
Unwinding of transition adjustments	-	160
Other tax timing difference	(5)	86
Over provision from prior year	(294)	-
	15,191	3,731
	23,082	7,988

The Bank has surrendered the benefit of tax losses to another Group company for a consideration of €7.8 million, which is expected to be received in the following financial period.
The current tax credit for the period is lower than the credit that would result from applying the standard rate of Irish corporation tax (12.5%) to profit / (loss) on ordinary activities. The difference is explained below:

	9 months ended 31 December 2010 €'000	12 months ended 31 March 2010 €'000
Loss on ordinary activities before tax	(186,417)	(62,621)
Loss @12.5%	(23,302)	(7,828)
Effects of:		
Trading losses carried forward	15,490	3,485
Other tax timing differences	(5)	86
Under provision from prior year	-	-
Group relief	7,817	-
Current tax credit for the period	-	(4,257)

10 CASH AND BALANCES AT CENTRAL BANKS

	31 December 2010 €'000	31 March 2010 €'000
Funds placed with Central Bank of Ireland	50	50
	50	50
Funds placed with Central Bank of Ireland by remaining maturity		
Repayable on demand	-	-
3 months or less	-	-
1 year or less but over 3 months	50	50
	50	50

The Bank is required to maintain balances with the Central Bank of Ireland.

11 LOANS AND ADVANCES TO BANKS

	31 December 2010 €'000	31 March 2010 €'000
Funds placed with the Governor & Company of the Bank of Ireland	18,469,538	15,008,004
Loans and advances to banks by remaining maturity		
Repayable on demand	30,394	11,022
3 months or less	8,265,501	6,234,683
1 year or less but over 3 months	1,469,394	50,000
5 years or less but over 1 year	7,517,000	6,355,000
Over 5 years	1,187,249	2,357,299
	18,469,538	15,008,004

12 LOANS AND ADVANCES TO CUSTOMERS

	31 December 2010 €'000	31 March 2010 €'000
Loan and advances to customers	20,595,439	20,829,572
Loans and advances to customers by remaining maturity		
Repayable on demand	-	-
3 months or less	254,224	195,877
1 year or less but over 3 months	570,223	558,847
5 years or less but over 1 year	3,240,157	3,148,543
Over 5 years	16,948,164	17,140,428
Less impairment provisions (note 13)	(417,329)	(214,123)
	20,595,439	20,829,572

The Bank's exposure to credit risk is from its mortgage lending activities on residential property in Ireland. For details of impairment provisions see note 13.

13 IMPAIRMENT PROVISIONS

The movement on impairment provisions is shown below:

	31 December 2010 €'000	31 March 2010 €'000
Opening balance	214,123	60,676
Charge to profit and loss account	224,718	153,447
Impairment provisions on assets sold to NAMA	(20,559)	-
Other	(953)	-
Closing balance	417,329	214,123

14(a) OTHER ASSETS

	31 December 2010 €'000	31 March 2010 €'000
Current Tax	8,000	7,926
Amounts receivable from Bank of Ireland Group companies	7,817	-
Other	379	356
	16,196	8,282

14(b) DEFERRED TAX ASSET

	31 December 2010 €'000	31 March 2010 €'000
Opening balance	3,571	(160)
Profit and Loss Credit	15,191	3,731
Closing balance	18,762	3,571

The deferred tax asset of €18.8 million (31 March 2010: €3.57 million) consists of operating losses which are available to relieve future profits from tax. This deferred tax asset has been recognised on the basis that it will be recovered, as the Directors are satisfied that it is more then likely that there will be sufficient future taxable profits against which the deferred tax can be utilised to the extent it has not already been reversed. Under Irish tax legislation, there is no time restriction on the utilisation of these losses.

15 DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts of certain types of financial instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit risk. The derivative instruments become assets or liabilities as a result of fluctuations in market rates or prices relating to their terms. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivatives held for trading are derivatives entered into with economic hedging intent but do not meet the requirement for hedge accounting.

The fair values and notional amounts of derivative instruments held are set out in the following tables:

31 December 2010	Contract/ notional amount €'000	Fair Values Assets €'000	Fair Values Liabilities €'000
Derivatives held for trading			
Interest rate swaps	22,257,076	44,618	46,523
Total derivative assets / liabilities for trading	22,257,076	44,618	46,523
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	5,998,000	325,127	-
Total derivative assets / liabilities held for hedging	5,998,000	325,127	-
Total derivative assets / liabilities	28,255,076	369,745	46,523

31 March 2010	Contract/ notional amount €'000	Fair Values Assets €'000	Fair Values Liabilities €'000
Derivatives held for trading			
Interest rate swaps	22,500,442	11,248	1,903
Total derivative assets / liabilities for trading	22,500,442	11,248	1,903
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	6,086,000	415,207	87
Total derivative assets / liabilities held for hedging	6,086,000	415,207	87
Total derivative assets / liabilities	28,586,442	426,455	1,990

16 DEPOSITS BY BANKS

	31 December 2010 €'000	31 March 2010 €'000
Deposits by Banks	24,368,776	22,704,218
Deposits by remaining maturity		
Repayable on demand	-	22,433
3 months or less	3,840,641	20,390,311
1 year or less but over 3 months	731,922	690,380
5 years or less but over 1 year	2,446,210	1,463,064
Greater than 5 years	17,350,003	138,030
Due to the Governor & Company of the Bank of Ireland	24,368,776	22,704,218

To fully reflect the long dated funding requirement of the mortgage assets, the Bank has now moved to a funding model whereby variable mortgage assets are funded to their expected average life through longer dated borrowing arrangements contractually linked to the ECB REPO rate.

17 DEBT SECURITIES IN ISSUE

	31 December 2010 €'000	31 March 2010 €'000
Debt Securities in Issue	14,130,709	12,421,187
Bonds and medium term notes by remaining maturity		
3 months or less	3,632,830	3,500,000
1 year or less but over 3 months	1,570,922	102,463
5 years or less but over 1 year	7,734,636	6,414,191
Greater than 5 years	1,192,321	2,404,533
	14,130,709	12,421,187
Included in the above are amounts due to the Governor & Company of the Bank of Ireland	3,403,781	1,600,549

Notes

Bank of Ireland Mortgage Bank is a directly, wholly-owned direct subsidiary of the Governor & Company of the Bank of Ireland, holds its own banking licence and is a designated mortgage credit institution within the meaning of the Asset Covered Securities Acts, 2001 to 2007 (the "Acts"). The Acts provide, among other things, for the registration of eligible credit institutions as designated mortgage credit institutions, the maintenance by designated mortgage credit institutions of a defined pool of prescribed mortgage credit assets and limited classes of other assets, known as a cover assets pool (Pool) and the issuance by designated mortgage credit institutions of certain asset covered securities secured by a statutory preference under the Acts on the assets (Cover Assets) comprised in the pool. Asset covered securities issued by Institutions in accordance with the Acts are called mortgage covered securities (Mortgage Covered Securities). The value of the pool including mortgage assets and cash at 31 December 2010 securing these assets was €14.7 billion (31 March 2010: €12.9 billion). As at 31 December 2010 there are no mortgage credit assets secured on commercial property in Bank of Ireland Mortgage Bank (31 March 2010: Nil).

