Annual Report

for the nine months ended 31 December 2009

Bank of Ireland

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Forward-Looking Statement

This document contains certain forward looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the Group) plans and its current goals and expectations relating to its future financial condition and performance and the markets in which it operates. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. Examples of forward looking statements include among others, statements regarding the Group's future financial position, income growth, business strategy, projected costs, projected impairment losses, capital ratios, margins, future payment of dividends, the outcome of the current review of the Group's defined benefit pension schemes, estimates of capital expenditures, discussions with Irish, European and other regulators and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward looking statements. Such risks and uncertainties include, but are not limited to, risks and uncertainties relating to the performance of the Irish and UK economies, property market conditions in Ireland and the UK, costs of funding, the performance and volatility of international capital markets, the expected level of credit defaults, the impact of the National Asset Management Agency, the outcome from the review by the European Commission under EU state aid rules of the restructuring plan submitted by the Group, the Group's ability to expand certain of its activities, development and implementation of the Group's strategy, including the ability to achieve estimated cost reductions, competition, the Group's ability to address information technology issues, and the availability of funding sources. Any forward looking statements speak only as at the date they are made. The Group does not undertake to release publicly any revision to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the Group has made or may make in documents filed or submitted or may file or submit to the US Securities and Exchange Commission.

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Chairman's Statement

2009 was an exceptionally difficult year for Bank of Ireland and, in particular, for our investors, customers and employees.

The extreme dislocation in international financial markets in the latter half of 2008 fed through to very serious liquidity constraints, a severe international recession and rapid deterioration in credit conditions and asset prices. This situation was particularly exacerbated in the Irish Economy and for Irish banks. Irish banks, including Bank of Ireland had taken an overly optimistic view of future economic prospects and entered the downturn over-leveraged with too much reliance on international wholesale funding and were over exposed to the property markets.

These circumstances which have had such an adverse impact on our shareholders are very much regretted. The Board and management are determined that Bank of Ireland will recover from its present predicament and that the learnings from this most difficult experience are thoroughly embedded and acted upon.

Throughout the world, Governments recognised that properly functioning financial systems and banks were essential for their economies and took bold steps to support the Banking systems in their countries. The Irish Government has supported the Irish financial system including Bank of Ireland through a series of decisive actions.

These actions include the introduction in September 2008 of the Credit Institutions (Financial Support) Scheme 2008 (the 'CIFS Scheme') for certain liabilities of covered institutions until 29 September 2010; the investment on 31 March 2009 by the Government, through the National Pensions Reserve Fund Commission (NPRFC) of €3.5 billion in Preference Stock in Bank of Ireland; the introduction in December 2009 of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the 'ELG Scheme') to facilitate covered institutions issuing debt securities and securing deposits due to mature after the expiry of the CIFS Scheme; and the establishment of the National Asset Management Agency (NAMA) Scheme in December 2009, which is acquiring performing and non performing land and development and associated loans from Participating Institutions.

On behalf of Bank of Ireland, I would like to thank the Irish taxpayers who, through these Government initiatives, have helped greatly to stabilise Bank of Ireland and the banking sector in Ireland as a whole.

Arising from the elements of State Aid involved in this Government support, Bank of Ireland submitted an EU Restructuring Plan in September 2009 and has since then been involved in detailed discussions with the European Commission on the terms of the Plan. These discussions have been constructive and are well advanced.

Much of the effort of the Board and management of Bank of Ireland over the past year has been concentrated on effectively progressing and implementing a series of major initiatives. We have supplemented our capital, improved our funding, and reduced our costs. This work will continue and we have a particular priority in 2010 to strengthen our capital ratios to the levels required by the Financial Regulator following completion of the Prudential Capital Assessment Review (PCAR).

While necessarily focused on these significant strategic issues in order to strengthen Bank of Ireland for the future, we have also prioritised our available resources in support of our customers in 2009. Although, as a consequence of the economic down-turn, demand for credit has fallen, nonetheless there has been much debate on the availability of credit and whether banks are truly "open for business". We cannot comment on the position in the banking sector in general, but we can give the assurance that Bank of Ireland is committed to supporting our current and future customers responsibly through these challenging times. In this context, we have a particular priority in lending to personal mortgage customers and to small and medium enterprises that we believe will lead the process of economic recovery in Ireland.

Bank of Ireland has made progress in 2009 on our main strategic and business priorities – capital, funding, NAMA, the EU Restructuring Plan, cost reduction and supporting our customers. Going forward we will be a well capitalised, strongly funded banking group structured around businesses capable of producing sustainable profits through giving excellent service to our customers.

In the period since March 2009 there has been considerable change in the composition of the Board. Richard Burrows retired as Governor at the AGC in July 2009, as did David Dilger and George Magan having completed two terms as Directors. Patrick O'Sullivan was elected to the Board at the AGC in July 2009. Declan McCourt and Terry Neill will leave the Board at the conclusion of the forthcoming AGC, having completed two terms as Directors. I thank all Directors for their commitment to ensuring the stabilisation of the Bank in these very difficult times and to positioning it for recovery.

As we make progress on these goals I would like to acknowledge the ongoing support of the many parts of the State sector with which we interact, the unstinting commitment of our employees, the support of our customers and the understanding of our investors for whom our promise is to rebuild shareholder value.

Patrick Molloy
30 March 2010

Performance Summary

	9 months ended 31 December 2009 €m	*Restated 12 months ended 31 March 2009 €m
Group performance on an Underlying ** basis		
Operating profit before impairment charges on financial assets	**1,050**	**1,871**
Impairment charge on loans and advances to customers (incl. loans held for sale to NAMA)	(4,055)	(1,435)
Impairment charge on available for sale financial assets	(2)	(76)
Impairment charge on loans and advances to banks	-	(2)
Share of results of associates and joint ventures (after tax)	35	(42)
Underlying ** (loss) / profit before tax	**(2,972)**	**316**
Non-core items:		
· Gain on repurchase of tier 1 debt securities	1,037	-
· Effective interest rate (EIR) adjustment on subordinated debt	67	-
· Gross-up for policyholder tax in the Life business	64	(76)
· Investment return on treasury stock held for policyholders	(6)	131
· Loss on disposal of business activities	(3)	-
· Impairment of goodwill and other intangible assets	-	(304)
· Cost of restructuring programme	-	(83)
· Hedge ineffectiveness on transition to IFRS	-	(7)
Loss before tax (LBT)	**(1,813)**	**(23)**
Group performance (underlying **)		
Net interest margin	1.59%	1.74%
Cost income ratio	56%	53%
Cost income 'jaws'	(4%)	-
Return on equity	(81%)	5%
Per unit of €0.64 ordinary stock		
Basic (loss) / earnings per share (€ cent)	(168.6)	4.3
Underlying** (loss) / earnings per share (€ cent)	(268.7)	28.6
Divisional performance		
Underlying ** operating profit / (loss) before impairment charges on financial assets (€ million)		
Retail Republic of Ireland	314	798
Bank of Ireland Life	69	(31)
UK Financial Services	231	418
UK Financial Services (Stg £ equivalent)	*205*	*351*
Capital Markets	558	868
Group Centre	(122)	(182)
Underlying ** operating profit before impairment charges on financial assets	**1,050**	**1,871**
Impairment charge – loans & advances to customers (€ million)		
Residential mortgages	237	127
Non-property SME and corporate	659	344
Property and construction	2,993	766
Consumer	166	198
Loan impairment charge on loans & advances to customers	**4,055**	**1,435**
Analysed as follows (€ million)		
Loans held for sale to NAMA	2,231	-
Loans & advances to customers	1,824	1,435
Loan impairment charge on loans & advances to customers	**4,055**	**1,435**

* *The prior year ended 31 March 2009 has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". This restatement has increased operating expenses by €16 million for the 12 month period ended 31 March 2009. Further information on this is shown on page 158.*

** *Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: gain on the repurchase of tier 1 debt securities, effective interest rate (EIR) adjustment relating to certain subordinated debt, gross-up for policyholder tax in the Life Business, investment return on treasury stock held for policyholders, loss on disposal of business activities, impairment of goodwill and other intangible assets, cost of restructuring programme and hedge ineffectiveness on transition to IFRS, see page 17 for further information.*

Performance Summary

	31 December 2009	*Restated 31 March 2009
Balance sheet and funding metrics		
Stockholders' equity (€ billion)	6.4	6.9
Total assets (€ billion)	181	194
Total loans and advances to customers (net of impairment provisions) (€ billion)	119	134
Loans held for sale to NAMA (net of impairment provisions) (€ billion)	10	-
Total customer deposits (€ billion)	85	83
Loans and advances to customers (incl. assets held for sale to NAMA) / customer deposits	152%	161%
Loans and advances to customers (excl. assets held for sale to NAMA) / customer deposits	141%	-
Wholesale funding (€ billion)	61	74
Wholesale funding > 1 year (€ billion)	20	20
Wholesale funding > 1 year as a % of total Wholesale funding	32%	27%
Term funding > 1 year, subordinated debt and customer deposits / loans and advances to customers (incl. loans held for sale to NAMA)	86%	83%
Term funding > 1 year, subordinated debt and customer deposits / loans and advances to customers (excl. loans held for sale to NAMA)	93%	-
Capital		
Equity tier 1 ratio (Core tier 1 less preference stock)	5.3%	6.2%
Core tier 1 ratio	8.9%	9.5%
Tier 1 ratio	9.8%	12.0%
Total capital ratio	13.4%	15.2%
Risk weighted assets (€ billion)	98	105

* *Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 158).*

Group Chief Executive's Review

Performance overview

Following the change in financial year-end, Bank of Ireland has released its Preliminary Results for the nine months ended 31 December 2009. This nine month trading period was very difficult for both our customers and our business and this has been reflected in the substantial increase in credit losses. However, it was also a period in which we made progress on a number of strategic priorities designed to strengthen the Group for the future.

The Group's underlying operating profit (before impairment charges on loan assets) was €1,050 million for the nine months to 31 December 2009, down 28% from the comparable nine month period ended 31 December 2008. An impairment charge of €4,055 million on loan assets (of which €2,231 million relates to assets expected to transfer to the National Asset Management Agency (NAMA) and €1,824 million to non-NAMA assets) resulted in the Group recording a loss before tax of €1,813 million and an underlying loss before tax of €2,972 million for the nine months ended 31 December 2009.

The formal process of selling certain loans to NAMA has commenced and we have been able to review our estimates of the likely losses on disposal of NAMA bound loans which will arise from our participation in NAMA. While the ultimate outcome remains uncertain we believe that such losses will be within the guidance provided for our Extraordinary General Court meeting in January 2010.

We have conducted an extensive internal review of our impairment estimates on our non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on our non-NAMA bound loans remains as expected and we confirm our previous guidance of an impairment charge for these loans of €4.7 billion over the 3 years ending 31 March 2011. We believe that the impairment charge on our non-NAMA bound loans and advances to customers has peaked in 2009 and will reduce progressively in each of 2010, 2011 and 2012.

Delivering Group stability

Our operating environment was very difficult in the nine months to 31 December 2009 with a further contraction in the level of economic activity across our core markets in Ireland and the UK and difficult economic conditions globally. Towards the end of the period the economic environment showed some signs of stabilisation with the pace of decline in key metrics beginning to slow. With hindsight, it is clear that the Bank's growth ambitions in previous years had been framed against an overly optimistic view of the outlook for the Irish economy and it was too exposed to the property sector and too reliant on wholesale funding. Consequently the Group was particularly affected by the severe economic downturn of the last two years in the Irish market compounded by the worst turmoil global financial markets had experienced since the 1930s.

The Irish Government acted decisively in support of the Irish banks during this time to underpin their systemic contribution to economic recovery. The priority was to enhance the availability of liquidity and ensure the continued access to funding for the Irish banking system. In common with initiatives introduced by other governments to protect their financial systems and economies, a number of key initiatives were implemented by the Irish Government. These included: in September 2008 the introduction of the Credit Institutions (Financial Support) Scheme 2008 which guarantees deposits and certain liabilities for participating banks until September 2010; in March 2009 the National Pension Reserve Fund Commission made a €3.5 billion investment in Bank of Ireland via 8% coupon preference stock (with warrants); in December 2009 the introduction of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the 'ELG Scheme'), which provides participating banks with the option to issue (before September 2010) guaranteed or un-guaranteed debt securities and deposits with a maturity of up to five years; and in December 2009 the establishment of NAMA which is acquiring performing and non-performing land and development and associated loans (primarily investment property loans) from participating banks.

Bank of Ireland also implemented a strategy during this time to stabilise the Group, strengthen our capital position, enhance our funding, reduce our costs, while continuing to support our customers

With respect to capital and funding:

- In November 2008 we cancelled dividends on ordinary stock to preserve capital;
- In January 2009 we announced our withdrawal from the intermediary sourced mortgage market in the UK and we commenced the process of winding down a series of non-core international lending portfolios in Capital Markets which we expect will reduce the size of our balance sheet over time (as at 31 December 2009 loan assets in these activities totalled approximately €34 billion). This reduction of assets, which will be managed for value, will reduce the quantum of wholesale funding we require, will lower our risk-weighted assets and, as a result, will strengthen our capital ratios;
- In June 2009 we completed a debt re-purchase programme of a nominal value of €1.7 billion Euro, Sterling and US Dollar denominated Tier 1 securities. The gain generated from the re-purchase increased Equity tier 1 capital by €1 billion;

- In February 2010 we completed a debt-for-debt exchange whereby we exchanged certain Lower tier 2 securities for a new series of longer dated Lower tier 2 securities. This resulted in a gain to Equity tier 1 capital of €405 million whilst leaving our total capital position unchanged;
- In February 2010 we issued 184 million units of Ordinary Stock to the NPRFC in lieu of the €250 million cash dividend otherwise due on the 2009 Preference Stock;
- Between January 2009 and March 2010 we raised approximately €14 billion of term funding (wholesale funding with a maturity of one year or greater) in total across a series of benchmark deals and private placements.

NAMA

In January 2010 at our Extraordinary General Court, our stockholders voted in favour of Bank of Ireland's application to participate in NAMA, and in February 2010, the Minister for Finance confirmed our designation as a participating member. Performing and non-performing land and development loans, together with associated loans (primarily investment property loans), collectively defined as Eligible Bank Assets, are expected to be acquired by NAMA on a phased basis from early April 2010, with the largest systemic exposures to the Irish banking system being acquired first.

Our original estimates of assets transferring to NAMA were based upon the disclosure made by the Minister for Finance in his speech of 16 September 2009 where the Minister indicated that circa €16 billion of both performing and non-performing assets would transfer to the Agency from Bank of Ireland. Since that date, and taking into account the impact of the EU approval of NAMA on 26 February 2010, we have had ongoing interaction with NAMA and have conducted a comprehensive internal review to identify all loans falling within the eligibility criteria based on the Eligible Asset Regulations formulated by NAMA.

Largely as a result of this review, we expect to retain loans of circa €3 billion from the original estimate of €16 billion on the Bank's balance sheet and transfer loans of circa €12.2 billion to NAMA.

Of the circa €3 billion of loans which we expect to retain, approximately one third are land and development loans and two thirds are associated loans. The estimates of impairment losses on the non-NAMA bound loans and advances to customers of €4.7 billion to 31 March 2011 includes estimates of impairment losses on these assets which are now no longer expected to transfer to NAMA.

The loans we now expect to transfer to NAMA of circa €12.2 billion have impairment provisions of €2.8 billion at 31 December 2009 and, together with related derivatives of €0.2 billion, will give rise to a net transfer of €9.6 billion of Eligible Bank Assets to NAMA. The loans are expected to comprise €8.5 billion of land and development loans and €3.7 billion of associated loans.

The Group expects to complete the transfer of the first tranche of loans of gross €1.9 billion to NAMA in early April 2010 comprising of €0.9 billion of land and development loans and €1.0 billion of associated loans. The consideration for these assets will amount to €1.2 billion.

While the limited number and nature of loans involved in this first tranche may not be representative of the total portfolio, applying this level of discount to the total portfolio would result in a loss of €4.4 billion (before taking account of impairment provisions of €2.8 billion at 31 December 2009). We have developed a model which we believe replicates the NAMA valuation methodology and have put through that model a sample of €6 billion – approximately 50% - of the loans we expect to go to NAMA, including the first tranche. This model indicates that, on this sample, the level of discount would be similar to that pertaining to the first tranche. We believe, therefore, that the value of the discount on the total portfolio transferring to NAMA will be within the guidance we provided at our Extraordinary General Court meeting in January 2010. However the actual loss will be known only on completion of the relevant due diligence and valuation exercises on a loan by loan basis.

Impairment – non-NAMA assets

We have conducted an extensive internal review of our impairment estimates on our non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on our non-NAMA bound loans remains as expected and we confirm our previous guidance of an impairment charge for these loans of €4.7 billion over the 3 years ending 31 March 2011. We believe that the impairment charge on our non-NAMA loans and advances to customers has peaked in 2009 and will reduce progressively in each of 2010, 2011 and 2012.

Bank of Ireland engaged Oliver Wyman, a leading international management consulting firm, to independently review and challenge our non-NAMA impairment estimates. Oliver Wyman has confirmed that, on the basis of the work it has performed, it believes Bank of Ireland's non-NAMA impairment estimates to be reasonable.

Oliver Wyman states that: *"OW's estimate of impairment charges for the retained (non-NAMA) book is in line with Bank of Ireland's previous guidance on forecast impairment charges for the retained portion of the book (€4.7bn for the three years ending March 2011). Based on the output of its forecast, OW expects Bank of Ireland's impairment charges for the retained book to have peaked in 2009, with progressive reductions expected in each of 2010, 2011 and 2012."*

Funding

We have made good progress in improving our funding profile and our core loan portfolio, which excludes those loans in run-off or transferring to NAMA, is now substantially matched by an equivalent amount of customer deposits. A key focus of the Group is to reduce its reliance on the Government Guarantee Schemes which are currently due to expire on 29 September 2010 and we are positioning ourselves to disengage from these schemes in a prudent and safe manner. We prioritised the gathering of customer deposits in the nine months ended 31 December 2009 which have increased by 2% to €85bn since 31 March 2009. In addition we have reduced the quantum of our wholesale funding to €61bn at 31 December 2009, down from €74bn at 31 March 2009. We also extended the maturity profile of this wholesale funding with 32%, at 31 December 2009, having a maturity profile of one year or greater compared to 27%, at 31 March 2009. Taking account of the deleveraging initiatives outlined above, the Bank is targeting a Group loan / deposit ratio of less than 125% by December 2012

Capital

We continue to supplement the Group's capital which is a key priority for us. Liability management initiatives, outlined above, generated circa €1.4 billion of additional Equity tier 1 capital. However the losses recorded in the period, largely as a result of the sharp increase in impairment charges, resulted in an overall reduction in our capital ratios. On a proforma basis at 31 December 2009, reflecting the February 2010 Lower tier 2 exchange, our Equity tier 1, Core tier 1, Tier 1 and Total capital ratios were 5.8%, 9.3%, 10.2% and 13.4% respectively which compares to 6.2%, 9.5%, 12.0% and 15.2% respectively at March 2009.

On 30 March 2010, the Financial Regulator publicly advised the market of the outcome of the Prudential Capital Assessment Review for Bank of Ireland and he determined that the Group needed to raise an additional €2.7 billion of equity capital by 31 December 2010. This outcome is aligned with our previously held views and the Group's plans to achieve the additional capital are in accordance with the Financial Regulator's requirements. In conjunction with these plans, and to support them, the State will commit to converting part of its €3.5 billion 2009 Preference Stock into ordinary equity.

European Commission

As part of the European Commission's State aid review, we submitted our restructuring plan to the European Commission on 30 September 2009. Over the last number of months, the Department of Finance and Bank of Ireland have been involved in detailed discussions with the European Commission in relation to the terms of our restructuring plan. These discussions are well advanced.

A strengthened platform for sustainable growth

Bank of Ireland is emerging from this crisis a changed and more focused bank. We are now directing our capital and resources to our core business portfolios where we have clear competitive strengths and capabilities, and strong positions in markets with attractive growth opportunities.

Core portfolio

- In Ireland, our objective is to be the number one retail and commercial bank. We believe that Ireland is an attractive banking marketplace with favourable demographics, a pro-business environment, and a changing competitive landscape. We have leading positions in our main business segments holding the number one or two market positions for our principal product and market segments across each of our business units.
- In the UK, we continue to grow our consumer banking franchise through our partnership with the UK Post Office. This franchise has in excess of two million customers accessing our comprehensive range of products through over 11,500 Post Office branches. In addition to our consumer banking activities in England, Scotland and Wales we will maximise the opportunities offered by our network of branches in Northern Ireland and continue to develop our Business Banking, Corporate Banking and Treasury activities focused on specific customer segments in the UK.
- Internationally, we remain fully committed to developing further in the US and continental Europe those activities where we believe we have clear competitive strengths and capabilities, namely: our corporate banking specialist lending businesses in the areas of global project finance, mid-market leveraged acquisition finance, comprehensive asset based lending, together with our treasury management services.

Non-core portfolio

In line with our continuing objective to de-lever our balance sheet we are reducing the assets in our non-core portfolios through a disciplined process of run-off and / or disposals as market opportunities allow. This reduction of assets will continue to be managed for value. For example we will reduce our wholesale funding requirements in tandem with the realisation of proceeds from the run-down of our UK intermediary distributed mortgage portfolio of approximately €30 billion, our international capital markets lending portfolios of approximately €4 billion and the net proceeds from the transfer of circa €12.2 billion property loans to NAMA.

Net interest margin

Interest rates at historically low levels, together with intense competition, have resulted in an unsustainable mismatch in the pricing of our assets and liabilities. In the year ahead, as we position ourselves to achieve the financial stability which would allow us to cease our reliance on the Government guarantees, we plan to extend the maturity profile of our wholesale funding, which will reduce our net interest margin in the short term. Re-pricing of loan assets and deposits is a management priority, and while some progress has been made thus far, further steps are necessary in order for us to achieve a more appropriate net interest margin. We aim to achieve a normalised net interest margin in excess of 175bps in our 2013 financial year.

Costs

Costs remain a key strategic focus for the Group and our objective remains to reduce our cost base to align it better to meet the needs of the Group for the future. In this regard we are targeting to achieve a cost income ratio of below 50% in our 2013 financial year. In the nine months to 31 December 2009 we reduced our costs by 11% compared to the nine months ended 31 December 2008, largely due to a further reduction in staff numbers together with continued rigorous management of all cost categories across the Group. Since March 2008, staff numbers are down by approximately 2,200, representing a reduction of 13%. While our overall costs have reduced, our pension costs have increased. The deficit on the Group's pension schemes at 31 December 2009 was €1.6 billion (as calculated under IAS 19), primarily due to increased longevity of pensioners, lower interest rates, high wage inflation historically, and subdued investment returns. There is recognition between the Bank and all relevant parties that this situation is not sustainable and that we must agree a shared solution to address the issue. We are making good progress in this matter.

Outlook for the Group

Trading conditions in the first quarter of our 2010 financial year remain challenging. Revenues remain under pressure, in particular due to higher funding costs as we continue to extend the maturity profile of our wholesale funding. We believe that the impairment charge on our non-NAMA bound loans and advances to customers has peaked in 2009 and will reduce progressively in each of 2010, 2011 and 2012.

Our immediate priorities for the Group are to reach a conclusion with the European Commission on our restructuring plan, implement our planned capital strengthening and complete the transfer of Eligible Bank Assets to NAMA.

Richie Boucher
Group Chief Executive
30 March 2010

Operating and Financial Review

1.1 Basis of Presentation

The Group has changed its financial year end from 31 March to 31 December. This change brings the Group's financial calendar in line with its peer banks.

As a consequence, the Group's statutory financial statements are reported for the nine month period ended 31 December 2009 compared to the twelve month period ended 31 March 2009.

This Operating and Financial Review is presented on an underlying basis. For explanation of underlying, see page 11. Where it facilitates meaningful comparisons, the Group's performance is also compared to the unaudited non-statutory financial information ("proforma") for the nine month period ended 31 December 2008, see page 40.

This Operating and Financial Review should be read in conjunction with the Risk Management Report on pages 60 to 108 which includes the Group's principal risks and uncertainties.

1.2 Overview and Market Environment

Trading conditions for the Group were very difficult in the nine month period ended 31 December 2009 with a reduction in the overall level of economic activity and a further deterioration in the credit environment across our main markets.

Domestic demand in Ireland has been very weak, driven initially by a significant contraction in construction output and a decline in business spending, followed by a substantial fall in consumer spending, which fell by an estimated 7.0% in 2009.[1] The weakness in domestic demand is also reflected in the number of company insolvencies, which doubled in 2009. Irish employment fell by 166,900 or 8.1% in the twelve months to 31 December 2009[2]. The rate of increase in unemployment levels has recently slowed and currently stands at 12.6% in February 2010.[3]

The Irish economy has however shown some signs of stabilisation after the unprecedented fall in output from early 2008 – GDP contracted by 7.4% in the six months to 31 March 2009 but by only 0.3% in the six months to 30 September 2009. GDP has contracted by 7.1% for the 2009 calendar year. Expectations for the near-term outlook have improved, with an expected return to growth in the second half of 2010 leading to a fall in GDP of 0.5% for the 2010 calendar year. The consensus expectation for 2011 is for a 3% growth in GDP. The market's perception of Irish sovereign risk has also improved in recent months: the 10-year yield spread over Germany has narrowed to under 1.3% at March 2010 from a recent high of 2.84% in March 2009.

International wholesale funding markets began to stabilise from July 2009, with improved investor sentiment towards Ireland and Irish financial institutions. Since late December 2009 concerns regarding the fiscal stability of some Eurozone countries unsettled investor confidence but Ireland has outperformed those countries on a relative basis during this period.

The Irish property market has yet to show signs of stablisation. House prices fell 18.5% in 2009 and as at 31 December 2009 are 32% below the peak reached in February 2007 according to the permanent-tsb / ESRI index. Commercial property prices have also fallen very significantly, with capital values down over 50% from their peak, according to the IPD index. The pace of decline in the value of commercial property has slowed, however, with a 4.9% decline in the fourth quarter of 2009, against 8.5% in the third quarter of 2009 and 17.7% in the fourth quarter of 2008.

GDP in the UK economy contracted by 5% but returned to growth in the final quarter of 2009, with GDP rising by 0.3%. The consensus view is that the economy will grow at a slow pace, 1.2% in 2010 and 2.3% in 2011, although uncertainty remains on the likely impact on the economy of the pace of fiscal tightening required to reduce the budget deficit.

The UK housing market has not exhibited the excess levels of supply to the extent exhibited in Ireland and as a result prices started to rise in the spring of 2009 as demand stabilised. Prices have risen by an annual 9.2% (Nationwide Index) to February 2010, and lending to the household sector has begun to rise, albeit at a slow pace. The commercial property market also appears to be recovering, having bottomed in mid-2009 according to the IPD Index, with a 45% fall in capital values from peak in the second quarter of 2007 to trough in the second quarter of 2009. Capital values grew strongly in the final quarter of 2009, at 8.1%. Employment has fallen by less than some had predicted, in part reflecting much weaker wage growth than in previous recessions. The unemployment rate has stabilised at just under 8%.

[1] Source: ESRI, *Quarterly Economic Commentary,* Winter 2009.
[2] Source: CSO, *Quarterly National Household Survey,* Q4 2009.
[3] Source: CSO, *Live Register.*

1.2.1 Assets transferring to NAMA

The Minister for Finance established NAMA with the key objective of strengthening the Irish financial sector by transferring land and development loans to NAMA from the balance sheets of banks in return for Government guaranteed bonds that will provide greater liquidity to the system.

The Group estimates that it will transfer circa. €12.2 billion gross, before impairment provisions, of Eligible Bank Assets to NAMA made up of land and development loans of €8.5 billion, representing 75% of the Group's total land and development portfolio and €3.7 billion of associated loans (principally investment loans). In addition the Group estimates that the Group will transfer associated derivatives of net €92 million and accrued interest of €31 million to NAMA.

It is expected that these transfers will happen on a phased basis during 2010 and in accordance with accounting standards, the Eligible Bank Assets, net of impairment provisions of €2.8 billion, have been classified as "Assets held for sale to NAMA" on the Group's balance sheet at 31 December 2009. The assets classified as held for sale to NAMA continued to be measured on the same basis as prior to their classification as assets held for sale.

Following these transfers to NAMA, the Group's portfolio of Property and construction loans of €23.6 billion (before impairment provisions of €1.1 billion) at 31 December 2009 would be made up of land and development loans of €2.8 billion and investment loans of €20.8 billion. The land and development portfolio of €2.8 billion includes those loans with a nominal value of less than €5 million and approximately 50% of these loans are for assets that are outside the Republic of Ireland.

The Group's estimates of impairment charges on non-NAMA loans of €4.7 billion as set out on page 6 includes the impairment losses that are expected to be incurred on the retained Property and construction portfolio of €23.6 billion over the three year period to 31 March 2011.

The Group expects to incur a loss on the transfer of the Eligible Bank Assets to NAMA but it will benefit from the liquidity of the NAMA bonds that are expected to be received as consideration for the transfer of the Eligible Bank Assets. In addition the amount of the Group's risk weighted assets will reduce and there will be clarity on the quantum of impairment charges likely to be incurred on the NAMA related portfolio.

As set out in note 26, it is expected that the Group will complete the transfer of the first tranche of such loans of gross €1.9 billion in early April 2010 comprising land and development loans of €0.9 billion and associated loans of €1 billion. While the Group will incur a loss on transfer of these assets, the Group will benefit from the liquidity arising from the receipt of Irish Government guaranteed bonds and a reduction in risk weighted assets.

Further details on NAMA are set out in note 26.

1.3 Group Income Statement - on an Underlying ** basis

1.3.1 Summary Consolidated Income Statement

	9 months ended 31 December 2009 €m	*Restated 12 months ended 31 March 2009 €m
Net interest income	2,121	3,670
Net other income	316	239
Total income (net of insurance claims)	**2,437**	**3,909**
Operating expenses	(1,381)	(2,038)
Impairment of intangible assets	(6)	-
Operating profit before impairment charges on financial assets	**1,050**	**1,871**
Impairment charge on loans and advances to customers (incl. loans held for sale to NAMA)	(4,055)	(1,435)
Impairment charge on available for sale financial assets	(2)	(76)
Impairment charge on loans and advances to banks	-	(2)
Share of results of associates and joint ventures (after tax)	35	(42)
Underlying ** (loss) / profit before tax	**(2,972)**	**316**
Non-core items:		
- Gain on the repurchase of tier 1 debt securities[1]	1,037	-
- Effective interest rate (EIR) adjustment on subordinated debt[2]	67	-
- Gross up for policyholder tax in the Life business[3]	64	(76)
- Investment return on treasury stock held for policyholders[4]	(6)	131
- Loss on disposal of business activities	(3)	-
- Impairment of goodwill and other intangible assets	-	(304)
- Cost of restructuring programme	-	(83)
- Hedge ineffectiveness on transition to IFRS	-	(7)
Loss before tax	**(1,813)**	**(23)**
Tax credit	344	41
(Loss) / profit for the period	**(1,469)**	**18**
Loss attributable to minority interests	(9)	(35)
(Loss) / profit attributable to stockholders	(1,460)	53
(Loss) / profit for the period	**(1,469)**	**18**
Cost / income ratio	**56%**	**53%**

* *The prior year ended 31 March 2009 has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". This restatement has increased operating expenses by €16 million for the 12 month period ended 31 March 2009. Further information on this is shown on page 158 .*

** *Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: gain on the repurchase of tier 1 debt securities, effective interest rate adjustment relating to certain subordinated debt, gross-up for policyholder tax in the Life Business, investment return on treasury stock held for policyholders, loss on disposal of business activities, impairment of goodwill and other intangible assets, cost of restructuring programme and hedge ineffectiveness on transition to IFRS, see page 17 for further information.*

1 *The gain on the repurchase of tier 1 debt securities completed during the nine month period ended 31 December 2009 is not considered to be part of underlying loss before tax.*
2 *Interest expense on subordinated liabilities is recognised using the effective interest rate (EIR) method leading to a gain of €67 million as a result of the restriction imposed by the EU Commission on the Group's ability to make coupon payments on certain subordinated liabilities unless under a binding legal obligation to do so. See Section 1.3.6.*
3 *IFRS requires that the income statement be grossed up based on total tax payable by Bank of Ireland Life, comprising both policyholder and stockholder tax. The tax gross-up relating to policyholder tax is included within non-core items.*
4 *Under IFRS accounting rules, the Group income statement impact of Bank of Ireland stock held by Bank of Ireland Life policyholders is excluded. The amount above reflects the impact of the stock price movement between 31 March 2009 and 31 December 2009. Units of stock held at 31 December 2009 were 11 million (31 March 2009: 10 million).*

1.3.2 Underlying loss before tax for the nine month period ended 31 December 2009 (excluding impact of non-core items)

The Group's underlying loss before tax for the nine month period ended 31 December 2009 of €2,972 million compares to an underlying profit before tax of €316 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period, this significant reduction is driven primarily by a reduction in total income (net of insurance claims) and a substantial increase in the impairment charge on loans and advances to customers, partly offset by a material reduction in total operating expenses.

Total income (net of insurance claims) of €2,437 million for the nine month period ended 31 December 2009 is lower than the total income (net of insurance claims) of €3,909 million for the twelve month period ended 31 March 2009. The increased cost of deposits in highly competitive markets, higher cost of term funding in wholesale markets, lower fees and other income as a result of reduced business activities and asset disposals, the higher cost of the Government Guarantee Scheme and impairment on investment properties are the principal factors underlying the reduction in total income.

Operating expenses of €1,381 million for the nine month period ended 31 December 2009 are €657 million lower than the operating expenses of €2,038 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period the costs are lower due to reductions in staff numbers and rigorous management of all costs.

The impairment charge on loans and advances to customers including loans held for sale to NAMA for the nine month period ended 31 December 2009 of €4,055 million is a substantial increase over the impairment charge of €1,435 million for the twelve month period ended 31 March 2009. This increase reflects the very challenging economic conditions, higher unemployment, weaker consumer sentiment and, in particular, a dramatic slowdown in the property and construction sector in Ireland and, to a lesser extent, in the UK.

Of the €4,055 million impairment charge for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA and €1,824 million or 45% relates to loans and advances to customers.

The Group's share of results from associates and joint ventures of €35 million for the nine month period ended 31 December 2009 compares to a loss of €42 million for the twelve month period ended 31 March 2009. The profit after tax of €35 million is primarily attributable to the Group's share of First Rate Exchange Services (FRES), a joint venture with the UK Post Office, reporting a profit after tax of €27 million (Stg£23 million) for the nine month period ended 31 December 2009. The loss of €42 million for the twelve month period ended 31 March 2009 was significantly impacted by an impairment charge of €63 million arising from the Group's stake in a property unit trust that holds an investment in a UK retail property.

1.3.3 Total income

The period on period changes in 'net interest income' and 'net other income' are affected by IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss'. Where assets or liabilities have been designated at 'fair value through profit or loss', the total fair value movements on these items, including interest income / expense, are reported in 'net other income'. However, the cost of funding the assets and the interest income on investment of the related liabilities are reported in 'net interest income'. In addition, debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is managed using derivative instruments – the cost of which is reported in 'net other income'.

To enable a better understanding of underlying business trends, the impact of these IFRS income classifications is shown in the tables below:

Net interest income / net interest margin	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Net interest income	2,121	3,670
IFRS income classifications	(71)	(578)
Net interest income after IFRS income classification	**2,050**	**3,092**
Average interest earning assets (€ billion)	172	177
Net interest margin (annualised)	**1.59%**	**1.74%**

Net interest income, after IFRS income classifications, for the nine month period ended 31 December 2009 has reduced to €2,050 million from €3,092 million for the twelve month period ended 31 March 2009.

The Group net interest margin (annualised) for the nine month period ended 31 December 2009 declined by 15 basis points to 1.59% as compared to a net interest margin of 1.74% for the twelve month period ended 31 March 2009.

The key drivers of the margin decrease of 15 basis points (annualised) were as follows:

- 26 basis points reduction due to margin attrition on deposits as a result of intense competition and the low interest rate environment,
- 7 basis points lower due to higher costs of funding in the wholesale markets, and
- 3 basis points lower due to lower treasury income.

Partly offset by:

- 11 basis points due to higher asset pricing, particularly in Corporate Banking, UK Business Banking and the UK Residential Mortgage Business,
- 5 basis points increase due to lower cost of market dislocation,
- 4 basis points higher due to earnings on the proceeds from the issue of the €3.5 billion 2009 Preference stock before taking account of the 8% coupon payable on the investment, and
- 1 basis point higher due to lower interest costs following the repurchase of tier 1 debt securities in June 2009.

Net other income

Net other income	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m	Change €m
Net other income	316	239	77
IFRS income classifications	71	578	(507)
Net other income after IFRS income classifications	**387**	**817**	**(430)**

The following table gives an analysis of the principal movements in 'Net other income' after IFRS income classifications.

Net other income after IFRS income classifications	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m	Change €m
Other income from Banking and Capital Markets businesses	509	775	(266)
Other income from Bank of Ireland Life	130	201	(71)
Other Items:			
Irish Government Guarantee charge	(105)	(66)	(39)
Investment valuation variance - Bank of Ireland Life	23	(117)	140
Impairment of investment properties	(62)	(37)	(25)
Guggenheim / Iridian (disposed during 2009)	12	45	(33)
Movement in credit spreads on own debt	(6)	64	(70)
Legal settlement	(74)	-	(74)
Charge from Lehmans collapse	-	(39)	39
Gain on VISA Initial Public Offering	-	24	(24)
Other items	(40)	(33)	(7)
Total other items	**(252)**	**(159)**	**(93)**
Net other income after IFRS income classifications	**387**	**817**	**(430)**

Net other income, after adjusting for IFRS income classifications, decreased by €430 million for the nine month period ended 31 December 2009 compared to the twelve month period ended 31 March 2009. This reduction reflects:

- the shorter reporting period,
- lower fee and other income of €266 million in the Banking and Capital Markets businesses as a result of lower levels of new business activity, and
- reduced income of €71 million in the Life business primarily due to lower volumes of new business as a result of affordability issues for policyholders arising from lower levels of disposable income.

The principal other items within 'Net other income', after IFRS income classifications, which amount to a charge of €252 million for the nine month period ended 31 December 2009 were €93 million higher than the charge for the twelve month period ended 31 March 2009, due primarily to the following:

- additional charges associated with the Irish Government Guarantee of certain liabilities of €39 million (the twelve month period ended 31 March 2009 includes a charge for six months from 29 September 2008 compared to a nine month charge to 31 December 2009).
- a positive movement on the investment valuation variance of €140 million in Bank of Ireland Life due to improved valuations as world equity and investment markets have shown some recovery from last year's sharp falls,
- increased impairment of €25 million on the value of some investment properties arising from continuing low levels of transactions in the commercial property markets,
- lower fees arising from the disposal of Guggenheim Alternative Asset Management LLC (Guggenheim) in June 2009 and Iridian Asset Management LLC (Iridian) in August 2009 of €33 million,
- a movement of €70 million arising from the change in credit spreads on the Group's issued notes and subordinated debt designated at 'fair value through profit or loss'. This is a partial reversal of gains recognised in prior periods,
- a charge in the nine month period ended 31 December 2009 of €74 million arising from an unfavourable court ruling in connection with a European property investment,
- a charge of €39 million in the twelve month period ended 31 March 2009 arising from the collapse of Lehmans in September 2008, and
- a gain of €24 million reflecting a distribution by Visa International following its initial public offering, included in the results for the twelve month period ended 31 March 2009.

1.3.4 Operating expenses

Operating expenses of €1,381 million decreased by €657 million for the nine month period ended 31 December 2009 compared to operating expenses of €2,038 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period, costs are lower due to lower staff numbers and rigorous cost management across all costs.

Operating expenses	**9 months ended 31 December 2009 €m**	*Restated 12 months ended 31 March 2009 €m
Staff costs (excl. pension costs)	640	976
Pension costs	149	180
Other costs	592	882
Total Operating expenses	**1,381**	**2,038**

*Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 158).

Staff costs (excluding pension costs) of €640 million for the nine month period ended 31 December 2009 were €336 million lower compared to €976 million for the twelve month period ended 31 March 2009. The staff costs are lower as a result of the Group's continuing pay and recruitment freeze and the non-replacement of departing staff. In addition, staff costs are lower due to reduced staff numbers arising from the Group's actions to close to new business and put into run-down our intermediary sourced mortgage business in the UK and some of our international lending businesses in Corporate Banking as well as from the sale and downsizing of our asset management businesses. Staff numbers (including contract and agency staff) of 14,647 full time equivalents at 31 December 2009 were 7% lower compared to 15,786 full time equivalents at 31 March 2009.

Pension costs of €149 million for the nine month period ended 31 December 2009 were €31 million lower when compared to the pension costs for the twelve month period ended 31 March 2009. After adjusting for the shorter reporting period, pension costs have increased as a result of the escalating costs to the Group of providing the pension scheme benefits together with the reduction in returns on scheme assets following their fall in values over the last two years in particular.

In the nine month period ended 31 December 2009, continued tight control of all other costs remained a key focus.

1.3.5 Impairment Charge (including loans held for sale to NAMA)

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes, the table and commentary below, presents the impairment charge on loans and advances to customers and loans held for sale to NAMA together as Total loans.

Total loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Residential mortgages	237	127
Non-property SME and corporate	659	344
Property and construction	2,993	766
Consumer	166	198
Total impairment charge on Total loans	**4,055**	**1,435**
Analysed as follows		
Loans held for sale to NAMA	2,231	-
Loans & advances to customers	1,824	1,435
Loan impairment charge on Total loans	**4,055**	**1,435**

The impairment charge on Total loans of €4,055 million (3.96% annualised) for the nine month period ended 31 December 2009 is substantially higher than the charge of €1,435 million (1.02% annualised) for the twelve month period ended 31 March 2009. The sharp contraction in economic activity, with continuing low levels of transactions in the commercial and residential property markets in Ireland and the UK has impacted credit quality and resulted in a substantial increase in the loan impairment charge.

Of the €4,055 million impairment charge on Total loans for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA and €1,824 million or 45% relates to loans and advances to customers.

The impairment charge on Residential mortgages was €237 million for the nine month period ended 31 December 2009 compared to €127 million for the twelve month period ended 31 March 2009. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income, together with further declining property prices.

The impairment charge on the Non-property SME and corporate loans was €659 million for the nine month period ended 31 December 2009 compared to €344 million for the twelve month period ended 31 March 2009. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment, together with the level of business insolvencies.

The impairment charge on Property and construction loans was €2,993 million for the nine month period ended 31 December 2009 compared to €766 million for the twelve month period ended 31 March 2009. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp decline in the level of economic activity, leading to falling asset values, exacerbated by the over supply of residential and commercial property in Ireland and to a lesser extent in the UK.

The impairment charge on the Consumer portfolio was €166 million for the nine month period ended 31 December 2009 compared to €198 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period, the impairment charge on Consumer loans remains significant principally due to higher unemployment, high levels of personal indebtedness and lower disposable income.

The Group has conducted an extensive internal review of its impairment estimates on the non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on the Group's non-NAMA bound loans remains as expected and therefore can confirm the previous guidance of an impairment charge of €4.7 billion over the 3 years ending 31 March 2011 (see page 6).

The Group engaged Oliver Wyman, a leading international management consulting firm, to independently review and challenge our non-NAMA impairment estimates. Oliver Wyman has confirmed that, on the basis of the work it has performed, it believes the Group's non-NAMA impairment estimates to be reasonable (see page 6).

The Group expects to incur a loss on disposal of the Eligible Bank Assets to NAMA arising from the difference between the fair value of the consideration to be received and the carrying value of the Eligible Bank Assets to be disposed of together with the costs of disposal and any provision that may be required under accounting standards due to the ongoing cost of servicing these assets on behalf of NAMA.

The principal determinant of the expected loss on disposal is the difference between the discount method used by NAMA (commonly referred to as the "haircut") applied to the original gross eligible bank asset value in arriving at NAMA's valuation and the existing impairment provisions recorded against the Eligible Bank Assets prepared in accordance with accounting standards. This discount or haircut to the original eligible bank asset value is calculated on a different basis and using a different methodology to the determination of impairment provisions under accounting standards.

In accordance with accounting standards, the loss on disposal will only be recognised on the actual transfer of each tranche of assets to NAMA. At the same time as recognition of such losses, the Bank will benefit from the liquidity associated with the NAMA bonds and from a reduction in its risk weighted assets for regulatory capital purposes.

An impairment charge of €2 million was incurred on the Available for sale financial assets portfolio for the nine month period ended 31 December 2009, compared to a €76 million charge for the twelve month period ended 31 March 2009. This charge of €76 million includes €36 million on the receivership of Washington Mutual, €25 million on the nationalisation and subsequent receivership of some Icelandic banks together with a €15 million charge relating to a leveraged exposure to a fund of rated financial institution debt securities.

A detailed analysis and commentary on asset quality and impairment is set out on pages 81 to 90 of the Risk Management Report.

1.3.6 Non-core items

Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. In addition to the recurring non-core items (principally the Bank of Ireland Life gross up for policyholder tax and investment returns on treasury stock held for policyholders) the Group has treated the following items as non-core in the nine month period ended 31 December 2009:

- the gain of €1,037 million on the repurchase of tier 1 debt securities completed in June 2009,
- the gain of €67 million as a result of the restriction imposed by the EU Commission on the Group's ability to make coupon payments on certain subordinated liabilities unless under a binding legal obligation to do so (interest expense on subordinated liabilities is recognised using the effective interest rate (EIR) method), and
- during the nine month period ended 31 December 2009, the Group disposed of its interest in Guggenheim Alternative Asset Management LLC (Guggenheim) and Iridian Asset Management LLC (Iridian) resulting in a net loss of €3 million.

In the twelve month period ended 31 March 2009, the Group incurred a non-core charge of €304 million on the impairment of goodwill and other intangible assets in Guggenheim and Iridian. In addition the Group had commenced a number of downsizing initiatives, with an associated cost of €83 million, relating to a cost restructuring programme. The Group had a charge of €7 million relating to hedge ineffectiveness on transition to IFRS. The equivalent charge of €3 million in the nine month period ended 31 December 2009 is no longer material enough to obscure underlying trends in the Group's performance and therefore will no longer be classified as non-core. In addition the impairment of intangible assets of €6 million in the nine month period ended 31 December 2009 is considered not material enough to obscure underlying trends in the Group's performance and therefore is not classified as non-core.

1.3.7 Taxation

The taxation credit for the Group was €344 million for the nine month period ended 31 December 2009 compared to a taxation credit of €41 million for the twelve month period ended 31 March 2009 primarily due to losses in the nine month period.

The effective taxation rate for the nine month period ended 31 December 2009 is a credit of 19%. The effective taxation rate for the twelve month period ended 31 March 2009 was a credit of 178%*.

Excluding the impact of non-core items (see page 11) the underlying effective taxation rate was 16.1% for the nine month period ended 31 December 2009 compared to a rate of 17.7%* for the twelve month period ended 31 March 2009.

**The effective taxation rate for the twelve month period ended 31 March 2009 has been restated for the impact of the amendment to IFRS 2 'Share based payments'. See page 158.*

1.4 Group Balance Sheet

1.4.1 Summary Consolidated Balance Sheet

Summary Consolidated Balance Sheet	31 December 2009 €bn	31 March 2009 €bn	Change %
Loans and advances to customers (net of impairment provisions)	119	134	-
Assets held for sale to NAMA (net of impairment provisions)	10	-	-
Total loans (net of impairment provisions)	129	134	(4%)
Liquid assets	31	38	(20%)
Other assets	21	22	(2%)
Total assets	**181**	**194**	**(7%)**
Customer deposits	85	83	2%
Wholesale funding	61	74	(17%)
Subordinated liabilities	6	8	(24%)
Other liabilities	23	22	2%
Total liabilities	175	187	(7%)
Stockholders' equity	6	7	-
Total liabilities and stockholders' equity	**181**	**194**	**(7%)**
Key Balance Sheet metrics			
Loans and advances to customers - incl. assets held for sale to NAMA / customer deposits	152%	161%	
Loans and advances to customers - excl. assets held for sale to NAMA / customer deposits	141%	-	
Equity tier 1 ratio (core tier 1 less preference stock)	5.3%	6.2%	
Core tier 1 ratio	8.9%	9.5%	
Tier 1 ratio	9.8%	12.0%	
Total capital ratio	13.4%	15.2%	
Total Risk Weighted Assets	€98bn	€105bn	

1.4.2 Total loans – including loans held for sale to NAMA

Total loans, net of impairment provisions, at 31 December 2009 of €129 billion reflects a decrease of 4% from €134 billion at 31 March 2009. This reduction is due to lower levels of economic activity and a consequent reduced demand for loans and other credit facilities, together with higher impairment provisions at 31 December 2009.

In January 2009 the Group announced its withdrawal from the intermediary sourced mortgage market in the UK and commenced the process of winding down a series of non-core international lending portfolios in Capital Markets. At 31 December 2009 loan assets in these activities totalled approximately €34 billion or 25% of the Total loans (before impairment provisions). Over time this will reduce the size of the Group's balance sheet which will have the benefit of reducing the Group's wholesale funding requirements, will lower the Group's risk weighted assets and will strenghten the Group's capital ratios. The de-leveraging of the UK residential mortgage portfolio is progressing, albeit at a slower pace than originally expected. This is due to lower levels of re-mortgage activity in the UK market.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as assets held for sale to NAMA. For ease of comparative purposes, the tables and commentary below, presents the loans and advances to customers, net of impairment provisions, of €119 billion and assets held for sale to NAMA, net of impairment provisions, of €10 billion together as Total loans.

The composition of the Group's Total loan book by division and by portfolio at 31 December 2009 was broadly consistent with the composition of the loan book by divison and by portfolio at 31 March 2009 as set out in the tables below.

Composition by division	31 December 2009 €bn	31 December 2009 %	31 March 2009 €bn	31 March 2009 %
Retail Republic of Ireland	54	40%	55	41%
UK Financial Services	53	39%	52	38%
UK Financial Services (Stg£ equivalent)	*47*		*48*	
Capital Markets	28	21%	29	21%
Total loans	**135**	**100%**	**136**	**100%**
Impairment provisions	(6)		(2)	
Total loans	**129**		**134**	

Composition by portfolio	31 December 2009 €bn	31 December 2009 %	31 March 2009 €bn	31 March 2009 %
Residential mortgages	61	45%	59	44%
Non-property SME and corporate	34	25%	37	27%
Property and construction	36	27%	34	25%
- Investment	*25*	-	*22*	-
- Land and development	*11*	-	*12*	-
Consumer	4	3%	6	4%
Total loans (before impairment provisions)	**135**	**100%**	**136**	**100%**
Impairment provisions	(6)		(2)	
Total loans	**129**		**134**	

Residential mortgages comprise 45% of the Group's loan book at 31 December 2009, up from 44% at 31 March 2009 due predominantly to new lending to first time buyers in Ireland and new lending originating through the joint venture with the UK Post Office. At 31 December 2009, 47% of residential mortgages were in Ireland and 53% of residential mortgages were in the UK.

Non-property SME and corporate loans account for 25% of the Group's loan book at 31 December 2009 compared to 27% of the Group's loan book at 31 March 2009. This decrease in the loan book is primarily as a result of repayments and a slow down in demand for loans and other credit facilities. This portfolio is well diversified across industries and geographies.

The Property and construction loan book accounts for 27% of the Group's loan book at 31 December 2009 compared to 25% of the Group's loan book at 31 March 2009. This book includes both investment loans and land and development loans. This increase since 31 March 2009 is due to additional loan drawdowns of committed facilities and the impact of movements in exchange rates.

Consumer loans amount to €4 billion at 31 December 2009 which is €2 billion lower than at 31 March 2009. This decrease is primarily as a result of repayments as customers seek to reduce their levels of indebtedness and a slowdown in demand for loans and other credit facilities.

The stock of impairment provisions of €5.8 billion at 31 December 2009 has increased by €4.0 billion compared to €1.8 billion at 31 March 2009. This reflects the substantial impairment charges in the nine month period ended 31 December 2009 as a result of the very significant and challenging economic conditions, higher unemployment, weaker consumer sentiment and in particular a sharp decline in the property and construction sectors in Ireland and to a lesser extent in the UK.

The following table analyses the loans and advances to customers and associated impairment provisions between those loans expected to transfer to NAMA and those assets expected to be retained by the Group.

Analysis at 31 December 2009	**Total loans €m**	**Impairment provisions €m**	**Carrying value €m**
Loans and advances to customers			
Mortgages	60,402	359	60,043
Non-property SME & Corporate	34,140	1,134	33,006
Property & Construction	23,554	1,124	22,430
- Investment	*20,758*	*362*	*20,396*
- Landbank / Development	*2,796*	*762*	*2,034*
Consumer	4,340	380	3,960
Total loans and advances to customers	**122,436**	**2,997**	**119,439**
Loans held for sale to NAMA			
Landbank & Development	8,522	2,552	5,970
Associated	3,713	226	3,487
Total loans held for sale to NAMA	**12,235**	**2,778**	**9,457**
Total loans	**134,671**	**5,775**	**128,896**

Loans held for sale to NAMA **Composition by division**	**Total loans €m**	**Impairment provisions €m**	**Carrying value €m**
Retail Republic of Ireland	3,525	1,063	2,462
UK Financial Services	3,573	817	2,756
Capital Markets	5,137	898	4,239
Total loans held for sale to NAMA	**12,235**	**2,778**	**9,457**

The impairment provision on loans held for sale to NAMA of €2,778 million at 31 December 2009 is made up of €1,063 million or 38% from Retail Republic of Ireland, €817 million or 29% from UK Financial Services and €898 million or 33% from the Capital Markets division. The ratio of impairment provisions to loans held for sale to NAMA is 23%. This ratio differs across the divisions. Retail Republic of Ireland has a ratio of 30% reflecting the impact of the sharp deterioration in the property and construction sector in Ireland. The ratio in UK Financial Services is 23% and the ratio in Capital Markets is 17% reflecting the diversification of property assets across different geographic and less stressed areas with Capital Markets having a higher proportion of assets in the investment element of property assets.

A detailed analysis and commentary on asset quality and impairment is set out on pages 81 to 90 of the Risk Management Report.

1.4.3 Liquid Assets

Liquid assets comprise loans to banks and monetary authorities, available for sale financial assets and trading securities. The Group's holding of liquid assets at 31 December 2009 of €31 billion is €7 billion lower than the Group's holding of liquid assets at 31 March 2009. This decrease in liquid assets is due to a reduction in the overall level of wholesale funding together with an extension of the maturity profile of this lower level of wholesale funding. This has led to a reduction in the Group's requirement for liquid assets. Throughout the nine months ended 31 December 2009, the Group maintained a buffer in excess of its regulatory liquidity requirements.

1.4.4 Customer Deposits

Customer deposits comprise demand, notice and term deposits as well as credit balances on current accounts.

Despite intense market competition for retail deposits in Ireland and the UK and pressure on international deposits caused by rating downgrades earlier in 2009, the Group's deposit base at 31 December 2009 of €85 billion is €2 billion or 2% higher than at 31 March 2009. This increase is principally due to the increase in deposits in Retail Republic of Ireland and through the Group's joint venture with the UK Post Office.

Customer deposits	**31 December 2009 €bn**	31 March 2009 €bn	Change %
Retail Republic of Ireland	35	33	4%
- Deposits	24	23	4%
- Current account credit balances	11	10	6%
UK Financial Services	21	21	3%
UK Financial Services (Stg£ equivalent)	*19*	*19*	*(2%)*
- *POFS*	*9*	*8*	*9%*
- *Business Banking*	*10*	*11*	*(9%)*
Capital Markets	29	29	(1%)
Total customer deposits	**85**	**83**	**2%**

The Loans to Deposits ratio, based on Total loans and advances to customers - including loans held for sale to NAMA, of 152% at 31 December 2009 has improved from 161% at 31 March 2009. This improvement is due to both the increase in the level of customer deposits and the reduction in loans and advances to customers since 31 March 2009. The Loans to Deposits ratio excluding loans held for sale to NAMA was 141% at 31 December 2009.

In January 2010, the Group's long term and short term credit ratings were downgraded by Standard & Poors to A- / A-2 with a stable outlook. This downgrade has led to an outflow of some ratings sensitive international deposits.

1.4.5 Wholesale Funding

The Group's wholesale funding programmes are well diversified across geographies, investor types and maturities. In addition, the Group has invested in recent years to build a strong technical capability which has allowed it to maximise the funding capability of its balance sheet in terms of contingent liquidity collateral.

Wholesale funding sources	**€bn**	**31 December 2009 %**	€bn	31 March 2009 %
Senior Debt / Asset Covered Securities	27	44%	25	34%
Deposits from banks	18	30%	29	39%
Commercial Paper / Certificates of deposits	10	16%	14	18%
Securitisations	6	10%	6	9%
Total wholesale funding	**61**	**100%**	**74**	**100%**
Wholesale funding > 1 year to maturity	**20**	**32%**	**20**	**27%**

Wholesale funding reduced to €61 billion at 31 December 2009 as compared to €74 billion at 31 March 2009. This was principally due to an increase in customer deposits of €2 billion and a reduction of €7 billion in the level of liquid assets. At 31 December 2009, 32% of wholesale funding had a term to maturity of greater than one year compared to 27% at 31 March 2009.

International wholesale funding markets have stabilised in recent months, with improved investor sentiment towards Ireland and Irish financial institutions. This is evidenced by the reduction in the market cost of credit default protection in respect of such institutions. This has resulted in enhanced access to funding markets, facilitating debt issuance at lower prices and long maturities.