In accordance with the Acts, see the required disclosures set out in note 17 (a) – 17(g) below.

The Bank's first issue of mortgage covered securities was for €2 billion in September 2004 which matured in September 2009. This was a standalone issue and was not an issue of Securities under the mortgage covered securities programme established by the Bank in May 2005 (the Original Programme). In June 2005, the Bank issued €2 billion of mortgage covered securities with a ten year maturity.

17 DEBT SECURITIES IN ISSUE (continued)

In July 2006, the Bank issued €2 billion with a seven-year maturity. In the 12 months to 31 December 2006 the Bank also completed €393 million in private placement transactions with maturities ranging from five to ten years. In January and March 2008 the Bank executed two private placement transactions for €50 million and €500 million respectively.

In the year to 31 March 2009, the Bank issued €3.1 billion of securities comprising of €675 million in private placements, €31 million in registered private placements and €2.4 billion contingent liquidity transactions. Of the €2.4 billion transactions with Bank of Ireland, €1 billion was issued in September 2008 under the €10 billion ACS programme and €1.4 billion under a new €3 billion Mortgage Covered Securities Programme launched 13 March 2009.

In the year to 31 March 2010, the Bank issued €3.8 billion of securities comprising a €1.5 billion public transaction with a five year maturity, €196 million in private placements, €55 million in registered private placements and €2 billion in a transaction with its parent, the Governor & Company of the Bank of Ireland. During the year there were €5.3 billion in maturities. This brought the total mortgage covered securities in issue as at 31 March 2010 to €8.5 billion.

In the nine month period ended 31 December 2010, the Bank issued €1.9 billion of securities comprising of €10 million in private placements and €1.9 billion in transactions with its parent, the Governor & Company of the Bank of Ireland. During the period there were €0.2 billion in maturities. This brought the total mortgage covered securities in issue as at 31 December 2010 to €10.2 billion.

The mortgage-covered securities are shown on the balance sheet net of issue costs and expenses incurred in connection with their issue and the basis adjustment relating to the fair value hedges.

The Bank can raise funds from the Central Bank of Ireland ("CBI") under the Mortgage Backed Promissory Note Programme (MBPNP) entered into. Obligations under the programme are secured by way of a first floating charge to the CBI over its right, title, interest and benefit of loans and advances to customers. The Bank has pledged under the terms of the floating charge to maintain the assets so charged free from any encumbrance and otherwise than in the ordinary course of business not to sell, transfer, lend or otherwise dispose of any part of the charged assets without the prior written consent of the CBI. The deed of floating charge was executed by the Bank and dated 5 July 2004 in favour of the CBI. The mortgages in the MBPNP are secured by a floating charge over Irish Residential Mortgage Assets, which are not in the covered assets pool. At 31 December 2010 there was €3.6 billion of other debt securities pledged to the CBI (31 March 2010: €3.5 billion).

17(a) Mortgage Accounts & Principal Outstanding in the Mortgage Covered Pool

From Range €'000	To Range €'000	Number of Accounts 31 December 2010	Total Balances of Accounts 31 December 2010 €'000	Number of Accounts 31 March 2010	Total Balances of Accounts 31 March 2010 €'000
0	100	32,085	1,473,482	31,367	1,465,565
100	200	22,970	3,411,534	21,814	3,222,035
200	500	19,485	5,489,285	17,527	4,929,440
Over 500		1,686	1,333,682	1,617	1,286,064
		76,226	11,707,983	72,325	10,903,104

The total balance of accounts represents the cumulative amount outstanding on all the mortgage accounts in the pool as at 31 December 2010 and 31 March 2010 respectively.

17(b) Geographic Location and Details for the Pool

	31 December 2010		31 March 2010	
	Dublin	Outside Dublin	Dublin	Outside Dublin
% of overall properties	22%	78%	22%	78%
Number of accounts	17,116	59,110	16,054	56,271
Number of properties	14,737	51,802	13,647	48,891

The number of accounts represents the cumulative number of mortgage accounts held in the pool, as at 31 December 2010 and 31 March 2010 respectively. There could be one or more accounts per mortgaged property giving rise to different figures for the number of accounts and the number of properties in the pool as at 31 December 2010 and at 31 March 2010.

17(c) Pool Accounts in Default

	As at 31 December 2010	As at 31 March 2010
Number of accounts in default	166	195
Cumulative current balance on above accounts	€42,975,984	€33,153,346
of which arrears represent	€588,235	€575,119

Default is defined as mortgage accounts that are three months or more in arrears.

17(d) Pool Accounts in Default with Arrears >€1,000

	During 9 months to 31 December 2010	During 12 months to 31 March 2010
Number of accounts in default with arrears of more than €1,000	938	1,278
Cumulative current balance on above accounts	€215,433,256	€288,464,702
of which arrears represent	€3,607,191	€4,821,324
Number of accounts with arrears in excess of €1,000	133	150
Cumulative current balance on above accounts	€38,279,311	€30,852,569
of which arrears represent	€574,260	€545,893

Default is defined as mortgage accounts that are three months or more in arrears.

17(e & f) Replacement of Non Performing Assets in the Pool

During the nine month period ended 31 December 2010, 1,011 accounts (31 March 2010: 1,352 accounts) that were non-performing (the term non-performing is defined as relating to mortgage accounts that are in arrears exceeding 90 days) were replaced with other mortgage credit assets. The total amount in arrears in respect of mortgage assets that had not been written off as at 31 December 2010 was €588,235 (31 March 2010: €575,119).

17(g) Total Mortgage Principal and Interest Repayments on Pooled Accounts by customers

	31 December 2010	31 March 2010
Interest paid in respect of mortgage credit assets	€234,640,171	€308,786,519
Capital repaid in respect of mortgage credit assets	€472,985,908	€585,149,044

18 OTHER LIABILITIES

	31 December 2010 €'000	31 March 2010 €'000
Amounts due to the Governor & Company of the Bank of Ireland	15,944	92,610
Amounts due to other Bank of Ireland Group Companies	8,999	18,575
Provisions for other liabilities and charges	11,215	6,586
	36,158	117,771

19 SUBORDINATED LIABILITIES

On 2 July 2004 the Bank availed of a €162 million interest bearing subordinated loan from its parent the Governor & Company of the Bank of Ireland. The loan is subordinated in right of payment to the claims of depositors and all other creditors of the Bank. The loan rate is based off the three-month euribor rate plus a margin of 35 basis points and it reprices quarterly. The loan matures on 4 July 2014.

On 30 June 2005 the Bank availed of a further €80 million interest bearing subordinated loan from its parent the Governor & Company of the Bank of Ireland. The loan is subordinated in right of payment to the claims of depositors and all other creditors of the Bank. The loan rate is based off the three-month euribor rate plus a margin of 30 basis points and it reprices quarterly. The loan matures on 2 July 2015.

On 11 February 2008 the Bank availed of a further €70 million interest bearing subordinated loan from its parent the Governor & Company of the Bank of Ireland. The loan is subordinated in right of payment to the claims of depositors and all other creditors of the Bank. The loan rate is based off the three-month euribor rate plus a margin of 75 basis points (125 basis points from 11 February 2013) and it reprices quarterly. The loan matures on 13 February 2018.

This brings the total to €312.7 million (31 March 2010: €312.5 million), €312 million being the loan balance and €0.7 million accrued interest at 31 December 2010 (31 March 2010: €312 million loan balance and €0.5 million accrued interest)

20 SHARE CAPITAL

	31 December 2010 €'000	31 March 2010 €'000
Authorised		
1,000 million units of €1.00 of Ordinary Shares	1,000,000	1,000,000
	1,000,000	1,000,000

Allotted and fully paid	31 December 2010 €'000	31 March 2010 €'000
Equity		
644 million units of €1.00 of Ordinary Shares (31 March 2010: 624m units of €1.00 of Ordinary Shares)	644,000	624,000
	644,000	624,000

Share capital issued during the nine month period ended 31 December 2010 amounted to €20 million (31 March 2010: € Nil). The shares were issued to the Bank's parent company, the Governor & Company of the Bank of Ireland. The issuance assisted in maintaining an adequate capital position. All units of Ordinary Shares in issue carry the same voting rights.

21 RESERVES

	31 December 2010 €'000	31 March 2010 €'000
Profit and loss account		
Opening balance	94,234	168,867
Loss for the period	(163,335)	(54,633)
Dividend paid (note 22)	-	(20,000)
Closing balance	(69,101)	94,234

22 DIVIDEND

	31 December 2010 €'000	31 March 2010 €'000
Dividend Paid	-	20,000

No dividends were paid during the nine month period ended 31 December 2010 (31 March 2010: €20 million or €0.0320512 per ordinary share in issue)

23 DIRECTORS' & SECRETARY'S INTERESTS

The interests of the Directors and Secretary, in office as at 31 December 2010, and of their spouses and minor children, in the shares of Bank of Ireland or the Group undertakings are set out in the tables below:

SHARES IN THE GOVERNOR & COMPANY OF THE BANK OF IRELAND

	As at 31 December 2010	As at 31 March 2010 or at date of appointment if applicable
Directors	**SHARES**	**SHARES**
B. Nevin	26,889	10,756
J. Clifford	344,820	140,128
B. Kealy	10,781	8,010
M. Meagher	173,845	69,598
M. Finan	8,500	8,500
M. Davis	Nil	Nil
J. Martin	Nil	Nil
J. Byrne	1,455	1,455
P. Flynn	31,443	31,443
Secretary		
Hill Wilson Secretarial Limited	Nil	Nil

23 DIRECTORS' & SECRETARY'S INTERESTS (continued)

STOCK OPTIONS HELD BY DIRECTORS AND SECRETARY IN THE GOVERNOR & COMPANY OF THE BANK OF IRELAND

Directors	Date of Grant	Earliest Exercise Date	Exercise Price €	As at 31 December 2010	As at 31 March 2010 or at date of appointment if applicable
B. Nevin	26 Jul 2004	26 Jul 2007	10.76	18,000	18,000
	21 Jun 2005	21 Jun 2008	12.85	11,500	11,500
	12 Jun 2007	12 Jun 2010	15.45	Nil	9,500
	03 Jun 2008	03 Jun 2011	8.10	25,450	25,450
J. Clifford	24 Jun 2002	24 Jun 2005	12.50	Nil	10,000
	18 Jun 2003	18 Jun 2006	10.77	Nil	20,000
	26 Jul 2004	26 Jul 2007	10.76	Nil	21,500
	21 Jun 2005	21 Jun 2008	12.85	Nil	13,000
	12 Jun 2007	12 Jun 2010	15.45	Nil	13,950
	03 Jun 2008	03 Jun 2011	8.10	Nil	23,800
B. Kealy	26 Jul 2004	26 Jul 2007	10.76	11,500	11,500
	21 Jun 2005	21 Jun 2008	12.85	9,500	9,500
	12 June 2007	12 Jun 2010	15.45	Nil	5,900
	03 June 2008	03 Jun 2011	8.10	9,650	9,650
J. Byrne	12 June 2007	12 Jun 2010	15.45	Nil	4,550
	24 Dec 2007	01 Mar 2011	6.96	531	531
	03 June 2008	03 Jun 2011	8.10	12,750	12,750

No stock options were held by the following Directors / Secretaries in the Governor & Company of the Bank of Ireland: J. Martin, M. Meagher, M. Finan, M. Davis and P.Flynn

Options granted in 2007 matured on 12 June 2010 and did not vest as the performance conditions were not achieved.

John Clifford's remaining grants lapsed in September 2010 post his retirement as an employee of the Bank of Ireland Group.

Options granted in 2008 are due to mature on 3 June 2011, but are unlikely vest as the performance conditions are unlikely to be achieved.

23 DIRECTORS' & SECRETARY'S INTERESTS (continued)

DIRECTORS' & SECRETARY'S INTERESTS IN THE GOVERNOR & COMPANY OF THE BANK OF IRELAND LONG TERM INCENTIVE PLAN* (LTIP)

Included in the table below are the Shares conditionally awarded to the Directors under the terms of the LTIP.

Directors	Date of Award	As at 31 December 2010	As at 31 March 2010 or at date of appointment if applicable
B. Nevin	12 Jun 2007	Nil	8,050
	03 Jun 2008	22,250	22,250

No interests in the Governor & Company of the Bank of Ireland's long term incentive plan* (LTIP) stock options were held by the following Directors / Secretaries:

J. Clifford, B. Kealy, J. Martin, M. Meagher, M. Finan, M. Davis, J. Byrne, Paul Flynn.

Following his departure from the Bank of Ireland Group in March 2011, Brendan Nevins' conditional 2008 LTIP lapsed.

*Since 2004 the Governor & Company of the Bank of Ireland has operated a Long Term Incentive Plan ('LTIP'), with stockholder approval, for key senior executives who are best placed to maximise stockholder value.

For further details on the above schemes please refer to note 47 Capital Stock in the annual report of the Bank's parent company, the Governor & Company of the Bank of Ireland.

DIRECTORS' & SECRETARY'S INTEREST IN SAVINGS SHARES IN ICS BUILDING SOCIETY

Directors	As at 31 December 2010 €'000	As at 31 March 2010 or at date of appointment if applicable €'000
B. Nevin	1	1
J. Clifford	100	20
M. Meagher	Nil	500
M. Finan	1	1
M. Davis	1	1
J. Byrne	1	1

No interests in savings shares in ICS Building Society were held by the following Directors / Secretaries:

B. Kealy, J. Martin.

24 SEGMENTAL INFORMATION

The Bank's income and assets are entirely attributable to mortgage lending activity in the Republic of Ireland.

25 PENSION COSTS

Bank of Ireland Mortgage Bank is a minority participating employer in the ICS Building Society Pension Plan. The scheme is a defined benefit scheme based on final pensionable pay and operated for eligible employees of ICS Building Society and the Bank.

An independent actuary, on the basis of triennial actuarial reviews, determines the Bank's contributions to the ICS scheme. The most recent full actuarial valuations were performed at 1 January 2010. With effect from 1 October 2010 the Bank is contributing to the ICS Plan at a rate of 24.8% of pensionable salaries. The net deficit on the scheme as at 31 December 2010 amounted to €4.4 million (31 December 2009: €12.7 million).