In late December 2009, international funding markets became increasingly concerned about the fiscal position of some Eurozone countries whose credit spreads widened. Irish sovereign debt outperformed those countries during this time, as investors differentiated between Ireland and some Eurozone countries based on the timely actions taken by the Irish Government to tackle its budgetary and fiscal position.

In the nine month period ended 31 December 2009 the Group issued €9.1 billion of term funding (funding with a maturity of 1 year or greater at time of issue). The average maturity of this funding was 2.4 years with an average spread of 1.8% over 3 month Euribor.

The Group continues to benefit from a robust and diversified contingent liquidity strategy. At 31 December 2009, the Group had a pool of contingent liquidity collateral with a funding value of €42 billion. Drawings from Monetary Authorities at 31 December 2009 were €8 billion net, down from €17 billion net at 31 March 2009.

On 11 January 2010, the Group was accepted as a participating institution in the Irish Governments Eligible Liabilities Guarantee Scheme (the ELG Scheme). This scheme provides flexibility to issue some deposits and debt securities in both un-guaranteed and guaranteed form (up to a maximum maturity of 5 years). The Group is further increasing the percentage of wholesale funding with a maturity of greater than 1 year. To this end, since January 2010, the Group has, under the ELG scheme, issued a €2.5 billion 5 year senior unsecured Government Guaranteed fixed rate security at mid swaps +145 basis points and a US$1 billion 2 year senior unsecured Government Guaranteed security at US dollar mid swaps +175 basis points (both before the cost of the ELG scheme).

A key focus of the Group is to reduce its reliance on the Government Guarantee Schemes which are currently due to expire on 29 September 2010.

An analysis of the Group's funding position and key metrics is set out on page 92 to 96 in the Risk Management Report.

1.4.6 Subordinated Liabilities

At 31 December 2009, the Group's subordinated liabilities amounted to €6.1 billion compared to €7.9 billion at 31 March 2009.

In June 2009, the Group successfully completed a debt re-purchase programme of a nominal value of €1.7 billion euro, sterling and US dollar denominated tier 1 securities. The debt repurchase involved a cash tender offer for six tier 1 securities at an average discount of 59% to their nominal value. The gain generated from the repurchase increased equity tier 1 capital by €1,037 million, see note 9 on page 189 of the Consolidated Financial Statements.

On 11 February 2010 the Group successfully completed the exchange of certain lower tier 2 securities for a new series of longer dated lower tier 2 securities. Approximately €1.6 billion in nominal value of lower tier 2 securities were exchanged at an average discount of 26% for €1.2 billion nominal value of higher coupon lower tier 2 securities. This yielded a gain to equity tier 1 capital of €405 million, whilst leaving the total capital position unchanged.

1.4.7 Stockholders' Equity

Movements in Stockholders' Equity	9 months ended 31 December 2009 €m	*Restated 12 months ended 31 March 2009 €m
Stockholders' equity at beginning of period	**6,852**	**6,484**
Movements:		
(Loss) / profit attributable to stockholders (a)	(1,460)	53
Equity dividends	-	(387)
Preference stock and warrants	-	3,462
Reissue of stock / treasury stock	(7)	(83)
Foreign exchange adjustments (b)	117	(528)
Available for sale (AFS) reserve movements (c)	924	(1,113)
Cash flow hedge reserve movement (d)	82	(540)
Pension fund obligations (e)	(74)	(544)
Other movements	(47)	48
Stockholders' equity at end of period	**6,387**	**6,852**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 158).

Stockholders equity decreased from €6,852 million at 31 March 2009 to €6,387 million at 31 December 2009 primarily due to:

(a) The loss attributable to stockholders of €1,460 million for the nine month period ended 31 December 2009 shows a significant decrease compared to the profit attributable to stockholders of €53 million for the twelve month period ended 31 March 2009. This is primarily due to the substantial increase in the impairment charge on Total loans.
(b) Foreign exchange adjustments reflect the impact of any euro related movements on the translation of sterling and US dollar denominated net investments in foreign operations.
(c) The AFS reserve movement in the nine month period ended 31 December 2009 is driven by tighter credit spreads and interest rate changes on the value of the AFS book. The AFS reserve is expected to continue to reverse as the underlying financial assets mature.
(d) The cash flow hedge reserve movement reflects the impact of changes in interest rates on the mark to market value of cash flow hedge accounted derivatives. Over time, the reserve will flow through the income statement in line with the underlying hedged instruments, with no net income statement impact.
(e) The movement in pension fund obligations is primarily as a result of changes in key assumptions, including the inflation rate and the discount rate used in the calculation of the schemes' liabilities, together with the positive impact of the recovery in global equity and bond markets on the valuation of pension fund assets at 31 December 2009.

In the twelve month period ended 31 March 2009, the Group paid an equity dividend of €387 million which related to the payment of the final dividend for the fiscal year ended 31 March 2008. On 31 March 2009 the National Pensions Reserve Fund Commission (NPRFC) invested €3.5 billion in 8% redeemable preference stock and warrants to subscribe for up to 25% of the enlarged ordinary stock in the Group.

1.4.8 Capital

Risk Weighted Assets (RWA) – Basel II	31 December 2009 €m	31 March 2009 €m
Credit risk	89,785	96,395
Market risk	2,133	2,509
Operational risk	6,415	6,473
Total risk weighted assets	**98,333**	**105,377**

Key Capital Ratios	31 December 2009 €bn	31 December 2009 % of RWA	31 March 2009 €bn	31 March 2009 % of RWA
Equity tier 1 (Core tier 1 less preference stock)	5.3	5.3%	6.5	6.2%
Core tier 1	8.8	8.9%	10.0	9.5%
Tier 1	9.7	9.8%	12.6	12.0%
Total capital	13.2	13.4%	16.0	15.2%

Risk Weighted Assets at 31 December 2009 of €98 billion are €7 billion lower than at 31 March 2009. This decrease was mainly due to the higher level of impaired loans and increased impairment provisions.

At 31 December 2009, the equity tier 1 ratio of 5.3% and the core tier 1 ratio of 8.9% are lower than at 31 March 2009 as a result of operating losses partly offset by the gain of €1 billion arising on the repurchase of tier 1 securities. The tier 1 ratio reduced to 9.8% at 31 December 2009 from 12.0% at 31 March 2009 and the total capital ratio reduced to 13.4% at 31 December 2009 from 15.2% at 31 March 2009. These reductions are primarily due to the impact of operating losses and the cash cost of the tier 1 securities repurchased.

In January 2010, following indications from the European Commision that the Group should not make coupon payments on its tier 1 and upper tier 2 capital instruments unless under a binding legal obligation to do so, the Group announced that the non-cumulative distribution on certain upper tier 2 Capital instruments, which would otherwise have been payable on 1 February and 4 February 2010, would not be paid. The effect of this decision by the Group was to trigger the “dividend stopper” provisions of these instruments. While these “dividend stoppers” remain in force, the Group is precluded, for a period of one calendar year from and including 1 February 2010 from declaring and making any distribution or dividend payments on its Ordinary Stock, non-cumulative euro and sterling Preference Stock, the 2009 Preference Stock and preferred securities.

As a consequence of this, the Group issued 184,394,378 units of Ordinary Stock to the NPRFC on 22 February 2010 in lieu of the cash dividend otherwise due under the conditions of the 2009 Preference Stock. This increases the units of ordinary stock of the Group in issue to 1,188,611,367. Further details are set in note 45 of the Consolidated Financial Statements.

As set out in section 1.4.6 the Group completed an exchange offer for lower tier 2 securities in February 2010, the outcome of which has added €405 million to the Group’s equity capital base.

The Financial Regulator has completed a Prudential Capital Assessment Review (“PCAR”) for Bank of Ireland in order to assess its capital requirements. This review has taken into account both expected base and potential stressed loan losses, together with other financial developments, over a 3 year time horizon to 31 December 2012.

The PCAR has been undertaken with reference to:

- a target core tier 1 ratio level of 8% in the base case. As a further prudent requirement, the capital to meet the base case target must be principally in the form of equity to meet a targeted equity tier 1 ratio of 7%.
- a target level of 4% core tier 1 capital should be maintained in a stress scenario.

As announced on 30 March 2010, the outcome of this review is that the Financial Regulator has determined that the Group needs to raise an additional €2.7 billion of equity capital by 31 December 2010 to comply with the PCAR.

This outcome is aligned with the Group’s previously held views. The Group’s plans to raise additional capital are in accordance with the Financial Regulator’s requirements. In conjunction with these plans and to support them, the State will commit to converting part of its €3.5 billion Preference Stock into ordinary equity.

Further analysis of the Group’s capital position and key metrics are set out on page 105 to 108 in the Risk Management Report.

1.5. Divisional Performance - on an Underlying ** basis

Underlying ** (loss) / profit before tax	9 months ended 31 December 2009 €m	*Restated 12 months ended 31 March 2009 €m
Retail Republic of Ireland	(1,514)	20
Bank of Ireland Life	69	(31)
UK Financial Services	(805)	35
UK Financial Services (Stg£ equivalent)	*(720)*	*10*
Capital Markets	(600)	474
Group Centre	(122)	(182)
Underlying ** (loss) / profit before tax	**(2,972)**	**316**
Non-core items	1,159	(339)
Loss before tax	**(1,813)**	**(23)**

* Restated for the impact of the amendment to IFRS 2 to 'Share-based Payment' (see page 158).

** Underlying excludes the impact of non-core items (see page 11).

1.5.1. Retail Republic of Ireland

Retail Republic of Ireland incorporates the Branch Network, Mortgage Business, Consumer Banking, Business Banking and Private Banking activities in the Republic of Ireland. Together with Bank of Ireland Life, it is the leading bancassurance franchise in Ireland built on a broad distribution platform, a comprehensive suite of retail, business products and services, a commitment to service excellence and a strong focus on operating efficiency.

The nine month period ended 31 December 2009 was particularly difficult for the Retail businesses in Ireland which continued to be adversely impacted by the significant contraction in the Irish economy. The sharp decline in the property and construction sectors led to substantially higher impairment charges. Intense competition for deposits and the low interest rate environment resulted in significant reductions in deposit margins. The economic outlook together with poor consumer sentiment has resulted in subdued demand for financial services products.

Retail Republic of Ireland: Income statement	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Net interest income	888	1,452
Net other income	112	277
Operating income	**1,000**	**1,729**
Operating expenses	(680)	(931)
Impairment of intangible assets	(6)	-
Operating profit before impairment charges on financial assets	**314**	**798**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(1,836)	(708)
Share of results of associates and joint ventures (after tax)	8	(70)
Underlying ** (loss) / profit before tax	**(1,514)**	**20**
Cost / income ratio	**68%**	**56%**

** Underlying excludes the impact of non-core items (see page 11).

Retail Republic of Ireland reported an underlying loss before tax of €1,514 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of €20 million for the twelve month period ended 31 March 2009.

The operating profit of €314 million before impairment charges on financial assets for the nine month period ended 31 December 2009 reduced by €484 million compared to the operating profit of €798 million before impairment charges on financial assets for the twelve month period ended 31 March 2009.

Net interest income of €888 million for the nine month period ended 31 December 2009 was €564 million lower than the net interest income of €1,452 million for the twelve month period ended 31 March 2009. This reduction is a result of the shorter reporting period together with significant narrowing of liability spreads due to intense competition for customer deposits and the low interest rate environment.

Apart from the €17 billion of tracker mortgages (where the rates are contractually linked to interest rates set by the European Central Bank) Retail Republic of Ireland is making progress in re-pricing the remaining €34 billion of assets after impairment provisions. The pace of this progress is expected to accelerate as the economy returns to growth and demand for new lending recovers.

Net other income of €112 million for the nine month period ended 31 December 2009 was €165 million lower than Net other income of €277 million for the twelve month period ended 31 March 2009. This reduction arises primarily as a result of the shorter reporting period, a charge of €74 million arising from an unfavourable court ruling in connection with a European property investment, further impairment of €15 million on the value of some investment properties arising from continuing low levels of transactions in the commercial property market and lower fees and other income in Business Banking, Private Banking and Credit Cards due to lower levels of new business activity. Net other income for the 12 month period ended 31 March 2009 included a €24 million gain from a distribution by VISA International following its initial public offering.

Operating expenses of €680 million for the nine month period ended 31 December 2009 have decreased compared to €931 million for the twelve month period ended 31 March 2009. This is largely due to the shorter reporting period, reduced staff numbers and tight control of costs.

Share of results of associates and joint ventures of €8 million for the nine month period ended 31 December 2009 compares to a loss of €70 million for the twelve month period ended 31 March 2009. The loss of €70 million for the twelve month period ended 31 March 2009 is primarily attributable to an impairment charge of €63 million relating to the Group's investment in a property unit trust that holds an investment in a UK retail property.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes, the following tables and commentary presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Residential mortgages	165	60
Non-property SME and corporate	343	157
Property and construction	1,187	330
Consumer	141	161
Total impairment charge on Total loans	**1,836**	**708**

The impairment charge on Total loans of €1,836 million for the nine month period ended 31 December 2009 was a substantial increase on the impairment charge of €708 million for the twelve month period ended 31 March 2009 due principally to the significant contraction in economic activity, with continuing low levels of transactions in both the commercial and residential property markets.

The impairment charge on the Residential mortgages was €165 million for the nine month period ended 31 December 2009 compared to €60 million for the twelve month period ended 31 March 2009. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income, together with the further decline in property prices. At 31 December 2009, 3 month arrears in the Residential mortgage portfolio were 3.46% compared to 1.92% at 31 March 2009.

The impairment charge on Non-property SME and corporate loans was €343 million for the nine month period ended 31 December 2009 compared to €157 million for the twelve month period ended 31 March 2009. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment, together with the level of business insolvencies.

The impairment charge on Property and construction loans was €1,187 million for the nine month period ended 31 December 2009 compared to €330 million for the twelve month period ended 31 March 2009. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp contraction in the level of economic activity, leading to falling asset values, exacerbated by the over supply of residential and commercial property in Ireland.

The impairment charge on Consumer loans was €141 million for the nine month period ended 31 December 2009 compared to €161 million for the twelve month period ended 31 March 2009. The charge on Consumer loans remains significant, due to higher unemployment, high levels of personal indebtedness and lower disposable income.

Resources and Advances Analysis	**31 December 2009 €bn**	31 March 2009 €bn	Change %
Customer Deposits			
Deposits	24	23	4%
Current account credit balances	11	10	6%
Total Customer Deposits	**35**	**33**	**4%**
Advances			
Total loans	54	55	(1%)
Impairment provisions	(3)	(1)	181%
Total loans	**51**	**54**	**(4%)**
Risk Weighted Assets	**32**	**33**	

At 31 December 2009 total customer deposits were €35 billion, an increase of 4% over 31 March 2009. Deposits have increased from €23 billion at 31 March 2009 to €24 billion at 31 December 2009, an increase of 4%. Current account credit balances have increased from €10 billion at 31 March 2009 to €11 billion at 31 December 2009, an increase of 6%. The strength of our distribution platform particularly through our Branch Network and Business Banking relationships, the increase in the savings ratio and the development of products that are attractive to retail customers have been the key enablers of the strong deposit inflows from both new and existing customers.

The Group remains fully committed to supporting our personal, business and corporate customers through this period of significant challenge. The Group has particularly dedicated its resources and funds in support of mortgages for first time buyers (FTB) and the corporate and small and medium size enterprise (SME) sector.

As a consequence of the weak economic environment, demand for new loans and other credit facilities in the nine month period ended 31 December 2009 was considerably lower than previous periods. Total loans, before impairment provisions, were €54 billion at 31 December 2009 compared to €55 billion at 31 March 2009, a reduction of 1% (a decline of 4% net of impairment provisions) reflecting the impact of customers reducing personal indebtedness and businesses not taking on new financial commitments in the current difficult economic environment.

The Residential mortgage book at 31 December 2009 grew 2% compared to the Residential mortgage book at 31 March 2009 reflecting the Group's focus on the FTB segment. This growth in the mortgage book is more than offset by a decline in other retail loan books. In particular, the Consumer loan book has declined by 14% due to scheduled repayments and redemptions as customers have sought to reduce levels of personal indebtedness.

1.5.2 Bank of Ireland Life

Bank of Ireland Life is one of Ireland's leading life assurance companies. The company offers protection, investment and pension products to the Irish market through the Group's branch network, independent brokers and its direct sales force.

Bank of Ireland Life: Income Statement (IFRS performance)	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Operating income	125	210
Operating expenses	(82)	(108)
Operating profit	**43**	**102**
Investment valuation variance	23	(117)
Discount and other rate changes	3	(16)
Underlying ** profit / (loss) before tax	**69**	**(31)**
Cost / income ratio	**66%**	**51%**

** Underlying performance excludes the impact of non-core items (see page 11).

Underlying profit before tax of €69 million for the nine month period ended 31 December 2009, was significantly higher than the underlying loss before tax of €31 million for the twelve month period ended 31 March 2009. This increase is due primarily to the movement in the investment valuation variance partly offset by lower operating profit.

Annual Premium Equivalent (APE) sales for the nine month period ended 31 December 2009 were 23% lower (on an annualised basis) than the twelve month period ended 31 March 2009.

Operating profit of €43 million for the nine month period ended 31 December 2009 is lower than the twelve month period ended 31 March 2009, even allowing for the shorter reporting period, due to the following factors:

- lower volumes of new business, notably of savings and regular premium pensions,
- policy lapses due to lower disposable income, and
- lower average funds under management, reflecting the sharp fall in investment markets in the second half of the twelve month period ended 31 March 2009.

Operating expenses of €82 million for the nine month period ended 31 December 2009 is lower by €26 million compared to the twelve month period ended 31 March 2009. This reduction is due to the shorter reporting period and the continued focus on cost reduction by Bank of Ireland Life. Included in operating expenses of €82 million for the nine month period ended 31 December 2009 is an impairment charge of €3 million relating to the revaluation of Bank of Ireland Life owned properties.

In the nine month period ended 31 December 2009, consistent with long term bond yields, the discount rate applied to future cashflows decreased from 9.0% to 8.25%, and the unit growth assumption was reduced from 7.25% to 6.5%, resulting in a profit of €3 millon compared to a loss of €16 million in the twelve month period ended 31 March 2009. The performance of investment markets in excess of this growth assumption since April 2009 has resulted in a positive investment valuation variance of €23 million. This compares to an underperformance of investment markets in the twelve month period ended 31 March 2009, which gave rise to a negative investment valuation variance of €117 million.

Bank of Ireland Life has maintained a strong financial position and continues to be significantly in excess of the statutory solvency margin, required by the Financial Regulator.

Embedded Value Performance

Bank of Ireland Life: Income Statement (Embedded value performance)	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
New business profits	9	36
Existing business profits	20	26
• *Expected return*	*55*	*82*
• *Experience variance*	*(29)*	*(41)*
• *Assumption changes*	*(6)*	*(15)*
Inter company payments	(9)	(14)
Operating profit	**20**	**48**
Investment variance	62	(210)
Discount and other rate changes	-	(17)
Underlying ** profit / (loss) before tax	**82**	**(179)**

** Underlying excludes the impact of non-core items (see page 11).

The alternative method of presenting the performance of the Life business is on an Embedded Value basis. This method is widely used in the life assurance industry. Under this approach, underlying profit before tax for the nine month period ended 31 December 2009 of €82 million is significantly higher than the underlying loss before tax of €179 million for the twelve month period ended 31 March 2009. This increase is due primarily to a substantial positive investment valuation variance resulting from the recovery in investment markets since April 2009.

Operating profit of €20 million for the nine month period ended 31 December 2009 compares to an operating profit of €48 million for the twelve month period ended 31 March 2009. New business profits were €9 million for the nine month period ended 31 December 2009 compared to €36 million for the twelve month period ended 31 March 2009. Allowing for the shorter reporting period, the reduction is primarily due to lower sales volumes notably of savings and regular pension products. Existing business profits were €20 million for the nine month period ended 31 December 2009 compared to €26 million for the twelve month period ended 31 March 2009. Whilst retention rates were lower, in the existing business book, than long term assumptions, the retention rates improved in the latter part of the nine month period ended 31 December 2009.

The key assumptions used in the Embedded Value methodology are consistent with those used under the IFRS methodology, being a discount rate of 8.25% (31 March 2009: 9%), future growth rate on unit linked assets of 6.5% (31 March 2009: 7.25%) and the rate of tax to be levied on shareholders profits of 12.5% (31 March 2009: 12.5%).

1.5.3 UK Financial Services (Sterling)

The UK Financial Services (UKFS) Division incorporates Business Banking in Great Britain and Northern Ireland, the branch network in Northern Ireland, the UK Residential mortgage business and the joint ventures with the UK Post Office, namely Post Office Financial and Travel Services (POFTS).

UK Financial Services: Income Statement	**9 months ended 31 December 2009 £m**	12 months ended 31 March 2009 £m
Net interest income	411	627
Net other income	61	115
Operating income	472	742
Operating expenses	(267)	(391)
Operating profit before impairment charges	**205**	**351**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(948)	(372)
Share of results of associates and joint ventures (after tax)	23	31
Underlying ** (loss) / profit before tax	**(720)**	**10**
Underlying ** (loss) / profit before tax (€m equivalent)	**(805)**	**35**
Cost / income ratio	**54%**	**51%**

** Underlying performance excludes the impact of non-core items (see page 11).

UK Financial Services reported an underlying loss before tax of £720 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of £10 million for the twelve month period ended 31 March 2009. The operating profit of £205 million before impairment charges on financial assets for the nine month period ended 31 December 2009 was £146 million lower, than the twelve month period ended 31 March 2009.

Net interest income of £411 million for the nine month period ended 31 December 2009 is £216 million lower than the twelve month period ended 31 March 2009 due to the shorter reporting period, intense competition impacting liability spreads together with the low interest rate environment. The negative impacts were partly offset by higher pricing on both the Residential mortgage and Business Banking loan books.

In January 2009, the Group announced its withdrawal from the intermediary sourced mortgage market in the UK and the wind down of a range of international lending portfolios in Capital Markets (together the "Non-core loan portfolios"). At 31 December 2009 the Non-core loan portfolios amounted to €34 billion.

Up to 30 September 2009, the Group allocated its total cost of funds (which includes the cost over libor / euribor on wholesale funding, customer deposits and securitisations) based on the net asset or liability position of each division. With effect from 1 October 2009, the Group has decided to change the basis of allocation of its cost of funds. From this date, the Group has allocated the marginal cost of wholesale funding to the Non-core loan portfolios. For the remaining loan portfolios (together the "Core loan portfolios") the Group's residual cost of funds is allocated based on the net asset or liability position of each division.

The impact of this decision, made on 1 October 2009, on UK Financial Services was to decrease its Net interest income in the nine month period ended 31 December 2009 by €17 million (Stg£15 million). As a consequence, the impact of this decision was to increase the Net interest income in Retail Republic of Ireland by €9 million and to increase the Net interest income in Capital Markets by €8 million.

It is estimated that the impact of this decision, on an annualised basis, would be to decrease the Net interest income in UK Financial Services by €68 million (Stg£60 million), to increase the Net interest income in Retail Republic of Ireland by €36 million and to increase the Net interest income in Capital Markets by €32 million.

Net other income of £61 million for the nine month period ended 31 December 2009 reduced by £54 million when compared to the twelve month period ended 31 March 2009. This reduction reflects the shorter reporting period, reduced fee income as a result of lower new business lending activity and seasonality in the Consumer Financial Services businesses, together with the impact of interest rate changes on the fair value of economic hedging instruments.

Operating expenses for the nine month period ended 31 December 2009 of £267 million were £124 million lower than the twelve month period ended 31 March 2009. This reduction is driven by the shorter reporting period together with savings from the restructuring of both the UK Residential mortgage and Business Banking operations. Investment has continued in the joint ventures with the UK Post Office.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the following tables and commentary presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 £m**	12 months ended 31 March 2009 £m
Residential mortgages	64	58
Non-property SME and corporate	43	48
Property and construction	820	245
Consumer	21	21
Total impairment charge on Total loans	**948**	**372**

The impairment charge on Total loans of £948 million for the nine month period ended 31 December 2009 was a substantial increase on the impairment charge of £372 million for the twelve month period ended 31 March 2009. The increased impairment charge arises primarily in the land and development element of the Property and construction portfolio, which has been most significantly impacted by sharp declines in asset values, higher unemployment and lower levels of economic activity. The increase in the Residential mortgage impairment charge is driven by higher unemployment, house price deflation and the weak economy, which have led to higher arrears and repossessions.

The Share of results of associates and joint ventures relates to the Group's share of First Rate Exchange Services (FRES), a joint venture with the UK Post Office, which generated profit after tax of £23 million for the nine month period ended 31 December 2009, compared to £31 million for the twelve month period ended 31 March 2009. This reduction is primarily due to the shorter reporting period and lower fee income due to the contraction in the overseas travel market.

Business Unit : **Underlying ** (loss) / profit before tax**	**9 months ended 31 December 2009 £m**	12 months ended 31 March 2009 £m
Residential mortgages	39	92
Business Banking	(729)	(81)
Consumer Financial Services	20	48
Division Centre	(50)	(49)
Underlying ** (loss) / profit before tax	**(720)**	**10**

** Underlying performance excludes the impact of non-core items (see page 11).

As outlined on page 30 above, the impact of the Group's decision to change the basis of allocation of its cost of funds with effect from 1 October 2009 was to decrease the Net interest income in UK Financial Services by €17 million (Stg£15 million). Within UK Financial Services, the impact of this decision was to decrease the Net interest income for Residential mortgages by €26 million (Stg£23 million) and to increase the Net interest income for Business Banking by €9 million (Stg£8 million).

It is estimated that the impact of this decision on an annualised basis would be to decrease the Net interest income for Residential mortgages by €103 million (Stg£91 million) and to increase the Net interest income in Business Banking by €35 million (Stg£31 million).

The underlying profit before tax in the **Residential Mortgage Business** for the nine month period ended 31 December 2009 of £39 million has decreased from a profit of £92 million for the twelve month period ended 31 March 2009. Operating profit of £108 million before impairment charges for the nine month period ended 31 December 2009 has decreased by £49 million when compared to the operating profit before impairment charges for the twelve month period ended 31 March 2009. This decrease is due to the shorter reporting period, the change in the basis of allocation of the cost of funds, as previously outlined, partly offset by improved product margins and a reduction in the operating costs resulting from the closure of the intermediary channel to new business in January 2009. Residential mortgage impairment charges for the nine month period ended 31 December 2009 of £64 million increased from £58 million for the twelve month period ended 31 March 2009 driven by higher unemployment, house price deflation and the weak economy which have led to higher arrears and repossessions.

Mortgage Arrears – greater than 3 months in arrears (basis points annualised)	**31 December 2009**	31 March 2009
Bank of Ireland - Total book	171	148
CML*	238	239
Bank of Ireland - Standard book	97	80
Bank of Ireland - Self Cert book	454	366
Bank of Ireland - Buy to Let book	185	173
CML*	200	309

* Council of Mortgage Lenders, UK

While arrears have risen sharply from a low base, the residential mortgage portfolio continues to outperform industry averages. At 31 December 2009, overall residential mortgage portfolio arrears greater than three months were 171 basis points compared to average industry arrears of 238 basis points as per CML data.

The **Business Banking** loss before tax for the nine month period ended 31 December 2009 of £729 million shows a significant deterioration when compared to the loss before tax for the twelve month period ended 31 March 2009 of £81 million. This deterioration reflects a substantial increase in impairment charges to £860 million for the nine month period ended 31 December 2009 compared to £292 million for the twelve month period ended 31 March 2009. This increase in the impairment charge arises substantially in the land and development element of the Property and construction portfolio and is driven primarily by a sharp decline in asset values, higher unemployment and lower levels of economic activity.

Operating profit before impairment charges of £131 million for the nine month period ended 31 December 2009 decreased by £80 million compared to the twelve month period ended 31 March 2009 of £211 million. This is due to the shorter reporting period, lower net interest income due to intense competition for deposits, a lower interest rate environment and reduced deposit volumes, higher wholesale funding costs partly offset by asset re-pricing and the impact of the change in the basis of allocation of the cost of funds as outlined above.

Consumer Financial Services which is comprised of a number of business activities with the UK Post Office (POFTS, Credit Cards and ATMs) delivered an underlying operating profit before tax of £20 million for the nine month period ended 31 December 2009 which is £28 million lower than the twelve month period ended 31 March 2009. This reduction is primarily attributable to the shorter reporting period, seasonality in the Consumer Financial Services businesses and lower fee income due to the contraction in the overseas travel market together with deposit margin attrition.

The loss in **Division Centre** increased to £50 million for the nine month period ended 31 December 2009 from £49 million for the twelve month period ended 31 March 2009 due mainly to the continued investment in deposit gathering initiatives and the impact of interest rate changes on fair value of economic hedging instruments.

Resources and Advances Analysis	31 December 2009 £bn	31 March 2009 £bn	Change %
Customer Deposits			
Business Banking	10	11	(9%)
POFS	9	8	9%
Total Customer Deposits	**19**	**19**	**(1%)**
Advances			
Total loans	47	48	(2%)
Impairment provisions	(1)	-	-
Total loans	**46**	**48**	**(4%)**
Risk Weighted Assets	23	25	
Risk Weighted Assets (€bn equivalent)	26	27	

Business Banking deposits declined by 9% in the nine month period ended 31 December 2009 reflecting continued intense competition. Deposits sourced through the Group's joint venture with the UK Post Office have grown by 9% since 31 March 2009 to £8.5 billion at 31 December 2009, reflecting the Group's investment in this important source of customer deposits.

Total loans, before impairment provisions of £47 billion is a reduction of 2% (a decline of 4% net of impairment provisions) at 31 December 2009 compared to £48 billion at 31 March 2009.

The de-leverage of the UK residential mortgage book has been slower than originally expected as a result of lower re-mortgage activity in the UK market. This, coupled with mortgage lending through the UK Post Office channel, has resulted in the UK mortgage book being 2% lower at 31 December 2009 compared to 31 March 2009.

The Business Banking loan book at 31 December 2009 is lower by 3% since 31 March 2009 reflecting weakened demand for loans and other credit facilities.

1.5.4 Capital Markets

Capital Markets Division comprises Corporate Banking, Global Markets, Asset Management Services and IBI Corporate Finance.

Capital Markets: Income Statement	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Net interest income	705	1,482
Net other income	83	(237)
Operating income	788	1,245
Operating expenses	(230)	(377)
Operating profit before impairment charges	**558**	**868**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(1,157)	(305)
Impairment charges on AFS assets	(2)	(76)
Impairment charges on loans and advances to banks	-	(2)
Share of results of associates and joint ventures (after tax)	1	(11)
Underlying ** (loss) / profit before tax	**(600)**	**474**
Cost / income ratio	**29%**	**31%**

** Underlying performance excludes the impact of non-core items (see page 11).

Capital Markets reported an underlying loss before tax of €600 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of €474 million for the twelve month period ended 31 March 2009.

Operating profit of €558 million before impairment charges on financial assets for the nine month period ended 31 December 2009 compares to an operating profit of €868 million for the twelve month period ended 31 March 2009.

The year on year change in net interest income and 'Net other income' is impacted by IFRS income classifications, as explained on page 12.

Net interest income	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Net interest income	705	1,482
IFRS income classifications	(67)	(521)
Net interest income after IFRS income classifications	**638**	**961**

After the impact of the IFRS income classifications,'Net interest income' decreased by €323 million in the nine month period ended 31 December 2009, compared to the twelve month period ended 31 March 2009 primarily reflecting the shorter reporting period and the higher cost of funding.

Net other income	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Net other income / (expense)	83	(237)
IFRS income classifications	67	521
Net other income after IFRS income classifications	**150**	**284**

After the impact of IFRS classifications, 'Net other income' for the nine month period ended 31 December 2009 reduced by €134 million when compared to the twelve month period ended 31 March 2009, this decrease primarily reflects:

- the shorter reporting period,
- reduced fees in the asset management businesses of €67 million arising from the disposal of Iridian Asset Management LLC (Iridian) in June 2009 and Guggenheim Alternative Asset Management LLC (Guggenheim) in August 2009, together with lower fee income in Bank of Ireland Asset Management and Bank of Ireland Securities Services,
- lower other income in Corporate Banking of €39 million primarily due to reduced fee income driven by a lack of demand for credit facilities and the recognition of impairment charges on investment properties (€10 million),
- lower levels of other income in Global Markets of €64 million primarily as a result of decreased levels of third party customer business, partly offset by;
- a charge of €39 million in the twelve month period ended 31 March 2009 related to the collapse of Lehmans in the twelve month period ended 31 March 2009.

Operating expenses of €230 million for the nine month period ended 31 December 2009 are €147 million lower than the twelve month period ended 31 March 2009. This reduction is primarily due to the shorter reporting period, the disposal of Iridian and Guggenheim together with tight management of all costs.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the following tables and commentary presents loans and advances to customers and loans held for sale together as Total loans.

Loan impairment charge by portfolio	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Non-property SME and corporate	270	137
Property and construction	887	168
Total impairment charge on Total loans	**1,157**	**305**

The impairment charge on Total loans of €1,157 million for the nine month period ended 31 December 2009 increased from €305 million for the twelve month period ended 31 March 2009. This increase was largely attributable to the Property and construction portfolio and in particular the land and development element which is substantially expected to transfer to NAMA.

The impairment charge on the Non property SME and corporate portfolio was €270 million for the nine month period ended 31 December 2009 compared to €137 million for the twelve month period ended 31 March 2009 which reflects the challenging conditions for certain mid-tier Irish corporate customers and some specific debt restructuring activity in the leveraged acquisition finance business.

The impairment charge on the Property and construction portfolio of €887 million for the nine month period ended 31 December 2009 compared to €168 million for the twelve month period ended 31 March 2009. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp decline in the level of economic activity leading to falling asset values exacerbated by the over supply of residential and commercial property in Ireland.

An impairment charge on Available for sale financial assets of €2 million (€1 million each in Corporate Banking and Global Markets) was incurred in the nine month period ended 31 December 2009, compared to a €76 million charge for the twelve month period ended 31 March 2009. This charge of €76 million included €36 million on the receivership of Washington Mutual, €25 million on the nationalisation and subsequent receivership of some Icelandic banks together with a €15 million charge relating to a leveraged exposure to a fund of rated financial institution debt securities.

Business Unit: Underlying ** (loss) / profit before tax	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Corporate Banking	(749)	247
Global Markets	128	246
Asset Management Services	23	(14)
Division Centre	(2)	(5)
Underlying ** (loss) / profit before tax	**(600)**	**474**

** Underlying performance excludes the impact of non-core items (see page 11).

The underlying loss before tax of €749 million in **Corporate Banking** for the nine month period ended 31 December 2009 compares to a profit before tax of €247 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period, this sharp deterioration in profit was due to a substantial increase in the impairment charge to €1,157 million for the nine month period ended 31 December 2009 compared to €305 million for the twelve month period ended 31 March 2009. Total operating income was lower by €195 million in the nine month period ended 31 December 2009 compared to the twelve month period ended 31 March 2009 driven by the shorter reporting period, the higher funding costs, recognition of impairment on investment properties (€10 million) and lower fee income due to lower levels of new business activity.

Global Markets underlying profit before tax of €128 million for the nine month period ended 31 December 2009 compares to €246 million for the twelve month period ended 31 March 2009. Total income for the nine month period ended 31 December 2009 is lower by €207 million compared to the twelve month period ended 31 March 2009. This reduction is primarily due to the shorter reporting period, the higher cost of funding, gains in the twelve month period ended 31 March 2009 as a result of good positioning in a falling interest rate environment and lower levels of third party customer business in the current reporting period as a result of the reduced level of economic activity. An impairment charge of €1 million has been incurred in the nine month period ended 31 December 2009, compared to €63 million for the twelve month period ended 31 March 2009 due primarily to the impairment charges incurred in the prior period on the receivership of Washington Mutual and on the nationalisation and subsequent receivership of some Icelandic banks.

The underlying profit before tax of €23 million in **Asset Management Services** for the nine month period ended 31 December 2009 compared to an underlying loss before tax of €14 million for the twelve month period ended 31 March 2009. The twelve month period ended 31 March 2009 included a loss of €32 million associated with the collapse of Lehmans in September 2008. Bank of Ireland Asset Management and Bank of Ireland Securities Services reported lower levels of income in the nine month period ended 31 December 2009 compared to the twelve month period ended 31 March 2009 due to the shorter reporting period, lower assets under management and lower fee income. Iridian and Guggenheim, the US asset management businesses, were disposed of during the nine month period ended 31 December 2009.

Division Centre includes central management costs and IBI Corporate Finance.

Resources and Advances Analysis	**31 December 2009 €bn**	31 March 2009 €bn	Change %
Customer deposits	**29**	**29**	**(1%)**
Advances			
Total loans	28	29	(6%)
Impairment provisions	(2)	-	-
Total loans	**26**	**29**	**(10%)**
Risk Weighted Assets	**40**	**45**	

Capital Markets customer deposits at 31 December 2009 were €29 billion, broadly in line with that reported at 31 March 2009 in an intensely competitive environment for deposits in Ireland and internationally.

In January 2010, the Group's long term and short term credit ratings were downgraded by Standard & Poors to A- / A-2 with a stable outlook. This downgrade has led to an outflow of some ratings sensitive international deposits.

Loans and advances to customers, before impairment provisions, were €28 billion at 31 December 2009 as compared to €29 billion at 31 March 2009, a reduction of 6% (a decline of 10% net of impairment provisions) reflecting lower lending demand due to reduced levels of economic activity.

1.5.5 Group Centre

Group Centre comprises capital management activities and unallocated support costs.

Group Centre: Income Statement	9 months ended 31 December 2009 €m	* Restated 12 months ended 31 March 2009 €m
Net interest income / (expense)	65	(8)
Net other expense	(102)	(24)
Operating loss	(37)	(32)
Operating expenses	(85)	(150)
Underlying ** loss before tax	**(122)**	**(182)**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 158).

** Underlying performance excludes the impact of non-core items (see page 11).

Group Centre reported an underlying loss before tax of €122 million for the nine month period ended 31 December 2009, compared to an underlying loss before tax of €182 million for the twelve month period ended 31 March 2009.

Net interest income of €65 million for the nine month period ended 31 December 2009 includes the interest earned on cash received as consideration for the issuance of €3.5 billion of preference stock on 31 March 2009 and reflects lower funding costs following the repurchase of tier 1 debt securities in June 2009.

Net other expense for the nine month period ended 31 December 2009 includes the impact of the cost of the Government liability guarantee of €105 million. This is an increase of €39 million as the twelve month period ended 31 March 2009 included a charge of €66 million for the six month period from 29 September 2008 compared to the nine month period ended 31 December 2009 which includes the charge for nine months.

In addition, the movement in net other expense includes a movement of €70 million arising from the change in credit spreads on the Group's issued notes and subordinated debt designated at 'fair value through profit or loss'. This is a partial reversal of gains recognised in prior periods.

Operating expenses of €85 million for the nine month period ended 31 December 2009 compares to €150 million for the twelve month period ended 31 March 2009. This reduction is due principally to the shorter reporting period and lower staff and other costs partly offset by higher costs in relation to the NAMA Scheme. The twelve month period ended 31 March 2009 included accelerated software depreciation and the restatement under IFRS 2 for share based payments.

Income Statement – Operating Segments

9 month period ended 31 December 2009	Net interest income €m	Insurance net premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	Operating expenses €m	Impairment of intangible assets €m	**Operating profit before impairment charge on financial assets €m**	Impairment charge on financial assets €m	Share of results of associates and joint ventures (after tax) €m	Disposal of business activities €m	**Profit / (loss) before taxation €m**
Retail Republic of Ireland	888	-	112	**1,000**	-	**1,000**	(680)	(6)	**314**	(1,836)	8	-	**(1,514)**
Bank of Ireland Life	(2)	643	952	**1,593**	(1,442)	**151**	(82)	-	**69**	-	-	-	**69**
UK Financial Services	465	-	70	**535**	-	**535**	(304)	-	**231**	(1,062)	26	-	**(805)**
Capital Markets	705	-	83	**788**	-	**788**	(230)	-	**558**	(1,159)	1	-	**(600)**
Group Centre	65	22	(104)	**(17)**	(20)	**(37)**	(85)	-	**(122)**	-	-	-	**(122)**
Group – underlying**	**2,121**	**665**	**1,113**	**3,899**	**(1,462)**	**2,437**	**(1,381)**	**(6)**	**1,050**	**(4,057)**	**35**	**-**	**(2,972)**
- Gain on the repurchase of tier 1 debt securities	-	-	1,037	**1,037**	-	**1,037**	-	-	**1,037**	-	-	-	**1,037**
- Effective interest rate (EIR) adjustment on subordinated debt	58	-	9	**67**	-	**67**	-	-	**67**	-	-	-	**67**
- Gross-up of policyholder tax in the Life business	-	-	64	**64**	-	**64**	-	-	**64**	-	-	-	**64**
- Investment return on treasury stock held for policyholders	-	-	(6)	**(6)**	-	**(6)**	-	-	**(6)**	-	-	-	**(6)**
- Loss on disposal of business activities	-	-	-	**-**	-	**-**	-	-	**-**	-	-	(3)	**(3)**
Group total	**2,179**	**665**	**2,217**	**5,061**	**(1,462)**	**3,599**	**(1,381)**	**(6)**	**2,212**	**(4,057)**	**35**	**(3)**	**(1,813)**

** Underlying performance excludes the impact of non-core items (see page 11).

Income Statement – Operating Segments

12 month period ended 31 March 2009	Net interest income €m	Insurance net premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	*Operating expenses €m	**Operating profit before impairment charge on financial assets €m**	Impairment of goodwill and other intangible assets €m	Impairment charge on financial assets €m	Share of results of associates and joint ventures (after tax) €m	**Profit / (loss) before taxation €m**
Retail Republic of Ireland	1,452	-	275	**1,727**	2	**1,729**	(931)	**798**	-	(708)	(70)	**20**
Bank of Ireland Life	(7)	1,049	(1,525)	**(483)**	560	**77**	(108)	**(31)**	-	-	-	**(31)**
UK Financial Services	751	-	139	**890**	-	**890**	(472)	**418**	-	(422)	39	**35**
Capital Markets	1,482	-	(237)	**1,245**	-	**1,245**	(377)	**868**	-	(383)	(11)	**474**
Group Centre	(8)	20	(19)	**(7)**	(25)	**(32)**	(150)	**(182)**	-	-	-	**(182)**
Group – underlying**	**3,670**	**1,069**	**(1,367)**	**3,372**	**537**	**3,909**	**(2,038)**	**1,871**	-	**(1,513)**	**(42)**	**316**
- Gross-up of policyholder tax in the Life business	-	-	(76)	**(76)**	-	**(76)**	-	**(76)**	-	-	-	**(76)**
- Investment return on treasury stock held for policyholders	-	-	131	**131**	-	**131**	-	**131**	-	-	-	**131**
- Hedge ineffectiveness on transition to IFRS	-	-	(7)	**(7)**	-	**(7)**	-	**(7)**	-	-	-	**(7)**
- Cost of restructuring programme	-	-	-	**-**	-	**-**	(83)	**(83)**	-	-	-	**(83)**
- Impairment of goodwill and other intangible assets	-	-	-	**-**	-	**-**	-	**-**	(304)	-	-	**(304)**
Group total	**3,670**	**1,069**	**(1,319)**	**3,420**	**537**	**3,957**	**(2,121)**	**1,836**	**(304)**	**(1,513)**	**(42)**	**(23)**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 158).
** Underlying performance excludes the impact of non-core items (see page 11).

Supplementary Information

The Group has changed its financial year end from 31 March to 31 December. This change brings the Group's financial calendar in line with its peer banks.

To facilitate more meaningful comparisons the following section reports the Group's performance for the nine month period ended 31 December 2009 compared to unaudited non-statutory financial information ("proforma") for the nine month period ended 31 December 2008. The basis of preparation of the proforma results is in accordance with IFRS. The accounting policies are consistent with those adopted for the December 2009 financial statements. The results are presented on an underlying basis.

1.6 Group Income Statement - on an Underlying ** basis

1.6.1 Summary Consolidated Income Statement

	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	2,121	2,870	(26%)
Net other income	316	128	147%
Total operating income (net of insurance claims)	**2,437**	**2,998**	**(19%)**
Operating expenses	(1,381)	(1,545)	(11%)
Impairment of intangible assets	(6)	-	-
Operating profit before impairment charges on financial assets	**1,050**	**1,453**	**(28%)**
Impairment charge on loans and advances to customers (incl. loans held for sale to NAMA)	(4,055)	(747)	443%
Impairment charge on available for sale financial assets	(2)	(76)	-
Share of results of associates and joint ventures (after tax)	35	(35)	-
Underlying * (loss) / profit before tax	**(2,972)**	**595**	**(599%)**
Non-core items:			
- Gain on the repurchase of tier 1 debt securities[1]	1,037	-	-
- Effective interest rate (EIR) adjustment on subordinated debt[2]	67	-	-
- Gross up for policyholder tax in the Life business[3]	64	(41)	-
- Investment return on treasury stock held for policyholders[4]	(6)	128	-
- Loss on disposal of business activities	(3)	-	-
- Impairment of goodwill and other intangible assets	-	(304)	-
- Hedge ineffectiveness on transition to IFRS	-	(6)	-
(Loss) / profit before tax	**(1,813)**	**372**	**(587%)**
Tax credit / (charge)	344	(62)	-
(Loss) / profit for the period	**(1,469)**	**310**	**(574%)**
Loss attributable to minority interests	(9)	(31)	-
(Loss) / profit attributable to stockholders	(1,460)	341	-
(Loss) / profit for the period	**(1,469)**	**310**	**(574%)**
Cost / income ratio	**56%**	**52%**	

* *Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: gain on the repurchase of tier 1 debt securities, effective interest rate adjustment relating to certain subordinated debt, gross-up for policyholder tax in the Life Business, investment return on treasury stock held for policyholders, loss on disposal of business activities, impairment of goodwill and other intangible assets and hedge ineffectiveness on transition to IFRS, see page 47 for further information.*

[1] *The gain on the repurchase of tier 1 debt securities completed during the nine months ended 31 December 2009 is not considered to be part of underlying loss before tax.*
[2] *Interest expense on subordinated liabilities is recognised using the effective interest rate (EIR) method leading to a gain of €67 million as a result of the restriction imposed by the EU Commission on the Group's ability to make certain discretionary payments on certain subordinated liabilities unless under a binding legal obligation to do so.*
[3] *IFRS requires that the income statement be grossed up based on total tax payable by Bank of Ireland Life, comprising both policyholder and stockholder tax.The tax gross-up relating to policyholder tax is included within non-core items.*
[4] *Under IFRS accounting rules, the Group income statement impact of Bank of Ireland stock held by Bank of Ireland Life policyholders is excluded. The amount above reflects the impact of the stock price movement between 31 March 2009 and 31 December 2009. Units of stock held at 31 December 2009 were 11 million.*

1.6.2 Underlying loss before tax for the nine month period ended 31 December 2009 (excluding impact of non-core items)

The Group's underlying loss before tax for the nine month period ended 31 December 2009 of €2,972 million compares to an underlying profit before tax of €595 million for the comparable nine month period ended 31 December 2008. This significant reduction is driven primarily by a reduction in total income (net of insurance claims), a substantial increase in the impairment charge on loans and advances to customers, partly offset by a material reduction in total operating expenses.

Total income (net of insurance claims) is 19% or €561 million lower for the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008. The increased cost of deposits in highly competitive markets and higher cost of term funding in wholesale markets together with lower fees and other income as a result of reduced business activities and asset disposals, the higher cost of the government guarantee scheme and impairment on investment properties are the principal factors underlying the reduction in total income.

Operating expenses are 11% lower in the nine month period ended 31 December 2009 due to reductions in staff numbers and rigorous management of all costs.

The impairment charge on loans and advances to customers including loans held for sale to NAMA for the nine month period ended 31 December 2009 of €4,055 million is a substantial increase over the impairment charge of €747 million for the comparable nine month period ended 31 December 2008. This increase reflects the very challenging economic conditions, higher unemployment, weaker consumer sentiment and in particular a dramatic slowdown in the property and construction sectors in Ireland and to a lesser extent in the UK.

Of the €4,055 million impairment charge for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA and €1,824 million or 45% relates to loans and advances to customers.

The Group's share of results of associates and joint ventures of €35 million for the nine month period ended 31 December 2009 compares to a loss of €35 million for the comparable nine month period ended 31 December 2008. The profit after tax of €35 million is primarily attributable to the Group's share of First Rate Exchange Services (FRES), a joint venture with the UK Post Office, reporting profit after tax of €27 million (Stg£23 million) for the nine month period ended 31 December 2009. The loss after tax of €35 million for the nine month period ended 31 December 2008 was primarily as a result of a significant impairment charge of €52 million arising from the Group's stake in a property unit trust that holds an investment in a UK retail property.

1.6.3 Total income

The period on period changes in 'net interest income' and 'net other income' are affected by IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss'. Where assets or liabilities have been designated at 'fair value through profit or loss', the total fair value movements on these items, including interest income, are reported in 'net other income'. However, the cost of funding the assets and the interest income on investment of the related liabilities are reported in 'net interest income'. In addition, debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is managed using derivative instruments – the cost of which is reported in 'net other income'.

To enable a better understanding of underlying business trends, the impact of these IFRS income classifications is shown in the tables below:

Net interest income / net interest margin	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	2,121	2,870	(26%)
IFRS income classifications	(71)	(570)	-
Net interest income after IFRS income classification	**2,050**	**2,300**	**(11%)**
Average interest earning assets (€ billion)	172	177	
Net interest margin (annualised)	**1.59%**	**1.73%**	**(14bps)**

Net interest income, after IFRS income classifications, for the nine month period ended 31 December 2009 decreased by 11% to €2,050 million from €2,300 million for the comparable nine month period ended 31 December 2008, of which €180 million relates to net interest margin attrition with the remainder due to lower balance sheet volumes.

The Group net interest margin (annualised) for the nine month period ended 31 December 2009 declined by 14 basis points to 1.59% as compared to a net interest margin of 1.73% (annualised) for the comparable nine month period ended 31 December 2008.

The key drivers of the margin decrease of 14 basis points (annualised) were as follows:

- 31 basis points reduction due to margin attrition on deposits as a result of intense competition for deposits and the low interest rate environment, and
- 7 basis points due to higher costs of funding in the wholesale markets,

Partly offset by:

- 17 basis points due to higher asset pricing, particularly in Corporate Banking, UK Business Banking and the UK Residential Mortgage Business,
- 3 basis points increase due to lower cost of market dislocation, and
- 4 basis points due to earnings on the proceeds from the issue of the €3.5 billion 2009 Preference stock before taking account of the 8% coupon payable on the investment and lower interest costs following the repurchase of tier 1 debt securities in June 2009.

Net other income	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Net other income	316	128	147%
IFRS income classifications	71	570	-
Net other income after IFRS income classifications	**387**	**698**	**(45%)**

The following table gives an analysis of the principal movements in the Net other income after IFRS income classifications.

Net other income after IFRS income classifications	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change €m
Other income from Banking and Capital Markets businesses	509	597	(88)
Other income in Bank of Ireland Life	130	173	(43)
Other Items:			
Irish Government Guarantee charge	(105)	(32)	(73)
Investment valuation variance - Bank of Ireland Life	23	(86)	109
Impairment of investment properties	(62)	-	(62)
Guggenheim / Iridian (disposal during 2009)	12	36	(24)
Movement in credit spreads on own debt	(6)	49	(55)
Legal settlement	(74)	-	(74)
Charge from Lehmans collapse	-	(39)	39
Gain on VISA Initial Public Offering	-	24	(24)
Other items	(40)	(24)	(16)
Total other items	**(252)**	**(72)**	**(180)**
Net other income after IFRS income classifications	**387**	**698**	**(311)**

Net other income, after adjusting for IFRS income classifications, decreased by €311 million or 45% for the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008. This reduction reflects:

- lower fee and other income of €88 million in the Banking and Capital Markets businesses as result of lower levels of new business activity, and
- reduced income of €43 million in the Life business primarily due to lower volumes of new business due to affordability issues for policyholders as a result of lower levels of disposable income.

The principal other items within Net other income, after IFRS income classifications, amount to a charge of €252 million for the nine month period ended 31 December 2009 which was €180 million higher than the charge for the nine month period ended 31 December 2008, primarily due to the following:

- additional charges associated with the Irish Government Guarantee of certain liabilities of €73 million (the nine month period ended 31 December 2008 includes a charge for three months from 29 September 2008 compared to a nine month charge to 31 December 2009),
- a positive movement on the investment valuation variance of €109 million in Bank of Ireland Life due to improved valuations as world equity and investment markets have shown some recovery from last year's sharp falls,
- impairment of €62 million on the value of some investment properties arising from continuing low levels of transactions in the commercial property markets,
- reduced fees in the asset management businesses of €24 million arising from the disposal of Guggenheim Alternative Asset Management LLC (Guggenheim) in June 2009 and Iridian Asset Management LLC (Iridian) in August 2009,
- a movement of €55 million arising from the change in credit spreads on the Group's issued notes and subordinated debt designated at 'fair value through profit or loss'. This is a partial reversal of gains recognised in prior periods,
- a charge in the nine months ended 31 December 2009 of €74 million arising from an unfavourable court ruling in connection with a European property investment,
- a charge of €39 million in the nine month period ended 31 December 2008 arising from the collapse of Lehmans in September 2008, and
- a gain of €24 million in the nine month period ended 31 December 2008 reflecting a distribution by VISA International following its initial public offering.

1.6.4 Operating expenses

Group operating expenses decreased by 11% for the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008 due to lower staff numbers and rigorous cost management across all costs.

Operating expenses	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Staff costs (excl. pension costs)	640	744	(14%)
Pension costs	149	134	11%
Other costs	592	667	(11%)
Total operating expenses	**1,381**	**1,545**	**(11%)**

Staff costs (excluding pension costs) of €640 million for the nine month period ended 31 December 2009 are 14% lower than the comparable nine month period ended 31 December 2008. This results from the Group's continuing pay and recruitment freeze and the non-replacement of departing staff. In addition, staff costs are lower due to reduced staff numbers arising from the Group's actions to close to new business and put into run down our intermediary sourced mortgage business in the UK and some of our international lending businesses in Corporate Banking and from the sale and downsizing of our asset management businesses. Staff numbers (including contract and agency staff) or 14,647 full time equivalents at 31 December 2009 were 8% lower compared to 15,939 full time equivalents at 31 December 2008.

Pension costs of €149 million for the nine month period ended 31 December 2009 are 11% or €15 million higher than the comparable nine month period ended 31 December 2008. This increase reflects the escalating cost of providing the pension scheme benefits together with the reduction in returns on the scheme assets following their fall in value over the last two years in particular.

In the nine month period ended 31 December 2009 continued tight control of all other costs remained a key focus.

1.6.5 Impairment Charge (including loans held for sale to NAMA)

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the table and commentary below presents the impairment charge on loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m
Residential mortgages	237	60
Non-property SME and corporate	659	108
Property and construction	2,993	449
Consumer	166	130
Total impairment charge on Total loans	**4,055**	**747**
Analysed as follows:		
Loans held for sale to NAMA	2,231	-
Loans & advances to customers	1,824	747
Total loan impairment charge	**4,055**	**747**

The impairment charge on Total loans of €4,055 million for the nine month period ended 31 December 2009 is substantially higher than the charge of €747 million for the comparable nine month period ended 31 December 2008. The sharp contraction in economic activity together with continuing low levels of transactions in the commercial and residential property markets in Ireland and the UK have impacted credit quality and resulted in the substantial increase in the loan impairment charge.

Of the €4,055 million impairment charge on Total loans for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA and €1,824 million or 45% relates to loans and advances to customers.

The impairment charge on Residential mortgages was €237 million for the nine month period ended 31 December 2009 compared to €60 million for the comparable nine month period ended 31 December 2008. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income together with further declining property prices.

The impairment charge on Non-property SME and corporate loans was €659 million for the nine month period ended 31 December 2009 compared to €108 million for the comparable nine month period ended 31 December 2008. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment together with the level of business insolvencies.

The impairment charge on Property and construction loans was €2,993 million for the nine month period ended 31 December 2009, compared to €449 million for the comparable nine month period ended 31 December 2008. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp decline in the level of economic activity leading to falling asset values exacerbated by the over supply of residential and commercial property in Ireland and to a lesser extent in the UK.

The impairment charge on Consumer loans was €166 million for the nine month period ended 31 December 2009, compared to €130 million for the comparable nine month period ended 31 December 2008. The charge on Consumer loans remains significant due to higher unemployment, high levels of personal indebtedness and lower disposable income.

The Group has conducted an extensive internal review of its impairment estimates on the non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on the Group's non-NAMA bound loans remains as expected and therefore can confirm the previous guidance of an impairment charge of €4.7 billion over the 3 years ending 31 March 2011 (see page 6).

The Group engaged Oliver Wyman, a leading international management consulting firm, to independently review and challenge our non-NAMA impairment estimates. Oliver Wyman has confirmed that, on the basis of the work it has performed, it believes the Group's non-NAMA impairment estimates to be reasonable (see page 6).

The Group expects to incur a loss on disposal of the Eligible Bank Assets to NAMA arising from the difference between the fair value of the consideration to be received and the carrying value of the Eligible Bank Assets to be disposed of together with the costs of disposal and any provision that may be required under accounting standards due to the ongoing cost of servicing these Eligible Bank Assets on behalf of NAMA.