Whilst the scheme is a defined benefit scheme, it has not identified separately its share of the underlying assets and liabilities of the scheme and hence it is treated as a defined contribution scheme in the financial statements of the Bank.

Contributions on behalf of the Bank's employees amounted to €108,417 for the nine months ended 31 December 2010 (twelve months ended 31 March 2010: €69,743). There were no outstanding amounts to be paid to the scheme at 31 December 2010 by the Bank (31 March 2010: Nil).

26 RISK MANAGEMENT AND CONTROL

Financial Risk Management

The Board of Directors approves policies and limits with respect to credit risk, market risk, liquidity risk and operational risk. The Head of Credit and Risk Management has responsibility for credit policy implementation and the Head of Finance has responsibility for financial risk policy implementation. The Treasury Unit has responsibility for day-to-day monitoring of market and liquidity risks. The Compliance and Operational Risk Unit has responsibility for operational risk policy and controls. The Bank's risk management and control policies comply with Bank of Ireland Group risk management policies, which include reviews on a regular basis. In addition, Bank of Ireland Group control functions (e.g. Credit, Group Internal Audit, etc) independently review compliance with Bank of Ireland Group policies as part of their ongoing work in the Bank. The general scheme of risk management, financial and operational controls is designed to safeguard the Bank's assets while allowing sufficient operational freedom to earn a satisfactory surplus of income over expenditure. The Bank utilises a range of service level agreements with Bank of Ireland Group to support its overall risk management and control processes.

Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty can cause a financial loss for the Bank by failing to discharge an obligation. Credit Risk is one of the main types of risk to which the Bank's business is exposed, and is managed accordingly. Apart from exposures to entities within the Bank of Ireland Group, credit exposures arise principally from lending to customers to purchase residential property. The Bank's exposure to credit risk is governed by credit policy which is approved by the Board of Directors, and the Bank of Ireland Group Risk Policy Committee (GRPC).

Structure and Organisation of the Credit Risk Management Function

The Bank has an established credit risk governance framework by which it executes its accountabilities and responsibilities in relation to credit risk management.

The Credit Risk function within the Bank is a key function within the business responsible for proposing credit policy to the Board and the management and safety of lending in accordance with approved policies. Underwriting and Credit Management / Collections activities are centralised and performance in this area is measured in relation to credit quality and operational efficiency.

26 RISK MANAGEMENT AND CONTROL (continued)

Lending officers are allocated lending limits according to credit competence, proven judgement, experience and the nature and scale of lending particular to the Bank. Existing credit risk is reviewed periodically and exposures which demonstrate adverse trends are subject to closer supervision and management.

In the Bank, the application of ratings is automatic through the use of risk rating models appropriate to the facilities at time of application and monthly thereafter based on account performance. Performance monitoring and management of all risk rating models is undertaken by the Credit Risk Function.

In addition, an independent control unit within Bank of Ireland Group Internal Audit undertakes periodic reviews of the appropriateness of the risk rating models that are used within the business and evaluates whether the models are 'fit for purpose' and are IRB (Internal Rating Based) compliant under Basel II requirements.

Bank of Ireland Group Credit Review undertakes periodic reviews of the quality and management of credit risk assets across the Group, including the Bank, and plays a key role in reviewing the Bank's adherence to policy, processes and procedures.

Management of Credit Risk

The Bank manages limits and controls concentrations of credit risk and structures the levels of credit risk it undertakes by placing limits on the amounts of risk accepted in relation to one borrower or groups of borrowers, and to geographical and other segments. Such risks are monitored appropriately.

Exposure to credit risk is also managed through analysis of the ability of borrowers and potential borrowers to meet repayment obligations. Renegotiation of facilities that would otherwise be past due or impaired in the financial period is considered in certain circumstances.

Measurement of Credit Risk

In measuring the credit risk of Loans and advances to customers, the Bank considers three components:

- the "probability of default" (PD) by the client ;
- current exposure and its likely future development, from which the "exposure at default" (EaD) is derived; and
- the likely loss ratio on the defaulted obligations – the "loss given default" (LGD).

These credit risk measurements which reflect expected loss (the "expected loss model") are employed in the Bank's day to day management of credit.

The Bank assesses the probability of default of borrowers using internal rating tools tailored to the various product categories. The use of credit risk rating models, which measure the degree of risk inherent in lending to specific counterparties, complemented by expert judgement, is central to Credit Risk Management within the Bank.

The risk rating system is continuously refined and validated to ensure that the level of risk incurred is acceptable to the Bank.

The results arising from the risk rating system are used in regulatory capital calculation, guiding economic capital allocation and strategic portfolio management.

Accounts are managed on the basis of performance with those past due measured by instalments in arrears. Loan loss provisioning or impairment allowances required under FRS 26 are based on losses that have been incurred at the balance sheet date (the "incurred loss model").

26 RISK MANAGEMENT AND CONTROL (continued)

Credit Risk Mitigation & Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most important of these are careful initial assessment of the borrower's capacity to repay the facility over the agreed timescale and the taking of security for funds advanced. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. In relation to loans and advances to customers, the principal type of security taken is residential property.

Security for each account in the Bank's mortgage portfolio consists of a first legal charge over residential real estate with supporting life and fire cover as appropriate. A dedicated team is responsible for the receipt and maintenance of security within the Bank.

The Bank's requirements around completion, valuation and management requirements for collateral/security are set out in appropriate policies and procedures. The Bank's credit risk mitigation processes are designed to ensure that mortgage charges are enforceable at the time the credit agreement is concluded and that mortgage charges are filed on a timely basis. The objective of this approach is to enable the Bank to realise the value of the protection within a reasonable timeframe, should that become necessary.

Impairment Criteria and Provisions

Impairment provisions are recognised for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

The impairment provision shown in the balance sheet at the period-end is driven by internal rating grades, with a significant portion arising from higher risk business. In addition, impaired accounts at higher risk ratings are individually assessed for provisions by evaluating the incurred loss at balance sheet date. The assessment takes account of collateral held (including a reassessment of its enforceability) and anticipated repayments for each such account.

Mortgages are considered past due where a contracted payment of principal or interest is 1 or more days past due. Mortgages are considered impaired when they are both past due and where full recovery of the account is significantly in doubt. Examples of situations in which full recovery could be in doubt would be, cash flow difficulties experienced by the borrower, the initiation of bankruptcy proceedings or the degree of borrower co-operation.

Impairment allowances are principally calculated on a collective basis through assessment of available historical evidence adjusted for current conditions, using experienced judgement and statistical techniques. Individual assessment of an impairment allowance may be applied at account level for higher value balances in accordance with the Bank of Ireland Group Impairment Policy.

See details of the carrying value of these provisions in note 13.

26 RISK MANAGEMENT AND CONTROL (continued)

Maximum Exposure to credit risk before collateral held or other credit enhancements

	Maximum Exposure	
	31 December 2010 €'000	31 March 2010 €'000
Loans and advances to banks	18,469,538	15,008,004
Loans and advances to customers	20,915,781	20,731,238
Derivative financial instruments	369,745	426,455
Commitments	782,100	964,616
Total	**40,537,164**	**37,130,313**

The above table represents a worst case scenario of credit risk exposure to the Bank, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on net carrying amounts as reported in the balance sheet, adjusted for deferred acquisition costs.

In the table above, the Loans and advances to customers relate to residential mortgages. The loans and advances to banks and Derivative financial instruments relate to Bank of Ireland Group entities.

Loans and advances

Loans and advances to banks (note 11) and Loans and advances to customers (note 12) are the main classes of financial assets that the Bank is exposed to from a credit risk perspective. The tables below provide further details in relation to these loans and advances.

Loans and advances to customers

(i) Loans and advances neither impaired nor past due

	31 December 2010 €'000	31 March 2010 €'000
High Quality	18,281,388	18,646,342
Satisfactory Quality	924,662	758,607
Total	**19,206,050**	**19,404,949**

Loans and advances are deemed to be 'High Quality if the accounts are operating in accordance with the terms and conditions and are up to date with repayments. Loans and advances are deemed to be satisfactory if the accounts have had a temporary modification to their original terms and conditions but are up to date with repayments.

(ii) Loans and advances past due but not impaired

	31 December 2010 €'000	31 March 2010 €'000
Past due 1 - 30 days	330,985	314,201
Past due 31 - 60 days	182,561	177,799
Past due 61- 90 days	111,329	115,463
Past due greater than 90 days	557,326	530,882
Total	**1,182,201**	**1,138,345**

Loans and advances where balances are in arrears are not considered impaired unless information is available to suggest that the Bank is likely to incur a loss. This decision is determined by such factors as the financial circumstances of the borrower and an assessment of their ability to address the arrears

26 RISK MANAGEMENT AND CONTROL (continued)

(iii) Loans and advances impaired balances.

	31 December 2010 €'000	31 March 2010 €'000
Impaired balances	624,517	359,472

Arrears on impaired loans as a % of the impaired balances amounts to 4.55% (31 March 2010: 4.02%). Total provisions as a percentage of impaired balances amounts to 66.68% (31 March 2010: 59.57%). The level of accounts falling into arrears is increasing and is being actively managed by the Bank.

Loans and Advances to Banks

For both 31 December 2010 and 31 March 2010, all loans to credit institutions were performing fully in line with their terms with no amounts past due. These balances relate to receivables from Bank of Ireland Group entities.

Derivative Financial Instruments

Derivative contracts are only entered into with reputable counterparties who have been approved by the Board of Directors in conjunction with recommendations by the Bank of Ireland Group Risk Policy Committee. There are no amounts past due or impaired as at 31 December 2010 (31 March 2010: Nil).

Repossessed Collateral

As at 31 December 2010, the Bank had 41 properties in repossession (31 March 2010: 19 properties). Repossessed property is sold as soon as practicable, with the proceeds used to reduce indebtedness. The value of these properties is as follows:

	31 December 2010 €'000	31 March 2010 €'000
Residential Mortgages	7,569	2,968

Concentration of risks of financial assets with credit risk exposure

(i) Geographical sectors

The table below breaks down the Bank's main credit exposure for Loans and advances to customers at their carrying amounts, as categorised by geographical region. For this table, the Bank has allocated exposures based on the location of the asset.

	31 December 2010 €'000	31 March 2010 €'000
Loans and advances to customers		
- Dublin	6,693,049	6,607,075
- Rest of Ireland	14,222,732	14,124,163
Total	**20,915,781**	**20,731,238**

The counterparty for Loans and advances to banks and Derivative financial instruments is the Governor & Company of the Bank of Ireland, which has its head office in Dublin.

26 RISK MANAGEMENT AND CONTROL (continued)

(ii) Industry Sectors

All Loans and advances to Bank's and Derivative Financial Instruments are categorised as Financial. Loans and advances to customers are all categorised as Personal (residential mortgages).

Financial Assets Renegotiated

The Bank has Financial Assets Renegotiated that have had a temporary modification applied to the existing terms and conditions which otherwise would have been past due or impaired as follows:

	31 December 2010 €'000	31 March 2010 €'000
Residential Mortgages	836,130	589,381

Market Risk

Market risk is the potential adverse change in earnings or the value of net worth arising from movements in interest rates, exchange rates or other market prices. The management of market risk in the Bank is governed by Bank of Ireland Group policy, approved by the Group's Court of Directors and the Group Risk Policy Committee (GRPC). It is a policy requirement that interest rate basis risk arising from customer-facing businesses such as the Bank is transferred, by way of internal economic hedging arrangements, to Bank of Ireland Global Markets (BoIGM). The Board of Directors of the Bank has approved the adoption of the Group's policy on market risk and the Bank complies with this policy.

The current interest rate risk strategy aims to provide the Bank with protection against material adverse changes in interest and related funding rates by undertaking controlled management of the interest rate structure in the Bank's mortgage and funding products. The strategy operates within limits set by the Board of Directors. The Bank's interest rate risk strategy incorporates the policies of Bank of Ireland Group. The Bank has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures.

Market risk in the Bank arises on both sides of the balance sheet – on the asset side of the balance sheet through fixed-rate lending and on the liability side of the balance sheet through the issue of fixed rate Asset Covered Securities. The proceeds from the issue of securities are placed on deposit with the Governor & Company of the Bank of Ireland.

At 31 December 2010, the Bank had €3.95 billion of fixed-rate lending, where the rate is typically fixed for periods of 1 to 3 years (31 March 2010: €3.5 billion). The interest rate exposure of the Bank relating to its Irish residential lending denominated in euro is managed through maturity-matched borrowing from BoIGM and has no material sensitivity to changes in interest rates. The Bank does not enter into any trading positions and has no material sensitivity to changes in interest rates.

At 31 December 2010 the Bank had €10.22 billion (nominal) in issued Asset Covered Securities, where the rate is typically fixed for periods of 5 years or more (31 March 2010: €8.5 billion (nominal)). Interest rate exposure on the underlying pool of mortgages supporting Asset Covered Securities issued is managed using macro interest rate swaps.

In the case of the Pool Interest Rate Contract, this is a cover assets hedge contract for the purposes of the Asset Covered Securities Act, 2001 to 2007. Under the Pool Interest Rate Contract, on a monthly basis the Bank pays to BoIGM an amount related to a weighted average basket interest rate, determined by reference to interest rates payable on the residential loans held by the Bank and which are included in the Pool on the relevant date, on a notional amount equal to the principal amount outstanding of those loans on the relevant date less a spread related to the composite margin on the underlying mortgage loans. In return on a monthly basis, BoIGM pays to the Bank interest on that notional amount at one month EURIBOR. The non-pool interest rate contract is structured and operates on a similar basis to the pool interest rate contract. These macro interest rate swaps are deemed traded derivatives (see note 15) and do not qualify for hedge accounting.

26 RISK MANAGEMENT AND CONTROL (continued)

With respect to Mortgage Covered Securities, BoIGM pays under that cover assets hedge contract an amount related to the fixed interest rate payable on the relevant Mortgage Covered Securities on a notional amount equal to the principal amount outstanding of the relevant Mortgage Covered Securities and on a semi-annual or quarterly basis the Bank pays to BoIGM an amount related to six month or three month EURIBOR (whichever is relevant) on that notional amount.