The principal determinant of the expected loss on disposal is the difference between the discount (commonly referred to as the "haircut") applied to the original gross eligible bank asset value in arriving at NAMA's valuation and the impairment provisions recorded against the Eligible Bank Assets under accounting standards. This discount or haircut to the original eligible bank asset value is calculated on a different basis and using a different methodology to the determination of impairment provisions under accounting standards.

In accordance with accounting standards, the loss on disposal will only be recognised on the actual transfer of each tranche of assets to NAMA. At the same time as recognition of such losses, the Bank will benefit from the liquidity associated with the NAMA bonds and from a reduction in its risk weighted assets for regulatory capital purposes.

An impairment charge of €2 million was incurred on the Available for sale financial assets portfolio for the nine month period ended 31 December 2009, compared to a €76 million charge for the nine month period ended 31 December 2008. This charge of €76 million includes €36 million on the receivership of Washington Mutual, €25 million on the nationalisation and subsequent receivership of some Icelandic banks together with a €15 million charge relating to a leveraged exposure to a fund of rated financial institution debt securities.

A detailed analysis and commentary on asset quality and impairment is set out on pages 81 to 90 of the Risk Management Report.

1.6.6 Non-core Items

Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. In addition to the recurring non-core items (principally the Bank of Ireland Life gross up for policyholder tax and investment returns on treasury stock held for policyholders) the Group has treated the following items as non-core in the nine months ended 31 December 2009:

- the gain of €1,037 million on the repurchase of tier 1 debt securities completed in June 2009,
- the gain of €67 million as a result of the restriction imposed by the EU Commission on the Group's ability to make coupon payments on certain subordinated liabilities unless under a binding legal obligation to do so (interest expense on subordinated liabilities is recognised using the effective interest rate (EIR) method), and
- during the nine months ended 31 December 2009, the Group disposed of its interest in Guggenheim Alternative Asset Management LLC (Guggenheim) and Iridian Asset Management LLC (Iridian) resulting in a net loss of €3 million.

In the nine month period ended 31 December 2008, the Group incurred a non-core charge of €304 million on the impairment of goodwill and other intangible assets on Guggenheim and Iridian. In addition the Group had a charge of €6 million relating to hedge ineffectiveness on transition to IFRS. The equivalent charge of €3 million in the nine month period ended 31 December 2009 is no longer material enough to obscure underlying trends in the Group's performance and therefore will no longer be classifed as non-core. In addition the impairment of intangible assets of €6 million in the nine month period ended 31 December 2009 is considered not material enough to obscure underlying trends in the Group's performance and therefore is not classified as non-core.

1.6.7 Taxation

The taxation credit for the Group was €344 million for the nine month period ended 31 December 2009, primarily due to losses in the period, compared to a taxation charge of €62 million for the comparable nine month period ended 31 December 2008.

The effective taxation rate for the nine month period ended 31 December 2009 is a credit of 19%. The effective taxation rate for the comparable nine month period ended 31 December 2008 was a charge of 16.8%.

Excluding the impact of non-core items (see page 41) the underlying effective taxation rate was 16.1% for the nine month period ended 31 December 2009 compared to a rate of 17.2% for the comparable nine month period ended 31 December 2008.

1.7. Divisional Performance - on an Underlying * basis

Underlying * (loss) / profit before tax	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Retail Republic of Ireland	(1,514)	233	(750%)
Bank of Ireland Life	69	(1)	-
UK Financial Services	(805)	102	(889%)
UK Financial Services (Stg £ equivalent)	*(720)*	*70*	-
Capital Markets	(600)	391	(253%)
Group Centre	(122)	(130)	(6%)
Underlying * (loss) / profit before tax	**(2,972)**	**595**	**(599%)**
Non-core items	1,159	(223)	-
(Loss) / profit before tax	**(1,813)**	**372**	**(587%)**

* Underlying excludes the impact of non-core items (see page 41).

1.7.1. Retail Republic of Ireland

Retail Republic of Ireland incorporates the Branch Network, Mortgage Business, Consumer Banking, Business Banking and Private Banking activities in the Republic of Ireland. Together with Bank of Ireland Life, it is the leading bancassurance franchise in Ireland, built on a broad distribution platform, a comprehensive suite of retail, business products and services, a commitment to service excellence and a strong focus on operating efficiency.

The nine month period ended 31 December 2009 was particularly difficult for the Retail businesses in Ireland which continued to be adversely impacted by the significant contraction in the Irish economy. The sharp decline in the property and construction sectors led to substantially higher impairment charges. Intense competition for deposits and the low interest rate environment resulted in significant reductions in deposit margins. The economic outlook, together with poor consumer sentiment, has resulted in subdued demand for financial services products.

Retail Republic of Ireland: Income statement	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	888	1,114	(20%)
Net other income	112	244	(54%)
Operating income	**1,000**	**1,358**	**(26%)**
Operating expenses	(680)	(703)	(3%)
Impairment of intangible assets	(6)	-	-
Operating profit before impairment charges on financial assets	**314**	**655**	**(52%)**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(1,836)	(360)	410%
Share of results of associates and joint ventures (after tax)	8	(62)	-
Underlying * (loss) / profit before tax	**(1,514)**	**233**	**(750%)**
Cost / income ratio	**68%**	**54%**	**-**

* Underlying excludes the impact of non-core items (see page 41).

Retail Republic of Ireland reported an underlying loss before tax of €1,514 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of €233 million for the comparable nine month period ended 31 December 2008.

The operating profit of €314 million before impairment charges on financial assets for the nine month period ended 31 December 2009 reduced by 52% compared to the operating profit of €655 million before impairment charges on financial assets for the comparable nine month period ended 31 December 2008.

Net interest income of €888 million for the nine month period ended 31 December 2009 was 20% lower than the net interest income of €1,114 million for the comparable nine month period ended 31 December 2008. This reduction is a result of significant narrowing of liability spreads due to intense competition for customer deposits and the low interest rate environment.

Apart from the €17 billion of tracker mortgages (where the rates are contractually linked to interest rates set by the European Central Bank) Retail Republic of Ireland is making progress in re-pricing the remaining €34 billion of assets. The pace of this progress is expected to accelerate as the economy returns to growth and demand for new lending recovers.

Net other income of €112 million for the nine month period ended 31 December 2009 was 54% lower than Net other income of €244 million for the nine month period ended 31 December 2008. This reduction arises primarily as a result of a charge of €74m arising from an unfavourable court ruling in connection with a European property investment, impairment of €52 million on the value of some investment properties arising from continuing low levels of transactions in the commercial property market and lower fees and other income in Business Banking, Private Banking and Credit Cards due to lower levels of new business activity. Net other income for the comparable nine month period ended 31 December 2008 included a €24 million gain from a distribution by VISA International following its initial public offering.

Operating expenses of €680 million for the nine month period ended 31 December 2009 have decreased by €23 million compared to €703 million for the comparable nine month period ended 31 December 2008. This was largely due to reduced staff numbers and tight control of costs.

Share of results of associated undertakings and joint ventures of €8 million for the nine month period ended 31 December 2009 compares to a loss of €62 million for the comparable nine month period ended 31 December 2008. The loss of €62 million for the nine month period ended 31 December 2008 is primarily attributable to an impairment charge of €52 million relating to the Group's investment in a property unit trust that holds an investment in a UK retail property.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes, the following tables and commentary presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m
Residential mortgages	165	24
Non-property SME and corporate	343	32
Property and construction	1,187	193
Consumer	141	111
Total impairment charge on Total loans	**1,836**	**360**

The impairment charge on loans and advances to customers of €1,836 million for the nine month period ended 31 December 2009 was a substantial increase on the impairment charge of €360 million for the comparable nine month period ended 31 December 2008 due principally to the significant contraction in economic activity with continuing low levels of transactions in both the commercial and residential property markets.

The impairment charge on the Residential mortgages was €165 million for the nine month period ended 31 December 2009 compared to €24 million for the nine month period ended 31 December 2008. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income together with the further decline in property prices. At 31 December 2009, 3 month arrears in the Residential mortgage portfolio were 3.46%.

The impairment charge on Non-property SME and corporate loans was €343 million for the nine month period ended 31 December 2009 compared to €32 million for the comparable nine month period ended 31 December 2008. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment, together with the level of business insolvencies.

The impairment charge on Property and construction loans was €1,187 million for the nine month period ended 31 December 2009 compared to €193 million for the comparable nine month period ended 31 December 2008. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp contraction in the level of economic activity, leading to falling asset values, exacerbated by the over supply of residential and commercial property in Ireland.

The impairment charge on Consumer loans was €141 million for the nine month period ended 31 December 2009 compared to €111 million for the comparable nine month period ended 31 December 2008. The charge on Consumer loans remains significant, due to higher unemployment, high levels of personal indebtedness and lower disposable income.

1.7.2 Bank of Ireland Life

Bank of Ireland Life is one of Ireland's leading life assurance companies. The company offers protection, investment and pension products to the Irish market through the Group's branch network, independent brokers and its direct sales force.

Bank of Ireland Life: Income Statement (IFRS performance)	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Operating income	125	166	(25%)
Operating expenses	(82)	(81)	1%
Operating profit	**43**	**85**	**(49%)**
Investment valuation variance	23	(86)	-
Discount and other rate changes	3	-	-
Underlying * profit / (loss) before tax	**69**	**(1)**	**-**
Cost / income ratio	**66%**	**49%**	

* Underlying performance excludes the impact of non-core items (see page 41).

Underlying profit before tax of €69 million for the nine month period ended 31 December 2009 was significantly higher than the comparable nine month period ended 31 December 2008 due primarily to the movement in the investment valuation variance partly offset by lower operating profit.

Annual Premium Equivalent (APE) sales for the nine month period ended 31 December 2009 were 32% lower than the comparable nine month period ended 31 December 2008.

Operating profit of €43 million for the nine month period ended 31 December 2009 has fallen 49% compared to the nine month period ended 31 December 2008 due to the following factors:

- lower volumes of new business, notably of savings and regular premium pensions,
- policy lapses due to lower disposable income, and
- lower average funds under management, reflecting the sharp fall in investment markets in the last quarter of the 2008 calender year.

Bank of Ireland Life has maintained its focus on cost containment with operating expenses of €82 million for the nine month period ended 31 December 2009, broadly in line with the comparable nine month period ended 31 December 2008. Included in operating expenses of €82 million for the nine month period ended 31 December 2009 is an impairment charge of €3 million relating to the revaluation of Bank of Ireland Life owned properties.

In the nine month period ended 31 December 2009, consistent with long term bond yields, the discount rate applied to future cashflows was decreased from 9.0% to 8.25%, and the unit growth assumption was reduced from 7.25% to 6.5% resulting in a profit of €3 million. The performance of investment markets in excess of this growth assumption since April 2009 has resulted in a positive investment valuation variance of €23 million. This compares to an underperformance of investment markets in the nine month period ended 31 December 2008 which gave rise to a negative investment valuation variance of €86 million.

Bank of Ireland Life has maintained a strong financial position and continues to be significantly in excess of the statutory solvency margin, required by the Financial Regulator.

Embedded Value Performance

Bank of Ireland Life: Income Statement (Embedded value performance)	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
New business profits	9	38	(76%)
Existing business profits	20	28	(29%)
• Expected return	55	64	(14%)
• Experience variance	(29)	(32)	(10%)
• Assumption changes	(6)	(4)	50%
Inter company payments	(9)	(14)	(37%)
Operating profit	**20**	**52**	**(61%)**
Investment variance	62	(171)	(136%)
Underlying * profit / (loss) before tax	**82**	**(119)**	**169%**

* Underlying excludes the impact of non-core items (see page 41).

The alternative method of presenting the performance of the Life business is on an Embedded Value basis. This method is widely used in the life assurance industry. Under this approach, underlying profit before tax for the nine month period ended 31 December 2009 of €82 million, is significantly higher than the nine month period ended 31 December 2008. This increase is due primarily to a substantial positive investment valuation variance, resulting from the recovery in investment markets.

Operating profit of €20 million for the nine month period ended 31 December 2009 compares to an operating profit of €52 million for the comparable nine month period ended 31 December 2008. New business profits were €29 million lower for the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008, due to lower sales volumes, notably of savings and regular pension products. Existing business profits were €20 million for the nine month period ended 31 December 2009 compared to €28 million for the comparable nine month period ended 31 December 2008. This reduction in existing business profits is as a result of a lower book of business and lower retention rates compared to the actuarial assumptions.

The key assumptions used in the Embedded Value methodology are consistent with those used under the IFRS methodology, being a discount rate of 8.25% (31 March 2009: 9%), future growth rate on unit linked assets of 6.5% (31 March 2009: 7.25%) and the rate of tax to be levied on shareholders profits of 12.5% (31 March 2009: 12.5%).

1.7.3 UK Financial Services (Sterling)

The UK Financial Services (UKFS) Division incorporates Business Banking in Great Britain and Northern Ireland, the branch network in Northern Ireland, the UK Residential mortgage business and the joint ventures with the UK Post Office, namely Post Office Financial and Travel Services (POFTS).

UK Financial Services: Income Statement	9 months ended 31 December 2009 £m	Proforma 9 months ended 31 December 2008 £m	Change %
Net interest income	411	457	(10%)
Net other income	61	73	(16%)
Operating income	472	530	(11%)
Operating expenses	(267)	(297)	(10%)
Operating profit before impairment charges	**205**	**233**	**(12%)**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(948)	(193)	391%
Share of results of associates and joint ventures (after tax)	23	30	(23%)
Underlying * (loss) / profit before tax	**(720)**	**70**	**-**
Underlying * (loss) / profit before tax (€m equivalent)	**(805)**	**102**	**-**
Cost / income ratio	**54%**	**53%**	

* Underlying performance excludes the impact of non-core items (see page 41).

UK Financial Services reported an underlying loss before tax of £720 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of £70 million for the comparable nine month period ended 31 December 2008. The operating profit of £205 million before impairment charges on financial assets for the nine month period ended 31 December 2009 was 12% lower than the nine month period ended 31 December 2008.

Net interest income of £411 million for the nine month period ended 31 December 2009 is 10% lower than the comparable nine month period ended 31 December 2008 due to intense competition for deposits impacting liability spreads, together with the low interest rate environment. These negative impacts were partly offset by higher pricing on both the Residential mortgage and Business Banking loan books.

In January 2009, the Group announced its withdrawal from the intermediary sourced mortgage market in the UK and the wind down of a range of international lending portfolios in Capital Markets (together the "Non-core loan portfolios"). At 31 December 2009 the Non-core loan portfolios amounted to €34 billion.

Up to 30 September 2009, the Group allocated its total cost of funds (which includes the cost over libor / euribor on wholesale funding, customer deposits and securitisations) based on the net asset or liability position of each division. With effect from 1 October 2009, the Group has decided to change the basis of allocation of its cost of funds. From this date, the Group has allocated the marginal cost of wholesale funding to the Non-core loan portfolios. For the remaining loan portfolios (together the "Core loan portfolios") the Group's residual cost of funds is allocated based on the net asset or liability position of each division.

The impact of this decision, made on 1 October 2009, on UK Financial Services was to decrease its Net interest income in the nine month period ended 31 December 2009 by €17 million (Stg£15 million). As a consequence, the impact of this decision was to increase the Net interest income in Retail Republic of Ireland by €9 million and to increase the Net interest income in Capital Markets by €8 million.

It is estimated that the impact of this decision, on an annualised basis, would be to decrease the Net interest income in UK Financial Services by €68 million (Stg£60 million), to increase the Net interest income in Retail Republic of Ireland by €36 million and to increase the Net interest income in Capital Markets by €32 million.

Net other income for the nine month period ended 31 December 2009 reduced by 16% when compared to the nine month period ended 31 December 2008 reflecting reduced fee income as a result of lower new business lending activity, lower fees in Consumer Financial Services buisnesses as a result of the contraction in the overseas travel market, together with the impact of interest rate changes on the fair value of economic hedging instruments.

Operating expenses for the nine month period ended 31 December 2009 of £267 million were 10% lower than the comparible nine month period ended 31 December 2008. This reduction is driven by savings from the restructuring of both the UK Residential mortgage and Business Banking operations. Investment has continued in the joint ventures with the UK Post Office.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the following tables and commentary presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 £m**	Proforma 9 months ended 31 December 2008 £m
Residential mortgages	64	30
Non-property SME and corporate	43	20
Property and construction	820	127
Consumer	21	16
Total impairment charge on Total loans	**948**	**193**

The impairment charge on Total loans of £948 million for the nine month period ended 31 December 2009 was a substantial increase on the impairment charge of £193 million for the comparable nine month period ended 31 December 2008. The increased impairment charge arises primarily in the land and development element of the Property and construction portfolio, which has been most significantly impacted by sharp declines in asset values, higher unemployment and lower levels of economic activity. The increase in Residential mortgage impairment charges is driven by higher unemployment, house price deflation and the weak economy, which have led to higher arrears and repossessions.

The Share of results of associated undertakings and joint ventures relates to the Group's share of First Rate Exchange Services (FRES), a joint venture with the UK Post Office, which generated profit after tax of £23 million for the nine month period ended 31 December 2009, compared to £30 million for the nine month period ended 31 December 2008 primarily due to lower income as a result of the contraction in the overseas travel market.

Business Unit : Underlying * (loss) / profit before tax	**9 months ended 31 December 2009 £m**	Proforma 9 months ended 31 December 2008 £m	Change %
Residential mortgages	39	64	(39%)
Business Banking	(729)	9	-
Consumer Financial Services	20	28	(29%)
Division Centre	(50)	(31)	61%
Underlying * (loss) / profit before tax	**(720)**	**70**	**-**

* Underlying performance excludes the impact of non-core items (see page 41).

As outlined on page 52 above, the impact of the Group's decision to change the basis of allocation of its cost of funds with effect from 1 October 2009 was to decrease the Net interest income in UK Financial Services by €17 million (Stg£15 million). Within UK Financial Services, the impact of this decision was to decrease the Net interest income for Residential mortgages by €26 million (Stg£23 million) and to increase the Net interest income for Business Banking by €9 million (Stg£8 million).

It is estimated that the impact of this decision on an annualised basis would be to decrease the Net interest income for Residential mortgages by €103 million (Stg£91 million) and to increase the Net interest income in Business Banking by €35 million (Stg£31 million).

The underlying profit before tax in the **Residential Mortgage Business** for the nine month period ended 31 December 2009 of £39 million has decreased from a profit of £64 million for the comparable nine month period ended 31 December 2008. Operating profit of £108 million before impairment charges for the nine month period ended 31 December 2009 has increased by £5 million or 5% when compared to the operating profit before impairment charges for the comparable nine month period ended 31 December 2008. This increase is primarily through improved product margins partly offset by the change in the basis of allocation of the cost of funds as outlined above and a reduction in the operating costs resulting from the closure of the intermediary channel to new business in January 2009. Residential mortgage impairment charges for the nine month period ended 31 December 2009 of £64 million increased from £30 million for the comparable nine month period ended 31 December 2008 driven by higher unemployment, house price deflation and the weak economy which have led to higher arrears and repossessions.

While arrears have risen sharply from a low base, the residential mortgage portfolio continues to outperform industry averages. At 31 December 2009, overall residential mortgage portfolio arrears greater than three months were 171 basis points compared to industry arrears of 238 basis points as per Council of Mortgage Lenders, UK data.

The **Business Banking** loss before tax for the nine month period ended 31 December 2009 of £729 million shows a significant deterioration when compared to the profit before tax for the comparable nine month period ended 31 December 2008 of £9 million. This deterioration reflects a substantial increase in impairment charges to £860 million for the nine month period ended 31 December 2009 compared to £147 million for the comparable nine month period ended 31 December 2008. This increase in the impairment charge arises primarily in the land and development element of the Property and construction portfolio and is driven primarily by a sharp decline in asset values, higher unemployment and lower levels of economic activity.

Operating profit before impairment charges of £131 million for the nine month period ended 31 December 2009 decreased by £21 million or 14% compared to the nine month period ended 31 December 2008. Net interest income is lower due to intense competition for deposits, a lower interest rate environment and reduced deposit volumes, higher wholesale funding costs partly offset by asset re-pricing and the impact of the change in the basis of allocation of the cost of funds as outlined above.

Consumer Financial Services which is comprised of a number of business activities with the UK Post Office (POFTS, Credit Cards and ATMs) delivered an underlying operating profit before tax of £20 million for the nine month period ended 31 December 2009, £8 million lower than the nine month period ended 31 December 2008. The reduction is primarily attributable to lower fee income as a result of the contraction in the overseas travel market, together with deposit margin attrition.

The loss in **Division Centre** increased to £50 million for the nine month period ended 31 December 2009 from £31 million for the comparable nine month period ended 31 December 2008 mainly due to the continued investment in deposit gathering initiatives and the impact of interest rate changes on fair value of economic hedging instruments.

1.7.4 Capital Markets

Capital Markets Division comprises Corporate Banking, Global Markets, Asset Management Services and IBI Corporate Finance.

Capital Markets: Income Statement	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	705	1,202	(41%)
Net other income	83	(284)	(129%)
Operating income	788	918	(14%)
Operating expenses	(230)	(279)	(18%)
Operating profit before impairment charges	**558**	**639**	**(13%)**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(1,157)	(161)	619%
Impairment charges on AFS assets	(2)	(76)	(97%)
Share of results of associates and joint ventures (after tax)	1	(11)	(109%)
Underlying * (loss) / profit before tax	**(600)**	**391**	**(253%)**
Cost / income ratio	**29%**	**31%**	

* Underlying performance excludes the impact of non-core items (see page 41).

Capital Markets reported an underlying loss before tax of €600 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of €391 million for the comparable nine month period ended 31 December 2008.

Operating profit of €558 million before impairment charges on financial assets for the nine month period ended 31 December 2009 compares to an operating profit of €639 million for the comparable nine month period ended 31 December 2008.

The year on year change in net interest income and 'net other income' is impacted by IFRS income classifications, as explained on page 42.

Net interest income	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	705	1,202	(41%)
IFRS income classifications	(67)	(520)	-
Net interest income after IFRS income classifications	**638**	**682**	**(6%)**

After the impact of the IFRS income classifications, Net interest income decreased by 6%, for the nine month period ended 31 December 2009, compared to the nine month period ended 31 December 2008 reflecting higher cost of funding.

Net other income	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Net other income / (expense)	83	(284)	129%
IFRS income classifications	67	520	-
Net other income after IFRS income classifications	**150**	**236**	**(36%)**

After the impact of IFRS classifications, 'Net other income' for the nine month period ended 31 December 2009 reduced by €86 million or 36% when compared to the nine month period ended 31 December 2008. This decrease primarily reflects;

- reduced fees in the asset management businesses of €43 million arising from the disposal of Iridian Asset Management LLC (Iridian) in June 2009 and Guggenheim Alternative Asset Management LLC (Guggenheim) in August 2009, together with lower fee income in Bank of Ireland Asset Management and Bank of Ireland Securities Services,
- lower other income in Corporate Banking of €29 million due to reduced fee income driven by lack of demand for credit facilities and the recognition of impairment charges on investment properties (€10 million),
- lower levels of other income in Global Markets of €55 million primarily due to decreased levels of third party customer business, partly offset by;
- a charge of €39 million in the nine month period ended 31 December 2008 related to the collapse of Lehmans in September 2008.

Operating expenses of €230 million for the nine month period ended 31 December 2009 are €49 million lower than the nine month period ended 31 December 2008, primarily due to the disposal of Iridian and Guggenheim together with tight management of all other costs.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes, the following tables and commentary, presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m
Non-property SME and corporate	270	53
Property and construction	887	108
Total impairment charge on Total loans	**1,157**	**161**

The impairment charge on Total loans of €1,157 million for the nine month period ended 31 December 2009 increased from €161 million for the comparable nine month period ended 31 December 2008. This increase was largely attributable to the Property and construction portfolio and in particular the land and development element which is substantially expected to transfer to NAMA.

The impairment charge on the Non property SME and corporate portfolio was €270 million for the nine month period ended 31 December 2009 compared to €53 million for the comparable nine month period ended 31 December 2008 which reflects the challenging conditions for certain mid-tier Irish corporate customers and some specific debt restructuring activity in the leveraged acquisition finance business.

The impairment charge on the Property and construction portfolio of €887 million for the nine month period ended 31 December 2009 compared to €108 million for the comparable nine month period ended 31 December 2008. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp decline in the level of economic activity leading to falling asset values exacerbated by the over supply of residential and commercial property in Ireland.

An impairment charge on Available for sale financial assets of €2 million (€1 million each in Corporate Banking and Global Markets) was incurred for the nine month period ended 31 December 2009, compared to a €76 million charge for the nine month period ended 31 December 2008. This charge of €76 million included €36 million on the receivership of Washington Mutual, €25 million on the nationalisation and subsequent receivership of some Icelandic banks together with a €15 million charge relating to a leveraged exposure to a fund of rated financial institution debt securities.

Business Unit: **Underlying * (loss) / profit before tax**	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Corporate Banking	(749)	242	(410%)
Global Markets	128	173	(26%)
Asset Management Services	23	(18)	228%
Division Centre	(2)	(6)	(67%)
Underlying * (loss) / profit before tax	**(600)**	**391**	**(253%)**

* Underlying performance excludes the impact of non-core items (see page 41).

The underlying loss before tax of €749 million in **Corporate Banking** for the nine month period ended 31 December 2009 compares to a profit before tax of €242 million for the comparable nine month period ended 31 December 2008. This sharp deterioration in profit was due to a substantial increase in the impairment charge of €1,157 million for the nine month period ended 31 December 2009 compared to €161 million for the comparable nine month period ended 31 December 2008. Total operating income was lower by 3% in the nine month period ended 31 December 2009, compared to the nine month period ended 31 December 2008, driven by the higher funding costs, recognition of impairment on investment properties (€10 million) and lower fee income due to lower levels of new business activity.

Global Markets underlying profit before tax of €128 million for the nine month period ended 31 December 2009 compares to €173 million for the comparable nine month period ended 31 December 2008. Total income for the nine month period ended 31 December 2009 is lower by €104 million compared to the nine month period ended 31 December 2008, primarily due to the higher cost of funding, gains in the nine month period ended 31 December 2008 as a result of good positioning in a falling interest rate environment and lower levels of third party customer business in the current reporting period as a result of the reduced level of economic activity. An impairment charge of €1 million has been incurred in the nine month period ended 31 December 2009, compared to €61 million for the nine month period ended 31 December 2008 due to the impairment charges incurred in the prior period on the receivership of Washington Mutual and on the nationalisation and subsequent receivership of some Icelandic banks.

The underlying profit before tax of €23 million in **Asset Management Services** for the nine month period ended 31 December 2009 compared to an underlying loss before tax of €18 million for the comparable nine month period ended 31 December 2008. The nine month period ended 31 December 2008 included a loss of €32 million associated with the collapse of Lehmans in September 2008. Bank of Ireland Asset Management and Bank of Ireland Securities Services reported lower levels of income in the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008 due to lower assets under management and lower fee income. Iridian and Guggenheim, the US asset management businesses, were disposed of during the nine month period ended 31 December 2009.

Division Centre includes central management costs and IBI Corporate Finance.

1.7.5 Group Centre

Group Centre comprises capital management activities and unallocated support costs.

Group Centre: Income Statement	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income / (expense)	65	(5)	-
Net other expense	(102)	(13)	-
Operating loss	(37)	(18)	(106%)
Operating expenses	(85)	(112)	(24%)
Underlying * loss before tax	**(122)**	**(130)**	**(6%)**

* Underlying performance excludes the impact of non-core items (see page 41).

Group Centre reported an underlying loss before tax of €122 million for the nine month period ended 31 December 2009, compared to an underlying loss before tax of €130 million for the comparable nine month period ended 31 December 2008.

Net interest income of €65 million for the nine month period ended 31 December 2009 includes the interest earned on cash received as consideration for the issuance of €3.5 billion of preference stock on 31 March 2009 and reflects lower funding costs following the repurchase of tier 1 debt securities in June 2009.

Net other expense for the nine month period ended 31 December 2009 includes the impact of the cost of the Government liability guarantee of €105 million. This is an increase of €73 million when compared to the nine month period ended 31 December 2008. The nine month period ended 31 December 2008 included a charge of €32 million for the three month period from 29 September 2008 compared to the nine month period ended 31 December 2009 which included the charge for nine months.

In addition, the movement in net other expense includes a movement of €66 million arising from the change in credit spreads on the Group's issued notes and subordinated debt designated at 'fair value through profit or loss'. This is a partial reversal of gains recognised in prior periods.

Operating expenses of €85 million for the nine month period ended 31 December 2009 compares to €112 million for the comparable nine month period ended 31 December 2008. This reduction is due principally to lower staff and other costs partly offset by higher costs in relation to the NAMA Scheme. The nine month period ended 31 December 2008 included accelerated software depreciation and impairment of an intangible asset.

Income Statement – Operating Segments

Proforma 9 month period ended 31 December 2008	Net interest income €m	Insurance net premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	Operating expenses €m	**Operating profit before impairment charge on financial assets €m**	Impairment of goodwill and other intangible assets €m	Impairment charge on financial assets €m	Share of results of associates and joint ventures (after tax) €m	**Profit / (loss) before taxation €m**
Retail Republic of Ireland	1,114	-	232	**1,346**	12	**1,358**	(703)	**655**	-	(360)	(62)	**233**
Bank of Ireland Life	(7)	906	(1,133)	**(234)**	314	**80**	(81)	**(1)**	-	-	-	**(1)**
UK Financial Services	566		94	**660**	-	**660**	(370)	**290**	-	(226)	38	**102**
Capital Markets	1,202	-	(284)	**918**	-	**918**	(279)	**639**	-	(237)	(11)	**391**
Group Centre	(5)	26	(23)	**(2)**	(16)	**(18)**	(112)	**(130)**	-	-	-	**(130)**
Group – underlying *	**2,870**	**932**	**(1,114)**	**2,688**	**310**	**2,998**	**(1,545)**	**1,453**	**-**	**(823)**	**(35)**	**595**
- Gross-up of policyholder tax in the Life business	-	-	(41)	**(41)**	-	**(41)**	-	**(41)**	-	-	-	**(41)**
- Investment return on treasury stock held for policyholders	-	-	128	**128**	-	**128**	-	**128**	-	-	-	**128**
- Hedge ineffectiveness on transition to IFRS	-	-	(6)	**(6)**	-	**(6)**	-	**(6)**	-	-	-	**(6)**
- Cost of restructuring programme	-	-	-	**-**	-	**-**	-	**-**	-	-	-	**-**
- Impairment of goodwill and other intangible assets	-	-	-	**-**	-	**-**	-	**-**	(304)	-	-	**(304)**
Group total	**2,870**	**932**	**(1,033)**	**2,769**	**310**	**3,079**	**(1,545)**	**1,534**	**(304)**	**(823)**	**(35)**	**372**

* Underlying performance excludes the impact of non-core items (see page 41).

Risk Management

Principal Risks and Uncertainties

Set out below are the key risk factors which could impact the Group's future results and financial position. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties because there may be risks and uncertainties of which the Group is not aware or which the Group does not consider significant but which in the future may become significant.

As a result of challenging conditions in global financial markets and continuing weakness in the economies in which it operates, the precise nature of all the risks and uncertainties the Group faces cannot be predicted and many of these risks are outside the Group's control.

Challenging Economic Environment

The Group's businesses are subject to inherent risks arising from macroeconomic conditions in the Group's main markets, particularly conditions in Ireland, the UK and the US. Adverse developments, such as the deterioration in general economic conditions and in the global financial markets, have affected the Group's earnings and are likely to continue to affect its results, financial condition and prospects.

The global financial system began to experience difficulties in mid 2007. This resulted in severe dislocation of financial markets around the world resulting in material declines in the values of nearly all asset classes and unprecedented levels of illiquidity and caused substantial problems at a number of large global commercial banks, investment banks and insurance companies, many of which are the Group's counterparties in the ordinary course of its business. Banks and other lenders suffered significant losses and became reluctant to lend due to the increased risk of default and the impact of declining asset values on the value of collateral.

These conditions have already affected the Group and exerted downward pressure on stock prices, liquidity and availability of credit for financial institutions, including the Group, and other corporations, and may continue to do so. The measures taken by the major central banks and governments, including the Irish Government, have helped to stabilise the situation in financial markets. The US economy has returned to growth and conditions in continental Europe and the UK have improved, however Ireland is still in recession. Uncertainty surrounds the pace and scale of the global recovery, and conditions could deteriorate again as fiscal and monetary supports are withdrawn.

The above described adverse macroeconomic conditions have caused a decline in demand for business products and services, weak business and consumer confidence, lower personal expenditure and consumption, increases in debt service burden on both consumers and businesses, and limitations on the general availability of credit. These factors have significantly affected and will continue to affect the behaviour of the Group's customers and, by extension, the demand for, and supply of, the Group's products and services which in turn may affect the Group's financial condition. In addition, higher unemployment, reduced corporate profitability, increased corporate and personal insolvency rates and higher borrowing costs have and will continue to reduce borrowers' ability to repay loans and may cause prices of residential or commercial property or other asset prices to fall further, thereby reducing the value of collateral on many of the Group's loans and increasing write downs and impairment losses.

Liquidity Risk

This risk is inherent in banking operations and can be heightened by an over reliance on a particular source of funding (including, for example, short term and overnight funding, securitisations and covered bonds), changes in credit ratings or market wide phenomena such as disruption in the functioning of markets and major events or disasters of global significance. Commencing in mid 2007, the global economy and the global financial system underwent a period of significant turbulence and uncertainty. Credit markets worldwide experienced a severe reduction in the level of liquidity and quantum of term funding available in the wholesale markets. The terms on which such funding is available became more onerous and expensive. Counterparty risk (including the perception of such risk) between banks also increased significantly.

The Group's liquidity management aims to focus on maintaining a diverse and appropriate funding strategy for its operations, controlling the mismatch of maturities and carefully monitoring its undrawn commitments and contingent liabilities. The dislocation in the wholesale markets impacted the pricing and availability of liquidity and term funds for the Group, as it did with most other financial institutions. This market dislocation led to the introduction of a range of exceptional liquidity provision measures by Monetary Authorities and government guarantee schemes in a number of markets including Ireland. Should the global economy and the global funding financial system deteriorate, the Group's cost of funding may rise and access to liquidity may be further constrained.

Like many banks, the Group relies on customer deposits to meet a considerable portion of its funding requirements. The Group's largest single source of funding is customer deposits, which represented 50% of total Group funding as at 31 December 2009. Growth in the Group's lending capacity will depend, in large part, on the availability of customer deposits (on appropriate terms, for which there is increasing competition), the availability of wholesale funding and the maintenance of prudent liquidity buffers. The Group increased

its reliance on customer deposits given the challenges in accessing and in the cost of wholesale funding. Increases in the cost of customer deposits have and will continue to affect the Group's margins, and a lack of availability of such deposit funding could affect the Group's future growth. Any material decrease in the Group's deposits could have a negative impact on the Group's liquidity. The availability of commercial deposits is often dependent on credit ratings and rating agency downgrades could limit the Group's liquidity and therefore increase liquidity risk. The ongoing availability of these deposits is also subject to potential changes in certain factors outside the Group's control, such as a loss of confidence of depositors either in the economy in general and the financial services industry, (or the Group specifically) competitive pressures, general economic conditions and the availability and extent of deposit guarantees. These factors could lead to a reduction in the Group's ability to access customer deposit funding on appropriate terms or within a short period of time in the future, and to sustained outflows all of which would impact on the Group's ability to meet its minimum liquidity requirements.

The Group is and will continue to be subject to the risk of deterioration of the commercial soundness or perceived soundness of other financial services institutions within and outside the main markets in which the Group operates. Concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions because the commercial soundness of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as "systemic risk" and could have an adverse effect on the Group's ability to raise new funding and on the Group's results, financial condition and prospects.

The long-term (outlook) / short-term (outlook) credit ratings for the Group were downgraded by Standard & Poors on 26 January 2010 by one notch to A-(Stable) / A-2(Stable). Other ratings are set out on page 106. There can be no certainty that the Group will not be subject to further downgrades to its credit ratings. The availability of government support is a consideration in credit rating agency assessment of financial institutions. A downgrade in the sovereign rating of Ireland may result in a downgrading of the Group. Any further changes in the credit ratings of the Group could impact the volume and pricing of its funding and its financial position, limit the Group's access to the capital and funding markets, trigger material additional collateral requirements in derivative contracts or other secured-funding arrangements and weaken the Group's competitive position in certain markets. In addition, the availability of commercial and some retail deposits are often dependent on credit ratings and any downgrade could reduce the Group's liquidity from those sources.

The Group qualifies for access to the liquidity providing operations offered by the Monetary Authorities for so long as it meets certain eligibility criteria relating to collateral which it can provide to the Monetary Authorities. The Group holds a significant pool of contingent liquidity collateral, comprised of debt securities and other eligible collateral which is capable of being pledged against borrowings from the Monetary Authorities. If the quality of the Group's collateral fundamentally deteriorates, or if the Monetary Authorities materially change eligibility criteria, or if the funding markets react adversely to the anticipated changes to the liquidity schemes operated by the Monetary Authorities, then the Group's ability to access the Monetary Authorities' liquidity operations may become less flexible which could adversely affect the Group's financial condition and prospects.

On 9 December 2009, the Committee of European Banking Supervisors ("CEBS") issued a paper entitled "Guidelines on Liquidity Buffers & Survival Periods" which it expects member states of the European Union, including Ireland, to apply by 30 June 2010 at the latest. While the Financial Regulator has not yet set out its interpretation and application of these guidelines, the Financial Regulator's interpretation could have a significant adverse impact on the composition of the pool of contingent liquidity collateral.

The Minister for Finance announced details of the ELG Scheme in September 2009, which is intended to facilitate covered institutions, including the Group, issuing debt and securities and securing deposits of up to five years maturity. The ELG Scheme was approved by the European Commission under State aid rules and by the Houses of the Oireachtas (parliament of Ireland) in December 2009. The Group announced its intention to participate in the ELG Scheme on 11 January 2010.

The ELG Scheme, currently approved by the European Commission under EU State aid rules, is subject to review in June 2010. Arising from this review, the European Commission could request the amendment or cessation of the ELG Scheme, including, for example, an increase in the cost of participating in the scheme to the Group. The ECB has highlighted that it believes that Guarantees of short term bank debt (maturity profile of less than 3 months) should be avoided. The ELG Scheme covers short term bank debt.

The CIFS Scheme and ELG Scheme are currently scheduled to expire on 29 September 2010 (bonds and deposits issued under the ELG Scheme will be covered up to maturity, up to a maximum of 5 years). While the Minister for Finance announced on 30 March 2010 that he would be seeking the European Commission's agreement for a modified extension of the guarantee beyond this date, with a phasing out over a realistic period of time, there is uncertainty as to whether the ELG Scheme will be extended beyond September 2010. A range of factors could influence such a decision including: a change of Government or make-up of the Government; a change in Government policy or EU policy; capital markets perception of Ireland; global economic conditions; perception of Irish financial institutions and global financial institutions generally; and the efficacy of the ELG Scheme prior to its expiry.

The cancellation or material amendment of the CIFS Scheme and / or the ELG Scheme, prior to the scheduled expiry date, could introduce systemic weakness to the Irish banking sector and remove an important element of liquidity support for the sector as a whole and could adversely affect the terms on which the Group would be able to access funding. The Group's financial position may also be impacted by material changes to the costs of participating in the CIFS Scheme and / or the ELG Scheme which may be changed at the discretion of the Minister for Finance.

Furthermore, should the expiry of the CIFS Scheme and the ELG Scheme on 29 September 2010 lead to unanticipated adverse impacts on the Group's funding markets, the Group may suffer further constraints on liquidity that could adversely affect the Group's financial position.

Credit Risk

Risks arising from changes in credit quality and the recoverability of both secured and unsecured loans and amounts due from counterparties are inherent in a wide range of the Group's businesses. The global economy has experienced a severe recession which has been particularly pronounced in our core markets of Ireland and the UK. These conditions have caused adverse changes in the credit quality of the Group's borrowers, counterparties and their guarantors, including sovereign counterparties, and heightened systemic risks in the financial system. As a result, the recoverability and value of the Group's assets have deteriorated and the quantum of impaired loans and impairment charges has increased significantly. Furthermore, the Group's performance may be affected by future recovery rates on assets which may continue to deteriorate. Additionally, historical assumptions underlying asset recovery rates may no longer be accurate given the unprecedented market disruption which has occurred.

The Group has exposures to a range of customers in different sectors, including a material concentration in residential mortgages and to investors in land, and developers of commercial and residential property (see page 76). Property prices have shown significant declines over the past two years and developers of commercial and residential property, particularly in Ireland, are facing challenging market conditions, including substantially lower prices and levels of activity. Beyond these sectors, economic conditions have deteriorated and this may lead to further declines in values of collateral and investments, weakening consumer and corporate spending, declining corporate profitability and an increase in corporate insolvencies.

Many residential property borrowers, in Ireland and the UK, borrow on short term fixed or discounted floating rates and when such rates expire, the continued reduced supply and stricter terms of lending, together with the potential for higher borrowing rates, have led and will continue to lead to higher delinquency rates. Conditions in the UK are not as severely impacted as in Ireland where higher levels of unemployment will also be likely to result in higher delinquency rates. These developments could have a materially adverse impact on the Group's ability to recover on these loans or could lead to write-downs of investments.

Even after the transfer of assets to NAMA, the Group has a significant exposure to investors in the commercial and residential property sectors. Economic conditions have deteriorated and interest rates are expected to rise in the Group's main markets which may lead to, amongst other things, tenant defaults, further declines in values of collateral and investments, weakening consumer and corporate spending, declining corporate profitability and an increase in corporate insolvencies. These developments could materially adversely impact the Group's ability to recover on these commercial property and residential investment lending portfolios or lead to write-downs of investments.

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

Capital Management

Capital adequacy and its effective management is critical to the Group's ability to operate its businesses, to grow organically and to pursue its strategy. The Group's business and financial condition could be affected if it is not able to manage its capital effectively or if the amount of capital is insufficient due to a materially worse than expected financial performance (including, for example, reductions in profits and retained earnings as a result of impairment losses or write downs, increases in risk weighted assets and delays in the disposal of certain assets as a result of market conditions).

The Financial Regulator has completed a Prudential Capital Assessment Review ("PCAR") for Bank of Ireland in order to assess its capital requirements. This review has taken into account both expected base and potential stressed loan losses, together with other financial developments, over a 3 year time horizon to 31 December 2012.

The PCAR has been undertaken with reference to:

- a target core tier 1 ratio level of 8% in the base case. As a further prudent requirement, the capital to meet the base case target must be principally in the form of equity to meet a targeted equity tier 1 ratio of 7%.
- a target level of 4% core tier 1 capital should be maintained in a stress scenario.

As announced on 30 March 2010, the outcome of this review is that the Financial Regulator has determined that the Group needs to raise an additional €2.7 billion of equity capital by 31 December 2010 to comply with the PCAR.

This outcome is aligned with the Group's previously held views. The Group's plans to raise additional capital are in accordance with the Financial Regulator's requirements. In conjunction with these plans and to support them, the State will commit to converting part of its €3.5 billion Preference Stock into ordinary equity which would have a dilutive impact on existing ordinary stockholders.

To the extent that the Group is not able to raise the planned amount of additional equity capital from existing ordinary stockholders, the holdings of those stockholders are at risk of further dilution .

Separately, a number of regulatory initiatives have recently been proposed, which could significantly alter the Group's capital requirements. These proposed initiatives include:

The EU Capital Requirements Directive II ("CRD II") is due to be implemented by 31 December 2010 and while it has been adopted into law there is still significant uncertainty around the interpretation and the implementation of the directive as it relates to the Group;

The EU Capital Requirements Directive III ("CRD III") is currently subject to consultation and the implementation of the rules is expected by 1 January 2011. It will introduce a number of changes in response to the recent and current market conditions, which may:

- Strengthen the capital requirements to ensure that a financial institution's assessment of the risks connected with its trading book better reflects the potential losses from adverse market movements in stressed conditions;
- Impose higher capital requirements for re-securitisations to ensure that financial institutions take proper account of the risks of investing in complex financial products and
- Upgrade disclosure standards and requirements with a view to increasing market confidence.

On 16 December 2009, the Basel Committee on Banking Supervision, a forum for regular cooperation on banking supervisory matters, published a consultation paper entitled "Strengthening the resilience of the banking sector". The consultation paper contains proposals to strengthen the global capital framework by, among other things, raising the quality of the equity and tier 1 capital base in a harmonised manner, strengthening the risk coverage of the capital framework, promoting the build up of capital buffers and introducing a global minimum liquidity standard for the banking sector. The consultation paper is open for consultation until 16 April 2010 and any changes are not expected to be implemented until after 2012.

On 26 February 2010, the EU Commission issued a public consultation document on possible changes to the Capital Requirements Directive IV ("CRD IV") which is closely aligned with the proposals from the Basel Committee on 16 December 2009.

The Solvency II Directive (Directive 2009 / 138 / EC), adopted by the European Parliament on 22 April 2009 and endorsed by the Council of Ministers on 5 May 2009, is a fundamental review of the capital adequacy regime for the European insurance industry and is due to be implemented by 31 October 2012.

Significant uncertainty remains around the final requirements and implementation of these proposed initiatives. If these measures were implemented as currently proposed, they would be expected to have a significant impact on the capital and asset and liability management of the Group, which in turn could have an adverse affect on the Group's results, financial condition and prospects.

European Commission Review

The Group has benefited from various Irish Government support initiatives (the CIFS Scheme and the ELG Scheme, the NPRFC Investment and NAMA) which are subject to review by the European Commission under EU State Aid rules.

As part of this review, a plan was submitted to the European Commission on 30 September 2009. Over the last number of months, the Department of Finance and the Group have been involved in detailed negotiations with the European Commission in relation to the terms of the Group's restructuring plan. At this stage, the content of the final EU Restructuring Plan has not been agreed. Based on the process that some other European banks have undergone, the plan could involve the imposition of measures by the European Commission that may be adverse to the Group's interests.

Irish Government Recapitalisation

On 31 March 2009, the Irish National Pensions Reserve Fund Commission, acting on the direction of the Minister for Finance of Ireland (the "Minister"), completed its subscription for €3.5 billion in preference stock in the capital of the Group which included warrants in respect of ordinary stock (the "NPRFC Investment"). The terms and conditions of the NPRFC Investment place certain restrictions on the Group, and require the Group to submit to a heightened degree of government regulation in relation to the operation of its business.

The European Commission has indicated that, in line with its policy and pending its assessment of the Group's restructuring plan (which is required in compliance with State aid rules), the Group should not make any non-cumulative distributions or dividends on certain Tier 1 and Upper Tier 2 capital instruments unless under a binding legal obligation to do so. As a consequence of this and, in accordance with Bye Law 6(I)(4), the Directors of the Group announced that on 22 February 2010 it would issue Ordinary Stock equivalent to the aggregate cash amount of the 2010 preference stock dividend of €250 million. This gave rise to an issue of 184,394,378 units of ordinary shares to the NPRFC giving it a holding of 15.73 per cent.

The terms and conditions of the Government Guarantee Scheme and recapitalisation place certain restrictions on, and require the Group to submit to a degree of governmental regulation in relation to the operation of the Group's business. In particular, obligations to reduce risk profile and meet target ratios including, inter alia, specific targets for increased lending capacity to small to medium enterprises and residential mortgages, accept board appointees and controls on acquisitions and dividend payments could limit the Group's ability to determine independently its corporate strategy or adversely affect the Group's financial condition.

National Asset Management Agency

In January 2010, at an Extraordinary General Court, stockholders voted in favour of the Group's application to participate in NAMA, and in February 2010 the Minister for Finance confirmed the Group's designation as a participating member. Performing and non-performing land and development loans, together with associated loans (primarily investment property loans), collectively defined as Eligible Bank Assets, are expected to be transferred on a phased basis from April 2010, with the largest systemic exposures to the Irish banking system being acquired first.

A number of uncertainties exist as to the specific quantum and timing of Eligible Bank Assets which may transfer to NAMA, the discounted price that NAMA would pay for those Eligible Bank Assets, the fees that the Group would be paid for any work undertaken in relation to such Eligible Bank Assets and the 'fair value' of the consideration to be received.

Given the uncertainties outlined above, the financial impact of the ultimate discount could be higher than envisaged and therefore could have a more significant adverse impact on the Group's financial performance and prospects than currently expected.

Market Risk

The Group can be exposed to market risks such as changes in interest rates, foreign exchange rates and bond and equity prices. Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between lending and borrowing rates, the effect of which may be heightened during periods of liquidity stress, such as those experienced in the past two years. Changes in currency rates, particularly the euro-sterling exchange rate, impact the value of assets, liabilities, income and expenses denominated in foreign currencies and the reported earnings of the Group's overseas operations and may affect income from foreign exchange dealing. The performance of financial markets may affect the value of the Group's investment and trading portfolios. While the Group has no direct exposure to equity markets, changes in equity prices may affect the present value of the fee income that is linked to the value of equity assets under management. While the Group has implemented risk management methods to mitigate and control these and other market risks to which it is exposed, it is difficult, particularly in the current environment, to predict with accuracy changes in economic or market conditions and to anticipate the effects that such changes could have on the Group's financial performance and prospects.

Valuation Risk

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

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

required to make often relate to matters that are inherently uncertain, such as expected cash flows, the ability of borrowers to service debt, residential and commercial property price appreciation and depreciation, and relative levels of defaults. Such assumptions, judgements and estimates may need to be updated to reflect changing facts, trends and market conditions. The resulting change in the fair values of the financial instruments could have a material adverse effect on the Group's earnings and financial condition. As recently experienced, market volatility and illiquidity has challenged the factual bases of certain underlying assumptions and made it difficult to value certain of the Group's financial instruments. Valuations in future periods, reflecting prevailing market conditions, may result in changes in the fair values of these instruments, which could have a negative effect on the Group's results or financial condition. Incorrect valuation of financial instruments could overstate earnings from market risk taken in the Trading Book. It could also understate counterparty credit risk in derivative instruments or overstate the value of marketable loan collateral. Finally the incorrect valuation of liquid assets could overstate the Group's liquidity position.

Change of Control

The Group is a party to joint ventures, contracts and other agreements containing change of control provisions that may be triggered in the event of a change of control of the Group, for example, as a result of a major stockholder, such as the NPRFC, obtaining a majority of the Group's issued ordinary stock. Joint venture and other agreements with change of control provisions typically provide for, or permit, the termination of the agreement upon the occurrence of a change of control of one of the parties, in some cases if the new controlling party does not satisfy certain criteria. The crystalisation of change of control provisions could also result in the loss of contractual rights and benefits. If there was a change of control of the Group, the exercise or decision by a counterparty not to waive or vary its rights on a change of control could have a material adverse effect on the Group's results, financial condition or prospects.

Key Staff

The Group's future success depends on its ability to attract, retain and motivate highly skilled and qualified personnel. The loss of the services of key employees could have a negative impact on the Group's future success and financial condition. Good employee relations are vital to the Group and the success of its business. In the event that the Group is impacted by industrial action or other labour conflicts, this may result in disruption to the Group's business, loss of customers and increased costs and could have a material and adverse impact on the Group's future results and financial condition.

Operational Risk

The Group's businesses are dependent on their ability to process and report accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal and regulatory regimes. Operational risks and losses can arise from fraud (internal or external), errors made by employees or by third parties, a failure to obtain proper authorisation for or to properly document transactions, a failure to comply with relevant regulatory rules and regulations (including those arising from anti money laundering and anti terrorism legislation), failures or inadequacies in equipment, systems and controls or natural disasters. Although the Group has implemented risk controls and loss mitigation actions to ensure that key operational risks are managed in a timely and effective manner, there can be no assurance that these controls or actions will be effective in controlling each of the operational risks faced by the Group. Any weakness in these controls or actions could result in an adverse impact on the Group's results and financial condition.

Pension Risk

The Group sponsors a number of defined benefit pension schemes for current and past employees and these schemes have a significant deficit, as calculated under the relevant accounting rules – International Accounting Standard (IAS) 19, as reported in the balance sheet at 31 December 2009. Given the current economic and financial market difficulties and the prospects for them to continue over the short and medium term, the Group has initiated a review of its defined benefit pension schemes. While this review has not yet been concluded, to the extent that the Group has to or elects to contribute to the deficit, such contributions could be significant and may have a negative impact on the Group's financial condition and prospects and could have an adverse impact on the Group's regulatory capital position.

Taxation Risk

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

Life Insurance Risk
The Group's insurance businesses are subject to inherent risks involving claims. Future claims in the Group's general insurance and life assurance business may be higher than expected as a result of changing trends in claims experience resulting from causes outside of the Group's control. These trends could adversely affect the profitability of current and future insurance products and services. The Group reinsures a significant part of the risks it has assumed and is accordingly exposed to the risk of loss should its reinsurers become unable or unwilling to pay claims made by the Group against them.

Reputation Risk
The Group's operations have inherent reputational risk. Negative public and market opinion can result from the actual or perceived manner in which the Group conducts its business activities or from actual or perceived practices in the banking industry, such as money laundering or mis-selling of financial products. Negative public opinion may adversely affect the Group's ability to attract and retain customers and, in particular, corporate and retail depositors. The Group cannot ensure that it will be successful in avoiding damage to its business from reputational risk.

Legal and Regulatory Risk
The Group is subject to financial services laws, regulations, administrative actions and policies in each location in which it operates. The nature and impact of these requirements are unpredictable and outside the control of the Group. The Group operates in a legal and regulatory environment that exposes it to potentially significant litigation and regulatory risks. Disputes and legal proceedings in which the Group may be involved are subject to many uncertainties, and their outcomes are often difficult to predict, particularly in the earlier stages of a case or investigation. Adverse regulatory action or adverse judgements in litigation could result in restrictions or limitations on the Group's operations or result in a material adverse impact on the Group's reputation or financial condition.

Deposit Compensation Schemes
The Group participates in compensation, contributory or reimbursement schemes in respect of banks and other authorised financial services firms that are unable to meet their obligations to customers. The Group may incur additional costs and liabilities as a result of participation in these schemes, which may negatively impact its financial condition.

1.1 Risk Management Approach

A description of the current market environment is set out on page 60.

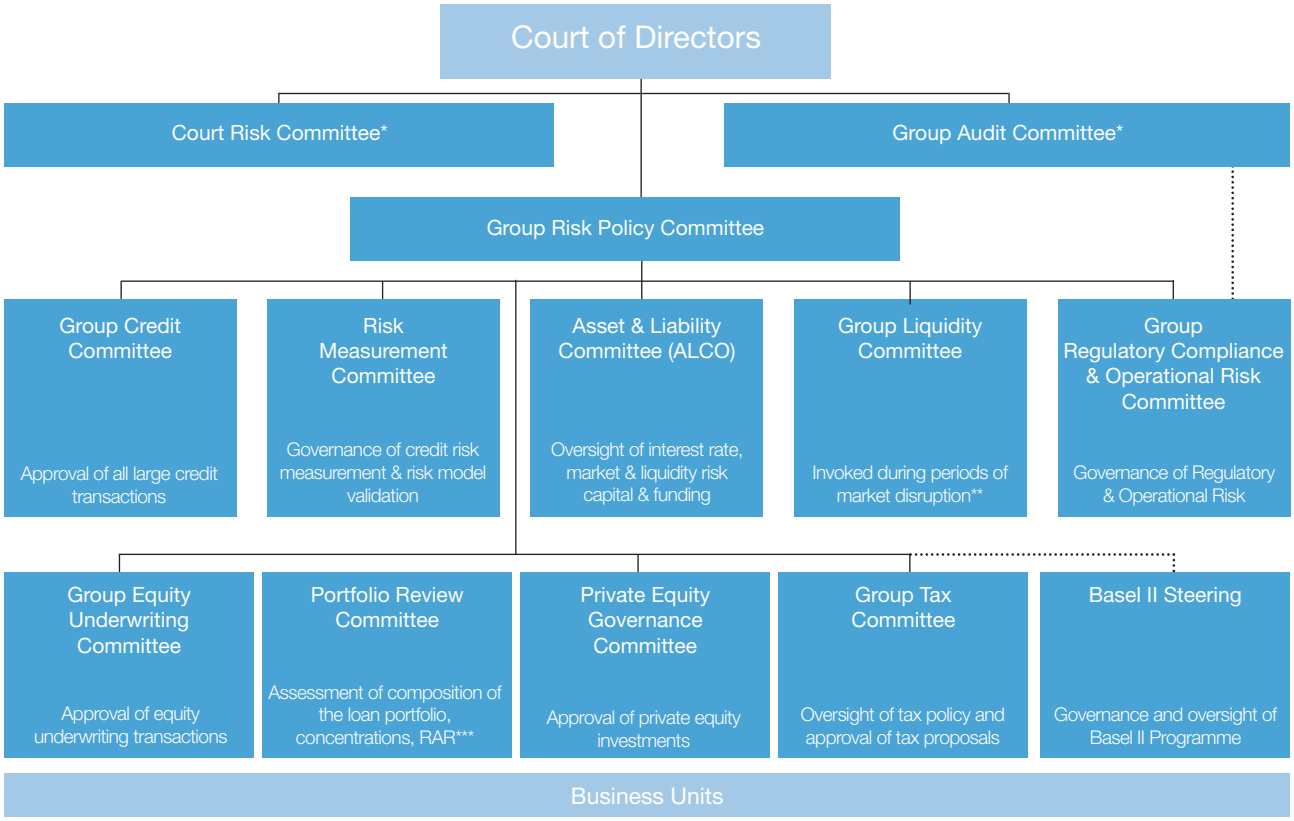
The Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into account and that its risk management and capital management strategies are aligned with its overall business strategy. This integrated approach is set out in the Group Risk Framework, which is approved by the Court of Directors. It describes the Group's formal governance process around risk and the approach to risk identification, assessment, analysis and reporting.

1.2 Risk Management Structure & Organisation

Risk Governance
The Group completed a review of its risk governance framework in May 2009 taking account of the impact of the recent financial crisis on the Group and on the financial services sector. The outcome of the review has resulted in several recommendations that have been or are currently being implemented. These include:-

- establishment of a new non-executive board level committee – the Court Risk Committee – with specific responsibility for advising the Court on all risk issues,
- the terms of reference and membership of key risk committees have been refined and updated for emerging best practice recommendations,
- the content of risk reporting has been enhanced and the frequency of reporting to senior management and the Court has increased,
- an internal reorganisation has been implemented, which includes a split of the role of the Chief Risk Officer into two functions - Chief Credit & Market Risk Officer (CCMRO) and Chief Governance Risk Officer (CGRO) – both of whom are members of the Group Executive, reporting directly to the Group Chief Executive Officer. The restructure was designed to enhance the status of risk at executive level and give greater line of sight on accountability and responsibility for risk.
- The responsibilities of the CCMRO include the management of credit and market risk and overall integrated risk reporting to the Group Executive team, the CRC and the Court.
- The CGRO has responsibility for the management of the Group Regulatory, Compliance and Operational Risk function, Group Internal Audit, Group Legal Services and the Group Secretariat.

Risk Governance Structure



* *Membership comprises only Non-Executive Directors*
** *The committee has been invoked and is overseeing the management of funding and liquidity*
*** *Risk-adjusted returns (RAR)*

Responsibilities for risk management extend throughout the organisation.

- The Court of Directors is responsible for approving high level policy and strategic direction in relation to the nature and scale of risk that the Group is prepared to assume to achieve its corporate objectives. The Court ensures that an appropriate system of internal control is maintained and reviews its effectiveness. It regularly reviews reports on the size and composition of key risks facing the Group as well as the proceedings of key committees;

- The Court Risk Committee (CRC) was established following internal and external reviews of risk governance in 2009. The committee comprises non-executive Directors of the Court and its primary responsibilities are to assist the Court in discharging its responsibilities in overseeing risk management in the Group. To that end it forms a view on the key risks facing the Group, on the quality and effectiveness of risk identification, assessment, control and reporting, reviews the extent to which strategy is informed by and aligned with the Group's risk appetite and reports its findings to the Court. It meets at least six times annually and more often if required. The committee met four times in the latter half of 2009.

- The Group Audit Committee (GAC) assists the Court in fulfilling its responsibilities in relation to risk management by, inter alia, reviewing and evaluating the Group's procedures for fraud prevention and detection; all regulatory contact in all jurisdictions, such as inspections, disciplinary matters and emerging developments; whether management is setting the appropriate "control culture" through communication and example and the timely implementation of recommendations; and a formal annual report of the effectiveness of the Group's system of internal controls, covering all material controls, including financial, operational and compliance controls and risk management systems ("Annual Controls Review").

- The Group Risk Policy Committee (GRPC) is the senior management risk committee of the Group. It is appointed by and reports directly to the Court. It is chaired by the Chief Credit & Market Risk Officer (CCMRO). The GRPC exercises authority delegated by the Court to approve business initiatives that have material implications for the level or composition of risk, and which are consistent with high level policy approved by the Court. The CRC and the Court oversee the decisions of the GRPC through a review of the GRPC minutes. The GRPC delegates specific responsibility for oversight of the major classes of risk (credit, market, liquidity, operational, regulatory) to specific committees that are accountable to it.

The Group's approach to risk management is based on three lines of defence.

1. Primary responsibility and accountability for risk management lies with line management in individual businesses. Every business unit is responsible for the identification and management of risk at business unit level including the implementation of appropriate controls and reporting to the Group in respect of all major risk events. Business units are the owners of the risks arising in their businesses, are accountable for them and are the first line of defence for the Group in managing them.
2. Central risk management functions are responsible for establishing a risk control framework, formulating risk policy and strategy, and providing independent oversight and analysis and centralised reporting of key risks. This includes divisional credit functions (reporting to the CCMRO) responsible for independent oversight and analysis of credit risk within their respective divisions.
3. Group Internal Audit is responsible for providing control assurance to the Court, Group Audit Committee and senior management and other interested parties such as the regulators and external auditors. This includes Group Credit Review (GCR) who are responsible for the review of the quality and management of credit risk assets across the Group. Independence is assured through direct access to the chair of the Group Audit Committee.

The organisational structure for risk management is designed to facilitate reporting and escalation of risk concerns from business units and risk functions upwards to the GRPC, the CRC and the Court of Directors, and the conveying of approved risk management policies and decisions from the Court and the GRPC to business units. In addition, Group Treasury (formerly Asset and Liability Management) is responsible for capital planning & management, liquidity planning and management, transfer pricing, balance sheet management and contingent liquidity programmes. The Group Treasurer heads the function and reports directly to the Group Chief Financial Officer. Risk Strategy, Analysis and Reporting, in conjunction with Group Treasury assess the impact of the most material risks on the Group's capital ratios.

1.3 Risk Strategy and Appetite

The Group's risk strategy and risk appetite is set by the Court of Directors and reviewed on an ongoing basis by the GRPC, the CRC and the Court.

Risk Strategy

The Group's core business objective is to engage in calculated and profitable risk taking to ensure adequate returns after taking risk into account. There are also risks that the Group wishes to avoid which, in addition to financial impacts, would lead to reputational damage in the perception of the Group by its customers, investors, suppliers, employees, regulators or the wider public.

The objectives of risk strategy are

- to ensure that all material risks are correctly identified, measured and adequately controlled
- to allocate clear roles, responsibilities and accountabilities for the control of risk within the Group, and
- to raise awareness of and commitment to the principles of risk management.

Risk Appetite

Risk appetite, which is approved by the Court, defines the amount and nature of risk the Group is prepared to accept in pursuit of its financial objectives. Given the unprecedented deterioration in economic conditions and the resulting strain on the Group's asset quality, capital and funding metrics, the Group is following a strategy designed to reduce its overall risk profile through increased capital ratios and decreased reliance on wholesale funding. Together these measures look to significantly reduce risk levels for stockholders and bondholders. This strategy also calls for the Group to exit from some lending portfolios. This strategy sets the Group's risk appetite by targeting the level of exposure to individual asset classes, the quantum and sources of funding and capital levels.

As economic conditions improve and as capital and funding levels strengthen, the Group's risk appetite will reflect its aims to deliver sustainable growth through the pursuit of business strategies which are aligned with the Group's risk principles. These principles stipulate that for significant risks that the Group assumes, it must have the ability to assess the risk and have appropriate resources and skills to manage them. The principles also stipulate that the Group must have appropriate governance processes in place, and must ensure that the risk does not cause any undue concentrations.

Risk Appetite guides the Group in its risk taking and related business activities. The Group's Risk Appetite Statement is derived having regard to the maintenance of financial stability, solvency and the protection of the Group's core franchises and growth platforms in the context of earning an appropriate return. The Group has defined measures to track its risk profile against the most significant risks that it assumes. Each of these measures has a defined target level or limit, as appropriate, and actuals are tracked against these targets and limits. All measures are reported to the GRPC, the CRC and to the Court through the Court Risk Report. The Group's risk appetite and risk profile must be aligned. Where the Group has a risk profile that is in excess of its risk appetite, it will take action to realign the risk profile through increased risk mitigation activities and risk reduction.

1.4 Risk Identification Process

Risks facing the Group are identified and assessed at least annually through the Group's Risk Identification Process.

Risks that are deemed material are included in the Group Risk Framework, owners identified, appropriate policies put in place and a formalised measurement and management process defined and implemented.

The Group has identified ten risk types that it believes could have a material impact on earnings, capital adequacy and on its ability to trade in the future. These ten risks have been assigned owners who report on and / or actively manage the risk within formalised measurement and management processes. The ten risk types are:

Credit risk is defined as the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes concentration risk and country risk.

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. Factors that may increase the Group's cost of funds would be rating downgrades or other factors which change the market's willingness to supply funding to the Group.

Business risk is the risk of loss due to uncertainty in profits or earnings volatility that damage the franchise or operational economics of a business. The uncertainty in profits or earnings volatility may be caused by changes in the competitive environment such as volume, margin or cost changes due to new entrants to the market, the introduction of new products, or a sudden shift in customer behaviour or demand, or by an inflexible cost structure that doesn't respond to a fall in earnings. Business risk also includes the risk of loss due to the inability to recruit, train, develop, motivate and / or retain appropriate numbers and / or calibre of staff and specifically the risk of loss of key personnel impacting the operation of one or more of the Group's businesses.

Market risk is the risk of loss due to an adverse change in the Group's income or net worth, arising from movements in interest rates, exchange rates or other market prices.

Pension risk is the risk that the assets of the schemes fail to generate returns that are sufficient to meet fully the liabilities of the schemes. This risk crystallises when a deficit emerges of a size which implies a material probability that the liabilities will not be fully met.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people related events and systems, or from external events and outsourcing arrangements. It includes legal and contractual risk which is the risk of loss due to litigation arising from errors, omissions, and acts by the Group in the conduct of its business.

Regulatory risk is the risk arising from a breach of regulatory and compliance deadlines and requirements. Regulatory risk arises from a failure to comply with the laws, regulations or codes applicable to the financial services industry in the jurisdictions within which the Group operates. Regulatory risk also includes tax compliance risk, which is the risk of loss due to non-compliance with tax legislation and the Group's tax policy.

Life insurance risk is defined as the volatility in the amount and timing of claims caused by unexpected changes in mortality, morbidity and longevity.

Model risk is the risk that the Group's suite of risk models inaccurately measures a risk to some exposures, resulting in it holding inadequate capital (economic or regulatory) or being subject to economic, regulatory and / or market censure.

Reputation risk is the risk to earnings arising from adverse perception of the Group's image on the part of customers, suppliers, counterparties, stockholders, investors or regulators.

While business units remain responsible for the identification and management of risk in their businesses, risk management functions are responsible for establishing a risk control framework.

As discussed earlier, many of these risks are impacted by unfavourable changes in economic conditions.

The Group's Capital Management function assesses the impact of the most material risks on the Group's capital ratios.

In addition to, and separate from, the Group's Risk Identification Process, the top five risks facing the Group are identified on a half yearly basis whereby members of the Group Executive and the GRPC identify and rank the top five macro risks facing the Group for consideration by the CRC and the Court. The following criteria are used to identify and assess the top risks:

- the severity of the risk in terms of materiality and the length of time it would take the Group to recover,
- the likelihood of the risk occurring and
- the impact of the risk, taking mitigants and likelihood into account.

1.5 Risk Measurement

Risk management systems are in place to facilitate measurement, monitoring and analysis of risk. These systems are in line with good practice and ensure compliance with regulatory requirements. In addition to the assessment of individual risks on a case-by-case basis, the Group also measures its exposure to risk at an aggregate level using, among other techniques, economic capital estimates and stress testing.

Economic capital

The Group uses Economic Capital (Ecap) as a metric by which risk is assessed, risk based budgets and strategic plans are articulated and an internal risk based capital framework is applied. Ecap is used internally for capital planning as well as for the calculation of risk adjusted returns. The common measure of return on risk used by the Group is Risk Adjusted Return on Economic Capital (RAROC).

Stress testing and scenario analysis

The Group conducts stress tests in order to assess the impact of adverse scenarios on the Group's loan impairment charges, profits, capital requirements and funding. Learning from the severity of recent events affecting the global economy and financial markets will inform the manner in which stress tests are utilised as a risk management and capital planning tool. For example, stress test results can be used to inform limits and other risk mitigating actions such as de-leveraging and to inform the amount and quality of capital required.

The results of stress tests are used to assess the Group's resilience to adverse scenarios and to aid the identification of potential areas of vulnerability or risk concentration. The tests are applied to the current risk exposures of the Group and also consider new business volumes as projected in the Group's business plan and strategy. Macroeconomic scenarios of different levels of severity are combined with assumptions on volume growth and margin development. Impacts are measured in terms of potential loan losses, profits and regulatory and economic capital requirements.

In addition to stress tests based on deteriorating macroeconomic conditions, the Group also carries out and analyses specific scenario-based stresses. These capture and quantify

- the potential exposure to specific risks such as concentrations to particular sectors, counterparties or geographies, and
- vulnerabilities to operational and environmental events.

The Group also performs other stress tests such as on individual credit models and market risk exposures, for the management and limit-setting of individual risks.

1.6 Risk Reporting

On a quarterly basis, material risks identified under the Group's Risk Identification Process are assessed and their status is reported by the CCMRO in the Court Risk Report in the first instance to the GRPC. This report is also submitted to the CRC and the Court. The format of this report is approved by the CRC. The content of the quarterly report includes analysis of and commentary on all material risk types as set out in page 69. It also addresses governance and control issues and the Group's capital position.

In addition to the quarterly report, the GRPC, the CRC and the Court consider more frequent formal updates on the key areas of credit and liquidity risk and capital management. The reports also provide data on the external economic environment and management's view of the implications of this environment on the Group's risk profile.

The CRC and the Court also receive risk information through their review of the GRPC minutes and also carry out investigations into specific risk matters in greater depth.

2 Management of Principal Risks

2.1 Credit Risk

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Definition
Credit Risk is defined as the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions.

Credit risk includes default risk, recovery risk, counterparty risk, the credit risk in securitisation, cross border (or transfer) risk, country risk, credit concentration risk and settlement risk.

The nature of the Group's exposure to credit risk and the manner in which it arises, its policies and processes for managing credit risk and the methods it uses to measure and monitor credit risk are set out below.

How Credit Risk Arises
The Group's customer base includes retail customers, financial institutions, sovereigns, state institutions and commercial entities. The Group is exposed to credit risk as a result of the financial transactions it enters into with these customers.

The main types of financial transaction the Group enters into and which give rise to credit risk are loans and advances to customers. Credit risk on loans and advances to customers arises as a result of amounts the Group has actually lent and amounts which the Group has committed to lend. Such commitments take a number of forms, the key ones being undrawn loans and overdrafts, guarantees, performance bonds and letters of credit. As regards commitments, the Group could potentially suffer loss to an amount equivalent to its total unused commitments. However, the Group does not expect to incur losses to that extent as most consumer related commitments can be cancelled and non-consumer commitments are entered into subject to the customer continuing to achieve specific credit standards.

The Group is also exposed to credit risk through its derivatives, available for sale, and other financial assets. In addition, credit risk arises in Bank of Ireland Life, primarily in relation to its reinsurance activities.

Credit Risk Exposures

At 31 December 2009, the Group classified those loans and advances to customers which are to transfer to NAMA as assets held for sale to NAMA. See section 1.4.2 of the Operating and Financial Review.

The table below represents the maximum exposure to credit risk for financial assets with material credit risk (net of impairment) at 31 December 2009 and 31 March 2009 without taking account of collateral or other credit enhancements held. Exposures are based on the net carrying amounts as reported in the balance sheet for on balance sheet assets.

	31 December 2009 €m	31 March 2009 €m
Maximum exposure to credit risk (before collateral or other credit enhancements)		
Loans and advances to banks (note 23)	5,031	7,886
Loans and advances to customers (note 25)	119,439	133,740
Assets held for sale to NAMA[1] (note 26)	9,581	-
Financial assets at fair value through profit or loss		
- Trading securities (note 20)	403	125
- Other financial assets[2]	3,275	3,207
Derivative financial instruments (note 21)	5,824	8,397
Available for sale financial assets[3] (note 24)	20,884	26,796
Other assets[4]	1,118	1,073
Total on balance sheet	**165,555**	**181,224**
Contingent liabilities and commitments (note 44)	27,456	29,487
Total maximum exposure	**193,011**	**210,711**

1 Assets held for sale to NAMA include derivatives and accrued interest (see note 26).
2 Other financial assets at fair value through profit or loss includes government bonds, unit trusts, debt securities, loans and advances, and excludes equity securities as they are not subject to credit risk (see note 22).
3 Available for sale financial assets excludes equity securities (see note 24).
4 Other assets includes interest receivable and the reinsurance asset.

Credit Risk Management

The Group's approach to the management of credit risk is focused on a detailed analysis at origination followed by early intervention and active management of accounts where creditworthiness has deteriorated. Given the changed credit and economic environment over the past two years, and the potential for further deterioration in the financial situation of borrowers, the Group has enhanced its approach to credit management.

In May 2009, a new organisational structure was put in place. This structure includes the creation of an enhanced Credit & Market Risk function and the appointment of a Group Chief Credit & Market Risk Officer with responsibility for the management of credit and market risk and overall risk reporting to the Group Executive team, the CRC and the Court.

The objectives of the Credit & Market Risk function are to provide strong independent oversight and management of the Group's credit risk strategy, credit risk management information and credit risk underwriting as well as strategic oversight and the management of certain challenged portfolios.

The Group continues to enhance a range of initiatives to deal with the effects of the continued deterioration in the credit environment and decline in asset quality, such as the following:

- enhancement of collections and recoveries processes,
- the creation and the expansion of existing specialist work out teams to ensure early intervention and resolution,
- more frequent and intensive review cycles for 'at risk' exposures and management of excess positions,
- reviews of industry / market sectors considered to be more vulnerable,
- support from central teams in managing 'at risk / challenged' portfolios at a business unit level,
- increased centralised control over restructures by Group Credit Committee (GCC), and
- tighter / modified lending criteria for specific sectors.

The segregation of 'at risk' assets and realignment of resources allows remaining portfolio managers to focus on the 'acceptable quality' book and to work closely with those customers to help them maintain healthy working capital / cash flow positions.

The weakened international financial environment and large bank failures / rescues since September 2008 means that the Group is exposed to increased counterparty risk. The Group has invoked a number of measures to mitigate this increased risk. These include reduced individual bank exposures, enhanced credit risk management procedures for vulnerable exposures, actively managing down these exposures and the application of tighter credit policy criteria where required.

Credit policy
The core values and principles governing the provision of credit are contained in the Group Credit Policy, which is approved by the Court, on the advice of the CRC and the recommendation of the GRPC. Individual business unit credit policies, approved by the GRPC / Head of Risk Strategy, Analysis & Reporting as appropriate, define in greater detail the credit approach appropriate to the units concerned, taking account of the markets in which they operate and the products they provide. In a number of cases, business unit policies are supplemented by sectoral credit policies. Each staff member involved in developing banking relationships and / or in assessing or managing credit is expected to be fully conversant with applicable policies and procedures and has a responsibility to ensure compliance with these policies. Procedures for the approval and monitoring of exceptions to policy are included within the policy documents.

Lending authorisation
The Group's credit risk management systems operate through a hierarchy of lending authorities, which are related to internal loan ratings. All exposures above certain levels require approval by the Group Credit Committee (GCC). Other exposures are approved according to a system of tiered individual authorities. Individuals are allocated lending limits according to credit competence, proven judgment, experience and the nature and scale of lending in their business unit.

Material lending proposals are referred to credit units for independent assessment / approval or formulation of a recommendation and subsequent adjudication by the applicable level of approval authority.

Credit Reporting / Monitoring
It is the Group's policy to ensure that adequate up to date credit management information is available to support the credit management of individual account relationships and the overall loan portfolio. Information is produced on a timely basis and at a frequency interval that reflects the purpose of the report.

Credit risk at a Group, divisional and significant operating unit / product type level is reported on a monthly basis to senior management. This monthly reporting includes information and detailed commentary on loan book growth, quality of the loan book (credit grade and Probability of Default (PD) profiles and Risk Weighted Assets), concentrations and loan impairment provisions including individual large impaired exposures. The report and commentaries are consistent across the Group, delivering an assessment of trends in the loan book.

On a quarterly basis, the Portfolio Review Committee (PRC) considers a credit concentration report, which tracks changes in sectoral and single name concentrations as measured under agreed parameters. This report also details the Group's largest individual credit exposures.

Trends in Economic Capital usage in the Group's main lending businesses are also reported to the PRC on a quarterly basis. This report acts to highlight changes to risk concentration in the Group's loan book.

Credit risk is also reported monthly in the Court Risk Report. This report is presented to and discussed by the GRPC, the CRC and the Court.

Along with the stated suite of monthly and quarterly reporting, ad hoc reports are submitted to senior management and the Court as required.

Group Credit Review (GCR), an independent function within Group Internal Audit, reviews the quality and management of credit risk assets across the Group and reports to the GRPC on a quarterly basis. The reviews cover lending units in each division and incorporate an examination of adherence to credit policies and credit procedures across the various portfolios. GCR also addresses the timeliness of the annual review process and the quality of credit assessment in each portfolio.

Credit related commitments
The Group classifies and manages credit related commitments that are not reflected as loans and advances on the balance sheet, as follows:

Guarantees and standby letters of credit: irrevocable commitments by the Group to make payments at a future date in specified circumstances on behalf of a customer. These instruments are assessed on the same basis as loans for credit approval and management.

Performance or similar bonds and guarantees: Group undertakings on behalf of a customer to deliver funds to a third party in specified circumstances should the customer fail in their obligations to the third party. These instruments are assessed on the same basis as loans for credit approval and management.

Documentary and commercial letters of credit: written undertakings by the Group on behalf of a customer authorising a third party to draw drafts or payment instruments on the Group to a stipulated amount under specific terms and conditions. Also, situations where the Group confirms / guarantees to a foreign bank in respect of export letters of credit. These instruments are collateralised by the underlying shipment of goods to which they relate and are assessed on the same basis as loans for credit approval and management.

Commitments: unused elements of authorised credit in the form of loans, guarantees or letters of credit, where the Group is potentially exposed to loss in an amount equal to the total unused commitments. The likely amount of loss is less than the total unused commitments, as most commitments are contingent upon customers maintaining specific credit and performance standards. These instruments are assessed on the same basis as loans for credit approval and management.

Letters of offer: where the Group has made an irrevocable offer to extend credit to a customer and the customer may or may not have confirmed acceptance of the offer on the terms outlined and within the specified timeframe. The exposure is assessed on the same basis as loans for credit approval and management. The exposure to credit risk is considerably less than the face value of offer letters, as not all offers are accepted.

Counterparty Credit Risk arising from derivatives
Credit risk exposure arising from derivative instruments (i.e. counterparty credit risk exposure) is managed as part of the overall lending limits with customers and financial institutions.

Credit risk exposure on derivative transactions is calculated based on a methodology involving the current value of the contract (mark to market) and an estimate of the maximum cost of rewriting the contract in the event of counterparty default. This credit risk exposure is managed as part of the overall lending limits with customers and financial institutions. The credit process also limits gross derivative positions. Collateral or other security may be required from counterparties.

The Group has executed standard internationally recognised documents such as International Swaps and Derivative Association (ISDA) agreements and Credit Support Annexes (CSAs) with its principal interbank derivative counterparties and a very high proportion of its total interbank derivatives book is covered by CSAs and is hence collateralised. The purpose of a CSA is to limit the potential cost of replacing derivative contracts at market prices in the event of default by the original counterparty.

Currently all collateral for derivative counterparty risk is in the form of cash.

Country Risk
The Group is exposed to country risk. Exposures are managed in line with approved policy and country maximum exposure limits.

Settlement Risk
Settlement risk arises in any situation where a payment in cash, securities or equities is made in expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risks arising from the Group's market transactions on any single day.

Credit Concentration Risk
Credit concentration risk is the risk of loss due to exposures to a single entity or group of entities engaged in similar activities and having similar economic characteristics and / or dependencies that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Undue concentrations could lead to increased volatility in the Group's expected outcomes. The management of credit concentration risk is governed by the Group's Credit Concentration Policy as approved by the GRPC.

Loans & advances to customers and loans held for sale to NAMA (Total loans)

The following table gives the geographic and industry breakdown of gross loans and advances to customers (before impairment provisions) based on the location of the business unit where the borrowing is booked.

Geographical / industry analysis	Total loans and advances to customers 31 December 2009			Total loans and advances to customers 31 March 2009		
	Ireland €m	UK & other €m	Total €m	Ireland €m	UK & other €m	Total €m
Personal						
- Residential mortgages	28,196	32,274	60,470	27,647	31,241	58,888
- Other consumer lending	2,906	1,434	4,340	3,406	2,231	5,637
Property and construction	19,472	16,038	35,510	19,358	14,597	33,955
Business and other services	11,983	3,627	15,610	10,782	6,032	16,814
Manufacturing	4,511	1,744	6,255	6,049	1,740	7,789
Distribution	4,463	525	4,988	3,343	795	4,138
Transport	778	618	1,396	935	319	1,254
Financial	1,088	1,354	2,442	1,919	349	2,268
Agriculture	1,726	388	2,114	1,954	57	2,011
Energy	1,438	108	1,546	2,555	212	2,767
Total	**76,561**	**58,110**	**134,671**	77,948	57,573	135,521

The following table gives the geographic and industry breakdown of gross loans held for sale to NAMA (before impairment provisions) based on the location of the underlying property.

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Geographical / industry analysis	Loans held for sale to NAMA 31 December 2009			Loans held for sale to NAMA 31 March 2009		
	Ireland €m	UK & other €m	Total €m	Ireland €m	UK & other €m	Total €m
Personal						
- Residential mortgages	68	-	68	-	-	-
- Other consumer lending	-	-	-	-	-	-
Property and construction	7,503	4,453	11,956	-	-	-
Business and other services	188	8	196	-	-	-
Manufacturing	7	-	7	-	-	-
Distribution	-	-	-	-	-	-
Transport	-	-	-	-	-	-
Financial	-	-	-	-	-	-
Agriculture	8	-	8	-	-	-
Energy	-	-	-	-	-	-
Total	**7,774**	**4,461**	**12,235**	-	-	-

The Group's primary markets are Ireland and the UK and exposures originated and managed in these countries represent a material concentration of credit risk. Similarly, the Group exhibits a material concentration in Residential mortgages and the Property and construction sector. The level of concentration in the Property and construction sector will be reduced following the transfer of loans of circa. €12.2 billion (before impairment provisions) to NAMA.

The Group's Residential mortgage portfolio is widely diversified by individual borrower and amounted to 45% of Total loans at 31 December 2009 (31 March 2009: 44%). 47% of Residential mortgages related to Ireland and 53% related to the UK (both percentages unchanged from 31 March 2009).

The Property and construction sector accounted for 27% or €36 billion of the Group loan book as at 31 December 2009 (31 March 2009: 25% or €34 billion). This book includes both investment loans and land and development loans. The increase since 31 March 2009 is primarily due to additional loan drawdowns of committed facilities and the impact of movements in exchange rates.

Large Exposures
The Group's Credit Concentration Policy and regulatory guidelines set out the maximum exposure limits to a customer or a group of connected customers. The policy and regulatory guidelines cover both bank and non-bank counterparties.

The Group limits risk concentration in individual non-bank credit exposures to 10% of total tier 1 capital. This limit is based on aggregate "clean credit commitments", defined as total credit exposure less any amounts covered by pledged cash, Government Guarantee or acceptable Bank Guarantee. No single customer exposure exceeds regulatory guidelines.

At 31 December 2009, the Group's top 50 non-Bank exposures amounted to €13.6 billion and accounted for 10% (31 March 2009: €14.9 billion and 11%) of the Group's loans and advances to customers including loans held for sale to NAMA. Of this amount at 31 December 2009 €3.7 billion relates to loans held for sale to NAMA.

Credit Risk Assessment & Measurement

All credit transactions are assessed at origination for credit quality and the borrower is assigned a credit grade based on a predefined credit rating scale. The risk, and consequently credit grade, is reassessed periodically as part of the transaction review process.

The use of internal credit rating models and scoring tools, which measure the degree of risk inherent in lending to specific counterparties, is central to the credit risk assessment and ongoing management processes within the Group. The primary model measures used are:

- Probability of Default: the probability of a given counterparty defaulting on any of its borrowings from the Group within the next twelve months,
- Exposure at Default: the exposure the Group has to a defaulting borrower at the time of default,
- Loss Given Default: the loss incurred on a specific transaction should the borrower default, expressed as a percentage of Exposure at Default, and
- Maturity: the contractual or estimated time period until an exposure is fully repaid or cancelled.

These measures are used to calculate expected loss and are fully embedded in, and form an essential component of, the Group's operational and strategic credit risk management and credit pricing practices.

For the Group's retail consumer and smaller business portfolios, which are characterised by a large volume of customers with smaller individual exposures, the credit risk assessment is grounded on application and behavioural scoring tools. For larger commercial and corporate customers, the risk assessment is underpinned by statistical risk rating models which incorporate quantitative information from the customer (e.g. financial accounts) together with a qualitative assessment of non-financial risk factors such as management quality and market / trading outlook.

Other financial assets are assigned an internal rating supported by external ratings of the major rating agencies.

The credit risk rating systems employed within the Group use statistical analysis combined, where appropriate, with external data and the judgement of professional lenders.

An independent unit reporting to Group Internal Audit annually validates internal credit risk models from a performance and compliance perspective. This unit provides reports to the Risk Measurement Committee (RMC).

Risk modelling is also applied at a portfolio level in the Group's credit businesses to guide economic capital allocation and strategic portfolio management.

The measures to calculate credit risk referred to above are used to calculate expected loss. A different basis is used to derive the amount of incurred credit losses for financial reporting purposes. For financial reporting purposes, impairment allowances are recognised only with respect to losses that have been incurred at the balance sheet date based on objective evidence of impairment.

Credit Risk Mitigation

An assessment of the borrower's ability to service and repay the proposed level of debt is undertaken for credit requests and is a key element in the Group's approach to mitigating risk. In addition, the Group mitigates credit risk through the adoption of both proactive preventative measures (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks, should these materialise (e.g. hedging, securitisation and collateralisation).

Controls and limits
The Group imposes risk control limits and guide points to mitigate significant concentration risk. These limits and guide points are informed by the Group's loss tolerance guide points and are set in the context of the Group's risk strategy and risk appetite.

The GRPC approves country maximum exposure limits annually based on internal country risk rating models supported by external ratings.

Maximum exposure limits for lending to banks are also approved annually by the GRPC for each rating category based on credit risk modelling techniques combined with expert judgement.

Risk transfer and financing strategies
The objective of risk mitigation / transfer is to limit the risk impact to acceptable (quantitative and qualitative) levels and protect Group income streams.

Where the risk review process indicates the possible emergence of undue risk concentrations, appropriate risk transfer and mitigation options are explored and recommended to the Portfolio Review Committee (PRC). These options may include hedging strategies and securitisation programmes.

The Group currently makes very limited use of hedging strategies or credit derivatives for risk mitigation purposes. A number of securitisation transactions for residential and commercial mortgages and a collateralised debt obligation (CDO) vehicle, primarily for leveraged loans, have been undertaken. The primary purpose of these initiatives was for contingent liquidity management.

Collateral
Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product and local market practice, as set out in the Group's policies and procedures. The nature and level of security required depends on a number of factors, including but not limited to the amount of the exposure, the type of facility provided, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or probability of default.

A variety of types of collateral are accepted, including property, securities, cash, guarantees and insurance, grouped broadly as follows:

- Financial collateral (lien over deposits, shares, etc.),
- Residential and commercial real estate,
- Physical collateral (plant & machinery, stock, etc.), and
- Other collateral (debtors, guarantees, insurance, etc.).

The Group's requirements around completion, valuation and management requirements for collateral are set out in appropriate Group or business unit policies and procedures. The Group has availed of the option under IFRS 7 not to disclose the fair value of collateral held against past due or impaired financial assets given that it is operationally impracticable.

Master Netting Arrangements
The Group reduces its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that, if a default occurs, all amounts with the counterparty are terminated and settled on a "net" basis.

Loan Loss Provisioning Methodology

Through its ongoing credit review processes, the Group seeks to identify deteriorating loans early with a view to taking corrective action to prevent the loan becoming impaired. Typically, loans that are at risk of impairment are managed by dedicated specialist units / debt collection teams focused on "working out" loans.

The identification of loans for assessment as impaired is driven by the Group's credit risk rating systems. It is the Group's policy to provide for impairment promptly and consistently across the loan book. For those loans that become impaired, the focus is to minimise the loss that the Group will incur from the impairment. This may involve entering into restructuring arrangements or action to enforce security or legal pursuit of individuals who are personally liable for the loan.

All credit exposures, either individually or collectively, are regularly reviewed for objective evidence of impairment; where such evidence of impairment exists, the exposure is measured for an impairment provision. The criteria used to determine that there is objective evidence of impairment include:

- delinquency in contractual payments of principal or interest,
- cash flow difficulties,
- breach of loan covenants or conditions,
- deterioration of the borrower's competitive position,
- deterioration in the value of collateral,
- external rating downgrade below an acceptable level,
- initiation of bankruptcy proceedings.

Where objective evidence of impairment exists, as a result of one or more past events, the Group is required to estimate the recoverable amount of the exposure or group of exposures.

For financial reporting purposes, loans on the Balance Sheet that become impaired are written down to their estimated recoverable amount. The amount of this write down is taken as an impairment charge to the income statement.

The Group's impairment provisioning methodologies are compliant with International Financial Reporting Standards (IFRS). International Accounting Standard (IAS) 39 requires that there is objective evidence of impairment and that the loss has been incurred. The standard does not permit the recognition of expected losses, no matter how likely these expected losses may appear.

All exposures are assessed for impairment either individually or collectively.

Methodology for Individually Assessing Impairment

An individual impairment assessment is performed for any exposure for which there is objective evidence of impairment, and where the exposure is above an agreed minimum threshold. The carrying amount of the exposure net of the estimated recoverable amount (and thus the specific provision required) is calculated using a discounted cashflow analysis. This calculates the estimated recoverable amount as the present value of the estimated future cash flows, discounted at the exposure's original effective interest rate (or the current effective interest rate for variable rate exposures). The estimated future cashflows include forecasted principal and interest payments (not necessarily contractual amounts due) including cash flows, if any, from the realisation of collateral / security held, less realisation costs.

In the context of the Group's impaired land and development property assets, where recovery and / or repayment is likely to be generated from asset sales and / or realisation of the property collateral, estimated cashflows are based on valuations from one or more different methods, in light of the restricted market liquidity that currently exists. These valuation methods include valuations from independent external professionals, estimates based on verbal consultations with external valuers, local market knowledge provided by relevant bank management, and residual value methodologies. The appropriate methodological application depends on the particular circumstances of the loan and underlying collateral, e.g. the degree of liquidity and recent transactional evidence in the relevant market segment, the type, size and location of the property asset and its development potential and marketability.

Given the absence of sufficient transactional evidence and market liquidity, up to date, independent and professional valuations in writing are sought in certain circumstances. Whilst less formal than written valuations, verbal consultations with external valuers can help benchmark asset values and provide general information on market developments and trends. The application of local market knowledge occurs typically where the loan and underlying property asset are relatively small and relevant bank management has in-

depth knowledge of both the property asset and local market conditions, which may be illiquid. In such cases, estimated valuations of undeveloped sites may be expressed on a 'per plot' basis if there is suitable zoning / planning in place, whereas unzoned rural land may be assumed to have only agricultural value. Residual value methodologies are used to estimate the current value of a site or part-completed development based on a detailed appraisal that assesses the costs (building, funding and other costs) and receipts (forecast sales and / or lettings) associated with bringing a development to completion. This valuation methodology may be applied when a property asset is considered to have realistic development potential given current or anticipated planning status, projected marketability etc.

After applying one or more of the above methodologies, the resulting valuations show a wide range of discounts (typically between 40% and 90%) to estimated peak market values for the underlying property collateral assets. Key influencing factors as to the level of discount include the type of property asset (with undeveloped land incurring a relatively high discount), the status of zoning and planning, and the location in terms of both jurisdiction / region and proximate environment, e.g. whether city centre, suburban, provincial town or rural.

Methodology for Collectively Assessing Impairment

Where exposures fall below the threshold for individual assessment of impairment, such exposures with similar credit risk characteristics (e.g. portfolio of consumer personal loans) are pooled and are collectively assessed for impairment. A provision is then calculated by estimating the future cash flows of a group of exposures that are collectively evaluated for impairment. This estimation considers the expected contractual cash flows of the exposures in a portfolio and the historical loss experience for exposures with credit risk characteristics similar to those in the portfolio being assessed. Assumptions and parameters used to create the portfolio provision, which are based on historical experience (i.e. amount and timing of cashflows / loss given default), are regularly compared against current experience in the loan book and current market conditions.

Where there is objective evidence of impairment on a collective basis, this is reported as a specific provision in line with individually assessed loans.

Methodology for establishing Incurred but not reported (IBNR) provisions

Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. These are described as incurred but not reported provisions. Statistical models are used to determine the appropriate level of IBNR provisions. These models estimate latent losses taking into account three observed and / or estimated factors:

- loss emergence rates (based on historic grade migration experience or probability of default),
- the emergence period (historic experience, adjusted to reflect the current conditions and the credit management model),
- loss given default rates (loss and recovery rates using historical loan loss experience, adjusted where appropriate to reflect current observable data).

Account performance is reviewed periodically to confirm that the credit grade or probability of default assigned remains appropriate and to determine if impairment has arisen. For consumer and smaller ticket commercial exposures, the review is largely based on account behaviour and is highly automated. Where there are loan arrears, excesses, dormancy, etc. the account is downgraded to reflect the higher underlying risk. For larger commercial loans, the relationship manager re-assesses the risk at least annually (more frequently if circumstances or grade require) and re-affirms or amends the grade (credit and Probability of Default ("PD") grade) in light of new information or changes (e.g. up to date financials or changed market outlook). Grade migration and adjusted PD grades are analysed for inclusion in the loss model. Recent data sets are used in order to capture current trends, rather than averaging over a period which might include earlier and less stressed points in the credit cycle.

Emergence period is calculated using historical loan loss experience, adjusted to reflect the more intensive credit management model in place, where all vulnerable portfolios are reviewed on a shortened cycle. The range of emergence periods is typically three to nine months.

Loss given default is calculated using historical loan loss experience, adjusted where appropriate to apply management's credit expertise to reflect current observable data (including assessment of the deterioration in the property sector, discounted collateral values, rising unemployment and reduced repayment prospects, etc).

An analysis of the Group's impairment provisions at 31 December 2009 is set out on pages 86 and 87.

Other factors taken into consideration in estimating provisions include local and international economic climates, changes in credit management processes and policies, changes in portfolio risk profile and the effect of any external factors such as legal or competition requirements.

Whilst provisioning is an ongoing process, all business units formally review and confirm the appropriateness of their provisioning methodologies and the adequacy of their impairment provisions on a half yearly basis. Their conclusions are reviewed by the Credit & Market Risk function and the GRPC.

The Group's provisioning methodology is approved by the GRPC on a half yearly basis.

The quantum of the Group's loan loss charge, impaired loans balances and provisions is also reviewed by the GRPC semi annually, in advance of providing a recommendation to the Group Audit Committee.

Asset Quality - Financial Assets

The Group classifies financial assets as 'neither past due nor impaired', 'past due but not impaired' and 'impaired' in line with the requirements of IFRS 7.

The Group uses internal ratings, based on an assessment of the credit quality of the customer, as part of its credit risk management system. A thirteen point credit grade rating scale is used for more complex, individually managed exposures, including wholesale, corporate and business lending. A seven point credit grade rating scale is used for standard products (including mortgages, personal and small business loans). Both credit scales have a defined relationship with the Group's Probability of Default (PD) scale.

Other financial assets are assigned an internal rating supported by external ratings of the major rating agencies.

Loans and advances to customers and loans held for sale to NAMA are assigned an internal credit grade by the Group based on an assessment of the credit quality of the borrower.

'Neither past due nor impaired' ratings are summarised as set out below:

- high quality ratings apply to highly rated financial obligors, strong corporate and business counterparties and consumer banking borrowers (including residential mortgages) with whom the Group has an excellent repayment experience. High quality ratings are derived from grades 1 to 4 on the thirteen point grade scale, grades 1 and 2 on the seven point grade scale and ratings equivalent to AAA, AA+, AA, AA-, A+, A, A-, BBB+ and BBB for the external major rating agencies,
- satisfactory quality ratings apply to good quality financial assets that are performing as expected, including loans and advances to small and medium sized enterprises, leveraged entities and more recently established businesses. Satisfactory quality ratings also include some element of the Group's retail portfolios. Satisfactory quality ratings are derived from grades 5 to 7 on the thirteen point grade scale, grade 3 on the seven point grade scale and external ratings equivalent to BBB-, BB+, BB and BB-,
- acceptable quality ratings apply to customers with increased risk profiles that are subject to closer monitoring and scrutiny by lenders with the objective of managing risk and moving accounts to an improved rating category. Acceptable quality ratings are derived from grades 8 and 9 on the thirteen point grade scale, grade 4 outstandings within the seven point scale and external ratings equivalent to B+, and
- the lower quality but not past due nor impaired rating applies to those financial assets that are neither in arrears nor impaired but where the Group requires a work down or work out of the relationship unless an early reduction in risk is achievable. Lower quality ratings are derived from outstandings within rating grades 10 and 11 on the thirteen point grade scale and grade 5 on the seven point grade scale and external ratings equivalent to B or below.

'Past due but not impaired loans' are defined as follows:

- loans where repayment of interest and / or principal are overdue by at least one day but are not impaired.

'Impaired loans' are defined as follows:

- loans with a specific impairment provision attaching to them together with loans (excluding residential mortgages) which are more than 90 days in arrears.
- all assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale are impaired.

Asset Quality - loans and advances to customers including loans held for sale to NAMA (Total loans)

31 December 2009 Asset quality	Gross loans and advances to customers €m	%	Loans held for sale to NAMA €m	%	€m	Total loans %
High quality	68,654	56.1%	561	4.6%	69,215	51.4%
Satisfactory quality	27,665	22.6%	2,014	16.5%	29,679	22.1%
Acceptable quality	11,380	9.3%	2,266	18.5%	13,646	10.1%
Lower quality but not past due nor impaired	2,773	2.3%	575	4.7%	3,348	2.5%
Neither past due nor impaired	**110,472**	**90.2%**	**5,416**	**44.3%**	**115,888**	**86.1%**
Past due but not impaired	5,177	4.2%	255	2.1%	5,432	4.0%
Impaired	6,787	5.5%	6,564	53.6%	13,351	9.9%
Total loans and advances to customers	**122,436**	**100.0%**	**12,235**	**100.0%**	**134,671**	**100.0%**

31 March 2009 Asset quality	Gross loans and advances to customers €m	%	Loans held for sale to NAMA €m	%	€m	Total loans %
High quality	72,465	53.5%	-	-	72,465	53.5%
Satisfactory quality	37,087	27.3%	-	-	37,087	27.3%
Acceptable quality	12,556	9.3%	-	-	12,556	9.3%
Lower quality but not past due nor impaired	2,330	1.7%	-	-	2,330	1.7%
Neither past due nor impaired	124,438	91.8%	-	-	124,438	91.8%
Past due but not impaired	5,761	4.3%	-	-	5,761	4.3%
Impaired	5,322	3.9%	-	-	5,322	3.9%
Total loans and advances to customers	135,521	100.0%	-	-	135,521	100.0%

On 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the tables and commentary presents the loans and advances to customers of €122 billion and loans held for sale to NAMA of circa. €12 billion, together these are referred to as Total loans.

Asset quality continues to deteriorate on a declining loan book. Total loans classfied as 'neither past due nor impaired' have declined in both volume and percentage terms, with a significant rise in impaired loans in the period from €5.3 billion at 31 March 2009 to €13.4 billion at 31 December 2009. Of the impaired loans at 31 December 2009, 49% or €6.6 billion are expected to transfer to NAMA.

Total loans classified as 'neither past due nor impaired' accounted for 86.1% of the Group loan book at 31 December 2009 compared to 91.8% at 31 March 2009. The movement is due primarily to the deterioration in the global and Irish economic environments, resulting in continuing low levels of economic activity across our main markets, impacting upon credit quality.

In the 'past due but not impaired' category, both the quantum and percentage of the Total loans are down from €5.8 billion or 4.3% at 31 March 2009 to €5.4 billion or 4.0% at 31 December 2009. This reduction is mainly due to the movement of exposures into the 'impaired' category during the period.

'Impaired' loans increased from €5.3 billion at 31 March 2009 to €13.4 billion at 31 December 2009, an increase of 151%. This increase in impaired loans reflects the severe deterioration in general economic conditions, weaker consumer sentiment and a sharp slowdown in the Property and construction sector, particulary in the land and development sub-sector. Property and construction accounts for 72% of all impaired loans.

The Group currently expects that circa. €12.2 billion of loans may transfer to NAMA (classified as loans held for sale to NAMA). Of these assets of circa. €12.2 billion, 44% or €5.4 billion are classified as 'neither past due nor impaired', 2% or €0.3 billion are classified as 'past due but not impaired' and 54% or €6.6 billion are classified as impaired. Of the €6.6 billion impaired loans, €6.5 billion or 98% relates to the Property and construction portfolio with €5.2 billion or 80% of this relating to land and development.

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Challenged Loans

The Group's 'challenged' loans were €26.3 billion at 31 December 2009 compared to €15.7 billion at 31 March 2009. These 'challenged' loans include 'impaired loans', together with elements of 'past due but not impaired loans', 'lower quality but not past due nor impaired' and loans at the lower end of 'acceptable quality' which are subject to increased credit scrutiny.

The change since 31 March 2009 of €10.6 billion is due to the continued impact of the weaker economic conditions on arrears and continued downward grade migration across the portfolio particularly in Property and construction. Analysed by portfolio at 31 December 2009, Property and construction exposures continued to dominate and represent 58% of all challenged loans. The Non-property SME and corporate loan book accounts for 29% of challenged loans, Residential mortgages accounts for 8% and Consumer loans accounts for 5% of challenged loans at 31 December 2009.

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Asset Quality - Loans and advances to customers & loans held for sale to NAMA (Total loans)

The tables and analysis below summarise the Group's Total loans over the following categories: 'neither past due nor impaired', 'past due but not impaired' and 'impaired'. Exposures are based on the gross amount before provisions for impairment.

31 December 2009 Loans and advances to customers	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Financial assets neither past due nor impaired	56,600	30,821	19,390	3,661	110,472
Financial assets past due but not impaired	3,331	625	968	253	5,177
Impaired financial assets	471	2,694	3,196	426	6,787
Total	**60,402**	**34,140**	**23,554**	**4,340**	**122,436**

31 December 2009 Loans held for sale to NAMA	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Financial assets neither past due nor impaired	30	97	5,289	-	5,416
Financial assets past due but not impaired	38	2	215	-	255
Impaired financial assets	-	112	6,452	-	6,564
Total	**68**	**211**	**11,956**	**-**	**12,235**

31 December 2009 Total loans	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Financial assets neither past due nor impaired	56,630	30,918	24,679	3,661	115,888
Financial assets past due but not impaired	3,369	627	1,183	253	5,432
Impaired financial assets	471	2,806	9,648	426	13,351
Total	**60,470**	**34,351**	**35,510**	**4,340**	**134,671**

31 March 2009 Total loans	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Financial assets neither past due nor impaired	55,877	35,081	28,525	4,955	124,438
Financial assets past due but not impaired	2,782	773	1,892	314	5,761
Impaired financial assets	229	1,187	3,538	368	5,322
Total	58,888	37,041	33,955	5,637	135,521

Financial Assets 'neither past due nor impaired': Loans and advances to customers & loans held for sale to NAMA (Total loans)

The tables below provide an analysis of Total loans 'neither past due nor impaired' by asset classification based on an assessment of the credit quality of the borrower.

31 December 2009 **Risk profile** **Loans and advances to customers neither past due nor impaired**	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
High quality	56,600	8,298	1,073	2,683	68,654
Satisfactory quality	-	15,712	11,060	893	27,665
Acceptable quality	-	5,098	6,197	85	11,380
Lower quality but not past due nor impaired	-	1,713	1,060	-	2,773
Total	**56,600**	**30,821**	**19,390**	**3,661**	**110,472**

31 December 2009 **Risk profile** **Loans held for sale to NAMA neither past due nor impaired**	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
High quality	30	5	526	-	561
Satisfactory quality	-	40	1,974	-	2,014
Acceptable quality	-	32	2,234	-	2,266
Lower quality but not past due nor impaired	-	20	555	-	575
Total	**30**	**97**	**5,289**	**-**	**5,416**

31 December 2009 **Risk profile** **Total loans neither past due nor impaired**	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
High quality	56,630	8,303	1,599	2,683	69,215
Satisfactory quality	-	15,752	13,034	893	29,679
Acceptable quality	-	5,130	8,431	85	13,646
Lower quality but not past due nor impaired	-	1,733	1,615	-	3,348
Total	**56,630**	**30,918**	**24,679**	**3,661**	**115,888**

31 March 2009 Risk profile Total loans and advances to customers neither past due nor impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
High quality	55,877	10,555	2,370	3,663	72,465
Satisfactory quality	-	18,417	17,613	1,057	37,087
Acceptable quality	-	5,188	7,157	211	12,556
Lower quality but not past due nor impaired	-	921	1,385	24	2,330
Total	**55,877**	**35,081**	**28,525**	**4,955**	**124,438**

Financial Assets 'past due but not impaired': Loans and advances to customers & loans held for sale to NAMA (Total loans)

The tables below provide an aged analysis of financial assets 'past due but not impaired' by asset classification. Amounts arising from operational / timing issues that are outside the control of customers are generally excluded.

31 December 2009 **Loans and advances to customers past due but not impaired**	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Past due up to 30 days	1,159	440	495	132	2,226
Past due 31 – 60 days	531	115	324	86	1,056
Past due 61 – 90 days	281	70	149	29	529
Past due more than 90 days	1,360	-	-	6	1,366
Total	**3,331**	**625**	**968**	**253**	**5,177**

31 December 2009 **Loans held for sale to NAMA past due but not impaired**	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Past due up to 30 days	-	2	95	-	97
Past due 31 – 60 days	-	-	15	-	15
Past due 61 – 90 days	38	-	105	-	143
Past due more than 90 days	-	-	-	-	-
Total	**38**	**2**	**215**	**-**	**255**

31 December 2009 **Total loans and advances to customers past due but not impaired**	**Residential mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total €m**
Past due up to 30 days	1,159	442	590	132	2,323
Past due 31 – 60 days	531	115	339	86	1,071
Past due 61 – 90 days	319	70	254	29	672
Past due more than 90 days	1,360	-	-	6	1,366
Total	**3,369**	**627**	**1,183**	**253**	**5,432**

31 March 2009 Total loans Past due but not impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Past due up to 30 days	1,021	389	743	160	2,313
Past due 31 – 60 days	510	179	452	110	1,251
Past due 61 – 90 days	306	149	630	34	1,119
Past due more than 90 days	945	56	67	10	1,078
Total	2,782	773	1,892	314	5,761

The tables above highlight that the volume of Residential mortgages that are past due but not impaired have increased by 21% from €2.8 billion at 31 March 2009 to €3.4 billion at 31 December 2009. The volume of Residential mortgages that are past due more than 90 days have increased from €0.9 billion at 31 March 2009 to €1.4 billion at 31 December 2009. This reflects the impact on the level of arrears from rising unemployment and lower disposable income.

The volume of Property and construction loans that are 'past due but not impaired' have fallen from €1.9 billion at 31 March 2009 to €1.2 billion at 31 December 2009. This reflects the increase in impaired loans in this portfolio.

Financial Assets 'Impaired': Loans and advances to customers & loans held for sale to NAMA (Total loans)

31 December 2009 **Loans and advances to customers Composition and Impairment**	**Advances €m**	**Impaired loans €m**	**Impaired loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of impaired loans %**
Residential mortgages	60,402	471	0.8%	359	76%
Non-property SME and corporate	34,140	2,694	7.9%	1,134	42%
Property and construction	23,554	3,196	13.6%	1,124	35%
Consumer	4,340	426	9.8%	380	89%
Total loans and advances to customers	**122,436**	**6,787**	**5.5%**	**2,997**	**44%**

31 December 2009 **Loans held for sale to NAMA Composition and Impairment**	**Advances €m**	**Impaired loans €m**	**Impaired loans as % of advances %**	**Impairment provisions €m**	**Impairment provisions as % of impaired loans %**
Residential mortgages	68	-	-	-	-
Non-property SME and corporate	211	112	53.1%	18	16%
Property and construction	11,956	6,452	54.0%	2,760	43%
Consumer	-	-	-	-	-
Total assets classified as held for sale	**12,235**	**6,564**	**53.6%**	**2,778**	**42%**

31 December 2009 Total loans Composition and Impairment	Advances €m	Impaired loans €m	Impaired loans as % of advances %	Impairment provisions €m	Impairment provisions as % of impaired loans %
Residential mortgages	60,470	471	0.8%	359	76%
Non-property SME and corporate	34,351	2,806	8.2%	1,152	41%
Property and construction	35,510	9,648	27.2%	3,884	40%
Consumer	4,340	426	9.8%	380	89%
Total loans	**134,671**	**13,351**	**9.9%**	**5,775**	**43%**

31 March 2009 Total loans Composition and Impairment	Advances €m	Impaired loans €m	Impaired loans as % of advances %	Impairment provisions €m	Impairment provisions as % of impaired loans %
Residential mortgages	58,888	229	0.4%	144	63%
Non-property SME and corporate	37,041	1,187	3.2%	480	40%
Property and construction	33,955	3,538	10.4%	856	24%
Consumer	5,637	368	6.5%	301	82%
Total loans and advances to customers	135,521	5,322	3.9%	1,781	33%

Impaired loans increased from €5.3 billion or 3.9% of Total loans at 31 March 2009 to €13.4 billion or 9.9% of Total loans at 31 December 2009. Of the €13.4 billion impaired loans, €11.8 billion have been assessed for impairment on an individual basis with the remaining €1.6 billion assessed collectively. Specific provisions on loans assessed on an individual basis amount to €4 billion. The increase in impaired loans primarily reflects the sharp deterioration in the Property and construction sector, particularly in Ireland, together with a deterioration in general economic conditions and weak consumer sentiment.

By portfolio, Residential mortgages accounts for 4% of impaired loans, Non-property SME and corporate accounts for 21% of impaired loans, Property and construction accounts for 72% of impaired loans and Consumer accounts for 3% of impaired loans.

The ratio of impaired loans to Total loans in the Residential mortgage portfolio is 0.8%, Non-property SME and corporate is 8.2%, Property and construction is 27.2% and Consumer is 9.8% at 31 December 2009. This ratio has increased for all portfolios since 31 March 2009 with the most significant deterioration in the Property and construction portfolio.

Total balance sheet provisions against loans and advances to customers were €5.8 billion at 31 December 2009, a significant increase compared to €1.8 billion at 31 March 2009. The Property and construction portfolio accounts for 76% of the increase in provisions during the period, with the Non-property SME and corporate portfolio and the Residential mortgage portfolio generating most of the balance. The increase in impairment provisions in the Consumer portfolio on a declining loan book was relatively modest. Of the €5.8 billion impairment provisions at 31 December 2009, €2.8 billion relates to assets expected to transfer to NAMA.

The increase in provisions reflects the impact of the continued deterioration in general economic conditions, consequent loan grade degradation and continued weakening in the Property and construction sectors, in the Republic of Ireland and to a lesser extent in the UK. Impairment provisions as a percentage of impaired loans (coverage ratio) increased to 43% at 31 December 2009 from 33% at 31 March 2009. Coverage ratios, which vary considerably by portfolio, are influenced by the nature of the loan assets and the extent and quality of underlying collateral held by the Group in support of the loan.

The coverage ratio on Residential mortgages increased from 63% at 31 March 2009 to 76% at 31 December 2009. In line with existing market practice, coverage ratios for Residential mortgages are computed on a different basis to other portfolios (i.e. Residential mortgages that are 90 days past due are excluded from impaired loans). If Residential mortgages that are 90 days past due were included in impaired loans, the coverage ratio for Residential mortgages would be 20% at 31 December 2009 (up from 12% at 31 March 2009). The Non-property SME and corporate coverage ratio of 41% at 31 December 2009 compares to 40% at 31 March 2009. The coverage ratio for Property and construction of 40% at 31 December 2009 has increased from 24% at 31 March 2009, reflecting a significant increase in the impairment provision at 31 December 2009. Consumer lending at 31 December 2009 has 89% coverage, up from 82% at 31 March 2009.

Of the circa. €12.2 billion of loans held for sale to NAMA, €6.6 billion or 54% were impaired. The impairment provision at 31 December 2009 amounted to €2.8 billion which represents 42% of impaired loans.

Loans held for sale to NAMA **Composition by division**	**Total loans €m**	**Impairment provisions €m**	**Carrying value €m**
Retail Republic of Ireland	3,525	1,063	2,462
UK Financial Services	3,573	817	2,756
Capital Markets	5,137	898	4,239
Total loans held for sale to NAMA	**12,235**	**2,778**	**9,457**

The impairment provision on loans held for sale to NAMA of €2.8 billion at 31 December 2009 is made up of €1.1 billion or 38% from Retail Republic of Ireland, €0.8 billion or 29% from UK Financial Services and €0.9 billion or 33% from the Capital Markets division. The ratio of impairment provision to loans held for sale to NAMA is 23%. This ratio differs across the divisions. Retail Republic of Ireland has a ratio of 30% reflecting the impact of the sharp deterioration in the property and construction sector in Ireland. The ratio in UK Financial Services is 23% and the ratio in Capital Markets is 17% reflecting the diversification of property assets across different geographic and less stressed areas with Capital Markets having a higher proportion of assets in the investment element of property assets.

Loan Impairment Charge

The Group impairment charge for the nine month period ended 31 December 2009 amounted to €4,055 million or 3.96% when expressed as an annualised percentage of average loans and advances to customers including loans held for sale to NAMA. The charge of €4,055 million is €2,620 million higher than the charge of €1,435 million for the twelve month period ended 31 March 2009. This higher charge reflects, in particular, the impact of the sharp deterioration in the property and construction sector particularly in Ireland, with continued weakening in non-property sectors.