The Bank enters into these interest rate swaps to hedge the interest rate exposure on its fixed rate Mortgage Covered Securities in issue. These swaps and related fixed rate Mortgage Covered Securities qualify for hedge fair value accounting treatment. At 31 December 2010, the nominal value of these swaps is €6 billion (31 March 2010: €6 billion) as set out in note 15.

The Bank measures its interest rate risk in terms of the sensitivity of its assets and liabilities, in NPV (Net Present Value) terms, to a 1% parallel shift in the yield curve. The Bank is required to ensure that this sensitivity remains within a low operational hedging limit at 31 December 2010. At 31 December 2010, the Bank's exposure to a parallel 1% upward shift in the euro yield curve was €31,166 (31 March 2010: €32,635), with an average of €27,528 for the nine months to 31 December 2010 (31 March 2010: €45,567).

Currency Risk

The Bank is not exposed to currency risk as all financial assets and liabilities are denominated in euro.

Liquidity Risk

Liquidity risk is the risk that a credit institution will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at substantially above the prevailing market cost of funds. Liquidity distress is almost invariably associated with a severe deterioration in financial performance, but it can also result from unexpected adverse events or systemic difficulties. The Bank has in place a risk management framework to manage that risk.

The Bank's Board of Directors has approved a funding policy for the business that permits funding via the use of asset covered securities, residential Mortgage Backed Promissory Note programmes and borrowing from the Bank of Ireland Group. Changes to the funding policy require the prior approval of the Board of Directors of the Bank and must be in compliance with the Bank of Ireland Group policy.

It is the Bank's policy to ensure that resources are at all times available to meet the Bank's obligations arising from mortgage products, asset covered securities, capital and revenue expenditure. The day-to-day management of liquidity is the responsibility of a dedicated team within the Bank.

The Bank uses a cashflow liquidity reporting tool which provides daily liquidity risk information by designated cash flow buckets to management. The system captures the cash flows from both balance sheet and off-balance sheet transactions. In the case of specific products such as mortgage repayments and off-balance sheet commitments the Bank applies behavioural adjustments to reflect the Bank's experience of these cash flows based on historical trends. These adjustments are subject to review.

The Bank is also required to report regularly to its parent, the Governor & Company of the Bank of Ireland, all relevant balance sheet and off balance sheet items to ensure compliance with Group liquidity procedures.

The Bank meets its day to day residual funding requirements through borrowing facilities in place with BoIGM. While the Bank raises a significant level of its funding from the Bank of Ireland Group, the Bank has the capability to fund outside the Bank of Ireland Group if required.

The Bank has changed its funding model in 2010 from one month funding to the expected life funding model. The new model is based on funding for the expected life of the mortgage asset.

The tables below analyse liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. In line with the requirements of FRS 29, the liabilities table below show principal balances and undiscounted interest cash flows over the life of the liabilities and so the totals will not agree directly to the balance sheet. It excludes non cash items such as fair value adjustments.

26 RISK MANAGEMENT AND CONTROL (continued)

31 December 2010

Liabilities	Demand €'000	Within 3 months €'000	After 3 months but within 1 year €'000	After 1 year but within 5 years €'000	After 5 years €'000	Total €'000
Deposits by Banks	-	3,841,996	746,231	2,551,154	19,666,629	26,806,010
Debt Securities in Issue	-	3,640,372	1,736,124	8,272,039	1,280,029	14,928,564
Subordinated Debt	-	1,103	3,368	257,104	73,353	334,928
Commitments	782,100	-	-	-	-	782,100
Total Liabilities	**782,100**	**7,483,471**	**2,485,723**	**11,080,297**	**21,020,011**	**42,851,602**

31 March 2010:

Liabilities	Demand €'000	Within 3 months €'000	After 3 months but within 1 year €'000	After 1 year but within 5 years €'000	After 5 years €'000	Total €'000
Deposits by Banks	22,433	20,396,142	703,871	1,565,457	179,489	22,867,392
Debt Securities in Issue	-	3,633,062	173,613	6,699,783	2,465,664	12,972,122
Subordinated Debt	-	1,359	2,485	174,816	153,984	332,644
Commitments	964,616	-	-	-	-	964,616
Total Liabilities	**987,049**	**24,030,563**	**879,969**	**8,440,056**	**2,799,137**	**37,136,774**

Cash arising on the issue of debt securities is placed on deposit with the Governor & Company of Bank of Ireland on terms similar to the terms of the securities. Hence the debt securities in issue cash flows above will be offset by cash flows arising on these deposits. Deposits by banks represent intergroup funding provided by the Bank's parent, the Governor & Company of the Bank of Ireland.

The tables below analyse cash flows on derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Cash flows associated with derivatives are undiscounted cash flows anticipated over the life of the derivatives based on expected interest rates at year end. Derivative cash flows are included for the pay and receive legs of net settled contracts with negative fair values.

31 December 2010

	Within 3 months €'000	After 3 months but within 1 year €'000	After 1 year but within 5 years €'000	After 5 years €'000	Total €'000
Net cash outflows on derivative financial instruments	(8,853)	(21,503)	(18,375)	(712)	(49,443)

26 RISK MANAGEMENT AND CONTROL (continued)

31 March 2010

	Within 3 months €'000	After 3 months but within 1 year €'000	After 1 year but within 5 years €'000	After 5 years €'000	Total €'000
Net cash outflows on derivative financial instruments	(194)	(728)	(1,099)	(16)	(2,037)

Operational Risk

Operational risk is the risk that human error, systems failure, and inadequate controls and procedures will result in unexpected loss. The Bank operates systems of risk identification, assessment and monitoring designed to ensure that operational risk management is consistent with the approach, aims and strategic goals of the Bank and the Bank of Ireland Group. The Bank manages operational risk through accountable executives monitored by the Compliance and Operational Risk Unit and the Bank's Audit Committee. In addition, there is oversight by the Bank of Ireland Group Operational Risk Committee, supported by the Group Operational Risk function. Potential risk exposures are assessed on a regular basis and appropriate controls are put in place or adapted as considered necessary. Recognising that operational risk cannot be entirely eliminated the Bank implements risk mitigation controls including fraud prevention, contingency planning and incident management. This strategy is further supported by risk transfer mechanisms such as insurance, where appropriate.

Regulatory Risk

Regulatory risk arises from a failure to comply with the laws, regulations or codes applicable to the Irish financial services industry. Non-compliance would have adverse reputational implications and could lead to fines, public reprimands, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

Regulatory risk and compliance risk in the Bank is managed in accordance with Bank of Ireland Group policy which has been adopted by the Board of the Bank. This requires the conduct of business in accordance with applicable regulations and an awareness of regulatory risk by all employees.

The effective management of regulatory compliance is the responsibility of each manager in the Bank. At an overall level, the Bank reassesses its regulatory risk profile on a regular basis, monitors compliance and reports findings to the Board of Directors and separately to the Bank of Ireland Group Regulatory and Operational Risk function.

Capital Management

The objectives of the Bank's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Bank has sufficient capital to cover the risks of its business and support its strategy. The capital adequacy requirements set by the Central Bank are used by the Bank 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 met.