Total loan impairment charge	**9 months ended 31 December 2009 €m**	**%**	12 months ended 31 March 2009 €m	%
Specific impairment (net of provision write backs)	3,467	3.39%	1,058	0.76%
Incurred but not reported (IBNR)	591	0.58%	385	0.27%
Recoveries	(3)	(0.01%)	(8)	(0.01%)
Total loan impairment charge	**4,055**	**3.96%**	**1,435**	**1.02%**

The split of the Group impairment charge by portfolio is as follows:

Group loan impairment charge	9 months ended 31 December 2009 €m	9 months ended 31 December 2009 %	12 months ended 31 March 2009 €m	12 months ended 31 March 2009 %
Residential mortgages	237	0.52%	127	0.20%
Non-property SME and Corporate	659	2.50%	344	0.94%
Property and Construction	2,993	11.25%	766	2.11%
Consumer	166	4.21%	198	3.08%
Total loan impairment charge	**4,055**	**3.96%**	**1,435**	**1.02%**
Analysed as follows:				
Loans held for sale to NAMA	2,231	24.31%	-	-
Loans and advances to customers	1,824	1.96%	1,435	1.02%
Total loan impairment charge	**4,055**	**3.96%**	**1,435**	**1.02%**

The impairment charge on Residential mortgages was €237 million for the nine month period ended 31 December 2009 compared to €127 million for the twelve month period ended 31 March 2009. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income together with further declining property prices.

The impairment charge on Non-property SME and corporate was €659 million for the nine month period ended 31 December 2009 compared to €344 million for the twelve month period ended 31 March 2009. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment together with the level of business insolvencies.

The impairment charge on Property and construction was €2,993 million for the nine month period ended 31 December 2009 compared to €766 million for the twelve month period ended 31 March 2009. The land and development element within the Property and construction portfolio is most significantly impacted by falling property prices, more negative views of asset values, over supply of residential stock in Ireland and the general weak economic conditions, particularly in Ireland and to a lesser extent in the UK.

The impairment charge on Consumer loans was €166 million for the nine month period ended 31 December 2009 compared to €198 million for the twelve month period ended 31 March 2009. The charge on Consumer loans remains significant due to higher unemployment, high levels of personal indebtedness and lower disposable income.

Of the €4,055 million impairment charge on loans and advances to customers for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA. The impairment charge of €1,824 million on loans and advances to customers represents 45% of the total charge of €4,055 million for the nine months ended 31 December 2009; it represents 1.96% on an annualised basis, on the average loans and advances to customers excluding loans held for sale to NAMA.

Financial assets renegotiated that would otherwise be past due or impaired

Renegotiated loans are those facilities at 31 December 2009 which if not renegotiated during the nine month period ended 31 December 2009 would have been classified as 'impaired' loans or as 'past due but not impaired' loans. The carrying value of these loans at 31 December 2009 is €6,390 million (31 March 2009: €5,950 million) and represents borrowers whose loan terms and conditions have been amended in recognition of a change in the borrowers' circumstances. Renegotiated loans are primarily included in the 'Acceptable quality' and lower quality but not 'past due nor impaired' classifications and are not deemed to represent a risk of loss at the reporting date.

Loans that have their terms amended but do not meet the requirements for financial assets that are 'neither past due nor impaired', continue to be reported as 'past due but not impaired' or as 'impaired'.

Repossessed collateral

During the nine month period ended 31 December 2009, the Group took possession of collateral held as security, as follows:

Residential properties	31 December 2009 €m	31 March 2009 €m
Ireland	6	1
UK & Other	66	73
	72	74
Other properties	12	0
	84	**74**

Repossessed properties are sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

Asset quality: Other Financial Instruments

Other financial instruments include available for sale financial assets, derivative financial instruments, loans and advances to banks, interest receivable and the reinsurance assets. The table below analyses the Group's exposure to other financial instruments based on the gross amount before provisions for impairment.

Other financial instruments	31 December 2009 €m	31 December 2009 %	31 March 2009 €m	31 March 2009 %
High quality	33,633	93%	41,747	89%
Satisfactory quality	2,097	6%	4,895	11%
Acceptable quality	286	1%	99	-
Lower quality but not past due nor impaired	113	-	30	-
Neither past due nor impaired	**36,129**	**100%**	**46,771**	**100%**
Impaired	12	-	79	-
Total	**36,141**	**100%**	**46,850**	**100%**

The total volume of other financial instruments at 31 December 2009 amount to €36.1 billion, a reduction of €10.8 billion from the volume of other financial instruments (€46.9 billion at 31 March 2009). This reduction primarily reflects the lower levels of available for sale financial assets, derivative financial instruments and loans and advances to banks. Virtually all of the Group's exposure to other financial instruments were classified as 'neither past due nor impaired'.

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Available for Sale Financial Assets

Substantially all of the Group's liquid assets are accounted for in the Group's Available for Sale financial assets portfolio. The following table quantifies the Group's exposure to each asset class and the impact of market dislocation on valuations at 31 December 2009 with comparisons at 31 March 2009.

Portfolio	Market Value	Asset Type	Profile	Key Movements	Fair Value expressed as % of Underlying Nominal
Liquid Asset Portfolio	€19.4 billion (31 March 2009, €25.2 billion)	€18.3 billion bank debt (31 March 2009, €22.7 billion)	Average rating AA- (31 March 2009 Average rating AA-)	Negative mark to market adjustment to reserves of €0.3 billion, a positive movement in the period of €0.7 billion (31 March 2009, €1.0 billion negative) No impairments were recognised in the current period (31 March 2009, €61 million)	100.4% (31 March 2009, 96.6%)
		€1.1 billion Government bonds (31 March 2009, €2.5 billion)	100% AA rated (31 March 2009 95% AAA rated)	Positive mark to market adjustment to reserves of €21 million, a negative movement in the period of €46 million (31 March 2009, €67 million positive) No impairments were recognised in the current or prior periods	104.2% (31 March 2009, 102%)
Asset Backed Securities Portfolio	€1.5 billion (31 March 2009, €1.7 billion)	€0.5 billion RMBS (31 March 2009, €0.5 billion)	79% rated AAA/AA (31 March 2009 95%)	Total negative mark to market adjustment to reserves of €0.4 billion a positive movement in the period of €0.2 billion (31 March 2009, €0.6 billion negative) Impairments of €1.6 million were recognised in the current period (31 March 2009 €15 million)	87% (31 March 2009 81%)
		€0.4 billion CMBS (31 March 2009, €0.4 billion)	75% rated AAA/AA (31 March 2009 100%)		
		€0.6 billion including loans in syndication, CDO's and financials (31 March 2009, €0.8 billion)			

2.2 Liquidity Risk

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Market environment

Liquidity conditions remained somewhat constrained in the early part of the nine month period ended 31 December 2009 but eased from July 2009 onwards. The initial period was characterised by residual weakness in the international liquidity market and by negative sentiment towards Ireland driven by, inter alia, evidence of the depth of the economic downturn and downgrades in sovereign ratings and credit ratings of banks.

As the period progressed, funding conditions improved for the Group, reflecting an upturn in the general funding market backdrop and an increased appetite for Irish debt. Investors' perception of Irish sovereign risk improved from July 2009 based on economic data indicating that the pace of contraction in the Irish economy was moderating, ongoing efforts by the Irish Government to stabilise public finances, measures of support for the Irish banking system (particulary the announcement of NAMA) and, in the latter part of the calendar year the announcement of an extension of the Government liability guarantee.

The market's perception of Irish sovereign risk has also improved in recent months: the 10-year yield spread over Germany has narrowed to under 130 basis points at March 2010 from a recent high of 284 basis points in March 2009.

The Group responded to the conditions which existed during the nine month period ended 31 December 2009 by taking a variety of measures:

- in common with other banks, the Group continued to target a reduction in its level of borrowing from wholesale markets by focusing on specific customer deposit gathering initiatives in each division,
- asset growth was controlled and managed in line with current funding capacity,
- the Group successfully issued term funding during the nine month period ended 31 December 2009 of €9.1 billion,
- the Group successfully issued two benchmark transactions of 3 years and 5 years maturity, beyond the term of the Government Guarantee at that time,
- the Group, through normal market operations, used its contingent liquidity pool to access funding from Monetary Authorities. As at 31 December 2009, the net drawings from Monetary Authorities were €8 billion down from €17 billion at 31 March 2009, and
- during the year, the Group Liquidity Committee (GLC) continued to manage the Group's Liquidity Position and report to both ALCO and the GRPC.

Despite the challenging external environment, the Group remained in compliance with the regulatory liquidity regime in Ireland and in other jurisdictions and maintains a significant buffer above this level.

Definition of Liquidity Risk

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. Factors that may increase the Group's cost of funds would be downgrades to credit ratings or other factors which change the market's willingness to supply funding to the Group, such as market dislocation or major disasters.

How Liquidity Risk Arises

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

Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits, or the inability to refinance maturing debt. The latter are often associated with times of stressed market conditions or adverse events, such as a credit rating downgrade of a financial institution or economic or financial turmoil.

Liquidity Risk Management

The Group's exposure to liquidity risk is governed by policy approved by the Court and the Group Risk Policy Committee (GRPC). The operation of this policy is delegated to the Group's Asset and Liability Committee (ALCO). Group Treasury, on behalf of ALCO, is responsible for monitoring the liquidity risk of the Group and for the development and monitoring of liquidity policy. Bank of Ireland Global Markets is responsible for the day to day execution of the Group's liquidity position.

Liquidity management within the Group consists of two main activities:

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

The Group operates under the regulatory Liquidity Regime introduced by the Irish Financial Regulator in July 2007. This regime requires that banks have sufficient payment resources (cash inflows and marketable assets) to cover 100% of expected cash outflows in the 0 to 8 day time horizon and 90% of expected cash outflows in the 8 day to 30 day time horizon. The Group continues to maintain a significant liquidity buffer in excess of these requirements. The Group also has in place a liquidity contingency plan to assist the Group in managing its liquidity through a period of market dislocation or firm specific liquidity distress. The Group operates within the requirements of local regulators in those jurisdictions in which the liquidity requirements apply to the Group.

Liquidity Risk Measurement

The Group's cash flow and liquidity reporting processes, provide to management daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on balance sheet and off balance sheet transactions.

The tables below summarise the maturity profile of the Group's financial instrument assets and liabilities, excluding those arising from insurance and participating investment contracts at 31 December 2009 and 31 March 2009 based on the remaining contractual maturity period at the balance sheet date on a discounted basis. Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,050 million and €6,658 million respectively (31 March 2009: €4,084 million and €5,634 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts. The Group manages liquidity risk by adjusting the contractual cashflows on the deposit book to reflect its inherent stability and on its mortgage book to reflect early repayment of such loans.

31 December 2009 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity Shares €m	Total €m
Assets							
Cash and balances at central banks	4,241	-	-	-	-	-	4,241
Trading securities	-	18	271	84	30	-	403
Derivative financial instruments	1,074	140	505	2,185	1,920	-	5,824
Other financial assets at fair value through profit or loss	903	86	334	510	1,442	6,404	9,679
Loans and advances to banks	2,406	2,543	64	16	2	-	5,031
Available for sale financial assets	-	1,359	4,209	12,418	2,898	56	20,940
Loans and advances to customers (before impairment provisions)	895	8,357	8,672	37,499	67,013	-	122,436
Assets classified as held for sale to NAMA (before impairment provisions)	3,616	4,037	1,757	2,036	913	-	12,359
Total	**13,135**	**16,540**	**15,812**	**54,748**	**74,218**	**6,460**	**180,913**
Liabilities							
Deposits from banks	128	8,365	8,175	1,006	229	-	17,903
Customer accounts	36,795	31,410	12,296	3,966	345	-	84,812
Derivative financial instruments	1,070	445	437	2,289	1,796	-	6,037
Debt securities in issue	11	13,958	10,677	9,330	9,168	-	43,144
Subordinated liabilities	-	754	-	-	5,299	-	6,053
Liabilities classified as held for sale to NAMA (before impairment provisions)	-	-	-	-	1	-	1
Total	**38,004**	**54,932**	**31,585**	**16,591**	**16,838**	**-**	**157,950**

31 March 2009 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity shares €m	Total €m
Assets							
Cash and balances at central banks	3,224	-	-	-	-	-	3,224
Trading securities	-	12	27	70	16	-	125
Derivative financial instruments	922	688	857	2,860	3,070	-	8,397
Other financial assets at fair value through profit or loss	696	169	204	606	1,532	4,397	7,604
Loans and advances to banks	4,100	2,990	770	23	3	-	7,886
Available for sale financial assets	-	1,930	3,555	18,480	2,831	62	26,858
Loans and advances to customers (before impairment provisions)	3,799	8,070	14,126	40,876	68,650	-	135,521
Total	12,741	13,859	19,539	62,915	76,102	4,459	189,615
Liabilities							
Deposits by banks	755	25,478	1,560	716	305	-	28,814
Customer accounts	32,823	36,004	11,039	2,904	349	-	83,119
Derivative financial instruments	941	361	541	3,092	2,619	-	7,554
Debt securities in issue	15	15,909	8,214	13,968	7,027	-	45,133
Subordinated liabilities	-	-	747	-	7,195	-	7,942
Total	34,534	77,752	22,101	20,680	17,495	-	172,562

Stress testing and scenario analysis

The Group performs stress testing and scenario analysis to evaluate the impact of stresses on its liquidity position. These stress tests incorporate Group specific risks and systemic risks and are run at three levels of severity. Tactical actions and strategies available to mitigate the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, the GRPC and the Court.

Liquidity Risk Mitigation

Wholesale Funding diversification

The Group's strategy is to diversify its wholesale funding profile across investor types, regions, instruments and currency of activity. During the nine month period ended 31 December 2009, the Group issued €9.1 billion of debt with an original maturity of greater than one year.

Customer Deposits

The Group's customer deposits increased over the period through the Group's retail channels, reflecting its increased focus on such deposits as shown in the table below.

Divisional profile of deposits	31 December 2009 €bn	31 March 2009 €bn
Retail Ireland	35	33
UK Financial Services (€bn)	21	21
Capital Markets	29	29
Total	**85**	**83**

The Group's funding strategy is focussed in particular on growing high quality "sticky" deposits by leveraging the Group's extensive Retail customer franchise in Ireland and by accessing the UK retail market through the Group's highly successful joint venture with the UK Post Office. In addition, the Group has extensive and deep Treasury and Corporate Banking customer relationships, in Ireland, the UK and internationally which enable the Group to access a significant pool of high quality corporate customer deposits.

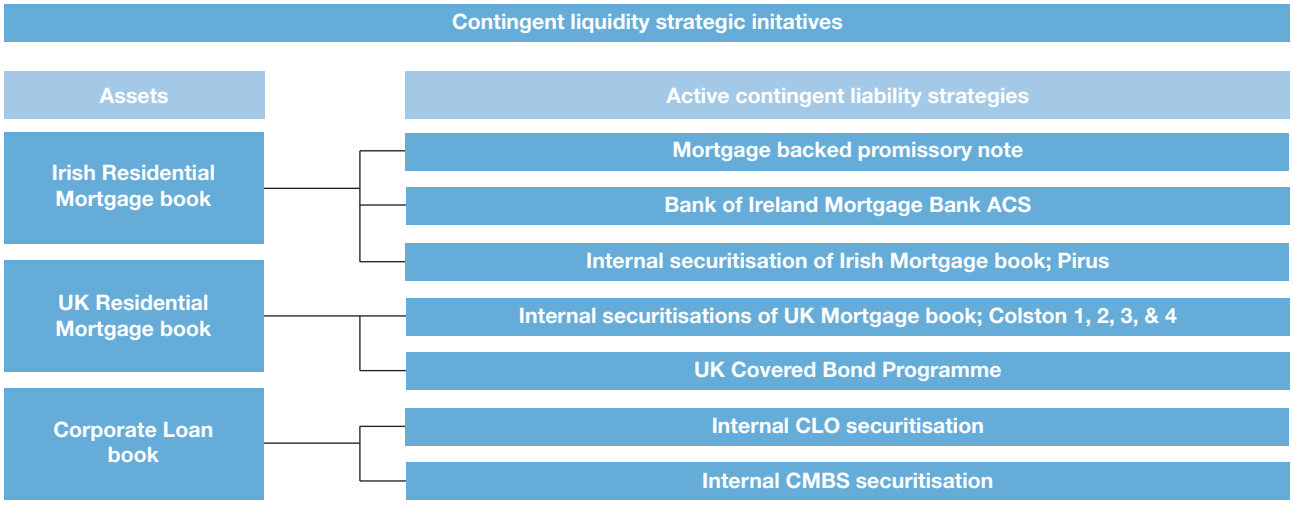
The Group will continue to focus on the growth of retail deposits and maximise corporate deposits which arise from the Group's broader lending and treasury risk management activities with a view to reducing its dependence on wholesale funding and reducing its customer loan to deposit ratio.

Contingent Liquidity

Contingent Liquidity comprises a pool of internally securitised credit risk assets and a portfolio of liquid or readily marketable assets.

Internally Securitised Assets

The Group has retained the notes issued from a number of securitisations of balance sheet assets in order to increase its ability to obtain secured funding, if required. The assets comprise Irish and UK residential and commercial mortgages and a corporate loan book securitisation vehicle.



Liquid assets

The liquid assets portfolio comprises those securities that can be used to raise liquidity either by sale or through secured funding transactions. This portfolio comprises of bank paper, government debt and asset backed securities. The Group has the ability to access secured funding through the tendering operations of central banks from this pool of assets.

Funding structure	31 December 2009 €bn	31 December 2009 %	31 March 2009 €bn	31 March 2009 %
Senior debt / Asset Covered Securities	27	16%	25	13%
Deposits by banks	18	11%	29	16%
Commercial Paper / Certificate of Deposit	10	6%	14	8%
Securitisation	6	3%	6	3%
Wholesale Funding	**61**	**36%**	**74**	**40%**
Customer Deposits	85	50%	83	45%
Subordinated Debt	6	4%	8	4%
Other Liabilities	11	6%	12	7%
Stockholder Equity	6	4%	7	4%
Total Liabilities (excluding BoI Life liabilities)	**169**	**100%**	**184**	**100%**
Customer Deposits				
Retail Republic of Ireland	35	41%	33	40%
UKFS (€)	21	25%	21	25%
UKFS (Stg£)	*19*		*19*	
Capital Markets	29	34%	29	35%
Total	**85**	**100%**	**83**	**100%**
Wholesale Funding				
Short Term Funding	41	68%	54	73%
Term Funding, > 1 year to maturity	20	32%	20	27%
Total	**61**	**100%**	**74**	**100%**

Key Funding Ratios	31 December 2009	31 March 2009
Contingent liquidity collateral asset	€42bn	€49bn
Net drawings from Monetary Authorities	€8bn	€17bn
Loans and advances to customers - incl. assets held for sale to NAMA / customer deposits	152%	161%
Loans and advances to customers - excl. assets held for sale to NAMA / customer deposits	141%	-
Wholesale funding / total assets (excluding BOI Life)	36%	40%
Term Funding >1 year, subordinated debt and deposits / loans and advances to customers (incl. loans held for sale to NAMA)	86%	83%
Term Funding >1 year, subordinated debt and deposits / loans and advances to customers (excl. loans held for sale to NAMA)	93%	-

2.3 Market Risk

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Definition
Market risk is the risk of loss in the Group's income or net worth arising from adverse change in interest rates, exchange rates or other market prices.

How Market Risk Arises
Market risk arises in customer facing banking units mainly on the asset side of the balance sheet through fixed rate lending. These books are hedged with maturity matched funding from Bank of Ireland Global Markets (BoIGM). This exposure is, in turn, substantially eliminated by BoIGM through external hedges.

Market risk also arises where variable rate assets and liabilities reprice at different frequencies (monthly, quarterly, semi annually) and where lending reprices with changes in central bank rates but is funded at short dated market rates. The latter is termed basis risk and, while it has always been a feature of retail and commercial banking, it became more material after mid 2007 as the volatility of spreads between central bank rates and short term market rates increased significantly.

Discretionary market risk
BoIGM is the sole Group business permitted to take discretionary market risk on behalf of the Group. The Group has never sought to generate a material proportion of its earnings through assuming market risk and it has a low tolerance for earnings volatility arising from this area of risk.

Discretionary risk is taken in both the Trading and Banking Books in BoIGM. Positions are allocated to the Trading Book in line with the criterion of 'intent to trade' as set out in the EU's Capital Requirements Directive and are marked to market for financial reporting purposes. Discretionary risk is also taken in the Banking Book in BoIGM. Banking Book risk positions arise from internal hedging transactions which are not fully or immediately eliminated with the market, from wholesale funding in cash and debt markets and from the management of liquidity. While these positions do not arise from an 'intent to trade', they are actively monitored and exposures can be reduced or eliminated if market conditions warrant.

The major part of the Group's discretionary risk is interest rate risk in the euro, sterling and US dollar markets, assumed in money markets, securities, money and bond futures, swaps and options on futures. The Group's foreign exchange risk is mainly taken in US dollar / euro, US dollar / Yen and euro / sterling exchange rates.

Structural market risk
Structural interest rate risk arises from the existence of non-interest bearing assets and liabilities on the balance sheet and structural foreign exchange risk arises from the Group's net investment in its non-euro based subsidiaries. The measurement and management of structural market risk is discussed separately below.

Market Risk Management
The management of market risk in the Group is governed by high level principles approved by the Court and a detailed statement of policy approved by the GRPC. Discretionary market risk is subject to strict controls which set out the markets and instruments in which risk can be assumed, the types of positions which can be taken and the limits which must be complied with. The Court approves an overall Value at Risk (VaR) limit, which is a quantification of the Group's appetite for discretionary market risk. VaR is discussed below. ALCO approves VaR limits for BoIGM, including limits for interest rate, foreign exchange (fx) and credit spread VaR. Market risk limits are rigorously enforced and compliance is monitored by ALCO.

Market Risk Measurement

Bank of Ireland Global Markets (BoIGM)

The Group employs a Value at Risk (VaR) approach to measure, and set limits on, discretionary market risk in BoIGM. This applies to both the Trading and Banking Books. The Group measures VaR for a 1 day horizon at the 99% level of statistical confidence. This means that, for a given set of market risk positions on a given day, the Group believes there is no more than a 1% chance of a gain or loss in excess of the VaR number over the following day. VaR is measured using a variance / covariance matrix approach. Matrices are updated weekly using the Exponentially Weighted Moving Average (EWMA) methodology. This widely used approach gives greater weight to more recent data and, as a consequence, estimates of VaR are more responsive to changes in market conditions.

For the nature of the risks assumed by the Group, VaR remains a relatively reliable basis of risk measurement. Nonetheless, management recognises that VaR is subject to certain inherent limitations. The past will not always be a reliable guide to the future and the statistical assumptions employed may understate the probability of large moves. In addition, there is no presumption that all positions can be closed within the 1 day horizon used to measure risk. For these reasons, VaR limits are supplemented by a range of controls that include position limits and loss tolerances. In addition, scenario based stress tests and long run historic simulations, which measure the effect of past periods of market stress (going back to the early 1990s) on current positions, are used to assess and manage discretionary market risk.

The Group's peak, average and end of period, 1 day Trading Book VaR in the nine month period ended 31 December 2009 is summarised in the following table:

	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Interest Rate VaR		
Peak	3.4	5.3
Average	2.1	2.5
End period	1.0	1.2
Foreign Exchange VaR		
Peak	1.0	2.1
Average	0.5	0.9
End period	1.0	0.9

Banking book risk

The Group employs a number of measures to quantify and control market risk in the Banking Book (consisting of all assets, liabilities and derivatives other than those booked with trading intent). Because of the requirement that customer-facing businesses eliminate their interest rate risk with BoIGM, there is negligible interest rate risk in other business units.

The impact on the Group's net interest margin for one year ahead of an immediate and sustained 50 basis points shift up or down in the euro and sterling yield curves applied to the exposures in BoIGM's wholesale Banking Book is as follows:

	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Euro		
+ 50 basis points	(5.1)	(6.5)
- 50 basis points	5.1	6.5
Sterling		
+ 50 basis points	(2.5)	(9.5)
- 50 basis points	2.5	9.5

The sensitivities are indicative of the magnitude and direction of exposures but require to be qualified in two respects. First, the results are based on an immediate and sustained shift of the same magnitude in all curves which would represent a very unusual scenario. Second, the scenario implicitly assumes the Group is passive in the face of adverse market movements. In reality, these exposures are continuously monitored and can be substantially eliminated in response to adverse market movements.

The Group also monitors its exposure to basis risk within its consolidated Banking Book. Basis risk arises because the Group, in common with all retail and commercial banks, borrows and lends at a range of different floating rate conventions. It has assets, liabilities and swaps that re-price with changes in central banks rates, as well as 1-, 3- and 6-month interbank rates. The differentials between these floating rates, which was historically quite tight, varied to an unprecedented extent at the height of the recent financial crisis, reflecting liquidity conditions at different terms in money markets. While the exposure of net interest income to changes in basis has subsided considerably as markets have normalised, it remains a feature of the financial environment for all banks. The Group assesses basis risk using scenario analysis at the level of the consolidated balance sheet and it has, from time to time, executed selective basis hedging.

Financial Assets Available For Sale
At 31 December 2009, the Group held €20.9 billion in debt securities classified as Available for sale financial assets (31 March 2009: €26.9 billion). These securities are held at fair value on the balance sheet with movements in fair value (apart from impairments) recognised in reserves. Available for sale securities include both floating rate securities and fixed rate securities swapped to a floating rate. A 1 basis point increase in the average spread to Euribor or Libor of the total book at 31 December 2009 would have reduced its value by €4.6 million (31 March 2009: €6.6 million).

Derivatives
A derivative is a financial contract whose value is linked to movements in interest rates, exchange rates, equity or commodity prices or, more generally, to any objectively measured variable agreed between the parties. Derivative markets are an efficient mechanism for the transfer of risk and risk mitigation. The Group uses derivatives to manage the market risks that arise naturally in its retail and wholesale banking activities. In addition, it transacts in derivatives with its business and corporate clients for the purpose of assisting these clients in managing their exposure to changes in interest and foreign exchange rates. Finally, the Group takes modest discretionary market risk in derivative markets.

The Group also uses credit derivatives, on a very limited basis, within its Trading Book to take exposure to specific and general credit spread movements and in its Banking Book to provide default protection on specific credit exposures.

Further details can be found in note 21 and the accounting policy is set out on pages 165 and 166.

Policy
The Group's participation in derivatives markets is subject to policy approved by the Court and, at a more detailed level, by the GRPC. The Group makes a clear distinction between derivatives which must be transacted on a perfectly hedged basis, and those whose risks can be managed within broader interest rate or foreign exchange books. As these broader books can be structured to assume some degree of discretionary risk, derivative positions held within them will not necessarily be exactly hedged. Market risk can only be assumed in clearly defined categories of derivatives which are traded in well established, liquid markets, supported by industry standard conventions and documentation and valued in accordance with generally accepted methods. BoIGM is the only business unit permitted to take discretionary risk in derivatives such as interest rate futures, bond futures, forward rate agreements, interest rate swaps, credit derivatives, forward foreign exchange and currency swaps. In addition, it is permitted to take exposure in the most widely traded option markets, principally options on futures, caps, floors, swap options (swaptions) and conventional currency options. Transactions in more complex derivatives are typically on a perfectly matched back to back basis.

Collateral agreements

The Group has executed Collateral Support Agreements (CSAs) with its principal interbank derivatives counterparties and, as a result, a very high proportion of its total interbank derivatives book is covered by CSAs. The purpose of a CSA is to limit the potential cost of replacing derivative contracts at market prices in the event of default by the original counterparty. Under the terms of a CSA, if the aggregate market value of a set of derivative contracts between the two parties exceeds an agreed threshold figure, the party which would be exposed to loss in the event of default receives a deposit of cash or eligible securities equal to the excess aggregate value over the threshold. In BoIGM's case, valuations are agreed and collateral is typically exchanged on a daily basis and in some cases weekly.

Structural Market Risk

Structural interest rate risk arises from the existence of non-interest bearing assets and liabilities on the Group's balance sheet. These consist mainly of non-interest bearing current accounts plus equity less fixed assets. If these net liabilities were used to fund floating rate assets, the Group's earnings would fully reflect any variation in interest rates from one reporting period to the next. It is Group policy to invest the major part of these net liabilities in a passively managed portfolio of fixed rate assets with an average life of 4 years and a maximum life of 7 years.

Structural foreign exchange (fx) risk is defined as the Group's non trading net asset position in non-euro currencies. Structural fx risk arises substantially from the Group's net investment in its sterling based subsidiaries. In considering the most appropriate structural fx position, the Group takes account of the currency composition of its risk weighted assets and the desirability of maintaining a similar currency distribution of capital. This is designed to ensure that capital ratios have a low sensitivity to changes in exchange rates. At 31 December 2009, the Group's structural fx position was as follows:

	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Sterling - net assets	3,814	3,058
US dollar - net assets position	173	73
Total structural fx	3,987	3,131

A 10% depreciation of the euro against sterling and the US dollar at 31 December 2009 would have resulted in a gain taken to reserves of €399 million (31 March 2009: gain of €313 million)

Market Risk in Bank of Ireland Life (BoI Life)

Market risk arises in the Group's non-linked life assurance business to the extent that expected duration of cash flows on the liability side differs from the duration of the matching fixed interest assets (comprising Irish and other euro fixed interest government gilts). BoI Life pursues a policy of close asset / liability matching and any difference in the mean duration of assets and liabilities is minimised by buying and selling euro fixed interest government securities. No corporate bonds are held. At 31 December 2009, the sensitivity of the non-linked portfolio to a 50 basis points parallel shift in the yield curve assuming a similar shift in the yield used to discount the liabilities was as follows:

	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
50 basis points increase	0.3	(0.6)
50 basis points decrease	(0.4)	0.8

BoI Life does not bear equity risk directly; this is borne by the unit linked policyholders. However, BoI Life is indirectly exposed because the management fees it receives are related to the value of assets under management. A 5% fall in equity and property markets, applied to the book at 31 December 2009, would reduce earnings by €7 million (31 March 2009: a reduction of €7 million for the same percentage decline).

Similarly, the company bears indirect exposure to changes in exchange rates through management fees earned on non-euro unit linked funds under management. A 5% increase in the euro against all other currencies midway through the year would reduce earnings by €5 million (31 March 2009: a reduction of €4 million for the same percentage decline).

2.4 Life Insurance Risk

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Definition
Life insurance risk is defined as the volatility in the amount and timing of claims caused by unexpected change in mortality, longevity and morbidity. Mortality risk is the risk that the claim payments incurred by the business due to deaths within the portfolio of assured lives are greater than expected. Longevity risk is the risk that claim payments incurred by the business due to the rates of survival within the portfolio of annuitants are greater than expected. Morbidity risk, primarily critical illness risk, is the risk that claim payments incurred by the business due to critical illness events is greater than expected.

Life Insurance Risk Management
Life insurance risk is underwritten and managed by BoI Life, a wholly owned subsidiary of the Group. The management of insurance risk is the responsibility of the Board of the life assurance company. The Board sets maximum approved retention risk limits for the business each year. Responsibilities delegated by the Board to the Reinsurance Committee include completing a review of the reinsurance arrangements at least annually and reporting on this review to the Audit Committee of the Board. This includes a review of the panel of reinsurers that may be used and the optimal structure of its reinsurance arrangements. The Reinsurance Committee comprises of senior members of the management team with actuarial and underwriting expertise.

Life Insurance Risk Measurement
The amount at risk on each life assurance policy is the difference between the sum assured payable on the insured event and the reserve held. Risk experience is monitored monthly. Actual claims experience is compared to the underlying risk assumptions, and risk profits and losses are reported to senior management and reflected in new business pricing and new product design.

Life Insurance Risk Mitigation
BoI Life mitigates the potential impact of insurance risk through a number of measures. These include reinsurance, underwriting, contract design and diversification.

Life Insurance Risk Reporting
An update on the status of life insurance risk is included in the Court Risk Report which is presented to the GRPC, the CRC and the Court by the Chief Credit and Market Risk Officer.

See also note 54.

2.5 Regulatory, Compliance & Operational Risk

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Regulatory, compliance and operational risk has increased over the course of the calendar year in light of industry developments and increased regulatory supervision.

Under the CIFS Scheme, the Governor and Group Chief Executive sign a quarterly compliance certificate (reviewed by the Group's external auditors, PricewaterhouseCoopers) which certifies compliance with the terms and conditions of the Scheme to the Financial Regulator.

The Minister of Finance also has significantly increased powers as part of this Scheme, including the power to appoint non-executive Directors.

The Group, in common with other covered institutions, is subject to close supervision by the Financial Regulator. The Financial Regulator has also appointed observers to attend the Court, Group Risk Policy Committee (GRPC), ALCO, Group Liquidity Committee, Group Regulatory, Compliance and Operational Risk Committee, Group Credit Committee, Group Audit Committee and the Court Risk Committee (CRC).

The Court oversees regulatory compliance with the extensive supervisory and regulatory regimes to which the Group is subject, principally in Ireland, the UK and the US, and the Group's operational risks, through

- the Group Audit Committee (GAC) and the Court Risk Committee – to both of whom the Head of Group Regulatory, Compliance and Operational Risk reports semi annually,
- the Group Regulatory, Compliance and Operational Risk Committee (GRCORC), a committee appointed by the GRPC. The minutes of GRCORC meetings are provided to the GRPC and the Head of Group Regulatory, Compliance and Operational Risk reports to the GRPC semi annually, and
- a Regulatory, Compliance and Operational Risk status update is included in the Court Risk Report presented to the GRPC, the CRC and the Court on a quarterly basis.

The GRCORC discharges its responsibilities principally through its meetings at which a comprehensive report on Regulatory, Compliance and Operational Risk is presented by the Group Regulatory, Compliance and Operational Risk function (GRCOR). In addition, the Committee receives presentations from Business and Support Units concerning their particular operations and addressing the management of those risks as they arise within them. In addition the Committee determines the Top 5 Risks (of a Regulatory, Compliance and Operational Risk nature) facing the Group.

The GRCOR function supports the GRCORC and manages the Group's risks associated with operations, legal compliance, data privacy, business continuity, and compliance with legislation including anti money laundering. It also reviews upstream risks in relation to regulatory, compliance and operational developments.

The Head of the GRCOR function is responsible for formulating and communicating the risk control framework for the management of regulatory, compliance and operational risks and for monitoring the implementation of the framework by business management across the Group. Regulatory, compliance and operational risk policies are implemented by business units, subject to monitoring and support from the GRCOR function. The GRCORC also promotes awareness of regulatory, compliance and operational risks throughout the Group.

Key internal developments in the past year

The Group has amended its organisational structure for the management of regulatory, compliance and operational risk. Staff continue to operate in business units supporting the business, but now report to Divisional Risk Partner teams who are supported by specialist GRCOR function Centres of Expertise teams providing policy and advice. Regulated entities continue to have appointed compliance officers who also report to local management. This is in line with best practice internationally and aligns regulatory, compliance and operational risk with other support functions in the Group.

Regulatory and Compliance Risk

Definition

Regulatory and compliance risk is the risk arising from a breach of regulatory or compliance deadlines and requirements. It arises from a failure to comply with the laws, regulations or codes applicable to the financial services industry in the jurisdictions within which the Group operates. Non-compliance has adverse reputational implications and may lead to fines, public reprimands, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

Management of Regulatory and Compliance Risk

The Group manages regulatory and compliance risk under an overall framework, which is implemented by accountable executives, monitored by the GRPC, the GAC, the CRC and the GRCORC, and supported by the GRCOR function. The effective management of regulatory and compliance risk is primarily the responsibility of business management.

The Group's regulatory and compliance practices are governed by policy formulated by the GRCORC and approved by the GRPC, on behalf of the Court. This requires the conduct of business in accordance with applicable regulations and with an awareness of regulatory and compliance risk by all employees.

The Group has established a formal approach to the management of regulatory and compliance risk and the objective is the identification, assessment, monitoring and management of regulatory and compliance risks.

Business units, divisions, and the GRCOR function undertake risk based regulatory and compliance monitoring, and annual monitoring plans are reviewed to reflect changes or emerging risks. Regulatory compliance reports from business units are analysed and reviewed by the GRCOR function and by the GRCORC.

Operational Risk

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Definition

Operational risks are present in the Group's business, through inadequate or failed internal processes (including financial reporting and risk monitoring processes), Information Technology (IT) or equipment failures or the failure of external systems and controls including those of the Group's suppliers or counterparties (supplier and counterparty systems, controls and processes) being entirely outside the control of the Group or from people related or external events, including the risk of fraud and other criminal acts carried out against the Group. In the case of legal and contractual risk, this includes the risk of loss due to litigation arising from errors, omissions, and acts by the Group in the conduct of its business.

Management of Operational Risk

The Group has established a formal approach to the management of operational risk in the form of the "Operational Risk Management Framework" to identify, assess, monitor and manage operational risks which may impact the achievement of the Group's business objectives. It consists of:

- formulation and dissemination of the Group Operational Risk policy,
- establishment of organisational structures for the oversight, monitoring and management of operational risk throughout the Group,
- embedding the operational risk management process in business and support units throughout the Group, and
- maintenance of awareness and training of relevant staff in the operational risk management process.

The Group's exposure to operational risk is governed by policy formulated by the GRCORC and approved by the GRPC, on behalf of the Court. Policies for management of specific aspects of operational risk are approved and monitored by GRCORC.

Business units are responsible for effective implementation of the operational risk policy, and the head of each business unit provides the GRCOR function with a certificate of compliance with the requirements of the policy semi annually. In addition, the GRCOR function monitors compliance through review of management reports provided by the business units; through periodic visits to business and support functions to inspect practices and compliance with policies; and through monitoring of the nature, scale and frequency of loss events.

Risk Mitigation

The Group implements specific policies and risk mitigation measures for key risks, including financial crime, data protection and privacy and business contingency planning risks. This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme, whereby selected risks are reinsured externally.

Risk Reporting

The Head of the GRCOR function reports to the GRCORC on the status of operational risk in the Group, including status of these key risks across the Group and progress of risk mitigation initiatives, significant loss events and the nature, scale and frequency of overall losses.

2.6 Business Risk

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Definition

Business risk is the risk of loss due to uncertainty in profits or earnings volatility that damage the franchise or operational economics of the Group's business. This uncertainty may be caused by changes in the competitive environment, a collapse in economic conditions affecting prices, volumes and exchange rates, an inflexible cost structure that does not respond to a changed environment, the possibility of severe industrial relations disputes disrupting operations or the curtailment of strategically important investments leading to an inability to sustain future requirements. The Group faces business risk as a direct or indirect consequence of its business activities.

Risk management, measurement and reporting
The Group reviews business risk as part of the annual risk identification process. The risk is managed on a divisional basis, and measured quarterly, with a scorecard addressing moves in key indicators around income diversification, margin trends, customer advocacy, direct and indirect costs and staff turnover and engagement. Input from the Group's divisions is collated by Risk Strategy Analysis & Reporting, who liaise with Group Finance to provide an overall group context and assess the impact of changes in the environment on the 5 year plan. An update is provided quarterly in the Court Risk Report.

Risk mitigation
The Group's main mitigants for business risk include the diversification of income streams across products, segments, business sectors and locations and good employee relations. Flexibility in cost base also helps mitigate business risk. The Group depends in part on the continued service of key members of its management team. The ability to continue to attract, train, motivate and retain highly qualified professionals is a key element of the Group's strategy.

2.7 Pension Risk

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Definition
Pension risk is the risk that the assets of the schemes fail to generate returns that are sufficient to meet fully the liabilities of the schemes. This risk crystallises when a deficit emerges of a size which implies a material probability that the liabilities will not be fully met.

Risk management, measurement and reporting
The Group maintains a number of defined benefit pension schemes for past and current employees. In the past year, the rise in equity markets has increased the value of scheme assets but the decline in long-term yields and, for this purpose, long-term corporate bond yields which determine the discount rate under the IAS 19 accounting standard, has more than offset these gains. The Group's IAS 19 pension deficit at 31 December 2009 was €1.6 billion (31 March 2009: €1.5 billion).

The investment policy pursued to meet the Scheme's estimated future liabilities is a matter for the Trustees and the Scheme's Investment Committee. The Group, as sponsor, is afforded an opportunity to communicate its views on investment strategy to the Trustees and receives regular updates including scenario analysis of pension risk.

The GRPC reviews pension risk and the Court is informed quarterly of the GRPC's risk deliberations through a review of the GRPC proceedings and through the Court Risk Report.

Risk mitigation
In order to mitigate pension risk, a new scheme was introduced in 2006 for all new entrants which has adjusted terms for new members (see note 43). In January 2010, the Group announced a comprehensive review of all aspects of its pension provision. This will include an assessment of the appropriate level of pension risk that the schemes should entail for the sponsor. Under the review, the Group and other stakeholders are considering a range of measures to reduce the current deficit. To the extent that the Group has to contribute to the deficit, such contributions could be significant and may have a negative impact on the Group's financial condition and prospects.

2.8 Reputation Risk

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Definition
Reputation risk is defined as the risk of loss / volatility of earnings arising from adverse perception of the Group's image on part of the customers, suppliers, counterparties, stockholders, investors and regulators. This risk typically materialises through a loss of business in the areas affected.

The Group uses business and management processes rather than capital in its mitigation.

Risk management, measurement and reporting
Group Communications is the primary function responsible for managing reputation risk. It includes all external and internal communications, public affairs and corporate responsibility, helping to reinforce the Group's reputation with its employees, customers, government, general public and the wider community.

The Group Government Relations function, which is part of Group Communications, was established in July 2009 against the backdrop of the increased need for ongoing communication both formal and informal with government, political and public sector processes in all markets. The function helps to ensure that reputation risk is minimised through proactive engagement with governments.

Reputation risk indicators are tracked on an ongoing basis. These indicators include external market conditions and risk events which may have the potential to impact reputation and surveys measuring customer sentiment.

The Group reviews reputation risk as part of the annual risk identification process. Quarterly updates are reported to the GRPC, the CRC and the Court as part of the Court Risk Report.

Risk mitigation
A wide range of processes and structures are used to identify, assess and mitigate the potential risk to the Group's reputation. Managing the Group in a manner that ensures that the potential impact on the Group's reputation is taken into account in decision making is paramount in mitigating against reputation risk.

3 Capital Management

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 157.

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

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

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

The Group meets its objectives in terms of capital management through the maintenance of capital ratios above the minimum levels set by the Financial Regulator and relative to market expectations for banks with its business profile. Market expectations regarding capital ratios for banks have risen following the rise in loss expectations across the international banking industry, driven by exposures to assets vulnerable to the downturn in residential and commercial real estate prices and the deteriorating economic climate. These increased expectations have led to substantial private and government led recapitalisation schemes internationally.

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

In June 2009 the Group announced the successful completion of a debt re-purchase programme of €1.7 billion of euro, sterling and US dollar denominated non core tier 1 securities. This initiative increased the Group's equity tier 1 by €1 billion. The Group's equity tier 1, core tier 1, tier 1 and total capital ratios at 31 December 2009 were 5.3%, 8.9%, 9.8% and 13.4% respectively.

In February 2010, the Group successfully completed an exchange of €1.6 billion of dated (lower tier 2) subordinated notes, yielding a gain to equity and core tier 1 capital of €405 million whilst leaving the total capital position unchanged.

The Financial Regulator has completed a Prudential Capital Assessment Review ("PCAR") for Bank of Ireland in order to assess its capital requirements. This review has taken into account both expected base and potential stressed loan losses, together with other financial developments, over a 3 year time horizon to 31 December 2012.

The PCAR has been undertaken with reference to:
- a target core tier 1 ratio level of 8% in the base case. As a further prudent requirement, the capital to meet the base case target must be principally in the form of equity to meet a targeted equity tier 1 ratio of 7%.
- a target level of 4% core tier 1 capital should be maintained in a stress scenario.

As announced on 30 March 2010, the outcome of this review is that the Financial Regulator has determined that the Group needs to raise an additional €2.7 billion of equity capital by 31 December 2010 to comply with the PCAR.

This outcome is aligned with the Group's previously held views. The Group's plans to raise additional capital are in accordance with the Financial Regulator's requirements. In conjunction with these plans and to support them, the State will commit to converting part of its €3.5 billion Preference Stock into ordinary equity.

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 157.

Capital Resources

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

	31 December 2009 €m	31 March 2009 €m
Stockholders' funds		
Equity (including other equity reserves)	6,345	6,810
Non-cumulative preference stock	42	42
Minority interests - equity	50	61
Undated loan capital	1,521	3,385
Dated loan capital	4,532	4,557
Total capital resources	12,490	14,855

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

The movement of €465 million in Stockholders' funds was mainly driven by the following:

- an after tax loss of €1,460 million which included the impact of the June 2009 tier 1 buyback (increase in Stockholders' funds of €1,037 million),
- net actuarial loss on pension funds of €74 million, and
- an increase in other reserves (Available for sale reserves of €924 million, cash flow hedging reserve of €82 million) along with a positive movement in foreign exchange reserves of €117 million primarily due to the strengthening of Sterling against euro. Other items gave a negative movement of €54 million.

The movement of €1,864 million in undated loan capital primarily relates to the tier 1 buyback in June 2009 together with fair value movements on the remaining securities.

The lower tier 2 subordinated capital exchange which was completed in February 2010 resulted in a reduction of €413 million in dated loan capital. This was offset by an increase of €405 million in Stockholders' funds. This impact is not included in the table above.

As at 31 December 2009, the Group had €1,521 million of undated loan capital and €4,532 million of dated loan capital (including fair value adjustments), a total of €6,053 million of subordinated liabilities. Of the dated loan capital, €3,778 million is repayable in five or more years. The cost and availability of subordinated debt are influenced by credit ratings. A reduction in the ratings assigned to the Group's securities could increase financing costs and reduce market access. The credit ratings of the Group at 19 March 2010 were as follows:

Senior Debt	**Credit Ratings**	**Date**	**Outlook**
Standard & Poors	A-	26 January 2010	Stable
Moodys	A1	07 July 2009	Stable
Fitch	A-	09 April 2009	Stable
DBRS	AA (low)	04 December 2009	Negative

Depending on the degree of subordination, the ratings assigned to loan capital will be one or more notches below the level for senior debt. Credit ratings are not a recommendation to buy, hold or sell any security and each rating should be evaluated independently of every other rating. These ratings are based on current information furnished to the rating agencies by the Group and information obtained by the rating agencies from other sources. The ratings are accurate only as of 19 March 2010 and may be changed, superceded or withdrawn as a result of changes in, or unavailability of, such information.

Capital Adequacy Data

The information below is additional disclosure and it does not form an integral part of the audited financial statements as described in the Basis of preparation on page 157.

	31 December 2009 Basel II €m	31 March 2009 Basel II €m
Capital base		
Share capital and reserves	6,437	6,913
Regulatory retirement benefit obligation adjustments	1,632	1,478
Available for sale reserve and cash flow hedge reserve	1,118	2,124
Goodwill and other intangible assets	(488)	(511)
Preference stock	(3,521)	(3,520)
Other adjustments	80	22
Equity Tier 1 capital	5,258	6,506
Preference stock	59	58
2009 Preference stock and warrants	3,462	3,462
Core Tier 1 Capital	8,779	10,026
Innovative hybrid debt	752	1,197
Non-innovative hybrid debt	574	1,798
Supervisory deductions	(454)	(372)
Total Tier 1 capital	9,651	12,649
Tier 2		
Undated loan capital	225	229
Dated loan capital	3,716	3,827
IBNR provisions	772	307
Revaluation reserves	40	80
Supervisory deductions	(454)	(372)
Other adjustments	11	-
Total Tier 2 capital	4,310	4,071
Total capital before supervisory deductions	13,961	16,720
Supervisory deductions		
Life and pension business	(797)	(749)
Total capital	13,164	15,971
Risk weighted assets		
Credit risk	89,785	96,395
Market risk	2,133	2,509
Operational risk	6,415	6,473
Total risk weighted assets	**98,333**	**105,377**
Risk asset ratios including dividends		
Equity Tier 1 (Core Tier 1 less preference stock)	5.3%	6.2%
Core Tier 1	8.9%	9.5%
Tier 1	9.8%	12.0%
Total Capital	13.4%	15.2%

Total tier 1 capital decreased by €2,998 million at December 2009, reflecting the loss of €1,469 million in the nine month period ended 31 December 2009 (which includes the benefit of the gain generated from the debt repurchased of €1,037 million) and the reduction of €1,670 million associated with the tier 1 debt repurchase.

At December 2009 the tier 2 capital increased by 6% or €239 million to €4,310 million. The movement was driven by an increase in IBNR provisions of €465 million offset by a decrease in dated loan capital of €111 million.

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

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

The CRD is divided into three sections commonly referred to as Pillars. Pillar 1 introduced the Internal Ratings Based Approach (IRBA) which permits banks to use their own internal rating systems to calculate their capital requirements for credit risk.

Use of the IRBA is subject to regulatory approval. Where credit portfolios are not subject to IRBA, the calculation of the minimum capital requirements is subject to the Standardised Approach, which is a more granular approach to the calculation of risk weightings than under Basel I.

Under Pillar 2 of the CRD (Supervisory Review) banks undertake an Internal Capital Adequacy Assessment Process (ICAAP) which is then subject to supervisory review.

Pillar 3 of the CRD (Market Discipline) involves the disclosure of a range of qualitative and quantitative information relating to capital and risk. The Group most recently disclosed this information on 31 July 2009.

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

Court of Directors

Non-Executive Officers

Patrick Molloy *Governor*
Appointed to the Court in June 2009 and Governor in July 2009. He was Group CEO of Bank of Ireland from 1991-1998 and subsequently served as a Non Executive Director from 1998-2001. He has served as a Non Executive Director on the Boards of CRH plc (1997-2007); Eircom plc (1999-2001) and Waterford Wedgwood plc (2002-2009). He was Chairman of Enterprise Ireland (1998-2008) and CRH plc (2000-2007). His current Directorships are Blackrock Hospital Ltd (Chairman), Dublin Adult Learning Centre and Hugh Lane Gallery Trust (Chairman). (Age 72)

Dennis Holt BA, ACIB
Deputy Governor and Senior Independent Director
Appointed to the Court in 2006. Chairman of Group Audit Committee from October 2008 to August 2009 when he was appointed Deputy Governor and Senior Independent Director. 39 years experience in Financial Services, including Retail Banking Executive Director on the Main Board of Lloyds TSB (2000-2001) and CEO of global insurer AXA's UK and Ireland businesses (2001-2006). Chairman of Liverpool Victoria Friendly Society Ltd and Non Executive Director of Principle Insurance Holdings Ltd. (Age 61)

Executive Directors

Richie Boucher *Group Chief Executive*
Appointed to the Court in October 2006 and appointed Group Chief Executive in February 2009. Joined Bank of Ireland Group as Chief Executive, Corporate Banking in December 2003 from Royal Bank of Scotland. He was appointed Chief Executive, Retail Financial Services Ireland in January 2006. He is a past President of the Institute of Bankers in Ireland (2008) and of the Irish Banking Federation (2006). (Age 51)

Des Crowley BA(Mod) Econ, FCMA
Chief Executive Officer - Retail (Ireland & UK)
Appointed to the Court in 2006. Joined Bank of Ireland in 1988 from Arthur Andersen & Co. Appointed Chief Executive, Retail Banking and Distribution and joined the Group Executive Committee in 2000. In 2004 he was appointed Chief Executive, Retail Financial Services, Chief Executive, UK Financial Services in 2006 and Chief Executive Officer – Retail (Ireland & UK) in May 2009. He is a Director of Post Office Financial Services and First Rate Exchange Services, our joint ventures with the UK Post Office and a Director of New Ireland Assurance plc. (Age 50)

Denis Donovan B Comm, MBA
Chief Executive, Capital Markets
Appointed to the Court in 2006. Joined Bank of Ireland in 1985 from the Central Bank of Ireland. Appointed Chief Executive of the Group's Capital Markets Division in 2006, having held the position of Chief Executive, Wholesale Financial Services Division since 2003. He was CEO of Global Markets from 1999-2003 and Chief Operating Officer – International, with Bank of Ireland Asset Management from 1993-1999. (Age 56)

John O'Donovan B Comm, F.C.A.
Group Chief Financial Officer
Joined the Group in 2001 as Group Chief Financial Officer. Appointed to the Court in 2002. Formerly Group Finance Director / Company Secretary of Aer Lingus Group plc. (Age 58)

Non-Executive Directors

Tom Considine BA, F.C.C.A.
Appointed to the Court in January 2009. Appointed Chairman of the Court Risk Committee in August 2009. President of the Institute of Public Administration and a member of the Forum of the Economic & Social Research Institute. Former Secretary General of the Department of Finance. Former Board member of the Central Bank and Financial Services Authority of Ireland and former member of the Council of the Economic & Social Research Institute . (Age 65)

Paul Haran M.Sc, B.Sc
Appointed to the Court in 2005. Spent his career in public service and was Secretary General of the Department of Enterprise, Trade and Employment (1997-2004) during a period of significant economic and social transformation. In that period he was also a member of the National Economic and Social Council (1997-2004) and the Board of Forfas (1997-2004). He is Chairman of the National Qualifications Authority of Ireland, of Edward Dillon & Company and of the UCD Michael Smurfit Graduate Business School and the UCD College of Business & Law. A member of the Forum of the Economic and Social Research Institute and the Road Safety Authority, he is also a Director of Glanbia plc, the Mater Private Hospital and Drury Communications. He serves on the councils of Camerata Ireland, the Irish Taxation Institute and the Irish Insurance Federation. (Age 52)

Rose Hynes BCL, AITI, Solr
Appointed to the Court in 2007. A Solicitor by profession. Previously held senior management positions in GPA Group plc, including General Counsel and Head of Commercial. Appointed Chairman of Bord Gáis in 2009. Director of Total Produce plc, where she is its Senior Independent Director and chairs the Compensation Committee. Also a Director of a number of other companies. Former Director of Fyffes plc, Shannon Airport Authority plc, and Aer Lingus Group plc. (Age 52)

Court of Directors

Jerome Kennedy F.C.A.
Appointed to the Court in 2007. Appointed Chairman of Group Audit Committee in August 2009. Spent 24 years (1980-2004) as a Partner in KPMG providing audit and advisory services to a range of Irish companies and Irish subsidiaries of multinational groups from 1980-1995. Managing Partner of KPMG Ireland and a Board member of KPMG Europe from 1995-2004. Director of Bank of Ireland Life Holdings plc, New Ireland Assurance Company plc and Total Produce plc where he chairs the Audit Committees. Also Chairman of Caulfield McCarthy Group Retail and is on the Irish Board of the UCD Michael Smurfit Graduate Business School. (Age 61)

Declan McCourt BL, MA, MBA
Appointed to the Court in 2004. Chairman of the Audit Committee 2006-2008. Appointed Chairman of the Remuneration Committee in August 2009. Partner and Chief Executive of automotive distributor the OHM Group. Director of Fyffes plc since 2003, where he is Senior Independent Director and Chairman of both the Audit and Compensation & Nomination Committees. Director of Blackrock International Land plc. Chairman of the Mater Hospital Foundation and of UCD Law School Development Council. (Age 63)

Heather Ann McSharry B.Comm MBS
Appointed to the Court in 2007. Director of IDA Ireland and Council member of the Institute of Directors. Previously Managing Director of Reckitt Benckiser and Boots Healthcare in Ireland. Former Director of Enterprise Ireland and the Irish Pharmaceutical Healthcare Association, and a fomer member of Governing Authority of University College Dublin. (Age 48)

Terry Neill MA, M.Sc (Econ)
Appointed to the Court in 2004. A member of the Governing Body and chairman of the Finance Committee of London Business School. A member of the Boards of CRH plc, Trinity Foundation and United Business Media plc. Former Senior Partner in Accenture and former chairman of its global Board. Chairman, Camerata Ireland. (Age 64)

Patrick O'Sullivan BBS MsC F.C.A.
Appointed to the Court in July 2009. Previously Vice Chairman, Chief Growth Officer and Group Finance Director of Zurich Financial Services; Chief Executive Officer, Eagle Star Insurance (London); Chief Operating Officer, Barclays De Zoete Wedd Holdings (London); Managing Director, Financial Guaranty Insurance Co. (part of GE Capital) (London & New York); Executive Director, Goldman Sachs International (London) and General Manager, Bank of America Futures (London). He is currently Non Executive Director of Man Group plc, Cofra Holdings AGC and Chairman of Old Mutual plc. (Age 60)

Joe Walsh
Appointed to the Court in January 2009. Served as Minister for Agriculture from 1992-2004, having previously served as Minister for Food from 1987. He retired from the Cabinet in 2004. Chairman of Cork Racecourse (Mallow) Ltd, Horse Sport Ireland and Irish Hunger Task Force. (Age 66)

Senior Independent Director
Dennis Holt

Group Audit Committee (GAC)
Jerome Kennedy (Chairman)
Tom Considine
Paul Haran
Rose Hynes
Heather Ann McSharry
Patrick O'Sullivan

Group Remuneration Committee (REM COM)
Declan McCourt (Chairman)
Patrick Molloy
Rose Hynes
Terry Neill
Joe Walsh

Group Nomination and Governance Committee (N&G)
Patrick Molloy (Chairman)
Dennis Holt
Heather Ann McSharry
Declan McCourt
Terry Neill
Joe Walsh

Court Risk Committee (CRC)
Tom Considine (Chairman)
Rose Hynes
Jerome Kennedy
Terry Neill
Patrick O'Sullivan

Trustees of the Bank Staff Pension Fund (BSPF)
Paul Haran (Chairman)
Dennis Holt
Heather Ann McSharry

Report of the Directors

Results

The Group made a loss of €1,469 million, of which €,1,460 million was attributable to the stockholders.