26 RISK MANAGEMENT AND CONTROL (continued)

The Bank's capital includes the Bank's shareholders' funds (subject to regulatory adjustments) together with dated subordinated debt. Regulatory capital requirements are determined by risk asset levels.

The Bank meets its objectives in terms of capital management through the holding of capital ratios above the minimum levels set by the Financial Regulator.

Capital strategy is integrated into the overall business strategy of the Bank and the Bank of Ireland Group.

During 2010, the Bank complied with all externally required capital requirements.

27 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table represents the carrying amount and the fair value financial assets and liabilities of the Bank .

		31 December 2010 Carrying Amount €'000	31 December 2010 Fair Values €'000	31 March 2010 Carrying Amount €'000	31 March 2010 Fair Values €'000
Assets					
Loans and advances to banks	(1)	18,469,538	18,644,557	15,008,004	15,328,577
Loans and advances to customers	(2)	20,595,439	18,947,804	20,829,572	20,065,965
Derivative financial instruments	(5)	369,745	369,745	426,455	426,455
Liabilities					
Deposits by banks	(3)	24,368,776	24,368,776	22,704,218	22,704,218
Debt securities in issue	(4)	14,130,709	13,158,534	12,421,187	12,083,542
Derivative financial instruments	(5)	46,523	46,523	1,990	1,990

The following notes summarise the methods and assumptions used in estimating the fair values of financial instruments shown above.

(1) Loans and advances to banks
The Bank places funds with the Governor & Company of the Bank of Ireland. Several different techniques are employed, as considered appropriate, in estimating the fair value of loans and advances. The carrying amount of variable rate loans is considered to be at market value. The fair value of fixed rate loans was calculated by discounting expected cash flows using market rates where practicable, or rates currently offered by other financial institutions with similar characteristics.

(2) Loans and advances to customers
Loans and advances are carried net of provisions for impairment. The fair value of both fixed and variable rate loans and advances to customers is calculated using a valuation technique which involves the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans.

27 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(3) Deposits by Banks
The carrying amount of variable rate loans is considered to be at market value.

(4) Debt Securities in issue
Fair values of debt securities in issue are based on quoted market prices where available, otherwise by discounting anticipated cash flows. Included in the carrying value of debt securities in issue is interest payable to the bond holders.

(5) Derivative financial instruments
The carrying value and fair value of interest rate contracts represents amounts accrued and their clean fair value at the balance sheet date. The fair value is based on the discounted future cash flows of these contracts.

Fair Value Hierarchy

The table below shows, for the Bank's financial assets and liabilities that are recognised and subsequently measured in the balance sheet at fair value only the classification within the valuation hierarchy. All are classified as Level 2. The bank has no financial assets and liabilities classified as Level 1 or Level 3.

Fair value hierarchy Level 2	31 December 2010 €'000	31 March 2010 €'000
Financial assets held at fair value		
Derivative financial instruments	369,745	426,455
Total financial assets held at fair value	**369,745**	**426,455**
Financial liabilities held at fair value		
Derivative financial instruments	46,523	1,990
Total liabilities held at fair value	**46,523**	**1,990**

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data.

Level 3 comprises financial assets and liabilities valued using techniques using non-observable market data. Non-observable market data is not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally determined based on observable inputs of a similar nature, historic observations on the level of the input or analytical techniques.

28 COMMITMENTS

At 31 December 2010 the Bank had €782 million of approved mortgage loan applications that as at 31 December 2010 had not been drawn down. Undrawn mortgage loan applications at 31 March 2010 calculated on the same basis were €965 million.

29 RELATED PARTY TRANSACTIONS

The Bank's immediate and ultimate parent undertaking is the Governor & Company of the Bank of Ireland, a company incorporated by charter in Ireland. Group accounts are available at Bank of Ireland, Head Office, Mespil Road, Dublin 2.

(a) Irish Government

The Irish Government, through both the Bank's participation in the Government Guarantee Schemes and the recapitalisation of the Bank of Ireland Group through the National Pension Reserve Fund Commission (NPRFC) became a related party of the Bank. For further details on Guarantee Schemes see note 30. Between February 2010 and June 2010, the Government took ownership of 36% of the units of ordinary stock in the Bank of Ireland Group through;

- the receipt, in ordinary stock, of the dividend due on 20 February 2010 on the 2009 Preference Stock;
- the NPRFC placing; and
- the NPRFC subscription to the Bank's rights issue.

Related Party Transactions – Transactions with Key Management Personnel

(b) The following information is presented in accordance with the Companies Act 1990 (as amended by the Companies Amendment Act 2009).

For the purposes of the Companies Act disclosures, "Directors" means the Board of Directors of Bank of Ireland Mortgage Bank, any past Directors who were Directors during the relevant period and Directors of the parent company, the Governor & Company of Bank of Ireland. For the purposes of FRS8 Related Party Disclosures, "key management personnel" (KMP) comprise the Directors of Bank of Ireland Mortgage Bank and key management personnel (Head of Credit). Key management personnel also comprise KMP of the parent company, the Governor & Company of the Bank of Ireland.

Directors' emoluments and details of compensation paid to key management personnel are provided below.

(i) Companies Acts Disclosure - Loans to directors

Directors	Balance as at 1 April 2010 €'000	Balance as at 31 December 2010 €'000	[1]Aggregate maximum amount outstanding during the 9 months ended 31 December 2010 €'000
Jonathan Byrne			
Mortgage total	533	517	533
Brian Kealy			
Mortgages total*	411	406	412
Brendan Nevin			
Mortgages total	214	350	565
Paul Flynn			
Mortgages total	482	462	482
Total	**1,640**	**1,735**	**1,992**

*a portion of the mortgage total is on a preferential staff rate

J Martin, M Meagher, M Finan, M Davis and J Clifford had no loans with Bank of Ireland Mortgage Bank in the nine month period ended 31 December 2010

[1] The maximum amount outstanding was calculated using the highest balance on each account. While the maximum amounts do not include interest accrued, interest accrued and interest paid is included in the closing balances.

29 RELATED PARTY TRANSACTIONS (continued)

(ii) Loans to directors of parent company

Directors	**Balance as at 1 April 2010 €'000**	**Balance as at 31 December 2010 €'000**	**[2]Aggregate maximum amount outstanding during the 9 months ended 31 December 2010 €'000**
Richie Boucher			
Mortgages Total	228	206	228
Des Crowley			
Mortgages Total	604	496	604
Paul Haran			
Mortgage Total	116	105	116
Jerome Kennedy			
Mortgage Total	549	425	550
Patrick Kennedy			
Mortgages Total	4,031	4,211	4,211
Declan McCourt			
Mortgage Total	347	348	348
Heather Ann McSharry			
Mortgages Total	113	92	113
Total	**5,988**	**5,883**	**6,170**

D Donovan, J O'Donovan, P Molloy, T Considine, D Holt, R Hynes, T Neill, J Walsh and P O'Sullivan had no loans with Bank of Ireland Mortgage Bank in the nine month period ended 31 December 2010

There are no specific provisions or expenses 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.

Other than as indicated, all loans to Directors are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of collectability or present other unfavourable features.

Loans relate to mortgages secured on residential property.