Dividends

No dividend on ordinary stock will be paid in respect of the nine month period to 31 December 2009.

Group activities

The Group provides a range of banking and other financial services. The Business Review section (pages 9 to 59) describes the results and operations of the Group.

Principal risks and uncertainties

Information concerning the principal risks and uncertainties facing the Group is set out in the Risk Management section of the Business Review on page 60.

Capital stock and subordinated liabilities

1,026,225,679 units of ordinary stock, of nominal value of €0.64 each, were in issue at 1 April 2009 of which 32,118,677 were held in treasury stock. During the year the Bank reissued treasury stock under a staff stock scheme. As at 31 December 2009, the Bank has 1,026,225,679 units of ordinary stock of €0.64 each of which 33,223,815 were held in treasury stock.

On 22 February 2010 the Bank issued to the NPRFC 184,394,378 units of ordinary stock, being the number of units equal to the aggregate cash amount of the 2010 dividend of €250.4 million divided by 100% of the average price per unit of ordinary stock in the 30 trading days prior to and including 19 February 2010.

The Bank did not exercise the Authority granted in Annual General Court to purchase any units of ordinary stock, euro preference stock or sterling preference stock.

In February 2010 the Group successfully completed an exchange offer for certain Lower Tier 2 securities with a nominal value of €1.62 billion for further information see note 56.

Full details of the changes during the period in the capital stock and subordinated liabilities are set out in note 45 and note 39.

Takeover Bids Regulations

The disclosures required by the European Communities (Takeover Bids (Directive 2004 / 25 / EC)) Regulations 2006 are set out in the Schedule to the Report of the Directors on pages 114 to 118.

Directors

The names of the members of the Court of Directors as at 31 December 2009 together with a short biographical note on each Director appear on pages 109 and 110.

At the Annual General Court held on the 3 July 2009, Patrick O'Sullivan was elected as a non-executive Director. Patrick J Molloy replaced Richard Burrows as Governor on the same date.

At the forthcoming Annual General Court, all Directors, with the exception of Tom Considine and Joe Walsh, are retiring. Declan McCourt and Terry Neill, who will each have completed two terms this year, are retiring at the end of the AGC. Other than the four Directors mentioned above, all Directors are offering themselves for re-election.

Remuneration

See Remuneration Report on pages 119 to 130.

Directors' interests

The interests of the Directors and Secretary in office at 31 December 2009 and of their spouses and minor children in the stock issued by the Bank are shown in the Remuneration Report on pages 119 to 130.

In relation to the Group's business, no contracts of significance to the Group, in which the Directors of the Bank had any interest, existed at any time during the nine month period to 31 December 2009.

Substantial stockholdings

There were 95,311 registered holders of the ordinary stock of the Bank at 31 December 2009. An analysis of these holdings is shown on page 304.

As at 30 March 2010, the Bank had received notification of the following substantial interests in its issued ordinary stock:

Name	%
NPRFC*	15.73
Harris Associates LP**	6.66

* The NPRFC has also acquired voting rights equivalent to 25% of all votes capable of being cast by stockholders on a poll at a General Court of the Bank on any resolution proposed at a General Court of the Bank involving the appointment and removal of Directors. Such voting rights are also exercisable in relation to certain matters concerning a proposed change of control of the Bank (being a change in the holding of more than 50% of the voting stock of the Bank or of substantially all of the Bank's business and assets).

** This stockholding is not beneficially owned but is held on behalf of a range of clients, none of whom hold, so far as the Directors have been notified, more than 3% of the issued ordinary stock. So far as the Directors have been notified, there were no other holdings of 3% or more of the issued ordinary stock of the Bank.

Corporate governance

Statements by the Directors in relation to the Group's compliance with the Combined Code on Corporate Governance, the Group's system of internal controls and the activities of the Group Audit Committee for the period are set out in the Corporate Governance Statement on pages 131 to 140. The Corporate Governance Statement forms part of the Report of the Directors.

Environment

The facilitation of a clean environment and effective environmental protection is a fundamental aspect of good business operations. The Group recognises that its business activities have an impact on the environment, both globally and locally, and it is our policy to minimise any adverse impact of our operations on the environment. An environmental management system provides for the identification and prioritisation of local and Group wide programmes to reduce the Group's environmental impacts. The full text of the environmental policy is accessible at www.bankofireland.com.

Political donations

The Directors, on enquiry, have satisfied themselves that there were no political donations which require disclosure under the Electoral Act 1997, as amended.

Branches outside the State

The Bank has established branches, within the meaning of Regulation 25 of the European Communities (Accounts) Regulations, 1993 (which gave effect to EU Council Directive 89 / 666 / EEC), in the UK, France, Germany and the US.

Going concern and books of account

The Bank and the Group are dependent on successfully funding their respective balance sheets and maintaining sufficient levels of capital. After reviewing the Group's projections of its funding and capital position and considering the key dependencies as outlined on page 157, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

The Directors ensure that proper books and accounting records are kept at the Bank's registered office, through the appointment of suitably qualified competent personnel, the implementation of appropriate computerised systems and the use of financial and other controls over the systems and the data.

Auditors

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

Post Balance Sheet Events

These are described in note 56 to the financial statements.

Patrick J Molloy
Governor

Dennis Holt
Deputy Governor

Bank of Ireland
Head Office
Lower Baggot Street,
Dublin 2

30 March 2010

Schedule to the Report of the Directors

Information required under the European Communities (Takeover Bids (Directive 2004 / 25 / EC)) Regulations 2006

As required by these Regulations, the information contained below represents the position at 31 December 2009.

On 31 March 2009, the Bank raised capital of €3.5 billion through the issue of the 2009 preference stock and warrants to the National Pensions Reserve Fund Commission (NPRFC). The information at the bullet points and notes 1 to 3 below is subject to that set out in note 4 "2009 Preference Stock and Warrants".

- The structure of the Bank's capital is set out in note 45 to the consolidated financial statements. The percentage of the total capital stock represented by each class and details regarding the rights and obligations attaching to the classes of stock are set out at note 1 below.

- Details of significant stockholdings may be found on page 112.

Subject to certain restrictions set out in Note 4:

- There are no restrictions imposed by the Bank on the transfer of stock, nor are there any requirements to obtain the approval of other stockholders for a transfer of stock, save in certain limited circumstances set out in the Bye-Laws. A copy of the Bye-Laws may be found on www.bankofireland.com or may be had on request from the Group Secretary.
- Other than the rights set out in note 4 below, there are no special rights with regard to control of the Bank.
- There are no unusual restrictions on voting rights except for the circumstances set out in note 4. Deadlines for exercising voting rights are specified in note 1 below.
- There are no arrangements between stockholders, known to the Bank, which may result in restrictions on the transfer of securities or voting rights.
- The rules concerning the appointment and replacement of the Directors and amendment of the Bank's Bye-Laws are set out in note 2 below.
- Details of the powers of the Bank's Directors, including powers in relation to issuing or buying back by the Bank of its stock are set out in note 3 below.
- There are a number of agreements that take effect, alter or terminate upon a change of control of the Bank following a takeover. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.
- There are no agreements between the Bank and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a bid. There are however provisions for early maturity of employee stock schemes in the event of a change of control.

Note 1 - Percentage of the Bank's capital represented by class of stock and rights and obligations attaching to the classes of stock

The ordinary stock represents 73% of the authorised capital stock and 94% of the issued capital stock. The preference stock represents 27% of the authorised capital stock and 6% of the issued capital stock, of which the 2009 preference stock represents 2% and 5% respectively.

Rights and Obligations attaching to the classes of stock

(a) Ordinary stock

Dividend rights

Under Irish law and under the Bye-Laws of the Bank, dividends are payable on the ordinary stock of the Bank only out of profits available for distribution. Holders of the ordinary stock of the Bank are entitled to receive such dividends as may be declared by the stockholders in General Court, provided that the dividend cannot exceed the amount recommended by the Directors. The Bank pays stockholders such interim dividends as appear to the Directors to be justified by the profits of the Bank. No dividend on the ordinary stock may be declared unless the dividend on the Dollar preference stock, the Sterling preference stock, the euro preference stock (including the 2009 preference stock) and the 2005 preference stock most recently payable prior to the relevant General Court shall have been paid in cash. Any dividend which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

Voting rights
Voting at any General Court is by a show of hands or by poll. On a show of hands, every stockholder who is present in person or by proxy has one vote regardless of the number of units of stock held by them. On a poll, every stockholder who is present in person or by proxy has one vote for every unit of ordinary stock of €0.64 each, except for the voting rights of the Minister for Finance, as set out in Note 4.

A poll may be demanded by the Chairman of the meeting or by at least nine members of the Bank present in person or by proxy and entitled to vote on a poll. The necessary quorum for a General Court is 10 persons present in person or by proxy and entitled to vote. All business is considered to be special business if it is transacted at an Extraordinary General Court as is all business transacted at an Annual General Court other than the declaration of a dividend, the consideration of the financial statements, the balance sheet and reports of the Directors and Auditors, the election of Directors in the place of those retiring, the reappointment of the retiring Auditors, and the determination of the remuneration of the Auditors, all of which is deemed ordinary business. Special business is dealt with by way of an ordinary resolution save where a special resolution is expressly required by the Bye-Laws or the Companies Acts 1963 to 2009 ("the Companies Acts"). A special resolution must be passed by not less than three fourths of the votes cast by such members as being entitled so to do, vote in person or, where proxies are allowed, by proxy at a General Court at which not less than 21 days notice specifying the intention to propose a resolution as a special resolution has been duly given. Ordinary business is dealt with by way of an ordinary resolution which requires a simple majority of the votes cast by the members voting in person or by proxy at a General Court. Where an equal number of votes have been cast on any resolution the Chairman of the meeting is entitled to a second or casting vote. An Extraordinary General Court (other than an Extraordinary General Court called for the passing of a special resolution) may be called on 14 days' notice in writing, at least, where: (i) the Bank offers the facility for stockholders to vote by electronic means accessible to all stockholders; and (ii) a special resolution reducing the period of notice to 14 days has been passed at the immediately preceding Annual General Court or at an Extraordinary General Court held since the immediately preceding Annual General Court.

Liquidation rights
In the event of any surplus arising on the occasion of the liquidation of the Bank, the ordinary stockholders would be entitled to a share in that surplus pro rata to their holdings of ordinary stock.

(b) Preference stock
The capital of the Bank is divided into ordinary stock, non-cumulative Dollar preference stock, non-cumulative Sterling preference stock and non-cumulative euro preference stock (which includes the 2009 preference stock). At 31 December 2009, there was no non-cumulative Dollar preference stock in issue. Any non-cumulative Dollar preference stock issued will rank equivalently to the existing euro or Sterling preference stock as regards entitlements to dividends. The holders of non-cumulative Sterling and euro preference stock (including the 2009 preference stock) are entitled to a fixed annual dividend, at the discretion of the Bank, in accordance with the terms and conditions relating to the issue of the particular class of preference stock. Any dividend which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

The non-cumulative Sterling preference stock and the non-cumulative euro preference stock rank pari passu inter se and the right to a fixed dividend is in priority to the dividend rights of ordinary stock in the capital of the Bank. On a winding-up or other return of capital by the Bank, the non-cumulative Sterling preference stockholders and the non-cumulative euro preference stockholders are entitled to receive, out of the surplus assets available for distribution to the Bank's members, an amount equal to the amount paid up on their preference stock including any preference dividend outstanding at the date of the commencement of the winding-up or other return of capital. Otherwise the preference stockholders are not entitled to any further or other right of participation in the assets of the Bank. Bye-Law 7 enables the Directors to issue and allot new preference stock (the 2005 Preference Stock) which can be either redeemable or nonredeemable, and can be denominated in US dollars, in euro or in sterling. Any preference stock issued under Bye-Law 7 will rank equivalently to the existing euro and Sterling preference stock as regards entitlements to dividend. Bye-Law 7 permits the substitution of all of the outstanding preferred securities in the event of the occurrence of a trigger event. A trigger event will occur when the capital adequacy requirements of the Financial Regulator have been, or are expected to be, breached.

Variation of class rights
The rights attached to the ordinary stock of the Bank may be varied or abrogated, either while the Bank is a going concern or during or in contemplation of a winding-up, with the sanction of a resolution passed at a class meeting of the holders of the ordinary stock. Similarly, the rights, privileges, limitations or restrictions attached to the preference stock may be varied, altered or abrogated, either while the Bank is a going concern or during or in contemplation of a winding-up, with the written consent of the holders of not less than 75% of such class of stock or with the sanction of a resolution passed at a class meeting at which the holders of 75% in nominal value of those in attendance vote in favour of the resolution.

Note 2 - Rules concerning the appointment and replacement of the Directors and amendment of the Bank's Bye-Laws

With the exception of those Directors appointed by the Minister for Finance, all Directors appointed between Annual General Courts are submitted to stockholders for election at the first Annual General Court following their co-option and for re-election at intervals of no more than three years, thereafter. In proposing the election or re-election of any individual Director to the Annual General Court, the reasons why the Court believes that the individual should be elected or re-elected are provided in the Governor's Letter to stockholders. The rights of the Minister for Finance to appoint 25% of the Directors and to exercise 25% of the votes in respect of all nominations for the office of Director are set out in Note 4 below.

All Non-Executive Directors are appointed for an initial three year term with an expectation of a further term of three years assuming satisfactory performance. Where a Director is invited to remain beyond six years, his / her performance is subject to rigorous review. Should any Non-Executive Directors be invited to serve longer than nine years they are then subject to annual re-election by stockholders.

Rules concerning amendment of the Bank's Bye-Laws
The Bank's Bye-Laws may be amended by special resolution passed at an Annual General Court or Extraordinary General Court. An Annual General Court and a Court called for the passing of a special resolution shall be called on 21 days' notice in writing at the least. Special resolutions must be approved by not less than 75% of the votes cast by stockholders entitled to vote in person or by proxy. No business may be transacted at any General Court unless a quorum of members is present at the time when the Court proceeds to business. Ten persons present in person or by proxy and entitled to vote shall constitute a quorum.

Note 3 - Powers of Directors including powers in relation to issuing or buying back by the company of its stock

Under its Bye-Laws, the business of the Bank is managed by the Directors, who exercise all powers of the Bank as are not, by the Charter, the Bank's Acts or the Bye-Laws, required to be exercised by the Bank in General Court. The Directors may exercise all the borrowing powers of the Bank and may give security in connection therewith. These borrowing powers may be amended or restricted only by the stockholders in General Court.

The members of the Bank in General Court may at any time and from time to time by resolution enlarge the capital stock of the Bank by such amount as they think proper. The requirement for the approval in writing by the Minister for Finance before any such resolution (a "Capital Resolution") can be tabled at an Annual General Court is set out in Note 4. Whenever the capital stock of the Bank is so enlarged, the Directors may, subject to various provisions of the Bye-Laws, issue stock to such amount not exceeding the amount of such enlargement as they think proper. All ordinary stock so issued shall rank in equal priority with existing ordinary stock.

Subject to provisions of the Companies Acts, to any rights conferred on any class of stock in the Bank and to the Bye-Laws, the Bank may purchase any of its stock of any class (including any redeemable stock) and may cancel any stock so purchased. The Bank may hold such stock as treasury stock, in accordance with Section 209 of the Companies Act, 1990 (the treasury stock) with the ability to re-issue any such treasury stock on such terms and conditions and in such manner as the Directors may from time to time determine. The Bank shall not make market purchases of its own stock unless such purchases shall have been authorised by a special resolution passed by the members of the Bank at a General Court (a Section 215 Resolution).

Note 4 - 2009 Preference Stock and Warrants

Defined terms used below have the meanings set out in the Governor's Letter and Notice of Extraordinary General Court on 27 March 2009, which is available on www.bankofireland.com.

The following principal rights attach to the 2009 preference stock:

The repayment of the capital paid up (inclusive of premium) on the 2009 preference stock will rank pari passu with the repayment of the paid up nominal value (excluding premium) of the ordinary stock on a winding up or other return of capital of the Bank.

The 2009 preference stock will rank ahead of ordinary stock as regards dividends and as regards the repayment of premium on the ordinary stock on a winding up or other return of capital of the Bank. The 2009 preference stock will rank pari passu as regards dividends with other stock or securities which constitute core tier 1 capital of the Bank (other than ordinary stock and other than dividends to Minority Interests).

The 2009 preference stock entitles the holder thereof to receive a non-cumulative dividend at a fixed rate of 8 per cent of the issue price per annum, payable annually at the discretion of the Bank. The dividend on the 2009 preference stock accrues day to day and is payable annually in arrears on 20 February. If a cash dividend is not paid by the Bank, the Bank shall issue units of ordinary stock to the NPRFC.

The 2009 preference stock is transferable in minimum lots of 50,000 units. If transferred to a person who is not a Government Entity, the 2009 preference stock will cease to carry any voting rights or the right to appoint Directors to the Court referred to below.

The number of units of ordinary stock that the Bank would be required to issue to the NPRFC (in the event of non-payment of a dividend) will be calculated by dividing the amount of the unpaid dividend by the Thirty Day Average Price[1]. If units of ordinary stock are issued in the event of non-payment of dividends, these units will be settled on a day determined by the Bank, in its sole discretion, provided that this must occur no later than the day on which the Bank subsequently redeems or repurchases or pays a dividend on the 2009 preference stock or any class of capital stock. The issue of units of ordinary stock in the event of non-payment of dividends will result in the dilution of existing ordinary stockholders' proportionate ownership and voting interests in the Bank.

On 22 February 2010, the Bank issued to the NPRFC 184,394,378 units of ordinary stock, being the number of units equal to the aggregate cash amount of the 2010 dividend of €250.4m, calculated as set out above.

If the dividend on the 2009 preference stock is not paid in any particular year, then the Bank shall be precluded from paying any dividend on any ordinary stock until the Bank resumes the payment of dividends on the 2009 preference stock in cash. The Bank will also be precluded from paying any dividend on any ordinary stock where the payment of such dividend would reduce the distributable reserves of the Bank to such an extent that the Bank would be unable to pay the next dividend due for payment on the 2009 preference stock.

The 2009 preference stock may be repurchased at the option of the Bank, in whole or in part, at a price per unit equal to the issue price of €1.00 per unit of the 2009 preference stock within the first five years from the date of issue and thereafter at a price per unit of €1.25, provided in either case that the consent of the Financial Regulator to the repurchase of the 2009 preference stock is obtained. The 2009 preference stock will not be capable of being repurchased if it would breach or cause a breach of Irish banking capital adequacy requirements from time to time applicable to the Bank. The 2009 preference stock may be repurchased from profits available for distribution or from the proceeds of any issue of stock or securities that constitute core tier 1 capital. Any repurchase or redemption of the 2009 preference stock will have no impact on the warrants (see "The Warrants" below).

While the 2009 preference stock is held by a Government Entity, the Minister for Finance will have the right to directly appoint 25 per cent of the Directors of the Bank (such 25 per cent to include any Directors nominated by the Minister for Finance pursuant to the Government Guarantee Scheme). Two Directors have already been appointed as Directors by the Court pursuant to the nominations of the Minister for Finance under the Government Guarantee Scheme.

The 2009 preference stock carries voting rights equivalent to 25 per cent of the total voting rights (being all the votes which are exercisable at a General Court of the Bank) on any resolution proposed at a General Court of the Bank in relation to the appointment or removal of a Director of the Bank (inclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of ordinary stock obtained through or in relation to the NPRFC Investment).

The 2009 preference stock will carry voting rights equivalent to 25 per cent of the total voting rights (being all the votes which are exercisable at a General Court of the Bank) in relation to any Control Resolution (exclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of ordinary stock obtained through or in relation to the NPRFC Investment).

For such time as the NPRFC or a Government Entity holds the 2009 preference stock or (if later) until the warrants are exercised, the implementation of any existing, or the adoption of any proposed, Capital Stock Resolution shall be subject to the prior written consent of the Minister for Finance.

[1] *Defined in Capital Stock and Government Guarantee - Defined Terms, section of Other disclosures, page 303.*

In the event that the ordinary stock to be issued in the event of non-payment of cash dividends on the 2009 preference stock is not settled on the dividend payment date to which it relates, the NPRFC shall be entitled to exercise the voting rights of the as yet unissued ordinary stock from the dividend payment date (although such voting rights will have no effect on the Bank's unfettered discretion in respect of (i) the payment of dividends on the 2009 preference stock or any other securities of the Bank ranking pari passu with, or junior to, the 2009 preference stock or the issuance of ordinary stock in the event of non-payment of dividends on the 2009 preference stock; or (ii) the redemption or repurchase of the new preference stock or any other securities of the Bank ranking pari passu with, or junior to, the 2009 preference stock).

The Warrants

The Bank issued, on 31 March 2009, 334,737,148 warrants to the NPRFC. Under the terms of the warrants, the NPRFC will be entitled to subscribe for units of ordinary stock on the basis of one unit of ordinary stock for each individual warrant.

The warrants, if exercised in full, would entitle the NPRFC to acquire 334,737,148 units of ordinary stock. The warrants shall remain unaffected by any repurchase of the 2009 preference stock.

The NPRFC shall be entitled to exercise no more than 50 per cent of the voting rights attaching to any units of ordinary stock which are issued as a result of the exercise of the warrants.

The warrants will be exercisable on the earlier of (i) at any time between the fifth and tenth anniversary of the date of issue of the 2009 preference stock (issued 31 March 2009); and (ii) any offer (within the meaning of the Takeover Panel Act 1997) for the Bank or other change of control event in respect of the Bank.

The exercise price per unit of ordinary stock issued pursuant to the warrants will be €0.52 for 177,213,784 units of ordinary stock and €0.20 for 157,523,364 units of ordinary stock. Any difference between the exercise price and the nominal value of the ordinary stock (being €0.64) shall be paid up from the Bank's undistributable reserves (including the stock premium account) or (subject to there being no contravention of the rights of other stockholders) from the Bank's distributable reserves.

If the units of ordinary stock issued on exercise of the warrants are transferred to any third party (other than a Government Entity), full voting rights will attach to such transferred units of ordinary stock.

The number of units of ordinary stock which may be acquired pursuant to the exercise of the warrants will be subject to anti-dilution protection in line with market norms for warrants. Accordingly, the warrants will be proportionately adjusted for any increase or decrease in the number of outstanding units of ordinary stock in issue resulting from a subdivision or consolidation of units of ordinary stock. The warrants will also be proportionally adjusted for any capital distributions by the Bank and for certain bonus issues or rights issues by the Bank.

The Bank has undertaken that application will be made in due course, for the ordinary stock to be issued on exercise of the warrants or in the event of non-payment of dividends on the 2009 preference stock, to be admitted to the Official Lists and to trading on the main markets for listed securities of the Irish Stock Exchange and the London Stock Exchange. As well as agreeing to allow the Government Entities to make use of any public offer prospectus issued by the Bank for the purposes of placing this ordinary stock with investors, the Bank will also undertake to co-ooperate on a one-off basis at its own expense in the preparation and issue of a public offer prospectus where this is required or as appropriate for the purpose of placing this ordinary stock with investors. The placing of this ordinary stock will be subject to orderly market provisions.

The warrants shall not be transferable (other than to a Government Entity).

Remuneration Report

Subscription Agreement & Governance Structures

The Group Remuneration Committee holds delegated responsibility for setting policy on the remuneration of the Governor and senior management (including Executive Directors) and approves specific remuneration packages for the Governor, each of the Executive Directors, the Group Secretary and those senior executives who report directly to the Group Chief Executive (Group Executive Committee).

This Remuneration Report has been prepared in accordance with the requirements of the Combined Code on Corporate Governance.

The Subscription Agreement with the Irish Government and the Credit Institutions (Financial Support) Scheme 2008 contain certain requirements in terms of executive remuneration and have affected key remuneration decisions during the period. These requirements were in effect for the nine month period ending 31 December 2009 and the Group is in compliance with all such remuneration requirements.

The remuneration of Non-Executive Directors is determined and approved by the Court. Neither the Governor nor any Director participates in decisions relating to their own remuneration.

The committee's role is to ensure that members of senior management are incentivised appropriately for their contribution to business performance and the achievement of strategic objectives.

During 2009 the committee received independent remuneration advice on executive remuneration from Deloitte LLP.

Statement on Remuneration

The current global economic downturn, coupled with continued disruption in capital markets, has resulted in another exceptionally challenging year in financial services. Reflecting the external environment, the performance of the Group and the Group's obligations in relation to remuneration as set out under the Subscription Agreement and the Credit Institutions (Financial Support) Scheme 2008, the Group Remuneration Committee took the following key decisions in relation to remuneration for the Group's Directors during the period ended 31 December 2009:

Executive Directors

- The remuneration packages for the Executive Directors were renegotiated and the changes took effect from 1 May 2009
- Changes were made to the remuneration package of the Group Chief Executive. He has agreed to a cessation of his Pension Cash Allowance, and has waived receipt of a portion of his salary. As a result, his total cash remuneration on an annualised basis has reduced by 20.6% when compared with the role he held prior to being appointed Group Chief Executive. His contractual arrangements include an option to retire at age 55 on a pension of c. 59% of salary. His accrued pension entitlement as at 31 December 2009 was €276,690 as set out on page 129
- The remaining Executive Directors have agreed to waive receipt of a minimum of 10% of their salary for one year with effect from 1 May 2009. Total cash remuneration payable to all Executive Directors, as set out in the table below, has reduced by 23.8% when compared with a comparable period for 2008 / 09
- Changes have been made to the contractual arrangements governing the taxable non-pensionable cash allowance in lieu of pension benefit foregone. The amounts payable to each Executive Director have been reduced as shown in the table below. Further detail regarding the nature of these allowances is set out in the Retirement Benefits section on page 129
- Executive Directors will not receive any annual performance bonus in respect of 2009
- Awards made under the 2006 Long Term Incentive Plan lapsed resulting in the cancellation of the conditional grant of units of stock. The Group did not make any awards under the Long Term Incentive Plan in 2009
- The Group did not make any awards under the Executive Stock Option Scheme in June 2009. Awards made under the 2006 Executive Stock Option Scheme lapsed in 2009, resulting in the cancellation of options under this grant, as the performance conditions were not achieved
- The table below shows the current structure of the Executive Directors' cash remuneration (on an annualised basis), compared to that in effect for the year ended 31 March 2009. Cash remuneration includes all amounts payable to the Executive Directors. The difference between the amounts shown in the table below and the table on page 123 is that amounts have been annualised, and the table below excludes pension contributions paid directly to pension funds

	Gross salary €000	Gross salary waived[1] €000	Gross salary after waiver €000	Bonus €000	Car allowance €000	Pension cash allowance €000	Total cash remuneration €000	Reduction (annualised versus prior year) %
Current structure - annualised package in effect from 1 May 2009								
R Boucher	690	(67)	623	-	34	-	657	20.6%
D Crowley [2]	570	(72)	498	-	28	72	598	22.9%
D Donovan	660	(66)	594	-	28	245	867	23.8%
J O'Donovan	550	(55)	495	-	28	152	675	27.4%
	2,470	**(260)**	**2,210**	**-**	**118**	**469**	**2,797**	**23.8%**
Previous structure - annualised package for the year ended 31 March 2009								
R Boucher [3]	580	-	580	-	28	220	828	
D Crowley	478	-	478	-	18	280	776	
D Donovan	660	-	660	-	28	451	1,139	
J O'Donovan	550	-	550	-	28	352	930	
	2,268	**-**	**2,268**	**-**	**102**	**1,303**	**3,673**	

[1] Details on the amount waived in the nine month period ended 31 December 2009 are shown on page 123.
[2] When Des Crowley returned from the UK to an expanded role his salary was £440,000. It had been agreed that his salary on a return to Ireland would be €662,500. On his return to Ireland his salary was actually set at €570,000, 13% less than had been guaranteed, and he accepted this reduction. He also agreed to a waiver of €72,000 (12%) so that his salary after waiver is now €498,000. Compared to his original contractual position this represents a total reduction of 24%. In addition, his pension cash allowance was reduced as set out above.
[3] The amounts shown are in respect of Richie Boucher's previous role.

Non-Executive Directors

- In February 2009, the Governor, Deputy Governor and all Non-Executive Directors agreed to reduce their salary (in the case of the Governor and Deputy Governor) and their fees (in the case of all other Non-Executive Directors) by 25%. These reductions applied throughout the period ended 31 December 2009.
- In addition, any fees payable in respect of Committee membership also reduced by 25%. These reductions also applied throughout the nine month period ended 31 December 2009.

REMUNERATION STRATEGY

As described previously the Group is currently governed by obligations in relation to remuneration as contained in the Subscription Agreement and the Credit Institutions (Financial Support) Scheme 2008. In addition, and taking account of the new regulatory environment, a review has commenced to ensure that our remuneration strategy, principles and frameworks continue to reflect new regulatory principles and recommendations (for example, UK Walker review recommendations) and external best practice.

The Bank of Ireland Group's remuneration strategy is to stimulate the behaviours which drive the achievement of the Group's business goals and strategy through providing a suite of remuneration tools directly related to:

- Sustainable short and long term financial and business performance goals
- Risk measures, which ensure that remuneration levels are risk adjusted and appropriately reflect risk timeframes
- Capital and liquidity measures
- Non-financial measures of Group wide behaviours on leadership and employee engagement

REMUNERATION PRINCIPLES

A number of remuneration principles support this Group Remuneration Strategy:

- Remuneration is aligned with the objective of maximising stockholder value over the medium to long term
- Performance Driven - individual levels of remuneration are determined by individual performance versus a range of goals (see section on Performance Management) and also by Group performance
- Market competitive - remuneration structures and pay levels are aligned with market practice in the relevant jurisdiction and / or segment and reflect the Group's position within a relevant given market
- Structured appropriately - remuneration structures and pay levels target, motivate and retain key skills and talent
- Risk adjusted - remuneration is linked to appropriate risk measures and risk timeframes
- Fairness and equity - Executive Directors are treated in a fair and equitable manner
- Discretionary - all remuneration decisions (base pay increases, annual bonus, long term incentive grants) are subject to Group Remuneration Committee discretion and are dependent on individual and business performance
- Regularly reviewed - reviewed at least annually to ensure appropriateness
- Benchmarked appropriately - all benchmark analysis is conducted by external independent remuneration consultants

PERFORMANCE MANAGEMENT

A robust performance management system and process remains critical in the current challenging environment.

The performance management approach allows the Group to align individual, business unit and divisional performance to the Group's strategic objectives through an ongoing dialogue between managers and their direct team members. In addition, it supports an executive's career development and professional growth.

The Balanced Scorecard & Key Result Areas ("KRAs")

A Balanced Scorecard is a key document in the Performance Planning & Review process. This Balanced Scorecard approach is consistent with the emerging regulatory recommendations and principles. It ensures that:

- All key deliverables and accountabilities of a role are taken into account when performance is assessed. For example, financial results, impact on customers, how an executive leads and develops his / her people, risk, regulatory and compliance requirements
- A broad view of an individual's performance is taken, rather than focusing on one or two key areas to the detriment of others
- Organisational performance is continually enhanced by measuring both results and behaviours

The Balanced Scorecard currently contains four Key Result Areas (KRAs), each with a minimum weighting of 10%, that apply to all executive roles in Bank of Ireland:

KRA 1	Financial / Revenue / Cost / Efficiency
KRA 2	Customer
KRA 3	Leadership & People Development
KRA 4	Credit, Regulatory & Operational Risk.

The KRAs are agreed between the executive and his / her line manager at the beginning of the performance cycle. A formal interim review is conducted with regular informal reviews taking place at other times during the year. A formal end of year review occurs at the end of the financial year.

Remuneration packages for Executive Directors

The total remuneration package is reviewed by the Group Remuneration Committee on an annual basis with assistance from external remuneration consultants who provide independent remuneration advice and analysis to the Committee. Remuneration levels are benchmarked versus similar level roles in Ireland and the UK.

For the period ended 31 December 2009 the remuneration packages for Executive Directors are governed by obligations contained in the Subscription Agreement.

The key elements of the remuneration package for the period ended 31 December 2009 were as follows:

- **Salary** - Is payable monthly and is set at a level as approved under the Subscription Agreement. Salaries are reviewed annually by the Group Remuneration Committee.

- **Performance-related bonus scheme** - The level earned by each Executive Director is based on the Remuneration Committee's assessment of that Director's performance against pre-determined financial goals and required leadership behaviours.

  A decision was taken by the Group Remuneration Committee during the year ended 31 March 2009 that no performance related bonuses would be paid for the financial year ended 31 March 2009 and the year ended 31 March 2010.

- **Long Term Incentive Plan** - Since 2004, the Group has operated a Long Term Incentive Plan (LTIP) for key senior executives, with stockholder approval, to align the interests of those executives with the interests of stockholders. Under the LTIP, which is described in more detail in note 45 on page 232, conditional awards had been made to the Executive Directors as set out in the table on pages 126 and 128.

  As set out previously the Committee decided that it was not appropriate to make a conditional award under this plan in June 2009. It is also likely that any conditional grants which have been made but which have not vested to date will lapse.

- **Stock Options** - In 2004, the Group updated the Executive Stock Option Scheme (ESOS), with stockholder approval. The stock option scheme is designed to strongly align the interests of Executive Directors and Senior Executives with the interests of stockholders through having a significant element of their remuneration based on stock price performance.

  As set out previously the Committee decided that it was not appropriate to make a grant of stock options under this scheme in June 2009. It is also likely that grants made in 2007 and 2008 will lapse confirming the strong link between Executive Director remuneration and stock performance. All ESOS grants made in respect of the financial years 2003/04 to 2007 / 08 inclusive currently have no value.

- **Employee Stock Issue Scheme** - The Bank operates an Employee Stock Issue Scheme under which the Court of Directors may set aside an element of Group profit before taxation for allocation to the trustees of the scheme to enable them to acquire units of ordinary stock on behalf of the scheme participants. The amount set aside is related to overall Group performance (see also note 45 on page 230). Executive Directors participate on the same basis as staff. As the performance conditions were not achieved, there was no issue under the employee stock scheme in 2009.

- **Sharesave Scheme** - In 1999, the Group established a Sharesave Scheme (SAYE scheme) for all eligible employees. Under the SAYE scheme the Executive Directors who participated were granted options over units of ordinary stock as set out in the table on page 127 (see also note 45 on page 231). There was no SAYE scheme launched during 2009.

- **Retirement Benefits** - The Executive Directors, with the exception of Denis Donovan, are members of the Bank Staff Pensions Fund, which is a contributory scheme at the rate of 2.5% of salary. Denis Donovan is a member of the Bank of Ireland Asset Management Pension Scheme, which is currently a non-contributory scheme. Both the Bank Staff Pensions Fund and the Bank of Ireland Asset Management Pension Scheme are defined benefit plans. Richie Boucher's contract as Group Chief Executive Officer provides for an option, exercisable by the Group or by him, allowing him to retire at age 55, on a pension of c. 59% of his salary.

  The Finance Act 2006 introduced a substantial tax charge on pension assets in excess of €5 million or the value of individual prospective pension entitlements as at 7 December 2005 (each to be indexed annually). Having reviewed market responses to this development and having taken actuarial advice, in May 2006 the committee agreed that Executive Directors be offered an option (a) to continue with unchanged pension funding arrangements or (b) to elect for a revised arrangement whereby their prospective pension fund would be limited to the value of the standard pension cap (or their personal fund threshold, if applicable) together with a taxable, non pensionable, cash allowance in lieu of the pension benefit foregone. All the Executive Directors originally opted for the revised arrangement, the income statement impact of which is broadly similar to that of continuing to fund these pensions under the earlier pre-2006 arrangements. There have been further (downward) revisions to this arrangement, which apply from 1 May 2009. The changes in the allowances are set out in the table on page 129. Pension cash allowances in respect of Richie Boucher ceased from 1 May 2009. His prospective pension fund is therefore no longer limited to the value of the standard pension cap, and the value of the fund in excess of the cap will be subject to the additional taxation prescribed by the Finance Act 2006.

- **Service contracts** - No service contract exists between the Bank and any Director which provides for a notice period from the Group of greater than one year.

Directors' remuneration for the nine month period ended 31 December 2009 (all figures in €000s)

The information below forms an integral part of the audited financial statements as described in the Basis of preparation on page 157.

	Gross Salary (1)	Fees (2)	Performance bonus (3)	Other remuneration (4)	Pension funding contributions (5)	Total 2009 (before amounts waived)	Amounts waived during the period (6)	Total 2009 (after amounts waived)
Governor								
R Burrows (retired 3 July 09)	** 103					103		103
P Molloy ▲ (appointed to Court on 10 June 2009 and Governor on 3 July 2009)	** 194	4				198		198
Deputy Governor								
G M Magan (retired 3 July 2009)	** 33					33		33
D Holt (appointed Deputy Governor 25 August 2009)	** 45	41				86		86
Executive Directors								
R Boucher	508			43	# 1,490	2,041	(45)	1,996
D Crowley	428			107	(7)	528	(48)	480
D Donovan	495			223	(106)	612	(44)	568
J O'Donovan	412			151	8	571	(37)	534
Non-Executive Directors								
T Considine		60				60		60
D Dilger (retired 3 July 2009)		* 26				26		26
P Haran		67				67		67
R Hynes		+ 81				81		81
J Kennedy		+ 96				96		96
D McCourt		60				60		60
HA McSharry		65				65		65
T Neill		59				59		59
P O'Sullivan (appointed 3 July 2009)		* 37				37		37
J Walsh		59				59		59
Totals	**2,218**	**655**	**-**	**524**	**1,385**	**4,782**	**(174)**	**4,608**
Ex-gratia payments paid to former Directors / dependents						**248**		**248**

\# *The majority of this amount is a one-off amount paid to the Bank Staff Pensions Fund required to cover the contractual option allowing R Boucher to retire at age 55 on a pension without actuarial reduction*

* *From date of appointment or to date of retirement as a Director, as indicated.*

** *From date of appointment or to date of retirement as Governor / Deputy Governor, as indicated.*

\+ *Includes fees paid in respect of services as Directors of subsidiary companies (R Hynes €18,750, J Kennedy €31,500)*

▲ *In addition to amounts shown, P Molloy is also in receipt of a pension from the Bank Staff Pension Fund relating to his previous employment with the Group.*

Notes:

(1) The Chief Executive Officer, Richie Boucher, has, with effect from 1 May 2009, waived a portion of his salary (€44,667 for the period ended 31 December 2009). The salary shown in the table is the gross amount before that waiver. In addition, the full amount of his pension cash allowance ceased with effect from 1 May 2009.

The other Executive Directors have waived payment of at least 10% of their salary with effect from 1 May 2009. The amounts shown in Column (1) are before that waiver. The amounts waived during the nine months ended 31 December 2009 are D Crowley €48,199, D Donovan €44,000 and J O'Donovan €36,667.

The Governor and Deputy Governor, as Non-Executive Officers of the Bank, are not paid Court fees but are remunerated by way of non-pensionable salary.

(2) Fees are paid only to Non-Executive Directors and a basic fee of €63,000 per annum applies. Additional fees were paid to Committee Chairmen, the Senior Independent Director and for Committee membership. On 1 February 2009, the Governor, Deputy Governor and all Non-Executive Directors agreed to reduce their salary (in the case of the Governor and Deputy Governor) and their fees (in the case of all other Non-Executive Directors) by 25%.

All Committee fees were also reduced by 25%. Where Non-Executive Directors took on additional Committee roles in the period ended 31 December 2009 they received the reduced fee applicable to that role in addition to their basic fee of €63,000 per annum and any other Committee fee they were already receiving.

(3) Payments under the performance bonus scheme, are linked to individual performance and overall Group performance versus pre determined targets for the financial year. No bonuses were awarded in respect of the nine months ended 31 December 2009.

(4) The figures include car allowances and where applicable a taxable cash allowance in lieu of pension foregone for those Executives whose contractual pension promise would exceed the pensions cap introduced by the Finance Act 2006. No amount is payable in respect of a taxable cash allowance in lieu of pension foregone for R Boucher with effect from 1 May 2009.

(5) In the case of D Donovan and D Crowley their pension accrual is now capped at the increase in pension thresholds set out in the Finance Act each year, and as a result, a release back to the fund of previously funded benefits arises on an annual basis.

Following his appointment as Group Chief Executive Officer, the pension contribution for R Boucher includes a one-off amount paid to the Bank Staff Pensions Fund required to cover the contractual option allowing him to retire at age 55 on a pension of c.59% of salary.

All pension amounts at (4) and (5) have been determined by Towers Watson, the Group's actuary, and approved by the Group Remuneration Committee.

(6) Amounts waived are as set out in note (1) above. The annualised amount of the waiver is shown in the table on page 123.

Directors' remuneration for the year ended 31 March 2009 (all figures in €000s)

	Gross salary (1)	Fees (2)	Performance bonus (3)	Other remuneration (4)	Pension funding contributions (5)	Payment in lieu of notice (6)	Total 2008 / 09
Governor							
R Burrows	503						503
Deputy Governor							
G M Magan	161						161
Executive Directors							
R Boucher	580		-	284	202	-	1,066
D Crowley	478		-	386	(103)	-	++761
D Donovan	660		-	518	(121)	-	1,057
B J Goggin * (resigned as a Director 25 Feb 2009)	1,172		-	843	(382)	1,462	3,095
J O'Donovan	550		-	420	102	-	1,072
Non-Executive Directors							
T Considine** (appointed 1 Jan 2009)		19					19
D Dilger		127					127
P Haran		119					119
D Holt		117					117
R Hynes		+121					121
J Kennedy		+133					133
D McCourt		104					104
HA McSharry		106					106
T Neill		102					102
J Walsh** (appointed 1 Jan 2009)		21					21
Totals	**4,104**	**969**	**-**	**2,451**	**(302)**	**1,462**	**8,684**

Ex-gratia payments paid to former Directors / dependents **379**

* *Figures in the above table for B J Goggin reflect his employment up to the end of March 2009*
** *From date of appointment as a Director, as indicated.*
\+ *Includes fees paid in respect of services as Directors of subsidiary companies (R Hynes €25,000, J Kennedy €42,000)*
++ *Sterling equivalent 2008 / 09 - £700,000*

Notes:

(1) The Governor and Deputy Governor, as Non-Executive Officers of the Bank, are not paid Court fees but are remunerated by way of non-pensionable salary.

(2) Fees are paid only to Non-Executive Directors; a basic fee of €84,000 per annum applied up to the end of January 2009. Additional fees were paid to Committee Chairmen, the Senior Independent Director and for Committee membership. On 1 February 2009, the Governor, Deputy Governor and all Non-Executive Directors agreed to reduce their salary (in the case of the Governor and Deputy Governor) and their fees (in the case of all other Non-Executive Directors) by 25%.

(3) Payments under the performance bonus scheme, are linked to individual performance and overall Group performance versus pre determined targets for the financial year. No bonuses were awarded for the financial year 2008 / 09.

(4) The figures include car allowances and a taxable cash allowance in lieu of pension foregone for those Executives whose contractual pension promise would exceed the pensions cap introduced by the Finance Act 2006 together with the value of awards under the Employee Stock Issue Scheme.

(5) In the case of BJ Goggin, D Crowley and D Donovan their pension accrual is now 'capped' at the increase in pension thresholds set out in the Finance Act each year, and as a result, a release back to the fund of previously funded benefits arises on an annual basis.

All pension amounts at (4) and (5) have been determined by Towers Watson, the Group's actuary, and approved by the Group Remuneration Committee.

(6) B J Goggin resigned as a Director in February 2009 and left the employment of the Group in March 2009. As per his contractual notice period arrangements, he received twelve months pay in lieu of notice.

Stock options held by Directors and Secretary

(a) Executive stock options

Options Granted between 2006 and 2007

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

Options granted in 2006 matured on 4 July 2009 and did not vest as the performance conditions were not achieved. This confirms the strong link between returns to stockholders and the remuneration of executives.

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

Options Granted in 2008

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

	Date of grant	Earliest exercise date	Expiry date	Exercise price €	Options at 1 April 2009 or date of appointment if later	Granted in period	Exercised in year	Lapsed in period	Market price at exercise date €	Options at 31 December 2009
R Boucher	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	26,000					26,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	23,000					23,000
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	30,500			30,500		-
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45	33,950					33,950
	3 Jun 2008	3 Jun 2011	3 Jun 2018	8.10	71,600					71,600
	Total				**185,050**			**30,500**		**154,550**
D Crowley	21 May 2001	21 May 2004	21 May 2011	11.05	25,000					25,000
	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.50	25,000					25,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000					50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	35,000					35,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	32,500					32,500
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	30,500			30,500		-
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45	33,950					33,950
	3 Jun 2008	3 Jun 2011	3 Jun 2018	8.10	68,800					68,800
	Total				**300,750**			**30,500**		**270,250**
D Donovan	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.50	30,000					30,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000					50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	35,000					35,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	32,500					32,500
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	30,500			30,500		-
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45	33,950					33,950
	3 Jun 2008	3 Jun 2011	3 Jun 2018	8.10	81,450					81,450
	Total				**293,400**			**30,500**		**262,900**
J O'Donovan	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.50	25,000					25,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000					50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	35,000					35,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	32,500					32,500
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	30,500			30,500		-
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45	33,950					33,950
	3 Jun 2008	3 Jun 2011	3 Jun 2018	8.10	67,900					67,900
	Total				**274,850**			**30,500**		**244,350**
Secretary	21 May 2001	21 May 2004	21 May 2011	11.05	10,000					10,000
H Nolan	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	10,000					10,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	12,000					12,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	11,000					11,000
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	11,500			11,500		-
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45	9,700					9,700
	3 Jun 2008	3 Jun 2011	3 Jun 2018	8.10	16,400					16,400
	Total				**80,600**			**11,500**		**69,100**

No other Directors have been granted options to subscribe for units of ordinary stock of the Bank or of other Group entities.

The official closing price of ordinary stock at 31 December 2009 was €1.325 (31 March 2009: €0.52).

(b) Sharesave Scheme Options

Under the terms of the Sharesave Schemes offered in 2006 and 2007, options were granted in December of each of those years to all eligible Group employees who elected to participate. Option prices were set at a discount of 25% of the then market price as permitted by the Rules in Ireland and at a discount of 20% of the then market price as permitted by the Rules in the UK. Under the terms of the 2006 and 2007 Sharesave offers, participants could save for three years.

The following table summarises the Sharesave Schemes operating in the Group:

Sharesave Scheme	ROI Price	UK Price	Saving Period	Maturity Date
2006	€12.28	€13.09	3 years	February 2010
2007	€6.96	€7.43	3 years	February 2011

The options held under the Sharesave schemes by the Directors and Secretary are set out below:

Name	Sharesave Scheme Date of Grant	Sharesave Options Granted	Market Value at Date of Grant	Sharesave Options held at 31 December 2009
Directors:				
	2006			
R Boucher	22 December 2006	301	€17.33	301
	2007			
D Crowley	24 December 2007	574	€10.11	-*
Secretary				
H Nolan	**2006**			
	22 December 2006	301	€17.33	301
	2007			
	24 December 2007	531	€10.11	531

* Des Crowley held 574 options under the 2007 3 Year SAYE Scheme, however, he withdrew from the scheme on 10 June 2009 withdrawing his savings of £1,120 and interest of £27. His options therefore lapsed.

(c) Long Term Incentive Plan (LTIP)

Conditional awards of units of ordinary stock are made to Group Senior Executives annually since 2004 under the terms of the LTIP.

These awards do not vest in the Executives unless demanding performance criteria are achieved (see description of LTIP in note 45 on page 232). Prior to the introduction of the LTIP in 2004, conditional awards of units of ordinary stock were made under the Long Term Performance Stock Plan (LTPSP).

The performance conditions attached to the award of conditional units of stock made in June 2006 under the LTIP were not met in June 2009 and the awards granted under the scheme lapsed.

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

The conditional awards of units of ordinary stock made to date to the Executive Directors and the Group Secretary are as follows:

	Date of award	No. of units conditionally held at 1 April 2009	Conditionally awarded in the year	Vested and Retained in Scheme*	Lapsed **	Matching Award*	Released from scheme in the year	Potential interest in shares at 31 December 2009	Original Maturity date	Maturity date*
R Boucher	4 Jul 06	30,500			30,500			-	4 Jul 09	
	12 Jun 07	33,950						33,950	12 Jun 10	
	3 Jun 08	71,600						71,600	3 Jun 11	
	Total	**136,050**	**-**	**-**	**30,500**	**-**	**-**	**105,550**		
D Crowley	13 Jul 99			6,158		1,539	7,697	-	13 Jul 02	13 Jul 09
	25 May 00			13,079		3,269		3,269	25 May 03	25 May 10
	21 May 01			9,496		2,373		2,373	21 May 04	21 May 11
	24 Jun 02			7,070		1,767		1,767	24 Jun 05	24 Jun 12
	4 Jul 06	30,500			30,500			-	4 Jul 09	
	12 Jun 07	33,950						33,950	12 Jun 10	
	3 Jun 08	68,800						68,800	3 Jun 11	
	Total	**133,250**	**-**	**35,803**	**30,500**	**8,948**	**7,697**	**110,159**		
D Donovan	13 Jul 99			7,544		1,886	9,430	-	13 Jul 02	13 Jul 09
	25 May 00			11,494		2,873		2,873	25 May 03	25 May 10
	21 May 01			7,067		1,766		1,766	21 May 04	21 May 11
	24 Jun 02			4,714		1,178		1,178	24 Jun 05	24 Jun 12
	4 Jul 06	30,500			30,500			-	4 Jul 09	
	12 Jun 07	33,950						33,950	12 Jun 10	
	3 Jun 08	81,450						81,450	3 Jun 11	
	Total	**145,900**	**-**	**30,819**	**30,500**	**7,703**	**9,430**	**121,217**		
J O'Donovan	24 Jun 02			6,034		1,508	-	1,508	24 Jun 05	24 Jun 12
	4 Jul 06	30,500			30,500			-	4 Jul 09	
	12 Jun 07	33,950						33,950	12 Jun 10	
	3 Jun 08	67,900						67,900	3 Jun 11	
	Total	**132,350**	**-**	**6,034**	**30,500**	**1,508**	**-**	**103,358**		
Secretary										
H Nolan	4 Jul 06	11,500			11,500			-	4 Jul 09	
	12 Jun 07	6,950						6,950	12 Jun 10	
	3 Jun 08	12,300						12,300	3 Jun 11	
	Total	**30,750**	**-**	**-**	**11,500**	**-**	**-**	**19,250**		

** Only applies to awards made under the LTPSP. A minimum of 80% of the vested stock must be retained for two years from maturity of award. After the two year retention period, an additional award of 20% is made. If the award is retained for an additional five years, a further award of 30% is made. These additional awards are made at the maturity date as per the above table.*

*** This column relates to any conditional grant which may have lapsed during the nine months ended 31 December 2009.*

Directors' pension entitlements

Set out below are details of the change in accrued pension benefits for the Directors during the nine months ended 31 December 2009.

	(a) Additional pension in the period €	(b) Increase / (decrease) in transfer value €	(c) Accrued pension entitlement at 31 December 2009 €
Executive Directors			
R Boucher	65,512	1,906,623	276,690
D Crowley*	-	(10,688)	270,866
D Donovan*	-	-	268,507
J O'Donovan	3,462	25,770	268,903

Column (a) above is the increase in pension during the period. Increases are after adjustment for inflation and comprise allowance for additional pensionable service, increases in pensionable earnings and any agreed adjustment in the individual's pension accrual.

Column (b) is the additional/(reduced) capital value, less each Director's contributions, of column (a) which would arise if the pension were to be transferred to another pension plan on the Director leaving the Group and is calculated using factors supplied by the actuary in accordance with actuarial guidance notes ASP PEN-2, and is based on leaving service pension benefits becoming payable at normal retirement date, age 60 (or earlier where there is an unfettered right to the payment of the benefit from an earlier age, payable without reduction, on leaving service).

Richie Boucher's contractual arrangements now include an option to retire at age 55 on a pension of c. 59% of his salary. Column (b) above includes an amount in respect of that change in contractual terms.

Column (c) is the aggregate annual pension entitlement payable at normal retirement age based on each Director's pensionable service with the Group at 31 December 2009.

*Pension entitlements increase annually in line with the increase in fund thresholds announced in the Finance Act each year. In the case of these individuals, the pension earned in 2009 is nil as there were no increases in the statutory revaluation of this threshold in the period from 31 March to 31 December 2009.

Directors' interests in stock

In addition to their interests in the ordinary stock through their holding of stock options and the conditional awards of stock under the LTPSP and LTIP as set out above, the interests of the Directors and Secretary in office at 31 December 2009, and of their spouses and minor children, in the stocks issued by the Bank are set out below:

	Units of €0.64 of ordinary stock	
	As at 31 December 2009 beneficial	As at 1 April 2009 beneficial
DIRECTORS		
R Boucher	33,127	33,127
T Considine	5,000	5,000
D Crowley	130,454	128,915
D Donovan	185,078	183,192
P Haran	8,443	8,443
D Holt	16,284	16,284
R Hynes +	25,000	25,000
J Kennedy	8,062	8,062
D McCourt	50,674	50,674
H A McSharry	11,354	11,354
P Molloy	1,167,333	* 1,167,333
T Neill	114,461	** 114,461
J O'Donovan	91,126	108,326
P O'Sullivan	10,000	*10,000
J Walsh	10,733	10,733
SECRETARY		
H Nolan	21,883	* 21,883

+ held as American Depository Receipts (ADRs). One ADR equates to four units of ordinary stock
** as at date of appointment*
*** the comparative figure is amended to include an additional 161 units of Ordinary Stock taken up under the Stock Alternative Scheme in January 2008.*

Apart from the interests set out above and in the previous section, the Directors and Secretary and their spouses and minor children had no other interests in the stock / securities of the Bank or its Group undertakings at 31 December 2009.

There have been no changes in the stockholdings of the above Directors and Secretary between 31 December 2009 and 30 March 2010.

End of information that forms an integral part of the audited financial statements.

Changes in the Directorate during the period

	Executive Directors	Non-Executive Directors
Number at 31 March 2009	4	12
Changes during the period	None	- R Burrows (retired 3 July 2009)
		- GM Magan (retired 3 July 2009)
		- D Dilger (retired 3 July 2009)
		+ P Molloy (appointed 10 June 2009)
		+ P O Sullivan (appointed 3 July 2009)
Numbers at 31 December 2009	4	11
Average number during the nine month period ended 31 December 2009	4	11.4
(Year ended 31 March 2009)	(4.9)	(10.5)

Corporate Governance Statement

The Court of Directors is accountable to stockholders for the overall direction and control of the Group. It is committed to high standards of governance designed to protect the interests of stockholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability.

The Court's role is to provide leadership of the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Court sets the Group's strategic aims, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and review management performance.

In response to the stressed position in which the Group now finds itself, the Court initiated a fundamental review of risk governance within the Group in early 2009, supported by independent risk consultants, Oliver Wyman. All of the recommendations of the review group have either been implemented, or are in the process of implementation. Increased Court oversight of risk has been enabled through the establishment of the Court Risk Committee, whose membership is drawn exclusively from non-executive Directors, to monitor risks arising in the Group. The Court Risk Committee also assists the Court in discharging its responsibilities of ensuring that risks are properly identified, reported and assessed, properly controlled, and that strategy is informed by and aligned with the Group's risk appetite.

A key objective of the Group's governance framework is to ensure compliance with applicable legal and regulatory requirements and the Combined Code on Corporate Governance (the "Combined Code"), a copy of which is available on www.frc.org.uk. The Directors believe that the Group meets this objective and expect it to continue to do so. Specifically, the Group has complied with the provisions of the Combined Code throughout the nine month period ended 31 December 2009, except in the case of Tom Considine's membership of the Group Audit Committee and Joe Walsh's membership of the Group Remuneration Committee – see comments on independence on page 132.

The Court of Directors

At 31 December 2009, the Court consisted of 15 Directors, 11 of whom were Non-Executive Directors. It held 8 scheduled and 7 unscheduled meetings during the nine month period ending on 31 December 2009. Agendas and papers are circulated prior to each meeting to provide the Directors with relevant information to enable them to discharge fully their duties. The Group Secretary provides dedicated support for Directors on any matter relevant to the business on which they require advice separately from or additional to that available in the normal Court process.

The Court has the following schedule of matters specifically reserved for its decision:

- the determination of strategy;
- overseeing the management of the business, including control systems and risk management;
- approving material acquisitions, disposals and investment decisions;
- overseeing corporate governance and succession planning;
- approving guarantees entered into by the Group, other than in the normal course of business; and
- approving changes in Group pension schemes.

Management is responsible for the execution of agreed strategy and for all operational matters.

Details of the number of scheduled meetings of the Court and its Committees and attendance by individual Directors are set out on pages 136 and 137. The terms of reference of the Committees are reviewed annually by the relevant Committees and by the Court and are available on the Bank's website (www.bankofireland.com) or by request to the Group Secretary. The Non-Executive Directors meet at least once annually without the Executive Directors present.

The Bank has in place Directors' and Officers' liability insurance in respect of legal actions against its Directors; however this insurance cover does not extend to fraudulent or dishonest behaviour.

Patrick J Molloy was co-opted to the Court on 10 June 2009, Tom Considine and Joe Walsh were co-opted as non-executive Directors, with effect from 1 January 2009, under the terms of the Government Guarantee scheme.

Patrick O'Sullivan was elected to the Court at the Annual General Court on 3 July 2009. All of the other Directors who stood for re-election were re-elected at that Annual General Court.

Governor and Group Chief Executive
The respective roles of the Governor, who is Chairman of the Court, and the Group Chief Executive are set out in writing and have been agreed by the Court.

The Governor oversees the operation and effectiveness of the Court of Directors. He also ensures that there is effective communication with stockholders and promotes compliance with the highest standards of corporate governance. The Governor commits a substantial amount of time to the Group and his role has priority over any other business commitment.

The Group Chief Executive is responsible for execution of agreed strategy and holds delegated authority from the Court for the day to day management of the business.

Board Balance and Independence
The Court has considered the principles relating to independence contained in the Combined Code. The Court has determined that the Governor, Deputy Governor and each current Non-Executive Director, with the exception of Tom Considine and Joe Walsh, is independent within the meaning of the Combined Code. Tom Considine and Joe Walsh were nominated by the Minister for Finance under the terms of the Credit Institutions (Financial Support) Scheme, 2008 and are not required to stand for election or regular re-election by stockholders. They are not, therefore, considered independent by reference to the terms of the Combined Code. The Court values and has benefited from their judgement and the quality of their contribution to the deliberations of the Court and its Committees. Each of the Governor, Deputy Governor and all of the Non-Executive Directors bring independent challenge and judgement to the deliberations of the Court through their character, objectivity and integrity and all are considered independent of management in accordance with the criteria set out in the NYSE Corporate Governance Standards.

Appointments to the Court
The Group Nomination and Governance Committee is chaired by the Governor and its composition is fully compliant with the Combined Code. The Committee is responsible for leading the process for succession to the position of Group Chief Executive and for Court and overseeing the selection process for key subsidiary Board non-executive appointments and renewals.

The Committee regularly reviews succession plans for the Court in the context of the Group's strategy and the skills, knowledge and experience of current Directors and makes appropriate recommendations to the Court. Prior to the appointment of any Director, the Committee approves a job specification, assesses the time commitment involved and identifies the skills and experience required for the role. The recruitment process for Non Executive Directors is supported by an experienced third party professional search firm which develops an appropriate pool of candidates and provides a level of independent assessment to the process. The Group then works with that firm to shortlist candidates, conduct interviews / meetings and complete comprehensive due diligence.

All newly appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointments and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of Non-Executive Directors can be inspected during normal business hours by contacting the Group Secretary.

In addition, the Committee, with the support of the Group Secretary, monitors developments in corporate governance, assesses the implications of such developments for the Group and advises the Court accordingly. It is also charged with overseeing the Group's Corporate Responsibility Programme.

Information and Professional Development
On appointment, all Non-Executive Directors receive comprehensive briefing documents designed to familiarise them with the Group's operations, management and governance structures; these include the functioning of the Court and the role of the key committees. In addition, new Directors undertake an induction programme, including visits to Group businesses and briefings with senior management. On an ongoing basis, briefings appropriate to the business of the Group are provided to all Non-Executive Directors.

The Directors have access to the advice and services of the Group Secretary, who is responsible for advising the Court on all governance issues and for ensuring that the Directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities. The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required. Committees of the Court have similar access and are provided with sufficient resources to undertake their duties.

Performance Evaluation
Each Committee of the Court reviews its performance and discusses its conclusions with the Court. The Court evaluates its own performance annually and also reviews the conclusions of the Group Nomination and Governance Committee in relation to the performance of individual Directors standing for election or re-election. The objective of all these evaluations is to identify any scope for improvement and, in the case of the individual evaluations, to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role.

The Court and individual Director performance evaluation process involves completion of questionnaires by Directors, one to one discussions between the Governor and each Director and presentation of the overall findings to the Court for its consideration and action as required.

As part of the overall performance evaluation process, the Senior Independent Director meets annually with each of the Directors, without the Governor being present, to appraise the Governor's performance. They may also meet on such other occasions as are deemed appropriate.

Re-Election of Directors
At the forthcoming Annual General Court all Directors, with the exception of Tom Considine and Joe Walsh are retiring. Declan McCourt and Terry Neill, who will each have completed two terms this year, are to retire at the end of the AGC. Other than the four Directors mentioned above, all Directors are offering themselves for re-election. Following formal performance evaluation, the Court has concluded that each Director makes a valued contribution and continues to demonstrate commitment to the role. The Court recommends that stockholders vote in favour of their re-election in each case.

Non-Executive Directors are normally appointed for an initial three year term, with an expectation of a further term of three years assuming satisfactory performance. A Non Executive Director is not normally expected to serve any longer than two terms, except where a clear benefit is expected to accrue to the Group, as determined following a particularly rigorous assessment of the skills and experience available to the Court. In the unlikely event that a Non-Executive Director is invited to serve longer than nine years, he / she is then subject to annual re-election by stockholders. In the case of Tom Considine and Joe Walsh, the requirement to stand for election and regular re-election is dispensed with for as long as the Government's Preference Share investment in the Bank remains in place.

Remuneration
The Remuneration Report, incorporating the responsibilities of the Group Remuneration Committee, is set out on pages 119 to 130.

A statement confirming that remuneration consultants appointed by the Group Remuneration Committee have no other remuneration consultancy connections with the Group is available on the Group's website (www.bankofireland.com) or by request to the Group Secretary. During the financial period the remuneration consultants provided corporate recovery services, regulatory and risk focused advisory services and IT consulting services. The Group's long term incentive schemes have been approved by stockholders.

Directors' Loans
The amount of outstanding loans to Directors is set out on page 250. A formal process is in place for approval and reporting of loans to Directors and their connected persons. The process is designed to ensure that no departure from existing group credit policy occurs without the Chairman of the Group Audit Committee being informed.

Accountability and Audit
The Report of the Directors, including a going concern statement, is set out on pages 111 to 113. The Corporate Governance Statement forms part of the Report of the Directors.

Internal Controls
The Directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness.

Such systems are designed to control, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Court has obligations as a non-US registrant under US securities laws and regulations, including the requirement to comply, where applicable, with the Sarbanes-Oxley Act of 2002 (SOx). The Group has put in place a comprehensive framework to document and test its internal control structures and procedures in line with the requirements of Section 404 of SOx, which requires, among other things,

certification by management regarding the effectiveness of internal controls over financial reporting. The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Court, which support the maintenance of a strong control environment;
- Court and Management Committees with responsibility for core policy areas;
- a comprehensive set of policies and procedures relating to financial controls, asset and liability management (including interest rate, foreign currency and liquidity risk), operational risk and credit risk management (further details are given in the Risk Management section on pages 60 to 108).
- a Code of Conduct setting out the standards of behaviour expected of all Directors, officers and employees. This covers arrangements, should the need arise, for the independent investigation and follow up of any concerns raised by staff regarding matters of financial and non-financial reporting; and
- monthly reporting by business units which enables progress against business objectives to be monitored, trends to be evaluated and variances to be acted upon.

These controls, which are embedded within the operations of the Group, are reviewed by Group Internal Audit. In these reviews, emphasis is focused on areas of greater risk as identified by risk analysis.

The Directors confirm that the Court, through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the nine months ending 31 December 2009. This review involved consideration of the reports of internal audit and the risk management functions, (including operational risk, regulatory risk and compliance) and establishing that appropriate action is being taken by management to address issues highlighted. In addition, the reports of the external auditors, which contain details of any material control issues identified arising from their work, are reviewed by the Group Audit Committee. After each meeting of the Group Audit Committee, its Chairman reports to the Court on all significant issues considered by the Committee and the minutes of meetings are circulated to all members of the Court.

Following the end of the nine month financial period to 31 December 2009, the Court reviewed the Group Audit Committee's conclusions in relation to the Group's systems of internal control and the appropriateness of the structures in place to manage and monitor them. This process involved a confirmation that a system of internal control in accordance with the Financial Reporting Council Revised Guidance on Internal Control was in place throughout the period and up to the date of the signing of these financial statements. It also involved an assessment of the ongoing process for the identification, evaluation and management of individual risks and of the role of the various Committees and Group risk management functions and the extent to which various significant challenges facing the Group are understood and are being addressed.

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Attendance at scheduled meetings of the Court during the period ended 31 December 2009

Name	Court Scheduled		Court Unscheduled		Group Audit Committee Scheduled		Group Audit Committee Unscheduled	
	A	B	A	B	A	B	A	B
Richie Boucher	8	8	7	7	-	-	-	-
Richard Burrows *(Retired on 3/7/09)*	3	3	1	1	-	-	-	-
Tom Considine *(Appointed to CRC 25/8/09)*	8	8	7	7	5	5	4	4
Des Crowley	8	7	7	7	-	-	-	-
David Dilger *(Retired on 3/7/09)*	3	3	1	1	-	-	-	-
Denis Donovan	8	7	7	7	-	-	-	-
Paul Haran	8	8	7	6	5	5	4	4
Dennis Holt *(Appointed Deputy Governor and Senior Independent Director 25/8/09. Apppointed to N&G 25/8/09. Retired from GAC 25/8/09. Retired from Remuneration Committee 25/8/09).*	8	8	7	6	3	3	1	1
Rose Hynes *(Appointed to CRC 25/8/09)*	8	8	7	7	5	5	4	3
Jerome Kennedy *(Appointed to CRC 25/8/09)*	8	8	7	6	5	5	4	4
George Magan *(Retired on 3/7/09)*	3	2	1	1	-	-	-	-
Patrick Molloy *(Appointed on 10/6/09. Appointed Governor 3/7/09. Appointed to N&G 3/7/09. Appointed to Remuneration Committee 25/8/09).*	6	6	6	6	-	-	-	-
Declan McCourt *(Appointed to Remuneration Committee 25/8/09).*	8	8	7	7	-	-	-	-
Heather Ann McSharry	8	8	7	7	5	5	4	4
Terry Neill *(Appointed to Remuneration Committee 25/8/09. Appointed to CRC 25/8/09).*	8	8	7	7	-	-	-	-
John O'Donovan	8	8	7	7	-	-	-	-
Patrick O'Sullivan (Appointed on 3/7/09. Appointed to GAC 25/8/09. Appointed to CRC 25/8/09).	5	5	6	5	2	1	3	3
Joe Walsh	8	8	7	5	-	-	-	-

Column A *Indicates the number of meetings held during the period the Director was a member of the Court and / or the Committee and was eligible to attend.*
Column B *Indicates the number of meetings attended.*

Group Nomination & Governance Committee Scheduled		Group Nomination & Governance Committee Unscheduled		Group Remuneration Committee Scheduled		Group Remuneration Committee Unscheduled		Court Risk Committee Scheduled		Court Risk Committee Unscheduled	
A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
-	-	-	-	-	-	-	-	-	-	-	-
1	1	2	2	1	1	2	2	-	-	-	-
-	-	-	-	-	-	-	-	4	4	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	1	1	2	2	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1	1	-	-	1	1	2	2	-	-	-	-
-	-	-	-	2	2	2	2	4	4	-	-
-	-	-	-	-	-	-	-	4	4	-	-
1	1	2	1	1	1	2	-	-	-	-	-
1	1	2	2	1	1	-	-	-	-	-	-
2	2	4	4	1	1	-	-	-	-	-	-
2	2	4	4	-	-	-	-	-	-	-	-
2	2	4	3	1	1	-	-	4	4	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	4	3	-	-
2	2	4	4	2	2	2	2	-	-	-	-

Column A *Indicates the number of meetings held during the period the Director was a member of the Court and / or the Committee and was eligible to attend.*
Column B *Indicates the number of meetings attended.*

Speak Up Policy

The Group has a Speak Up policy in place for all staff, which is in accordance with international best practice for whistleblowing arrangements and is compliant with the Sarbanes-Oxley Act. The policy encourages staff to raise concerns openly and locally. Where this is not possible or the problem has not been resolved effectively at that level, there are clear alternative senior contacts within the Group to whom the concern may be addressed. Confidential advice is available from Public Concern at Work, an independent, not-for-profit organisation, through a freephone number and a dedicated email address. In the case of concerns regarding financial reporting, fraudulent accounting or irregularities in audit work, these can be passed directly to the Chairman of the Group Audit Committee, whose contact details are available from Public Concern at Work. The Chairman of the Group Audit Committee is a non-executive Director.

Group Audit Committee

The Group Audit Committee ('GAC') comprises six Non-Executive Directors. The Court has determined that the Committee members' collective skills and recent and relevant financial experience enable them to discharge their responsibilities. In close liaison with the Court Risk Committee, which advises the Court in establishing the Group's risk appetite and setting standards for the Group's risk control framework, the Group 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 Group Audit Committee has responsibility for:

- monitoring the integrity of the financial statements;
- assisting the Court in meeting obligations under relevant Stock Exchange listing rules and other applicable laws and regulations including the Sarbanes-Oxley Act in the United States of America;
- overseeing all matters relating to the relationship between the Group and the External Auditors;
- discharging the statutory responsibility of the Bank under Section 42 of The Companies (Auditing and Accounting) Act, 2003 and other statutes or regulations;
- overseeing compliance with the requirements of the Irish Government associated with their support for the Bank of Ireland Group.

It conducts an annual review of the procedures and processes by which non-audit services are provided by the external auditors in order to ensure, among other things, that auditor objectivity and independence are not compromised. In this regard, a key procedural control requires that any engagement of the external auditors to provide non-audit services must be pre-approved by the Committee, which also receives reports on the performance of such services.

Court Risk Committee

The Court Risk Committee ('CRC') is comprised of non-executive Directors and was established in response to a recommendation from a Court-sponsored review of risk governance. Under its Terms of Reference the CRC is required to monitor risk governance and assist the Court in discharging its responsibilities in ensuring that risks are properly identified, reported, and assessed; that risks are properly controlled; and that strategy is informed by and aligned with the Group's risk appetite. To ensure co-ordination with the work of the Group Audit Committee (GAC), the chairman of GAC is a member of the CRC and the chairman of the CRC is a member of the GAC. Membership is reviewed annually by the Group Nomination and Governance Committee. The CRC meets at least quarterly; it met four times in 2009, and is scheduled to meet six times in 2010.

The Court Risk Report is produced by the Chief Credit and Market Risk Officer and covers material Risk Types to which the Group has exposure. The Court Risk Report is presented quarterly to GRPC, the CRC and the Court of Directors. In addition, monthly updates on credit, liquidity and capital risks are submitted to the GRPC and the Court of Directors. The Group's material risk types and group risk reporting are outlined on pages 69 and 70, respectively.

The primary responsibilities of the CRC are to assist the Court in discharging its responsibilities on overseeing risk management in the Group. To that end the CRC develops views on the key risks facing the Group, including determining if they are appropriately identified, reported, assessed and controlled. In discharging these responsibilities the CRC reviews the recommendations of the GRPC to the Court on key risk documents including, the Group Risk Framework, Risk Appetite, Risk Strategy and key documents on liquidity, credit, capital and funding.

On an annual basis, the CRC reviews the Group's Risk Management Framework which is approved by the Court. The Group's Risk Management Framework defines risk management processes for material risk types on the basis of, among other things, a comprehensive risk identification and assessment process. Where this exercise highlights risks or areas not effectively covered by existing risk management and governance processes, appropriate changes are proposed to the Court.

The CRC also discusses results of the Group's stress testing programme. These results are used to inform Risk Appetite as well as capital targets and buffers as part of the Group's Internal Capital Adequacy Assessment Process (ICAAP). The Group's Stress Testing Process is described on page 70.

Court Appointed Executive Committees

Group Risk Policy Committee (GRPC) – Within the parameters of Court approved high level policies, frameworks and principles, the GRPC approves risk policies and actions and makes recommendations to the Court on risk issues where the Court has reserved authority. In addition the committee ensures that risks are properly identified and assessed; that risks are properly controlled and managed; and that strategy is informed by and aligned with the Group's risk appetite.

Group Investment Committee – The Group Investment Committee is responsible for evaluating all material investment / divestment / capital expenditure proposals, determining those within its authority and recommending those outside its authority to the Court for its approval. It is also responsible for monitoring the implementation of such proposals and ensuring satisfactory delivery of expected benefits.

Membership of the above committees at 31 December 2009 was as follows:

Group Risk Policy Committee
Vincent Mulvey (Chairman)
Richie Boucher*
Sean Casey
Des Crowley*
Denis Donovan*
Liam McLoughlin
Ronan Murphy
Declan Murray
Helen Nolan
John O' Donovan*
Mick Sweeney

Group Investment Committee
Richie Boucher * (Chairman)
Christine Brennan
Des Crowley *
Denis Donovan *
Liam McLoughlin
Vincent Mulvey
Ronan Murphy
Helen Nolan
John O'Donovan*

* Court member

Relations with Stockholders

Communication with stockholders is given high priority. The Group seeks to provide through its Annual Report a balanced, clear assessment of the Group's performance and prospects. It also uses its website (www.bankofireland.com) to provide investors with the full text of the Annual Report and Interim Statement, the Form 20-F (which is filed annually with the US Securities and Exchange Commission) and copies of presentations to analysts and investors as they are made, so that information is available to all stockholders. Annual and interim results presentations are webcast live so that all stockholders can receive the same information at the same time. Additionally, the Investor Relations section on the Group's website is updated with all Stock Exchange releases as they are made by the Group. The outcome of every general meeting of the Group, including detailed voting results, is published on the Group's website as well as being released to all Stock Exchanges where the Group's securities are traded.

The Group has an active and well developed Investor Relations programme, which involves regular meetings by the Group Chief Executive, members of his senior executive team and the Head of Group Investor Relations with the Group's principal institutional stockholders and with financial analysts and brokers. The Directors are kept informed on investor issues through regular reports from Group Investor Relations on the outcome of these meetings. All meetings with stockholders are conducted in such a way as to ensure that price sensitive information is not divulged. In addition, all Directors are encouraged and facilitated to hear the views of investors and analysts at first hand through their participation in conference calls following major announcements. The Court concluded that the objective of keeping Directors fully informed on stockholder views was achieved in the nine month period ended 31 December 2009.

The Governor and / or the Senior Independent Director are available to stockholders if they have concerns that cannot be resolved through the normal channels.

The Group's policy is to make constructive use of the Annual General Court and all stockholders are encouraged to participate.

Stockholders are given the opportunity to ask questions at the Annual General Court. The notice of the Annual General Court is issued at least 20 working days before the meeting, in line with the requirements of the Combined Code. Following the implementation in Ireland of the EU Shareholders' Rights Directive, the Bye-Laws have been amended to allow an Extraordinary General Court, other than an Extraordinary General Court called for the passing of a special resolution, to be convened by giving 14 days notice of the meeting. At Annual General Courts separate resolutions are proposed on each substantially separate issue and voting is conducted by way of poll. The votes for, against, and abstaining, on each resolution, including proxies, are posted on the Group's website as soon as possible afterwards and released to the Stock Exchange. It is usual for all Directors to attend all General Courts to meet Stockholders and for the Chairs of the Group Audit, Nomination and Governance and Remuneration Committees to be available to answer relevant questions. In addition a 'Help Desk' facility is available at all General Courts to assist stockholders to resolve any specific queries that they may have.

New York Stock Exchange (NYSE) Corporate Governance Requirements

All non US companies listed on the NYSE are required to disclose any significant differences between their corporate governance practices and the requirements of the NYSE applicable to US companies.

As a company formed by Charter in Ireland, listed on the Irish and London Stock Exchanges and with an ADR listing on the NYSE, the Group's corporate governance practices reflect Irish law, the Listing Rules of both the Irish Stock Exchange and the UK Listing Authority and the Combined Code. The Group believes there are no significant differences between its corporate governance practices and the requirements of the NYSE.

Corporate Responsibility

Corporate Responsibility

Corporate Responsibility is about the contribution a business makes to it's social and environmental concerns as well as its economic ones. At Bank of Ireland, these wider responsibilities have always been important to us, but never more so than today in what are extraordinarily difficult times for all our stakeholders – the stockholders who invest in us, the Irish Government which has provided essential supports to us, our customers who bank with us, our employees who work for us, the communities in which we do business and environment in which we live. We are committed to working through our current challenges and building a sustainable business for the future so that, in time, Bank of Ireland's reputation is restored in the eyes of all our stakeholders.

The following report is a summary of the activity taking place across the Group during 2009, demonstrating our current approach and commitment to Corporate Responsibility.

Playing our part in the Marketplace

As a full-service commercial retail bank, Bank of Ireland has a significant stake in the Irish economy and is fully committed to supporting recovery in this market. Our contribution in this market, particularly in the Small and Medium Sized Enterprises (SME) and Mortgage markets, remains critical to our future and we continue to be firmly committed to supporting our current and future customers through these challenging times. In last year's report, we provided detail behind the commitments made by Bank of Ireland to the introduction of a number of marketplace initiatives to stimulate growth in the Irish economy. We continue to report on a quarterly basis to the Department of Finance and Financial Regulator on our obligations arising under the terms of the Government's recapitalisation in March 2009. The following progress was made on the provision of credit to the SME and mortgage markets during 2009.

Supporting Business

Total lending drawdowns by Bank of Ireland to SME sector in 2009 was €2.9 billion. Specialist SME Funds are also available from Bank of Ireland to support our business customers and include the following:-

- Business Support Fund – The Business Support Fund was introduced in December 2008 to provide flexible finance to viable businesses. Total drawdowns from the fund for 2009 amounted to almost €45 million, while over 1,100 loans were approved under the fund.
- Developing Business Loan Fund – This fund is a specialist fund for lending to new and developing businesses for investment purposes. The maximum amount available under this fund which is targeted at small and micro businesses is €50,000 for each applicant. Total lending from this fund in the calendar year 2009 amounted to almost €22 million, with 990 businesses availing of facilities.
- European Investment Bank Loan Fund – The EIB Loan fund agreement was finalised in early June 2009. As at 31st December 2009, a pipeline of projects valued at almost €44 million has been approved with formal offers issued to these customers.
- Environmental Funds – We have established two €100 million environmental funds for SMEs. One fund relates to environmental projects such as wind farms and other renewable energy projects. Almost €40 million has been drawn down to date. The second fund relates to small and medium sized businesses that are investing in energy / environmental efficiency initiatives or those who are producing services or products in this area. It allows these businesses to access funding to support the initiatives, subject to lending criteria. While Bank of Ireland is the only bank who offer a green business loan for non-agri SME's, the take up of this fund has been slow. However we continue to focus on this area and we are very interested in supporting SME's who have suitable projects.

We continue to promote the availability of both advice and credit through a broad range of SME promotional activity, reinforcing to customers and potential customers the message that we are ready and willing to support them. These campaigns with a strong emphasis on availability of credit and advice are supported by our branch network, communications, training and participation in SME events nationwide. One example of these campaigns was our successful "Show your Business" weeks, which took place in October and December 2009. These events offered over 2,000 businesses the opportunity to show and sell their business and services in our branches with a wide range of sectors participating.

Supporting Customers

During 2009, Bank of Ireland has lent over €2 billion in new mortgages to customers. Following the success of our €1 billion fund for first-time buyers which was launched in February 2009, we have reinforced our commitment to potential customers and the Irish mortgage market with the launch of an additional €1 billion fund for first-time buyers and a new €500 million fund for customers trading up to purchase their next home. By taking an average first time buyer mortgage of €200,000 and an average mortgage of a customer moving home of €260,000, these new dedicated funds will enable over 5,000 first time buyers and over 1,900 movers to buy their homes in the coming year.

Through our highly successful joint venture with the Post Office in the UK, Bank of Ireland is transforming the Post Office into a major provider of financial products and services. Today, with over 2 million financial services customers, Post Office provides a much broader range of savings, insurance and other financial services products that focus on simplicity, transparency and good value.

Playing our part in the Community

Bank of Ireland Group has a strong and committed tradition of contributing to the communities in which we make our living.

- **Give Together**
  Since 2007, our main approach has been to channel our community investment into facilitating and supporting employee volunteer and fundraising activities through an initiative called Give Together.

  At the core of Give Together is a desire to create an environment where volunteering is actively encouraged. To this end, every Bank of Ireland employee is given a day each year to volunteer for the cause of their choice. As well as facilitating employee volunteering, employees can supplement their fundraising efforts by applying for matched funding when they are involved in fundraising for a community or charitable organisation. There is also funding available for team volunteering projects to buy materials and equipment to enable their volunteering project.

  To date, over 7,500 employees have taken part in Give Together, whether through volunteering or fundraising. Over 2,300 volunteer days have been given and employees have been involved in raising more than €13.5 million for the benefit of over 1,200 different causes. While both International and National causes benefit from Give Together, more than 40% of beneficiaries are small local community groups and clubs.

  Following the devastating earthquake in Haiti and the overwhelming desire of our employees to respond to this human tragedy, the Give Together scheme was extended to facilitate employee fundraising efforts for this cause. To date over 160 employees have raised in excess of €260,000, including the support from Give Together, to help with the disaster relief. We also advertised a number of volunteering events for employees to use their annual volunteer day to support the Haiti appeal. To assist our customers make donations, we created a "Most popular link" on our website which lists the account numbers of 5 of the main charities involved in the appeal.

- **Millennium Scholars Trust**
  For the past ten years, Bank of Ireland has made a major contribution to improving access to education at 3rd Level. The Bank of Ireland Millennium Scholars Trust was created in 2000 to award scholarships over 10 years to students experiencing barriers to further education. The final 88 scholarships were granted in 2009, bringing the total scholarships awarded to 662, making it one of the most significant scholarship schemes in Ireland.

  The Bank's long tradition of volunteering has also been at the heart of this scheme. Almost 200 employees have given their time as mentors to some of the scholarship recipients to help them make a successful transition into third-level education. Experts from the education sector and the arts have also volunteered their time to assess applicants and recommend scholarships to the Board of Trustees. The Trust is deeply appreciative of their advice and input throughout the past decade.

  The scholarship recipients have been very successful in their studies. To date, over half of the total scholars (356) have graduated from their courses. Up to 19% of graduates have achieved first class honours and the drop out rate of 9.4% is significantly lower than the national average drop-out figure of approx 17%.

  We expect the effects of The Millennium Scholars Trust to last long after the 10 years of the scheme as it will have a lifetime impact on the beneficiaries themselves and a ripple effect across the wider community.

- **Financial Education**
  Bank of Ireland and Junior Achievement Ireland have commenced a co-branded financial education programme in 2009 for 2nd Level schools all around Ireland. “The Learn to Earn” programme is designed to help transition year and 5th Year students develop the ability to analyse their motivations about the uses of money and establish good financial habits which will carry over into their adult lives. Over 100 employees from Bank of Ireland have been trained to present the education programme to the students in the nominated schools.

  We have recently launched our new financial advice website for 3rd level students, containing a host of useful features such as budgeting advice, travel tips and student branch locator. This new microsite, http://roi.mystudentbank.com, allows the Bank to provide simple, straightforward advice to our customers using a medium which is extremely popular with this audience.

- **Social Finance Initiative**
  The Social Finance Foundation is a not-for-profit company which was set up three years ago to act as a wholesale provider of social finance. Seed capital of €25 milliion was provided by the Banking Industry facilitated by the Irish Banking Federation. The foundation makes loan finance available at affordable interest rates to community-based projects and micro-enterprises. In April 2009, a new agreement between Bank of Ireland and the Social Finance Foundation was signed. This agreement results in €1.5 million (p.a.) by way of a subsidised loan to the Social Finance Foundation for onward lending to micro finance projects and local community projects. The first request for disbursement was completed on 27 July 2009 and will see new funds being advanced to such projects.

- **Staff Third World Fund**
  Bank of Ireland employees contribute to one of the country’s oldest payroll giving schemes, The Bank of Ireland Group Staff 3rd World Fund, entirely run by present and retired employees for the past 28 years. All administration costs are borne by the Group which allows 100% of funds to go directly to projects nominated by Third World Agencies. The Fund has always enjoyed substantial support from staff and its annual income is close to €750,000. Funding is typically €3,000 to €30,000 per project, with occasional larger projects approved. Almost 600 individual projects have been supported since 1982.

Playing our part in the workplace

Total staff numbers in Bank of Ireland at the end of 2009 were 14,636, of which 78% were in Republic of Ireland. This overall figure has dropped from 15,868 in March 2009, reflecting the restructuring of a number of our businesses and the reduction in overall business volumes.

- **Learning and Development**
  Despite operating in a difficult economic environment, Bank of Ireland continues to invest in learning and development activities across the organisation. We recognise that the skills and capability of our people are a key element in supporting the future achievements of the Group. The capability of our people becomes more and more important as we seek to differentiate ourselves from our competitors. Through our continued investment in our Learningzone service we delivered in excess of 16,000 student days of classroom training and over 35,000 e-learning programmes during 2009, providing our people with learning and development opportunities that will help to equip them with the necessary skills for economic recovery.

- **Outplacement Service**
  The downsizing and closure of a number of our businesses over the year, has regrettably resulted in employee redundancies. In such instances, employees leaving the Group were provided with an Employee Orientation Outplacement Service. Participants select the module that best addresses their current needs and future plans. The modules include ‘Start your own business’, ‘Career Continuation’ and ‘Retirement Success’. There has been very positive feedback from participants on the benefits and practical application of the service.

- **Pensions Review**
  In common with most major employers who are taking action to resolve deficits in their Defined Benefit Pension Schemes, a comprehensive review of Bank of Ireland’s employee pension arrangements is underway to resolve the current Group Pension Scheme deficit of almost €1.6 billion. The over-riding objective of the review is to find a solution which is fair and consistent for, and involving, all stakeholders, and which will enable the Bank to continue to offer sustainable pension benefits. In order to have efficient, open and transparent communications an externally hosted website (www.boipensionsreview.com) was developed. This website is a "one stop shop" for all the latest information about the Bank of Ireland pension review and it also allows all stakeholders access to relevant information such as frequently asked questions. A dedicated internal email address was also set

up so that employees could send in any questions or comments and receive an individual response. In addition, to provide opportunities for people to share their views and contribute to the review outcome a number of focus groups were also held. Participants for these focus groups were selected randomly across the Group to reflect both the geographical spread and the membership of the different pension schemes included in the review.

Playing our part in the Environment

- **ISO14001**
  Bank of Ireland is committed to ensuring that the Operations Centre in Cabinteely retains its ISO 14001 accreditation, the only one if its kind to be held by a financial services company in Ireland. A computerised maintenance system is being used by our outsourced Facilities Management partner Carillion to ensure that all of our critical operating plant is maintained and operating efficiently. CO2 reduction initiatives include controlling the lighting with occupancy sensors which switch off lighting when staff are not present. Waste is also segregated at waste stations and this is helping to decrease the amount of waste being sent to landfill while increasing the amount of waste that we are recycling.

- **EN16001**
  Building on the success of the ISO14001 Environmental Management system introduced in 2005, Bank of Ireland has been working with Certification Europe (CE) and Sustainable Energy Ireland (SEI) towards the implementation of the EN16001 Energy Management System. This is an externally certified standard which will support Bank of Ireland with the management of energy across the organisation, from sourcing energy; through to the purchase and operation of plant and equipment and the day to day operation of our buildings. The initial focus for the programme is in our IT and Operations Centres in Cabinteely. If successful, Bank of Ireland will become the first financial institution in Europe to have attained this level of external certification.

- **Irish Carbon Disclosure Project**
  Bank of Ireland has participated in the inaugural Irish Carbon Disclosure Project (CDP). This was the first year in which a sample of Irish companies was specifically selected by CDP to participate. The sample selected by CDP was based on the large listed companies together with the companies that had received the largest allocations under Ireland's National Allocation Plan for Emissions Trading 2008-2012.

- **Group Cycle to Work Scheme**
  In January 2009, as part of the Finance Bill, the Irish Government introduced a tax incentive designed to encourage more employees to cycle to and from work. The Scheme has been a great success in the Group. Overall, a total of 859 employees participated in this year's scheme across Ireland and the UK. This equates to almost 6% take-up across the Group, which is higher than the average take-up (c. 4%) in other companies both in Ireland and the UK. While supporting a Government environmental initiative, the scheme also provides an appealing benefit to employees as well as promoting employee fitness and well being. The scheme also supports the Group's Corporate Social Responsibility agenda through encouraging a cleaner greener environment and reducing the number of cars on the road.

2009 was a year of great challenge for Bank of Ireland and this tough environment is likely to continue into 2010. Corporate Responsibility continues to be an integral part of the way we do business and interact with our stakeholders and we look forward to sharing further updates in future reports. For further information, please see the "about us" section on our website. www.bankofireland.com.

We welcome your views and comments on this report. Our email address is: corporate.responsibility@boimail.com

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Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992. In preparing these financial statements, the Directors have also elected to comply with IFRS issued by the International Accounting Standards Board (IASB).

Irish company law requires the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Bank and the Group and of the profit or loss of the Group. In preparing these financial statements for the nine month period to 31 December 2009, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS adopted by the EU and IFRS issued by the IASB; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 IFRS and IFRIC interpretations endorsed by the European Union and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Bank and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also required by the Transparency (Directive 2004 / 109 / EC) Regulations 2007 and the Transparency Rules of the Financial Regulator to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website.

Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRS as adopted by the European Union and with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position of the Group and the Bank and of the loss of the Group; and
- the management report contained in the Business Review includes a fair review of the development and performance of the business and the position of the Group and Bank, together with a description of the principal risks and uncertainties that they face.

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Independent Auditors' Report

Independent Auditors' Report to the Members of the Governor and Company of the Bank of Ireland

We have audited the Group financial statements and the Bank financial statements (together 'the financial statements') of the Bank of Ireland for the nine month period ended 31 December 2009 which comprise the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated and the Bank balance sheets, the Consolidated and the Bank statements of changes in equity, the Consolidated and the Bank cash flow statements, the Group accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors
The Directors' responsibilities for preparing the Annual Report and the financial statements, in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the members of the Governor and Company of the Bank of Ireland as a body in accordance with Section 193 of the Companies Act, 1990 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union. We report to you our opinion as to whether the Bank financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009. We also report to you whether the financial statements have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2009, Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Bank's balance sheet is 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 proper returns adequate for the purposes of our audit have been received from branches of the Bank not visited by us:
- whether the information in the Report of the Directors' 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 Court of the Bank; such a financial situation may exist if the net assets of the Bank, as stated in the Bank 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 or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and Directors' transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Bank's compliance with the nine provisions of the June 2008 Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the unaudited part of the Business Review, the Report of the Directors, the unaudited part of the Remuneration Report, the Corporate Governance Statement and all other information listed on the Contents page. 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 Group's and Bank's circumstances, consistently applied and adequately disclosed.

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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2009 and of its loss and cash flows for the nine month period then ended;
- the Bank financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2009, of the state of the Bank's affairs as at 31 December 2009 and of its cash flows for the nine month period then ended;
- the Group and Bank financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2009, Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations 1992.

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 and proper returns adequate for the purpose of our audit have been received from branches of the Bank not visited by us. The Bank balance sheet is in agreement with the books of account.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

The net assets of the Bank, as stated in the Bank balance sheet 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 2009 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general Court of the Bank.

Separate opinion in relation to IFRSs

As explained in the Basis of Preparation on page 157, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

30 March 2010

Consolidated income statement

for the nine months ended 31 December 2009

	Notes	9 months ended 31 December 2009 €m	Restated* year ended 31 March 2009 €m
Interest income	3	4,188	9,717
Interest expense	4	(2,009)	(6,047)
Net interest income		2,179	3,670
Net insurance premium income	5	665	1,069
Fee and commission income	6	474	717
Fee and commission expense	6	(255)	(232)
Net trading expense	7	(28)	(307)
Life assurance investment income and gains / (losses)	8	958	(1,570)
Gain on repurchase of subordinated liabilities	9	1,037	-
Other operating income	10	31	73
Total operating income		5,061	3,420
Insurance contract liabilities and claims paid	11	(1,462)	537
Total operating income, net of insurance claims		3,599	3,957
Other operating expenses	12	(1,381)	(2,121)
Impairment of goodwill and other intangible assets	30	(6)	(304)
Operating profit before impairment charges on financial assets		2,212	1,532
Impairment charges on financial assets	14	(4,057)	(1,513)
Operating (loss) / profit	15	(1,845)	19
Share of results of associates and joint ventures (after tax)	16	35	(42)
Loss on disposal of business activities	17	(3)	-
Loss before taxation		(1,813)	(23)
Taxation	18	344	41
(Loss) / Profit for the period		(1,469)	18
Attributable to minority interests		(9)	(35)
Attributable to stockholders		(1,460)	53
(Loss) / Profit for the period		(1,469)	18
Earnings per unit of €0.64 ordinary stock (cent)	19	(168.6c)	4.3c
Diluted earnings per unit of €0.64 ordinary stock (cent)	19	(168.6c)	4.3c

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Group Secretary*

Consolidated statement of other comprehensive income

for the nine months ended 31 December 2009

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
(Loss) / Profit for the period	(1,469)	18
Other comprehensive income, net of tax:		
Net change in revaluation reserve	(53)	(96)
Cash flow hedge reserve		
Changes in fair value	(419)	19
Transfer to income statement	501	(559)
Net change in cash flow hedge reserve	82	(540)
Available for sale reserve		
Changes in fair value	973	(1,108)
Transfer to income statement on asset disposal	(49)	(5)
Net change in available for sale reserve	924	(1,113)
Net actuarial loss on defined benefit pension funds	(74)	(544)
Foreign exchange translation gains / (losses)	117	(528)
Other comprehensive income for the period net of tax	996	(2,821)
Total comprehensive income	(473)	(2,803)
Total comprehensive income attributable to equity stockholders	(464)	(2,768)
Total comprehensive income attributable to minority interests	(9)	(35)
Total comprehensive income	(473)	(2,803)

The effect of tax on these items is shown in note 18

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Patrick J Molloy
Governor

Dennis Holt
Deputy Governor

Richie Boucher
Group Chief Executive

Helen Nolan
Group Secretary

Consolidated balance sheet

as at 31 December 2009

	Notes	31 December 2009 €m	31 March 2009 €m
ASSETS			
Cash and balances at central banks		4,241	3,224
Items in the course of collection from other banks		400	515
Trading securities	20	403	125
Derivative financial instruments	21	5,824	8,397
Other financial assets at fair value through profit or loss	22	9,679	7,604
Loans and advances to banks	23	5,031	7,886
Available for sale financial assets	24	20,940	26,858
Loans and advances to customers	25	119,439	133,740
Assets held for sale to NAMA	26	9,581	-
Other assets classified as held for sale	34	-	24
Interest in associates	28	23	22
Interest in joint ventures	29	194	151
Intangible assets – goodwill	30	48	47
Intangible assets – other	30	459	485
Investment properties	31	1,265	1,413
Property, plant and equipment	32	404	492
Deferred tax assets	42	865	560
Other assets	33	2,304	2,566
Retirement benefit asset	43	6	7
Total assets		181,106	194,116
EQUITY AND LIABILITIES			
Deposits from banks	35	17,903	28,814
Customer accounts	36	84,812	83,119
Items in the course of transmission to other banks		198	238
Derivative financial instruments	21	6,037	7,554
Debt securities in issue	37	43,144	45,133
Liabilities to customers under investment contracts	38	5,050	4,084
Insurance contract liabilities	38	6,658	5,634
Other liabilities	40	2,899	3,049
Provisions	41	142	87
Deferred tax liabilities	42	134	50
Retirement benefit obligations	43	1,638	1,485
Subordinated liabilities	39	6,053	7,942
Other liabilities classified as held for sale	34	-	14
Liabilities held for sale to NAMA	26	1	-
Total liabilities		174,669	187,203
Equity			
Capital stock	45	699	699
Stock premium account		4,092	4,092
Retained earnings		3,263	4,761
Other reserves		(1,580)	(2,610)
Own stock held for the benefit of life assurance policyholders		(87)	(90)
Stockholders' equity		6,387	6,852
Minority interests		50	61
Total equity		6,437	6,913
Total equity and liabilities		181,106	194,116

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Group Secretary*

Consolidated statement of changes in equity

as at 31 December 2009

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Capital stock		
Balance at the beginning of the period	699	664
Issue of 2009 preference stock	-	35
Balance at the end of the period	699	699
Stock premium account		
Balance at the beginning of the period	4,092	775
Premium on issue of 2009 preference stock	-	3,317
Balance at the end of the period	4,092	4,092
Retained earnings		
Balance at the beginning of the period	4,761	5,670
(Loss) / Profit for the period attributable to stockholders	(1,460)	53
Equity dividends	-	(387)
Dividends on other equity interests	(4)	(10)
Transfer from capital reserve	29	39
Loss retained	(1,435)	(305)
Reissue of treasury stock	(7)	(83)
Transfer from revaluation reserve	-	4
Transfer from share based payment reserve	11	19
Net actuarial loss on pension funds	(74)	(544)
Other movements	7	-
Balance at the end of the period	3,263	4,761
Other Reserves:		
Available for sale reserve		
Balance at the beginning of the period	(1,532)	(419)
Changes in fair value	1,110	(1,270)
Deferred tax on fair value changes	(131)	162
Transfer to income statement on asset disposal	(55)	(5)
Balance at the end of the period	(608)	(1,532)
Cash flow hedge reserve		
Balance at the beginning of the period	(592)	(52)
Changes in fair value	(555)	121
Transferred to income statement		
- Net interest income (note 3)	351	(93)
- Net trading expense (foreign exchange)	325	(672)
Deferred tax on reserve movements	(39)	104
Balance at the end of the period	(510)	(592)
Foreign exchange reserve		
Balance at the beginning of the period	(1,316)	(788)
Exchange adjustments during the period	117	(528)
Balance at the end of the period	(1,199)	(1,316)

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Statement of changes in equity (continued)

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Capital reserve		
Balance at the beginning of the period	491	530
Transfer to retained earnings	(29)	(39)
Balance at the end of the period	462	491
Share based payment reserve		
Balance at the beginning of the period	33	33
Charge to the income statement	-	19
Transfer to retained earnings	(11)	(19)
Balance at the end of the period	22	33
Revaluation reserve		
Balance at the beginning of the period	82	182
Transfer to retained earnings on sale of property	-	(4)
Revaluation of property	(60)	(113)
Deferred tax on revaluation of property	7	17
Balance at the end of the period	29	82
Other equity reserves		
US$150 million capital note		
Balance at the beginning of the period	114	114
Balance at the end of the period	114	114
Core and secondary tranche warrants		
Balance at the beginning of the period	110	-
Issue of warrants	-	110
Balance at the end of the period	110	110
Total other reserves	(1,580)	(2,610)
Own stock held for the benefit of life assurance policyholders		
Balance at the beginning of the period	(90)	(225)
Changes in value and amount of stock held	3	135
Balance at the end of the period	(87)	(90)
Total stockholders' equity excluding minority interests	6,387	6,852
Minority interests		
Balance at the beginning of the period	61	38
Acquisition	-	61
Revaluation	(2)	-
Share of net loss	(9)	(35)
Dividends paid to minority interest	-	(3)
Balance at the end of the period	50	61
Total equity	6,437	6,913

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Group Secretary*

Consolidated cash flow statement

for the nine months ended 31 December 2009

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Cash flows from operating activities		
Loss before taxation	(1,813)	(23)
Share of results of associates and joint ventures	(35)	42
Loss on disposal of business activities	3	-
Depreciation and amortisation	107	178
Impairment of financial assets	4,057	1,513
Other impairments	-	17
Impairment of goodwill and other intangibles	6	287
Decline in value of property below cost	6	-
Net change in prepayments and interest receivable	175	270
Net change in accruals and interest payable	(154)	(120)
Loans and advances written off net of recoveries	(142)	(236)
Revaluation of investment property	98	512
Interest expense on subordinated liabilities and other capital instruments	163	435
Profit on disposal of available for sale financial assets	(55)	(5)
Charge for share based payments	-	19
Charge for provisions	88	70
Charge for retirement benefit obligation	149	180
Gain on repurchase of subordinated liabilities	(1,037)	-
Amortisation of premiums and discounts	(12)	(57)
Amortisation of debt issue expenses	8	14
Cash flows from operating activities before changes in operating assets and liabilities	1,612	3,096
Net change in deposits from banks	(10,813)	14,759
Net change in customer accounts	566	2,279
Net change in loans and advances to customers	3,474	(8,226)
Net change in loans and advances to banks	3,901	(1,754)
Net change in trading securities	(278)	(6)
Net change in derivative financial instruments	1,106	(954)
Net change in assets at fair value through profit or loss	(2,062)	3,248
Net change in items in the course of collection	78	146
Net change in debt securities in issue	(1,493)	(17,464)
Net change in insurance contract liabilities	1,024	(1,506)
Net change in other assets	81	31
Net change in liabilities to customers under investment contracts	966	(1,578)
Net change in other liabilities	(214)	(400)
Effect of exchange translation and other adjustments	(1,823)	4,715
Net cash flow from operating assets and liabilities	(5,487)	(6,710)
Net cash flow from operating activities before taxation	(3,875)	(3,614)
Taxation refunded / (paid)	45	(215)
Net cash flow from operating activities	(3,830)	(3,829)
Investing activities (section a)	6,778	870
Financing activities (section b)	(838)	2,525
Net change in cash and cash equivalents	2,110	(434)
Opening cash and cash equivalents	7,259	7,647
Effect of exchange translation adjustments	(182)	46
Closing cash and cash equivalents (note 49)	9,187	7,259

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Cash flow statement (continued)

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
(a) Investing activities		
Additions to available for sale financial assets	(8,587)	(27,267)
Disposal of available for sale financial assets	15,389	28,324
Additions to property, plant & equipment	(11)	(75)
Disposal of property, plant & equipment	4	4
Additions to intangible assets	(47)	(119)
Disposal of intangible assets	-	7
Purchase of investment property	-	(36)
Disposal of investment property	33	-
Dividends received from joint ventures	-	34
Net change in interest in associates	(3)	(2)
Cash flows from investing activities	6,778	870
(b) Financing activities		
Reissue of treasury stock	(7)	(83)
Issue of new subordinated liabilities	-	565
Reduction in subordinated liabilities	(683)	(600)
Interest paid on subordinated liabilities	(144)	(419)
Equity dividends paid	-	(387)
Dividends on other equity interests	(4)	(10)
Dividends paid to minority interests	-	(3)
Issue of 2009 preference stock and warrants	-	3,462
Cash flows from financing activities	(838)	2,525

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

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Group accounting policies

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Accounting policies

The following are Bank of Ireland Group's principal accounting policies.

Basis of preparation

The financial statements comprise the Consolidated income statement, the Consolidated statement of other comprehensive income, the Consolidated and Bank balance sheets, the Consolidated and Bank statements of changes in equity, the Consolidated and Bank cash flow statements and the Group accounting policies and the notes to the Consolidated financial statements and notes to the Bank financial statements. The notes include the information contained in those parts of sections 2.1, 2.2, 2.3, 2.4 and 3 of the Risk Management Report and the information in the Remuneration Report that are described as being an integral part of the financial statements.

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 1963 to 2009 applicable to companies reporting under IFRS, with the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with the Asset Covered Securities Acts, 2001 to 2007. The EU adopted version of IAS 39 currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments — Recognition and Measurement'. The Group has not availed of this, hence these financial statements comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

The preparation of the financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out on pages 177 to 179.

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, insurance, pension, operational, legal and regulatory risk impact on the Group's activities. The continuing global financial difficulties and the significantly deteriorated economic environments in which we operate have increased the pressure on the Group as to how these risk factors are managed. In preparing these financial statements the Directors have reviewed these risk factors and all relevant information to assess the Group's ability to continue as a going concern. This review included consideration of the impact of the current economic factors affecting the Group and the industry, the liquidity position, the ability to access funds in the wholesale money markets (including the ability to use assets as collateral to raise funds) and the Group's participation in NAMA. The Directors have reviewed the Group's business plan for 2010 and 2011 which incorporates its funding plan and considered the critical assumptions underpinning this plan and tested them under stressed conditions. Following completion of a Prudential Capital Assessment Review, the Financial Regulator has determined that the Group is required to raise €2.7 billion in capital by 31 December 2010. This is consistent with the Group's previously held views and the Group has plans to achieve this.

The Directors have also taken into account measures introduced by the Irish Government to improve liquidity, including the enhanced customer deposit protection scheme, the Credit Institutions (Financial Support) scheme ("CIFS"), introduced by the Irish Government in September 2008, and the Credit Institutions Eligible Liabilities Guarantee Scheme (the "ELG Scheme") introduced by the Government in December 2009. In concluding on the going concern basis the Directors took into account the CIFS scheme, the ELG Scheme, the Irish Government's €3.5 billion investment in Bank of Ireland Preference Stock, the Group's ability to use assets as collateral to access Monetary Authority Liquidity Support Schemes, the impact of the Group's participation in NAMA and the Government's acknowledgment of the Group's systemic importance to the economy as a whole and its continued support. In conjunction with the Group's plans to raise capital and to support it, the State will commit to converting part of its €3.5 billion Preference Shares into ordinary equity.

Based on the factors above the Directors are satisfied that the Group 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 2009.

Adoption of new accounting standards

The following standards and amendments to standards have been adopted by the Group during the nine month period ended 31 December 2009:

IFRS 8 – 'Operating Segments'
IFRS 8 replaces IAS 14 'Segment reporting', and sets out the requirements for disclosure of financial and descriptive information about an entity's operating segments and also about the entity's products and services, the economic environments in which it operates and its major customers. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The introduction of this standard has not had a significant impact on the financial statements.

IAS 1 (Revised) – 'Presentation of financial statements'
The revised standard amends the requirements for the presentation, structure and content of the financial statements. In accordance with the revised standard the Group has decided to present all items of income and expense in two separate statements, a consolidated income statement and a consolidated statement of other comprehensive income. The revised standard requires that all changes in equity arising from transactions with owners in their capacity as owners be presented separately from non-owner changes in equity, in the consolidated statement of changes in equity. The adoption of the revised standard does not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

IFRS 2 – 'Share-based payment: Vesting Conditions and Cancellations' (amendment)
This amendment clarifies the accounting treatment of cancellations and vesting conditions of share-based payment schemes. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. The amendment also clarifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The main impact of this amendment for the Group arises from cancellations by employees of contributions to the Group's Save-As-You-Earn (SAYE) schemes. Previously such cancellations would have resulted in the SAYE scheme expense recognised in prior periods, in respect of the relevant employees, being reversed. Under the amendment, in the event of a cancellation the Group recognises immediately the amount of the expense that would have otherwise been recognised over the remainder of the vesting period. The adoption of the amendment has resulted in an increase of €3.5 million in the Group's operating expenses for the nine months ended 31 December 2009.

The amendment is applied retrospectively and has resulted in a restatement of the comparative figures. The comparative income statement for the year ended 31 March 2009 has been adjusted to increase operating expenses and reduce profit before tax by €16 million. The adoption of the amendment has not impacted the balance sheet for either 31 March 2009 or 31 March 2008.

IAS 23 (Revised) – 'Borrowing costs'
The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing such borrowing costs has been removed. This amendment has not had a material impact on the financial statements.

IAS 32 (Amendment) – 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'

The amended standards require the Group to classify puttable financial instruments and instruments, or components of instruments that impose on the Group an obligation to deliver to another party a pro rata share of the net assets of the Group only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. This amendment has not had any impact on the financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'
The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular the amendment requires classification of the fair value of those financial instruments which are measured on the balance sheet at fair value using a three-level fair value hierarchy.

These additional disclosures are set out in note 47 - Fair values of financial assets and liabilities and in note 46 – Liquidity risk.

IFRIC 14 – 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'
This interpretation deals with accounting for refunds in contributions and minimum funding requirements. This IFRIC has not had a material impact on the financial statements.

Details of those IFRS pronouncements which will be relevant to the Group but which were not effective at 31 December 2009 and which have not yet been adopted by the Group are set out on pages 174 to 176.

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.

Group accounts

(1) Subsidiaries
Subsidiaries, which are those companies and other entities (including Special Purpose Entities (SPE's)) in which the Group, directly or indirectly, has power to govern the financial and operating policies, generally accompanying a shareholding of more than half of its voting rights, are consolidated.

Assets, liabilities and results of all group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial period.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see 'Intangible Assets' for the accounting policy on goodwill).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. In addition foreign exchange gains and losses which arise on the retranslation to functional currency of intercompany monetary assets and liabilities are not eliminated.

Even if there is no shareholder relationship, SPE's are consolidated in accordance with SIC12, if the Group controls them from an economic perspective. SPE's are consolidated when the substance of the relationship between the Group and that entity indicates control. Potential indicators of control include, amongst others, an assessment of the Group's exposure to the risks and benefits of the SPE. Whenever there is a change in the substance of the relationship between the Group and the SPE, the Group performs a reassessment of consolidation. Indicators for a reassessment of consolidation can include changes in ownership of the SPE, changes in contractual arrangements and changes in the financing structure.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Upon adoption of IFRS, the Group availed of the exemption not to restate the Group financial statements for any acquisitions or business combinations that took place prior to 1 April 2004.

(2) Associates and Joint Ventures
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint ventures are contractual arrangements whereby the Group and another party undertake an economic activity that is subject to joint control.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. Under this method, the Group's share of the post acquisition profits or losses in associates and joint ventures is recognised in the income statement, and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate / joint venture; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates and joint ventures includes goodwill (net of any accumulated impairment losses) on acquisition.

Accounting policies of associates and joint ventures have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

(3) Minority Interests
Transactions with minorities where the Group has control over the entity are accounted for using the "Economic entity model". This accounting model requires that any surplus or deficit that arises on any transaction(s) with minorities to dispose of or to acquire additional interests in the entity are settled through equity.

(4) Securitisations
Certain Group undertakings have entered into securitisation transactions in order to finance specific loans and advances to customers. All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless:

- the rights to the cash flows have expired or been transferred;
- substantially all the risks and rewards associated with the financial instruments have been transferred outside the Group, in which case the assets are derecognised in full; or
- a significant portion, but not all, of the risks and rewards have been transferred outside the Group. In this case the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

Where the above conditions apply to a fully proportionate share of all or specifically identified cash flows, the relevant accounting treatment is applied to that proportion of the asset.

Foreign currency translation

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the functional and presentation currency of the parent.

Foreign currency transactions are translated into functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities, classified as available for sale, are recognised in other comprehensive income and exchange differences arising on translation to presentation currency and on consolidation of overseas net investments, are recognised in other comprehensive income.

The results and financial position of all the group entities that have a functional currency different from the presentation currency have been translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

The Group availed of the exemption to deem all accumulated balances arising from translation of foreign subsidiaries to be nil on transition to IFRS on 1 April 2004.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold, such exchange differences are reclassified from equity to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

	31 December 2009		31 March 2009	
	Average	**Closing**	Average	Closing
€ / US$	1.4248	1.4406	1.4321	1.3308
€ / Stg£	0.8851	0.8881	0.8333	0.9308

Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest 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 Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees 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 Group revises its estimates of payments or receipts on a financial instrument measured at amortised cost, the carrying amount of the financial instrument (or group of financial instruments) is adjusted to reflect actual and revised estimated cash flows. The Group 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.

Fee and commission income

Fees and commissions which are not an integral part of the effective interest rate of a financial instrument are generally recognised on an accrual basis when the service has been provided. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time apportioned basis. Asset management fees related to

investment funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan once drawn.

Leases

(1) A Group company is the lessee
The total payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in long term payables. The interest element of the finance costs is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(2) A Group company is the lessor
When assets are held under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is included within net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

Financial assets

(1) Classification, Recognition and Measurement
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held to maturity investments; and available for sale financial assets. The Group determines the classification of its financial assets at initial recognition.

Financial assets that the Group expects will be transferred to NAMA during 2010, have been classified as assets held for sale to NAMA (refer to accounting policy on page 169).

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss can either be held for trading, if acquired principally for the purpose of selling in the short term, or designated at fair value through profit or loss at inception.

A financial asset may be designated at fair value through profit or loss only when:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency, ("an accounting mismatch"), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or
(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
(iii) a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The principal category of assets designated at fair value through profit or loss are those held by the Group's life assurance business, which are managed on a fair value basis.

Regular way purchases and sales of financial assets at fair value through profit or loss are recognised on trade date: the date on which the Group commits to purchase or sell the asset. Thereafter they are carried on the balance sheet at fair value, with all changes in fair value included in the income statement.

Financial assets may not be transferred out of this category, except for non-derivative financial assets held for trading, which may be transferred out of this category where:

(i) in rare circumstances, they are no longer held for the purpose of selling or repurchasing in the short term; or

(ii) they are no longer held for trading, they meet the definition of loans and receivables at the date of reclassification and the Group has the intention and ability to hold the assets for the foreseeable future or until maturity.

(b) Loans and receivables

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 Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

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.

(c) Held to maturity

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and would need to be reclassified as available for sale.

Purchases and sales of held to maturity investments are recorded on trade date. They are initially recognised at fair value plus transaction costs and are subsequently accounted for at amortised cost using the effective interest method.

(d) Available for sale

Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of available for sale financial assets are recognised on trade date. They are initially recognised at fair value plus transaction costs. Movements are recognised in other comprehensive income. Interest is calculated using the effective interest method and is recognised in the income statement.

If an available for sale financial asset is derecognised or impaired the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the income statement.

Dividends on available for sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

Available for sale financial assets that would have met the definition of loans and receivables may be reclassified to loans and receivables if the Group has the intention and ability to hold the asset for the foreseeable future or until maturity.

(2) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

(3) Shares in Group Entities

The Bank's investments in its subsidiaries are stated at cost less any impairment.

Financial liabilities

The Group has two categories of financial liabilities: those that are carried at amortised cost and those that are carried at fair value through profit or loss. Financial liabilities are initially recognised at fair value, (normally the issue proceeds i.e. the fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For liabilities carried at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the income statement using the effective interest method.

Preference shares which carry a mandatory coupon are classified as financial liabilities. The dividends on these preference shares are recognised in the income statement as interest expense using the effective interest method.