[2] The maximum amount outstanding was calculated using the highest balance on each account. While the maximum amounts do not include interest accrued, interest accrued and interest paid is included in the closing balances.

29 RELATED PARTY TRANSACTIONS (continued)

(iii) Loans to connected persons – Central Bank licence condition disclosures

All loans to Connected Persons are made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of collectability or present other unfavourable features.

On 11 August 2009 the Central Bank, imposed a licence condition ("the condition") on Bank of Ireland Mortgage Bank under the Central Bank Act 1971, requiring disclosure in the annual audited financial statements of details of:

(a) the aggregate amount of lending to all connected persons, as defined in Section 26 of the Companies Act 1990; and

(b) the aggregate maximum amount outstanding during the period for which those financial statements are being prepared.

Disclosure of such loans is only required where a Director is appointed or re-appointed after the date of imposition of the condition. Disclosure is also subject to certain *de minimus* exemptions and to exemptions for loans relating to principal private residences where the total of such loans to an individual connected person do not exceed €1 million.

The following information is presented in accordance with the condition as defined above:

Connected persons+ of the following director	Number of persons as at 31 December 2010	Balance as at 31 December 2010 €'000	*Aggregate maximum amounts outstanding during the 9 month period ended 31 December 2010 €'000
Persons connected to Paul Flynn	1	303	310

+ Connected persons of Directors are defined by Section 26 of the Companies Act 1990 as the Director's spouse, parent, brother, sister, child, a trustee where the beneficiaries of the trust are the director, his spouse, children or a company which the Director controls, or a company controlled by the director or a person in partnership within the meaning of the Partnership Act 1890.

**The maximum amount outstanding was calculated using the highest balance on each account. While the maximum amounts do not include interest accrued, interest accrued and interest paid is included in the closing balances.*

There are no guarantees or security entered into by Bank of Ireland Mortgage Bank in favour of directors of Bank of Ireland Mortgage Bank and no guarantees in favour of Bank of Ireland Mortgage Bank have been entered into by the Directors of the Bank of Ireland Mortgage Bank.

(iv) Key management personnel (KMP)

The following information is prepared in accordance with FRS 8 "Related party disclosures"

Key management personnel including Directors hold mortgages with Bank of Ireland Mortgage Bank in the ordinary course of business. All loans to Non-Executive Directors are made in the ordinary course of business on normal commercial terms. Loans to key management personnel other than Non-Executive Directors are made on terms similar to those available to staff generally and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding and the number of key management personnel concerned, in respect of all loans, quasi-loans and credit transactions between Bank of Ireland Mortgage Bank, its key management personnel, as defined above, including members of their close families and entities influenced by them, and key management personnel of the parent the Governor & Company of the Bank of Ireland, together with the disclosure of the year end balances and highest amounts outstanding during the year are shown in the table below.

29 RELATED PARTY TRANSACTIONS (continued)

FRS 8 Disclosure Requirements	Balance as at 1 April 2010 €'000	Balance as at 31 December 2010 €'000	[3]Aggregate Maximum amounts outstanding during the 9 month period €'000	Number of KMP as at 1 April 2010	Number of KMP as at 31 December 2010
Key Management Personnel					
Loans	6,706**	9,102	10,190	16	15

** The balance per FRS8 disclosure in the year ended 31 March 2010 did not include loans to Directors (total as at 31 March 2010 €2.2 million) which were separately disclosed under the Companies Acts disclosure and are included above. The opening balance includes balances and transactions with KMP who have retired during 2010 and are therefore not related parties at the end of the year.

Loans relate to mortgages secured on residential property.

Included in the above FRS8 loan disclosure are loans to key management personnel on preferential staff rates amounting to €136,000 (1 April 2009: €144,000).

There are no specific 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.

Directors' Remuneration	**31 December 2010 €'000**	**31 March 2010 €'000**
Fees	83	73
Other emoluments*	171	236
Total remuneration	**254**	**309**

* No other fees or bonuses were paid to directors during the nine months ended 31 December 2010.

The Bank has availed of the exemption under FRS 8 to not disclose the KMP remuneration

[3] The maximum amount outstanding during the period is calculated using the highest balance on each account. The single highest maximum outstanding liability during the year ended 31 December 2010 for any key management personnel and their close family did not exceed €4.2 million. While the maximum amounts do not include interest accrued, interest accrued is included in the closing balances.

30 GOVERNMENT GUARANTEE SCHEME

Credit Institutions (Financial Support) Scheme 2008
Under this scheme, the Irish Government guaranteed relevant deposits and debt securities raised by Irish covered institutions.

The Credit Institutions (Financial Support) Scheme 2008 (the CIFS Scheme) expired on 29 September 2010.

Total fees paid under the CIFS Scheme amounted to €2.1 million for the nine month period ended 31 December 2010 (€15.8 million for the twelve month period to 31 March 2010).

Credit Institutions (Eligible Liabilities Guarantee) Scheme
On 11 January 2010, the Bank was accepted into the Irish Government's Eligible Liabilities Guarantee Scheme (the ELG Scheme).

The purpose of the ELG Scheme was to update and revise the guarantee under the CIFS Scheme. The ELG scheme provides a guarantee for relevant customer deposits and provides flexibility to issue certain debt securities in both un-guaranteed and guaranteed form (up to a maximum maturity of 5 years).

Eligible liabilities include:
- deposits to the extent not covered by deposit protection schemes in Ireland or any other jurisdiction;
- senior unsecured certificates of deposit;
- senior unsecured commercial paper;
- other senior unsecured bonds and notes; and
- other forms of senior unsecured debt which may be specified by the Minister, consistent with EU State aid rules and the EU Commission's Banking Communication, and subject to prior consultation with the EU Commission.

Dated subordinated debt and covered bonds are not guaranteed under the ELG Scheme.

The ELG Scheme is approved by the European Commission until 30 June 2011 (debt securities and deposits issued under the ELG Scheme prior to 30 June 2011 will be covered up to maturity, subject to a maximum maturity of five years). In advance of the 30 June 2011 expiry date, the ELG Scheme will be subject to a further review by the European Commission. Arising from this review, the European Commission could require the amendment or cessation of the ELG Scheme.

The Bank has no eligible liabilities under the scheme and therefore has no charge in the financial statement for the nine months to 31 December 2010.

31 POST BALANCE SHEET EVENTS

Subsequent to 31 December 2010, Moody's Investor Services downgraded the long term ratings for the covered bonds issued by the Bank to Baa3. In addition, the Bank no longer seeks a rating for the covered bonds from Standard & Poor's.

	31 March 2010	31 December 2010
Rating Agency		
Standard & Poor's	AAA	AA+
Moody's Investor Services	Aaa	A1

The downgrade has impacted the Bank's contingent collateral with the Mortgage Backed Promissory Note programme no longer eligible for use with the ECB. However the Bank is utilising the underlying security released to increase availability under the Asset Covered Bond programme which remains eligible with the ECB.

On 31 March 2011 the Bank has raised a further €40m through the issue of ordinary shares to its parent, the Governor and Company of Bank of Ireland.

32 APPROVAL OF THE FINANCIAL STATEMENTS

The Directors approved these financial statements on 15 April 2011