A liability may be designated as at fair value through profit or loss only when:

(i) it eliminates or significantly reduces a measurement or recognition inconsistency, ("an accounting mismatch"), that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or
(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
(iii) a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The Group designates certain financial liabilities at fair value through profit or loss as set out in note 47 to the financial statements.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

Valuation of financial instruments

The Group recognises trading securities, other financial assets and liabilities designated at fair value through profit or loss, derivatives and available-for-sale financial assets at fair value in the balance sheet. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. To the extent possible, these valuation techniques use observable market data. Where observable data does not exist, the Group uses estimates based on the best information available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which primarily uses observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price.

For liabilities designated at fair value through profit or loss, the fair values reflect changes in the Group's own credit spread.

The fair values of the Group's financial assets and liabilities are disclosed within note 47 together with a description of the valuation technique used for each asset or liability category. For assets or liabilities recognised at fair value on the balance sheet, a description is given of any inputs into valuation models that have the potential to significantly impact the fair value, together with an estimate of the impact of using reasonably possible alternative assumptions.

Sale and repurchase agreements and lending of securities

Securities sold subject to repurchase agreements ("repos") are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits by banks or customer accounts, as appropriate. Securities purchased under agreements to resell ("reverse repos") are treated as collateralised loans and recorded as loans and advances to banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and recognised in the income statement over the life of the agreement using the effective interest method. Securities lent to counterparties are also retained on the balance sheet.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return the securities is recorded at fair value as a trading liability.

Issued debt and equity securities

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The coupons on these instruments are recognised in the income statement as interest expense using the effective interest method. Where the Group has absolute discretion in relation to the payment of coupons and repayment of principal, the instrument is classified as equity and any coupon payments are classified as distributions in the period in which they are made.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in net trading income.

Due to the materiality of the gain on the repurchase of subordinated liabilities, in June 2009 (detailed in note 9), that gain has been disclosed as a separate line item within the Group's Consolidated Income Statement, rather than included within net trading income.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments are separated from the host contract and accounted for as derivatives, when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

Fair value gains or losses on derivatives are normally recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

The Group designates certain derivatives as either:

(i) hedges of the exposure to changes in the fair value of recognised assets or liabilities that is attributable to a particular risk (fair value hedge); or
(ii) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecast transaction (cash flow hedge).

Hedge accounting is applied to these derivatives provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, 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) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in other comprehensive income are reclassified to the income statement in the periods in which the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognised in the income

statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to the income statement.

Impairment of financial assets

Assets carried at amortised cost

The Group 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 losses 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 Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group 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;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) 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 Group 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 Group 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 loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and advances or held to maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses 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 loss is recognised in the income statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 costs 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 Group's grading process that considers asset type, industry, geographical location, 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 group and historical loss experience for assets with credit risk characteristics similar to those in the group. 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 Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

When a loan is uncollectible, 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 charge for loan impairment in the income statement.

The Risk Management section on pages 60 to 108 contains further detail on loan loss provisioning methodology.

Available for sale financial assets
The Group assesses at each balance sheet date whether there is objective evidence that an available for sale financial asset is impaired. In addition to the factors set out above, a significant or prolonged decline in the fair value of an investment in an available for sale equity instrument below its cost is considered in determining whether an impairment loss has been incurred. If an impairment loss has been incurred, the cumulative loss that had been recognised in other comprehensive income is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Property, plant and equipment

Freehold land and buildings are initially recognised at cost, and subsequently are revalued annually to open market value by independent external valuers. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the balance sheet date.

All other property, plant and equipment, including freehold and leasehold adaptations, are stated at historical cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and buildings are recognised in other comprehensive income. Decreases that offset previous increases on the same asset are recognised in other comprehensive income: all other decreases are charged to the income statement.

The Directors consider that residual values of freehold and long leasehold property based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not material.

Depreciation is calculated on the straight line method to write down the carrying value of other items of property, plant and equipment to their residual values over their estimated useful lives as follows:

Adaptation works on freehold and leasehold property	15 years, or the remaining period of the lease
Computer and other equipment	Maximum of 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its value in use.

Gains and losses on the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. If the asset being disposed of had previously been revalued then any amount in other comprehensive income relating to that asset is reclassified to retained earnings on disposal.

Investment property

Property held for long term rental yields and capital appreciation is classified as investment property. Investment property comprises freehold and long leasehold land and buildings. It is carried at fair value in the balance sheet based on annual revaluations at open market value and is not depreciated. Changes in fair values are recorded in the income statement. Rental income from investment properties is recognised as it becomes receivable over the term of the lease.

Intangible assets

(a) Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate or joint venture at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates or joint ventures is included in 'investments in associates' and 'investments in joint ventures' as appropriate. The carrying amount of goodwill in the Irish GAAP balance sheet as at 31 March 2004 has been brought forward without adjustment on transition to IFRS.

Goodwill is tested annually for impairment, or more frequently if there is any indication that it may be impaired, and carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units ("CGU") for the purpose of impairment testing. The CGU is considered to be the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The Group impairment model compares the recoverable amount of the CGU with the carrying value at the review date. An impairment loss arises if the carrying value of the CGU exceeds the recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use, where the value in use is the present value of the future cash flows expected to be derived from the CGU.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Computer software
Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, which is normally five years.

Computer software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

(c) Other intangible assets
Other intangible assets are amortised on a straight line basis over their useful lives which range from 16 years to 20 years and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its value in use.

Assets and liabilities classified as held for sale

An asset or a disposal group is classified as held for sale if the following conditions are met:
- its carrying amount will be recovered principally through sale rather than continuing use;
- it is available for immediate sale; and
- the sale is highly probable within the next twelve months.

When an asset (or disposal group), other than a financial asset or financial liability, is initially classified as held for sale, it is measured at the lower of its carrying amount or fair value less costs to sell at the date of reclassification. Impairment losses subsequent to classification of such assets as held for sale are recognised in the income statement. Increases in fair value less costs to sell of such assets that have been classified as held for sale are recognised in the income statement to the extent that the increase is not in excess of any cumulative impairment loss previously recognised in respect of the asset.

The measurement of financial assets or financial liabilities which are classified as held for sale is not impacted by that classification, and they continue to be measured in accordance with the Group's accounting policies for measurement of financial assets and financial liabilities respectively, set out on pages 162 to 164.

When an asset (or disposal group) is classified as held for sale, prior period amounts are not reclassified.

Where the criteria for the classification of an asset (or disposal group) as held for sale cease to be met, the asset (or disposal group) is reclassified out of held for sale and included in the appropriate balance sheet headings.

Assets and liabilities held for sale to NAMA

Assets and liabilities that the Group expects will be transferred to NAMA during 2010, all of which are financial assets and liabilities, are classified as assets and liabilities held for sale to NAMA.

These assets and liabilities continue to be measured in accordance with the Group's accounting policies for measurement of financial assets and financial liabilities respectively, set out on pages 162 to 164. Loans and advances held for sale to NAMA are measured at amortised cost less any incurred impairment losses, which continue to be calculated in accordance with the Group's accounting policy on impairment of financial assets, set out on pages 166 and 167.

The assets and liabilities will be derecognised when substantially all of the risks and rewards have transferred to NAMA, which will be the date when ownership of or the beneficial interest in the assets is legally transferred to NAMA. This is expected to occur on a phased basis as ownership of each tranche is transferred. Until the date of derecognition, interest income on the assets continues to be recognised using the effective interest method.

Derivatives held for sale to NAMA continue to be measured at fair value through profit or loss.

On the derecognition date, a gain or loss will be recognised, 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 will be measured at fair value at initial recognition.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

Employee benefits

(a) Pension obligations

The Group companies operate various pension schemes. The schemes are funded and the assets of the schemes are held in separate trustee administered funds. The Group has both defined contribution and defined benefit plans. A defined benefit plan is a pension

plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognised past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to reserves through the consolidated statement of other comprehensive income. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.
For defined contribution plans, once the contributions have been paid, the company has no further payment obligations. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Equity compensation benefits
The Group has a number of equity settled share based payment schemes. The fair value at the date of grant of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined on the date the options or shares are granted by reference to their fair value, excluding the impact of any non-market vesting conditions (for example, growth in EPS). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. At each balance sheet date, the Group revises its estimate of the number of options or shares that are expected to vest. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

Where an option is cancelled, the Group immediately recognises, as an expense, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period.

Where new shares are issued, the proceeds received net of any directly attributable transaction costs are credited to share capital (at nominal value) and to share premium, when the options are exercised.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

Upon transition to IFRS, the Group availed of the exemption only to apply IFRS 2 to share based payments which were granted on or after 7 November 2002 that had not yet vested by 1 January 2005.

(c) Short term employee benefits
Short term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employees' service is rendered. Bonuses are recognised where the Group has a legal or constructive obligation to employees that can be reliably measured.

(d) Termination payments
Termination payments are recognised as an expense when the Group is demonstrably committed to a formal plan to terminate employment before the normal retirement date. Termination payments for voluntary redundancies are recognised where an offer has been made by the Group, it is probable that the offer will be accepted and the number of acceptances can be reliably estimated.

Income taxes

(a) Current income tax
Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses are utilised.

(b) Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax on items taken to other comprehensive income is also recognised in other comprehensive income and is subsequently reclassified to the income statement together with the deferred gain or loss.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances with central banks and post office banks which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

Capital stock and reserves

(1) Stock issue costs
Incremental external costs directly attributable to the issue of new equity stock or options are shown in equity as a deduction, net of tax, from the proceeds.

(2) Dividends on ordinary stock
Dividends on ordinary stock are recognised in equity in the period in which they are approved by the Bank's stockholders.

(3) Treasury stock
Where the Bank or its subsidiaries purchases the Bank's equity capital stock, the consideration paid is deducted from total stockholders' equity as treasury stock until they are cancelled. Where such stock is subsequently sold or reissued, any consideration received is included in stockholders' equity. Any changes in the value of treasury stock held are recognised in equity at the time of the disposal and dividends are not recognised as income or distributions.

This is particularly relevant in respect of Bank of Ireland stock held by Bank of Ireland Life for the benefit of policyholders.

(4) Capital Reserve
The capital reserve represents transfers from retained earnings and other reserves in accordance with relevant legislation. The capital reserve is not distributable.

(5) Foreign exchange reserve
The foreign exchange reserve represents the cumulative gains and losses on the translation of the Group's net investment in its foreign operations since 1 April 2004.

(6) Revaluation reserve
The revaluation reserve represents the cumulative gains and losses on the revaluation of property occupied by Group businesses, included within property, plant and equipment and non-financial assets classified as held for sale.

(7)Available for sale reserve
The available for sale reserve represents the cumulative change in fair value of available for sale financial assets together with the impact of any fair value hedge accounting adjustments.

(8) Cash flow hedge reserve
The cash flow hedge reserve represents the cumulative changes in fair value, excluding any ineffectiveness, of cash flow hedging derivatives. This will be transferred to the income statement when the hedged transactions impact the Group's profit or loss.

Life assurance operations

In accordance with IFRS 4, the Group classifies all life assurance products as either insurance or investment contracts for accounting purposes.

Insurance contracts are those contracts that transfer significant insurance risk. These contracts are accounted for using an embedded value basis.

Investment contracts are accounted for in accordance with IAS 39. All of the Group's investment contracts are unit linked in nature. These contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the balance sheet date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Non unit linked insurance liabilities are calculated using either a gross premium or net premium method of valuation. The assumptions are also set in accordance with the guidelines in the Insurance Regulations and contain a margin for adverse development. The key assumptions used in the valuation of insurance contract liabilities are:

Interest rate	The interest rates are derived in accordance with the guidelines in the Insurance Regulations. Margins for risk are allowed for in the derived interest rates.
Mortality and morbidity	The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.
Maintenance expenses	Allowance is made for future policy costs and expense inflation explicitly.

The Group recognises an asset for deferred acquisition costs relating to investment contracts. Up front fees received for investment management services are deferred. These amounts are amortised over the period of the contract.

The Group recognises the value of in force life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance contracts under IFRS 4. The asset has been calculated in accordance with the embedded value achieved profits methodology in the Statement of Recommended Practice issued by the Association of British Insurers which came into force in 2002. The asset is determined by projecting the future statutory surpluses attributable to stockholders estimated to arise from insurance contracts. The surpluses are projected using appropriate assumptions as to future investment returns, persistency, mortality and expense levels and include consideration of guarantees and options. These surpluses are then discounted at a risk adjusted rate. Thus, the use of best estimate assumptions in the valuation of the value of in force asset ensures that the net carrying amount of insurance liabilities less the value of in force assets is adequate.

The value of in force asset in the consolidated balance sheet and movements in the asset in the income statement are presented on a gross of tax basis. The tax charge comprises both current and deferred tax expense and includes tax attributable to both stockholders and policyholders for the period.

Premiums and claims
Premiums receivable in respect of non unit linked insurance contracts are recognised as revenue when due from policyholders. Premiums received in respect of unit linked insurance contracts are recognised in the same period in which the related policyholder liabilities are created. Claims are recorded as an expense when they are incurred.

Reinsurance
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are dealt with as insurance contracts, subject to meeting the significant insurance risk test in IFRS 4. Outward reinsurance premiums are accounted for in accordance with the contract terms when due for payment.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Collateral

The Group enters into master agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis.

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is, in general, not recorded on the Group balance sheet.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts and derivative contracts, in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet, with a corresponding liability recognised within deposits from banks or deposits from customers. Any interest payable arising is recorded as interest expense.

In certain circumstances, the Group pledges collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and advances continues to be recorded on the balance sheet. Collateral placed in the form of cash is recorded in loans and advances to banks or customers. Any interest receivable arising is recorded as interest income.

Financial guarantees

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities ('facility guarantees'), and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties. Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee is given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

Any increase in the liability relating to guarantees is taken to the income statement and recognised on the balance sheet within provisions for undrawn contractually committed facilities and guarantees.

Operating segments

The segment analysis of the Group's results and financial position is set out in note 2. The Group has identified five reportable operating segments, which are as follows: Retail Republic of Ireland, Bank of Ireland Life, UK Financial Services, Capital Markets and Group Centre.

These segments have been identified on the basis that the chief operating decision-maker uses information based on these segments to make decisions about assessing performance and allocating resources. The analysis of results by operating segment is based on management accounts information.

Transactions between the operating segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to operating segments on a reasonable basis.

Materiality

In its assessment of materiality, the Group considers the impact of any misstatements based on both:

- the amount of the misstatement originating in the current year income statement; and
- the effects of correcting the misstatement existing in the balance sheet at the end of the current year irrespective of the year in which the misstatement occurred.

Impact of new accounting standards

The following standards, interpretations and amendments to standards will be relevant to the Group but were not effective at 31 December 2009 and have not been applied in preparing these financial statements. The Group's inital view of the impact of these accounting changes is outlined below.

New standards, interpretations and amendments to standards effective for the year ended 31 December 2010:

Pronouncement	Nature of change	Effective date	Impact
IAS 39 (Amendment) – Eligible Hedged Items, 'Financial Instruments: Recognition and Measurement'	This amendment to IAS 39 clarifies how the principles that determine whether a hedged risk or portions of cash flows is eligible for designation as a hedged item or items should be applied.	Annual periods beginning on or after 1 July 2009	Not significant
IAS 27 (Revised) - 'Consolidated and separate financial statements'	The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill on acquisitions from non-controlling interests or gains and losses on disposals to non-controlling interests. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.	Financial periods beginning on or after 1 July 2009	Not significant
IAS 27 (Amendment) 'Cost of an investment in a subsidiary, jointly-controlled entity or associate'	The amendment removes the definition of the cost method from IAS 27 and requires an entity to present dividends from investment in subsidiaries, jointly controlled entities and associates as income in the separate financial statements of the investors.	Financial periods beginning on or after 1 July 2009	Not significant
IFRS 3 (Revised) - 'Business combinations'	The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.	Financial periods beginning on or after 1 July 2009	The impact on the Group will be dependent on the nature of any future acquisition.

Pronouncement	Nature of change	Effective date	Impact
IFRS 2 (Amendment) – 'Group Cash-settled share-based payment transactions'	The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transactions. The amendment also incorporates the guidance contained in IFRIC 8 and IFRIC 11. As a result the IFRIC 8 and IFRIC 11 have been withdrawn. This amendment is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2010	Not significant
Improvements to IFRSs 2009	The 'Improvements to IFRSs 2009' standard amends 10 standards, basis of conclusions and guidance, and 2 interpretations. The improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. The Improvements are subject to EU endorsement.	Financial periods ranging from periods beginning on or after 1 July 2009 to periods beginning on or after 1 January 2010	Not significant
IFRIC 17 - 'Distribution of non-cash to owners'	IFRIC 17 addresses how non-cash dividends distributed to shareholders should be measured. A dividend obligation is recognised when the dividend was authorised by the appropriate entity and is no longer at the discretion of the entity. The dividend obligation should be recognised at fair value of the net assets distributed. The difference between the dividend paid and the amount carried forward of the net assets distributed should be recognised in profit and loss. Additional disclosures are to be made if the net assets being held for distribution to owners meet the definition of a discontinued operation.	Financial periods beginning on or after 1 July 2009	Not significant

Group accounting policies

New standards, interpretations and amendments to standards effective for periods beginning after 31 December 2010.

Pronouncement	Nature of change	Effective date	Impact
IFRS 9, 'Financial instruments'	The new standard addresses classification and measurement of financial assets. IFRS 9 replaces the multiple classification models in IAS 39 with a model that has two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing financial assets and the contractual characteristics of the financial assets. IFRS 9 removes the requirement to separate embedded derivatives from financial asset hosts and the cost exemption for unquoted equities. IFRS 9 is subject to EU endorsement, the timing of which is uncertain.	Financial periods beginning on or after 1 January 2013	The impact of IFRS 9 may change as a consequence of further developments resulting from the IASB's financial instruments project. As a result, it is impracticable to quantify the impact of IFRS 9 as at the date of publication of these financial statements.
Amendment to IAS 32 – 'Classification of Rights Issues'	The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights are classified as equity regardless of the currency in which the exercise price is denominated.	Annual periods beginning on or after 1 February 2010	Not significant
Amendment to IAS 24 – 'Related Party Disclosures'	The amendment simplifies the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. This amendment is still subject to EU endorsement.	Annual periods beginning on or after 1 January 2011	The amendment may impact the level of detail which the Group is required to disclose in relation to transactions with the Irish Government.
Amendment to IFRIC 14 - 'Prepayments of a Minimum Funding Requirement'	The amendment removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. This amendment is still subject to EU endorsement.	Financial periods beginning on or after 1 January 2011	Not significant
IFRIC 19 - 'Extinguishing Financial Liabilities with Equity Instruments'	IFRIC 19 requires a gain or loss to be recognised in profit or loss when a liability is settled through the issuance of the entity's own equity instruments. The interpretation is still subject to EU endorsement.	Financial periods beginning on or after 1 July 2010	The imprint on the Group will be dependent on any such transactions occurring.

Critical accounting estimates and judgements

In preparing the financial statements, the Group 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 Group's financial statements are set out below.

(a) Impairment charges on financial assets

The Group reviews its loan portfolios at least on a quarterly basis to assess impairment. The Group 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. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The detailed methodologies, areas of estimation and judgement applied in the calculation of the Group's impairment charge on financial assets are set out in the Risk Management section on pages 60 to 108.

The most critical judgemental area is in relation to impairment of property and construction loans and advances. This loan portfolio has been significantly affected in the current economic climate, as values of security have significantly reduced and, particularly in Ireland, there are very low levels of activity in the sector. Gross property and construction loans at 31 December 2009, including those held for sale to NAMA, amounted to €35.6 billion (31 March 2009: €34 billion), against which were held provisions for impairment of €3.9 billion, (31 March 2009: €0.9 billion).

The estimation of impairment losses 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 losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. See note 27 for more information.

(b) Assets held for sale to NAMA

Assets that the Group expects will be transferred to NAMA, all of which are financial assets, are classified as assets held for sale to NAMA. In the preparation of the financial statements at 31 December 2009, there are two key areas of judgement in relation to these assets.

The first of these is the identification of the quantity of assets which are expected to transfer. Based on the Eligible Asset Regulations (as contained within the NAMA regulations), internal review work to identify all loans falling within the eligibility criteria and ongoing interaction with NAMA, the Group expects to transfer total gross land and development and associated loans of approximately €12.2 billion, together with related derivatives and accrued interest of €0.2 billion. Net of impairment provisions of €2.8 billion which are held against these loans at 31 December 2009, this estimate would imply a net transfer of €9.6 billion of Eligible Bank Assets to NAMA.

As interactions with NAMA and the internal review work are ongoing and the possibility exists that loans that are expected to transfer may be repaid or refinanced with other banks, there is uncertainty as to the final amount of eligible assets that will transfer. Further information on the expected transfer of assets to NAMA is set out in notes 26 and 56.

Secondly, significant judgement is required in relation to the level of impairment incurred on these assets, the vast majority of which are property and construction loans. As set out in the Group's accounting policy for assets held for sale to NAMA on page 169, impairment

on these assets continues to be calculated on the same basis as prior to their classification as held for sale. The areas of judgement and estimation involved are set out in the above section on impairment of financial assets, together with the level of impairment provisions held against property and construction loans at 31 December 2009, including these assets.

Further information on the expected transfer of assets to NAMA is set out in notes 26 and 56.

(c) Fair value of financial instruments

The Group measures certain of its financial instruments at fair value in the balance sheet. This includes trading securities, other financial assets and liabilities at fair value through profit or loss, all derivatives and available for sale financial assets. The fair values of financial instruments are determined by reference to observable market prices where available and an active market exists. Where market prices are not available or are unreliable, fair values are determined using valuation techniques including discounted cash flow models which, to the extent possible, use observable market inputs.

Where valuation techniques are used they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparable market prices. Using valuation techniques may necessitate the estimation of certain pricing inputs, assumptions or model characteristics such as credit risk, volatilities and correlations and changes in these assumptions could affect reported fair values.

The fair value movement on assets and liabilities held at fair value through profit or loss, including those held for trading, are included in net trading income. Fair values in respect of financial assets and liabilities are disclosed in note 47.

The most significant area of judgement is in relation to financial liabilities classified within level 3 of the 3-level fair value hierarchy. These comprise debt securities in issue and subordinated liabilities with a fair value of €701 million (31 March 2009: €795 million) which are measured at fair value through profit or loss, and the fair value of which is based on valuation techniques incorporating significant unobservable market data. The key judgement relates to the Group's credit spread, the estimation of which has become more judgemental in current market circumstances. The Group estimates this spread by reference to recent transactions in the same instrument or in similar instruments issued by the Group. The effect of changing the estimated credit spreads to a range of reasonably possible alternatives would decrease the fair value of the liabilities by up to €35 million or increase their fair value by up to €6 million, with a corresponding impact on the income statement.

(d) Retirement benefits

The Group operates a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial values of the liabilities of the schemes are calculated. This involves modelling their future growth and requires management to make assumptions as to price inflation, dividend growth, salary and pensions increases, return on investments and employee mortality. There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. An analysis of the sensitivity of the defined benefit pension liability to changes in the key assumptions is set out in note 43 on retirement benefit obligations.

(e) Life assurance operations

The Group accounts for the value of the stockholders' interest in long term assurance business using the embedded value basis of accounting. Embedded value is comprised of the net tangible assets of Bank of Ireland Life and the present value of its in force business. The value of in force business is calculated by projecting future surpluses and other net cash flows attributable to the shareholder arising from business written up to the balance sheet date and discounting the result at a rate which reflects the shareholder's overall risk premium, before provision has been made for taxation.

Future surpluses will depend on experience in a number of areas such as investment returns, lapse rates, mortality and investment expenses. Surpluses are projected by making assumptions about future experience, having regards to both actual experience and forecast long term economic trends. Changes to these assumptions may cause the present value of future surpluses to differ from those assumed at the balance sheet date and could significantly affect the value attributed to the in force business. The value of in force business could also be affected by changes in the amounts and timing of other net cash flows (principally annual management charges and other fees levied upon the policyholders) or the rate at which the future surpluses and cash flows are discounted. In addition, the extent to which actual experience is different from that assumed will be recognised in the income statement for the period. An analysis of the sensitivity of profit after tax and stockholders' equity to changes in the key life assurance assumptions is set out in note 54 on the life assurance business.

(f) Taxation

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates based on a judgement of the application of law and practice 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 (see note 40).

At 31 December 2009 the Group had a net deferred tax asset of €731 million (31 March 2009: €510 million), of which €475 million (31 March 2009: nil) related to incurred trading losses.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary 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 is required. The Group'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 Group's assessment of the recoverability of the portion of the deferred tax asset relating to trading losses. Under current Irish and UK tax legislation, there is no time restriction on the utilisation of these losses. Based on its projection of future taxable income, the Group 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.

(g) Goodwill

The Group capitalises goodwill arising on the acquisition of businesses, as disclosed in the accounting policies. The carrying value of goodwill as at 31 December 2009 was €48 million (31 March 2009: €47 million). Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash generating unit with its recoverable amount. The recoverable amount is the higher of the unit's fair value or its value in use. Value in use is the present value of expected future cash flows from the cash generating unit. Fair value is the amount obtainable for the sale of the cash generating unit in an arm's length transaction between knowledgeable, willing parties.

Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed. The use of reasonably possible alternative assumptions would not impact the carrying value of the Group's goodwill. See note 30 for further information.

(h) Provisions

The Group has recognised provisions in relation to restructuring costs, onerous contracts and litigation. Such provisions are sensitive to a variety of factors, which vary depending on their nature. The estimation of the amounts of such provisions is judgemental because the relevant payments are due in the future and the quantity and probability of such payments is uncertain.

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date. Details of the Group's provisions are set out in note 41.

Notes to the consolidated financial statements

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1 Comparative period

On 17 February 2010, the Governor & Company of the Bank of Ireland announced that it was changing its fiscal year end from 31 March to 31 December to align its financial calendar with that of its peer banks.

These consolidated financial statements cover the nine month period from 1 April 2009 to 31 December 2009, while the comparative period covers the twelve months from 1 April 2008 to 31 March 2009. As a result, the amounts presented in the financial statements are not entirely comparable.

2 Operating segments

The Group has five reportable operating segments as detailed below. As noted in the accounting policies and basis of presentation on pages 157 to 159 the Group adopted IFRS 8 during the period and this has not resulted in a change in the Group's operating segments. These segments reflect the internal financial and management reporting structure and are organised as follows:

Retail Republic of Ireland

Retail Republic of Ireland includes all the Group's branch operations in the Republic of Ireland. The branches offer a wide range of financial products and services in addition to the deposit, lending, current account and other money transmission services traditionally offered by banks. It also includes Bank of Ireland Mortgage Bank, ICS Building Society, Private Banking, an instalment credit and leasing business, credit card operations, commercial finance / factoring businesses, the domestic and US foreign exchange operations of First Rate Enterprises and direct telephone and online banking services.

Bank of Ireland Life (BoI Life)

BoI Life offers life assurance, protection, pensions and investment products to customers in Ireland through the extensive branch banking network of Retail Republic of Ireland. The company also operates in the independent intermediary market and through a direct sales force.

UK Financial Services

UK Financial Services (UKFS) comprises Business Banking in Great Britain and Northern Ireland, the branch network in Northern Ireland, the UK residential mortgage business which, as announced in January 2009 is no longer being sourced through the intermediary channel and the business ventures with the UK Post Office. The business banking unit provides loan facilities to medium and large corporate clients in addition to international banking, working capital financing, leasing and electronic banking services. Offshore deposit taking services are offered in the Isle of Man. The business activities with the UK Post Office are Post Office Financial Services and First Rate Exchange Services, which provide a range of retail financial services.

Capital Markets

The principal constituents of this division are Corporate Banking and Global Markets in addition to Asset Management Services and IBI Corporate Finance.

Corporate Banking provides integrated relationship banking services to a significant number of the major Irish corporations, financial institutions and multinational corporations operating in or out of Ireland. The range of lending products provided includes overdraft and short term loan facilities, term loans, project finance and structured finance. Corporate Banking is also engaged in international lending, with offices located in the UK, France, Germany and the US. Its international lending business includes acquisition finance, project finance, term lending and asset based financing, principally in the UK, Continental Europe and the US.

Global Markets is responsible for managing the Group's interest rate and foreign exchange risks, while also executing the Group's liquidity and funding requirements. Global Markets trades in a range of market instruments on behalf of the Group itself and the Group's customers. The trading activities include dealing in inter-bank deposits and loans, foreign exchange spot and forward contracts, options, financial futures, bonds, swaps, forward rate agreements and equity tracker products. Global Markets has offices located in the UK and the US, as well as in the Republic of Ireland.

Group Centre

Group Centre mainly includes capital management activities, unallocated support costs and the cost of the Irish Government Guarantee Schemes.

2 Operating segments (continued)

Other reconciling items represent inter-segment transactions which are eliminated upon consolidation.

The analysis of results by operating segment is based on the information used by management to allocate resources and assess performance. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The Group's management reporting and controlling systems use accounting policies that are the same as those referenced in Accounting Policies on pages 157 to 176. The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "Underlying profit" in our internal management reporting systems. Underlying profit or loss is the measure of segment profit or loss used in segment reporting and excludes gross up of policyholder tax in the life business; gain / loss on disposal of business activities; impairment of goodwill and other intangible assets arising from a systemic market event or where the Group is committed to exiting the relevant business; gain on repurchase of subordinated liabilities; investment return on treasury stock held for policyholders; EIR adjustment on subordinated debt, the cost of restructuring programmes; hedge ineffectiveness is no longer excluded from underlying for the nine months to 31 December 2009.

Capital expenditure comprises additions to property, plant and equipment and intangible assets including additions resulting from acquisitions through business combinations.

Gross revenue comprises interest income, net insurance premium income, fee and commission income, net trading expense, life assurance investment income and gains / losses, other operating income, insurance contract liabilities and claims paid and income from associates and joint ventures.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

Note to table on page 183

(i) In the current period a revision of estimated cash flows on certain subordinated liabilities has resulted in an income statement credit of €67 million. Of this amount €58 million represents a reduction in interest expense (note 4) while €9 million is reported in net trading expense (note 7).

2 Operating segments (continued)

9 months ended 31 December 2009	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Group Centre €m	Other reconciling items €m	Group €m
Interest income	3,304	14	2,339	3,438	(513)	(4,394)	4,188
Interest expense	(2,416)	(16)	(1,874)	(2,733)	578	4,394	(2,067)
Net interest income	888	(2)	465	705	65	-	2,121
Other income, net of insurance claims	112	153	70	83	(102)	-	316
Total operating income, net of insurance claims	1,000	151	535	788	(37)	-	2,437
Other Operating expenses	(638)	(78)	(277)	(222)	(59)	-	(1,274)
Depreciation and amortisation	(42)	(4)	(27)	(8)	(26)	-	(107)
Operating expenses	(680)	(82)	(304)	(230)	(85)	-	(1,381)
Impairment of goodwill and other intangible assets	(6)	-	-	-	-	-	(6)
Operating profit before impairment charges on financial assets	314	69	231	558	(122)	-	1,050
Impairment charges on loans and advances to customers	(1,836)	-	(1,062)	(1,157)	-	-	(4,055)
Impairment charges on available for sale financial assets	-	-	-	(2)	-	-	(2)
Share of results of associates and joint ventures	8	-	26	1	-	-	35
Underlying (loss) / profit before tax	(1,514)	69	(805)	(600)	(122)	-	(2,972)
Effective Interest Rate adjustment on subordinated liabilities[2]	-	-	-	-	67	-	67
Gross-up of policyholder tax in the Life business	-	64	-	-	-	-	64
Investment return on treasury stock held for policyholders	-	-	-	-	(6)	-	(6)
Loss on disposal of business activities	-	-	-	(3)	-	-	(3)
Repurchase of subordinated liabilities	-	-	-	-	1,037	-	1,037
Statutory (loss) / profit before tax	**(1,514)**	**133**	**(805)**	**(603)**	**976**	**-**	**(1,813)**
Capital expenditure	-	2	32	6	20	-	60
Investment in associates and joint ventures	134	-	74	9	-	-	217
External assets	52,999	11,744	53,804	60,101	2,458	-	181,106
Inter segment assets	68,946	1,714	22,202	135,270	47,020	(275,152)	-
Total assets	121,945	13,458	76,006	195,371	49,478	(275,152)	181,106
External liabilities	49,109	12,081	18,400	78,562	16,517	-	174,669
Inter segment liabilities	72,401	515	58,298	117,743	26,195	(275,152)	-
Total liabilities	121,510	12,596	76,698	196,305	42,712	(275,152)	174,669

[2] *See note (i) on page 182 .*

2 Operating segments (continued)

Year ended 31 March 2009	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Restated* Group Centre €m	Other reconciling items €m	Restated* Group €m
Interest income	7,819	30	4,962	8,650	(2,521)	(9,223)	9,717
Interest expense	(6,367)	(37)	(4,211)	(7,168)	2,513	9,223	(6,047)
Net interest income	1,452	(7)	751	1,482	(8)	-	3,670
Other income, net of insurance claims	277	84	139	(237)	(24)	-	239
Total operating income, net of insurance claims	1,729	77	890	1,245	(32)	-	3,909
Other Operating expenses	(858)	(102)	(435)	(366)	(99)	-	(1,860)
Depreciation and amortisation	(73)	(6)	(37)	(11)	(51)	-	(178)
Operating expenses	(931)	(108)	(472)	(377)	(150)	-	(2,038)
Operating profit before impairment charges on financial assets	798	(31)	418	868	(182)	-	1,871
Impairment charges on loans and advances to customers	(708)	-	(422)	(305)	-	-	(1,435)
Impairment charges on available for sale financial assets	-	-	-	(76)	-	-	(76)
Impairment charges on loans and advances to banks	-	-	-	(2)	-	-	(2)
Share of results of associates and joint ventures	(70)	-	39	(11)	-	-	(42)
Underlying (loss) / profit before tax	20	(31)	35	474	(182)	-	316
Gross-up of policyholder tax in the Life business	-	(76)	-	-	-	-	(76)
Impairment of goodwill and other intangible assets	-	-	-	(304)	-	-	(304)
Investment return on treasury stock held for policyholders	-	-	-	-	131	-	131
Hedge ineffectiveness on transition to IFRS	-	-	-	-	(7)	-	(7)
Cost of restructuring programme	(9)	-	(61)	(9)	(4)	-	(83)
Statutory (loss) / profit before tax	11	(107)	(26)	161	(62)	-	(23)
Capital expenditure	60	7	59	14	54	-	194
Investment in associates and joint ventures	118	-	46	9	-	-	173
External assets	55,501	9,697	52,574	71,774	4,570	-	194,116
Inter segment assets	58,879	1,671	12,784	122,534	25,223	(221,091)	-
Total assets	114,380	11,368	65,358	194,308	29,793	(221,091)	194,116
External liabilities	54,382	10,058	19,932	92,129	10,702	-	187,203
Inter segment liabilities	56,514	521	46,371	102,577	15,108	(221,091)	-
Total liabilities	110,896	10,579	66,303	194,706	25,810	(221,091)	187,203

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

2 Operating segments (continued)

Gross revenue by business segments

9 months ended 31 December 2009	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Group Centre €m	Eliminations €m	Group €m
External customers	1,458	247	1,814	1,107	1,264	-	5,890
Inter-segment revenue	1,996	15	693	2,474	(734)	(4,444)	-
Total gross revenue	3,454	262	2,507	3,581	530	(4,444)	5,890

Year ended 31 March 2009	Retail Republic of Ireland €m	BoI Life €m	UK Financial Services €m	Capital Markets €m	Group Centre €m	Eliminations €m	Group €m
External customers	2,766	7	3,575	4,014	(168)	-	10,194
Inter-segment revenue	4,981	(10)	1,629	5,270	(2,626)	(9,244)	-
Total gross revenue	7,747	(3)	5,204	9,284	(2,794)	(9,244)	10,194

9 months ended 31 December 2009 **Geographical segments**	Ireland €m	United Kingdom €m	Rest of World €m	Eliminations €m	Total €m
External revenues	3,795	2,022	73	-	5,890
Inter segment revenue	1,003	509	226	(1,738)	-
Gross revenue	4,798	2,531	299	(1,738)	5,890
(Loss) / profit before taxation	(1,242)	(602)	31	-	(1,813)
Capital expenditure	27	32	1	-	60
External assets	116,259	59,089	5,758	-	181,106
Inter segment assets	57,873	26,684	10,731	(95,288)	-
Total assets	174,132	85,773	16,489	(95,288)	181,106
External liabilities	138,292	26,627	9,750	-	174,669
Inter segment liabilities	29,722	59,478	6,089	(95,289)	-
Total liabilities	168,014	86,105	15,839	(95,289)	174,669

Year ended 31 March 2009 Geographical segments	Ireland €m	United Kingdom €m	Rest of World €m	Eliminations €m	Restated* Total €m
External revenues	6,733	3,304	157	-	10,194
Inter segment revenue	889	2,908	648	(4,445)	-
Gross revenue	7,622	6,212	805	(4,445)	10,194
(Loss) / profit before taxation	154	129	(306)	-	(23)
Capital expenditure	134	58	2	-	194
External assets	128,291	59,791	6,034	-	194,116
Inter segment assets	56,344	33,823	9,280	(99,447)	-
Total assets	184,635	93,614	15,314	(99,447)	194,116
External liabilities	148,094	29,211	9,898	-	187,203
Inter segment liabilities	30,715	63,911	4,821	(99,447)	-
Total liabilities	178,809	93,122	14,719	(99,447)	187,203

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

3 Interest Income

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Loans and advances to customers	3,503	7,901
Available for sale financial assets	498	1,335
Loans and advances to banks	48	246
Finance leases	139	232
Other	-	3
Interest income	4,188	9,717

Included within interest income is €161 million (31 March 2009: €110 million) in respect of impaired loans and advances to customers. Net interest income also includes a debit of €351 million (31 March 2009: credit of €93 million) transferred from the cash flow hedge reserve (see page 152).

4 Interest expense

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Customer accounts	995	2,773
Debt securities in issue	653	2,297
Deposits from banks	198	554
Subordinated liabilities	163	423
Interest expense	2,009	6,047

Interest expense on financial liabilities (including subordinated liabilities) is recognised using the effective interest rate (EIR) method. In accordance with the EIR method, the carrying value of certain subordinated liabilities has been reduced by €58 million at 31 December 2009 to reflect the Group's revised estimates of future cashflows on these liabilities. This adjustment has been reflected as a reduction in interest expense in the nine months ended 31 December 2009. For further information see note 56.

5 Net insurance premium income

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Gross premiums written	751	1,190
Ceded reinsurance premiums	(91)	(116)
Net premiums written	660	1,074
Change in provision for unearned premiums	5	(5)
Net insurance premium income	665	1,069

6 Fee and commission income and expense

Income	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Retail banking customer fees	268	368
Asset management fees	66	132
Credit related fees	41	38
Insurance commissions	60	75
Brokerage fees	8	13
Other	31	91
Fee and commission income	474	717

For the year ended 31 March 2009, fees amounting to €42 million have been reclassified from retail banking customer fees to insurance commissions for comparative purposes. Included in other fees is an amount of €3 million (31 March 2009: €4 million) in trust and other fiduciary fees.

Expense	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Government Guarantee fee (note 55)	105	66
Other	150	166
Fee and commission expense	255	232

The Government Guarantee fee of €105 million (31 March 2009: €66 million) relates to the fee paid under the Credit Institutions (Financial Support) Scheme, which commenced on 30 September 2008.

7 Net trading expense

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Financial assets designated at fair value	31	(29)
Financial liabilities designated at fair value	(137)	55
Related derivatives held for trading	86	(41)
	(20)	(15)
Other financial instruments held for trading	(13)	(258)
Net fair value hedge ineffectiveness	7	(27)
Cash flow hedge ineffectiveness	(2)	(7)
Net trading expense	(28)	(307)

Net trading expense of €28 million (31 March 2009: €307 million) includes the gains and losses on financial instruments held for trading and those designated at fair value through profit or loss (other than unit linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €20 million (31 March 2009: €65 million) in relation to net gains arising from foreign exchange.

Net trading expense includes the total fair value movement (including interest receivable and payable) on liabilities that have been designated at fair value through profit or loss. The interest receivable on amortised cost assets which are funded by those liabilities is reported in net interest income. Net trading expense also includes the total fair value movements on derivatives that are economic hedges of assets and liabilities which are measured at amortised cost, the net interest receivable or payable on which is also reported within net interest income. The net amount reported within net interest income relating to these amortised cost instruments was €71 million (31 March 2009: €578 million).

Net fair value hedge ineffectiveness comprises a net loss from hedging instruments of €97 million (31 March 2009: net gain of €213 million) offsetting a net gain from hedged items of €104 million (31 March 2009: net loss of €240 million).

Net trading expense for 31 March 2009 includes a loss of €39 million arising from the Lehman collapse in September 2008.

The net loss from the change in credit spreads relating to the Group's issued notes designated at fair value through profit or loss was €6 million (31 March 2009: net gain €64 million). The cumulative impact from the change in credit spreads at 31 December 2009 is a net gain of €90 million (31 March 2009: €96 million).

Included within net trading expense above is a credit of €9 million in relation to the revised estimates of future cashflows on certain subordinated liabilities. See note 4 for further details.

8 Life assurance investment income and gains / (losses)

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Gross life assurance investment income and gains / (losses)	961	(1,635)
Elimination of investment return on treasury stock held for the benefit of policyholders	(3)	65
Life assurance investment income and gains / (losses)	958	(1,570)

8 Life assurance investment income and gains / (losses) (continued)

Life assurance investment income and gains / (losses) comprise the investment return, realised gains and losses, and unrealised gains and losses which accrue to the Group, on all investment assets held by BoI Life, other than those held for the benefit of policyholders whose contracts are considered to be investment contracts.

IFRS requires that Bank of Ireland stock held by the Group, including those held by BoI Life for the benefit of policyholders, are reclassified as treasury stock and accounted for as a deduction from equity. Changes in the value of any treasury stock held are recognised in equity at the time of disposal and dividends are not recognised as income or distributions.

The impact on the Group income statement in the nine months to 31 December 2009 of applying this accounting treatment is that life assurance investment income and gains of €961 million have been reduced by €3 million which is the profit on Bank of Ireland stock held under insurance contracts. Other operating income (see note 10) has been reduced by €3 million which is the gain on stock held under investment contracts. The combined adjustment is €6 million.

9 Gain on repurchase of subordinated liabilities

As part of its ongoing capital management activities the Group repurchased certain subordinated liabilities in June 2009. This involved the repurchase for cash of euro, US dollar and sterling subordinated liabilities at a discount to their nominal value.

The table below sets out the detail of the instruments purchased, the price paid and the residual amount of each security outstanding at 31 December 2009:

Description	Original Principal Amount	Principal Amount Repurchased	Price paid (% of Principal Amount Repurchased)	Residual Principal Amount
€600 million *7.40% Guaranteed Step-up Callable Perpetual Preferred Securities*	€600m	€124m	50%	€476m
Stg£350 million *6.25% Guaranteed Callable Perpetual Preferred Securities*	£350m	£304m	42%	£46m
€600 million *Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities*	€600m	€250m	38%	€350m
US$800 million *Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities*	$800m	$400m	40%	$400m
US$400 million *Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities*	$400m	$200m	40%	$200m
Stg£500 million *Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities*	£500m	£463m	40%	£37m

The net gain after transaction costs on the purchase of the subordinated liabilities amounted to €1,037 million (€1,029 million after taxation) being the difference between of the consideration paid of €683 million and the carrying value of the securities of €1,720 million.

Further information on subordinated liabilities is set out in note 39.

10 Other operating income

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Profit on disposal of available for sale financial assets	55	5
Other insurance income	83	23
Other income	(104)	(21)
Elimination of investment return on treasury stock held for the benefit of policyholders	(3)	66
Other operating income	31	73

Included in other income for the nine months ended 31 December 2009 is a charge of €62 million (31 March 2009: €46 million) for impairment of investment properties and related activities. Also included in other income is a charge of €74 million arising from an unfavourable court ruling in connection with a European property investment.

11 Insurance contract liabilities and claims paid

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Gross claims (see analysis below)	(656)	(963)
Reinsurance	38	40
Net claims	(618)	(923)
Change in liabilities:		
Gross	(1,023)	1,507
Reinsurance	179	(47)
Net change in liabilities	(844)	1,460
Insurance contract liabilities and claims paid	(1,462)	537
Gross claims are analysed as follows:		
Surrenders	(480)	(768)
Death and critical illness	(105)	(128)
Annuities	(34)	(35)
Maturities	(3)	(5)
Other	(34)	(27)
	(656)	(963)

12 Other operating expenses

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Administrative expenses		
- Staff costs (see analysis below)	789	1,197
- Other administrative expenses	479	737
Depreciation		
- Intangible assets (note 30)	75	132
- Property, plant and equipment (note 32)	32	46
Decline in value of property below cost	6	9
Other operating expenses	1,381	2,121
Staff costs are analysed as follows:		
Wages and salaries	569	849
Social security costs	61	91
Retirement benefit costs – defined benefit plans (note 43)	147	173
Retirement benefit costs – defined contribution plans	2	7
Share based payment schemes	-	19
Other	10	58
Staff costs	789	1,197

Depreciation of intangible assets for the year ended 31 March 2009 included a one off charge of €38 million in relation to accelerated depreciation on software assets as a result of technology consolidation.

Included in other administration expenses above is an amount of €49 million (31 March 2009: €68 million) in relation to operating lease payments.

During the year ended 31 March 2009, the Group commenced a process of aligning its structure and cost base to an environment of lower levels of business and activity and a charge of €83 million was included in other operating expenses.

Staff numbers

In the nine months ended 31 December 2009 the average number of staff (full time equivalents) was 14,755 (31 March 2009: 15,868) categorised as follows in line with the operating segments as stated in note 2.

	9 months ended 31 December 2009	Year ended 31 March 2009
Retail Republic of Ireland	5,698	5,951
BoI Life	1,071	1,132
UK Financial Services	2,865	3,514
Capital Markets	1,557	1,801
Group Centre	3,564	3,470
Total	14,755	15,868

The growth in staff numbers in Group Centre reflects the ongoing centralisation of support functions in order to maximise operating efficiencies.

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page* 158.

13 Auditors' remuneration

	Notes	RoI	Overseas (i)	9 months ended 31 December 2009 Total	Year ended 31 March 2009 Total
		€m	€m	€m	€m
Audit and assurance services (including VAT)					
Statutory audit (including expenses)		3.4	1.1	4.5	4.3
Other audit and assurance services	(ii)	4.7	0.5	5.2	5.0
		8.1	1.6	9.7	9.3
Other services (including VAT)					
Taxation services		0.2	0.2	0.4	0.8
Auditors remuneration		8.3	1.8	10.1	10.1

The figures in the above table relate to fees paid to PricewaterhouseCoopers (PwC). The Group Audit Committee has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

(i) Fees to overseas auditors principally consist of fees to PwC in the UK
(ii) Other audit and assurance services consist primarily of fees in connection with reporting to regulators, letters of comfort, review of compliance with Government guarantee, reporting on Sarbanes-Oxley, reporting accountants work and accounting matters.

It is Group policy to subject all major consultancy assignments to a competitive tender process.

14 Impairment charges on financial assets

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Loans and advances to customers (note 27)	4,055	1,435
Available for sale financial assets (note 24)	2	76
Loans and advances to banks (note 23)	-	2
	4,057	1,513

Of the €4,055 million charge for loans and advances to customers, €2,231 million relates to loans held for sale to NAMA.

15 Operating (loss) / profit

Operating (loss) / profit includes the Group's earnings from ongoing activities after impairment charges and before share of profit or loss on associates and joint ventures (after tax) and loss on disposal of business activities.

16 Results of associates and joint ventures (after tax)

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
First Rate Exchange Services (note 29)	27	39
Property unit trust (note 29)	10	(63)
Paul Capital Investments (note 29)	1	(11)
Other joint ventures (note 29)	(1)	-
Associates (note 28)	(2)	(7)
	35	(42)

17 Loss on disposal of business activities

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Iridian Asset Management LLC	(10)	-
Guggenheim Alternative Asset Management LLC	7	-
Total	(3)	-

Disposal of Iridian Asset Management LLC

During the nine months ended 31 December 2009 the Group disposed of its interest in Iridian Asset Management LLC (Iridian). Iridian was a 100% subsidiary of BIAM US Inc and acted as an Institutional Asset Manager in the US market within the Capital Markets division of the Group. In the Annual Report for the year ended 31 March 2009 the impact of a fall in assets under management in the latter part of that year was highlighted and it was noted that the Group was reviewing its strategic options for this business. The disposal was concluded on 30 June 2009 with a resulting loss on disposal of €10 million.

In the year ended 31 March 2009 an impairment charge of €201 million on goodwill relating to Iridian was recognised in the income statement.

Disposal of Guggenheim Alternative Asset Management LLC

At 31 March 2009, the Group held a 71.5% interest in Guggenheim Alternative Asset Management LLC (Guggenheim). During the nine months ended 31 December 2009, the Group disposed of a 49.5% interest in Guggenheim with the intention of disposing of the remaining interest (22%) in the following year. Guggenheim acted as a US based fund of hedge funds manager within the Capital Markets division of the Group. Similar to Iridian, the significant drop in assets under management in the latter part of the last financial year following the turmoil in global markets prompted the Group to consider its strategic options for this business. The disposal of the 49.5% stake was concluded on 31 August 2009 with a resulting profit on disposal of €7 million. The remaining 22% interest is of negligible value with minimal control or influence.

In the year ended 31 March 2009 an impairment charge of €103 million on goodwill and other intangibles relating to Guggenheim was recognised in the income statement.

18 Taxation

	9 months ended 31 December 2009 €m	Restated Year ended 31 March 2009 €m
Current tax		
Irish corporation tax		
– current year	(19)	(84)
– prior year	5	7
Double taxation relief	1	-
Foreign tax		
– current year	2	3
– prior year	(1)	-
	(12)	(74)
Deferred tax		
Origination and reversal of temporary differences (note 42)	356	115
Taxation credit	344	41

The reconciliation of tax on (loss) / profit at the standard Irish corporation tax rate to the Group's actual tax credit for the periods ended 31 December 2009 and 31 March 2009 is as follows:

	9 months ended 31 December 2009 €m	Restated Year ended 31 March 2009 €m
Loss before taxation multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5% (2008: 12.5%)	227	1
Effects of:		
Foreign earnings subject to different rates of tax	70	81
BoI Life - different basis of accounting	(55)	58
Income arising on repurchase of subordinated liabilities	121	-
Elimination of investment return on treasury stock held for the benefit of policyholders	(1)	16
Tax exempted profits and income at a reduced Irish tax rate	-	(4)
Non-deductible goodwill impairment	(1)	(110)
Non-deductible expenses	(9)	(19)
Prior year adjustments	4	7
Shares of profit of associates and joint ventures shown post tax in income statement	3	5
Other adjustments for tax purposes	(15)	6
Taxation credit	344	41

The taxation credit for the Group was €344 million for the nine months ended 31 December 2009 compared to a taxation credit of €41 million for the year ended 31 March 2009 primarily due to losses in the period.

The effective taxation rate for the nine months ended 31 December 2009 is a credit of 19%. The effective taxation rate for the year ended 31 March 2009 is a credit of 178%[1]. Excluding the impact of the Life policyholder tax gross up, the elimination of the investment return on treasury shares held by BoI Life for policyholders, hedge ineffectiveness, the gain on the repurchase of subordinated liabilities[2], cost of restructuring, the loss on disposal of business activities, the impairment of goodwill and other intangible assets and the EIR adjustment on the subordinated debt[2], the effective taxation rate is 16.1% compared to a rate of 17.7% for the year ended 31 March 2009.

[1] The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.

[2] These items relate to the nine months ended 31 December 2009 only.

18 Taxation (continued)

The tax effects relating to each component of other comprehensive income are as follows:

Nine months ended 31 December 2009	Pre tax amount €m	Tax (charge) / credit €m	Net of tax amount €m
Changes in revaluation reserve	(60)	7	(53)
Cash flow hedge reserve			
Changes in fair value	(555)	136	(419)
Transfer to income statement	676	(175)	501
Net change in reserve	121	(39)	82
Available for sale reserve			
Changes in fair value	1,110	(137)	973
Transfer to income statement on asset disposal	(55)	6	(49)
Net change in reserve	1,055	(131)	924
Changes in defined benefit pension funds	(99)	25	(74)
Changes in foreign exchange reserve	117	-	117
Other comprehensive income for the period	1,134	(138)	996

Year ended 31 March 2009	Pre tax amount €m	Tax (charge) / credit €m	Net of tax amount €m
Changes in revaluation reserve	(113)	17	(96)
Cash flow hedge reserve			
Changes in fair value	121	(102)	19
Transfer to income statement	(765)	206	(559)
Net change in reserve	(644)	104	(540)
Available for sale reserve			
Changes in fair value	(1,270)	162	(1,108)
Transfer to income statement on asset disposal	(5)	-	(5)
Net change in reserve	(1,275)	162	(1,113)
Changes in defined benefit pension funds	(624)	80	(544)
Changes in foreign exchange reserve	(528)	-	(528)
Other comprehensive income for the period	(3,184)	363	(2,821)

19 Earnings per share

The calculation of basic earnings per unit of €0.64 ordinary stock is based on the (loss) / profit attributable to ordinary stockholders divided by the weighted average ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders.

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Basic		
(Loss) / profit attributable to stockholders as published	(1,460)	69
Restatement for IFRS 2 amendment	-	(16)
(Loss) / profit attributable to stockholders as restated	(1,460)	53
Dividends on other equity interests	(4)	(10)
Dividend on 2009 preference stock	(210)	(1)
(Loss) / profit attributable to ordinary stockholders	(1,674)	42
Weighted average number of units of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	993m	988m
Basic earnings per share (cent)	(168.6c)	4.3c

Diluted

The diluted earnings per share is based on the (loss) / profit attributable to ordinary stockholders divided by the weighted average ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders adjusted for the effect of all dilutive potential ordinary stock.

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Diluted		
(Loss) / profit attributable to stockholders as published	(1,460)	69
Restatement for IFRS 2 amendment	-	(16)
(Loss) / profit attributable to stockholders as restated	(1,460)	53
Dividends on other equity interests	(4)	(10)
Dividend on 2009 preference stock	(210)	(1)
(Loss) / profit attributable to ordinary stockholders	(1,674)	42
Weighted average number of units of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	993m	988m
Effect of all dilutive potential ordinary stock	-	-
	993m	988m
Diluted earnings per share (cent)	(168.6c)	4.3c

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

For the period ending 31 December 2009 there was no difference in the weighted-average number of units of stock used for basic and diluted net loss per share as the effect of all potentially dilutive ordinary units of stock outstanding was anti-dilutive. At 31 March 2009, 158 million warrants issued to the National Pension Reserve Fund Commission (NPRFC) on that date ("the secondary tranche warrants" - see note 55) were dilutive and were included in the the calculation of diluted earnings per share, but did not have a significant impact on the weighted average number of shares outstanding.

As at 31 December 2009 there were stock options over 12 million units of ordinary units of stock (31 March 2009: 16 million units of stock), and warrants issued to the NPRFC over 335 million units of stock outstanding (31 March 2009: 177 million units of stock, "the core tranche warrants" - see note 55), which could potentially have a dilutive impact in the future, but which were anti-dilutive in the period ended 31 December 2009 and year ended 31 March 2009 respectively.

19 Earnings per share (continued)

Dividend on 2009 preference stock

Where a dividend on the 2009 preference stock is not paid in either cash or shares, that dividend must subsequently be paid in the form of shares if a subsequent dividend is paid or if any dividend on ordinary stock is paid. The dividend required for the period, although undeclared and not accounted for in these financial statements, has been deducted in the calculation of basic and diluted earnings per share. The dividend due on 20 February 2010 was settled by the issue and allotment of ordinary stock to the NPRFC (see note 56).

20 Trading securities

	31 December 2009 €m	31 March 2009 €m
Debt securites — listed	403	125
Trading securities	403	125

The Group holds a portfolio of bonds for trading purposes typically taking positions in sovereign, financial and corporate risk with ratings between investment grade AAA and BBB (average rating AA-).

21 Derivative financial instruments

The Group's use, objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in the Risk Management section from page 75. 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 Group's exposure to credit risk. The derivative instruments become assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

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

31 December 2009	Contract / notional amount €m	Fair Values Assets €m	Fair Values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	33,354	218	454
Currency swaps	957	58	20
Over the counter currency options	1,191	9	10
Total foreign exchange derivatives held for trading	35,502	285	484
Interest rate derivatives			
Interest rate swaps	182,704	2,078	2,175
Cross currency interest rate swaps	14,936	725	818
Forward rate agreements	17,643	14	15
Over the counter interest rate options	8,732	94	87
Total interest rate derivatives held for trading	224,015	2,911	3,095
Equity and commodity contracts			
Equity index linked contracts held	5,493	148	123
Credit derivatives	721	-	-
Total derivative assets / liabilities held for trading	265,731	3,344	3,702
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	28,554	634	595
Cross currency interest rate swaps	922	106	3
Total designated as fair value hedges	29,476	740	598
Derivatives designated as cash flow hedges			
Interest rate swaps	63,023	1,155	1,736
Currency forwards	28	-	1
Currency swaps	2,270	585	-
Total designated as cash flow hedges	65,321	1,740	1,737
Total derivative assets / liabilities held for hedging	94,797	2,480	2,335
Total derivative assets / liabilities	360,528	5,824	6,037

21 Derivative financial instruments (continued)

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

31 March 2009	Contract / notional amount €m	Fair Values Assets €m	Fair Values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	34,697	571	362
Currency swaps	819	34	58
Over the counter currency options	1,715	15	16
Total foreign exchange derivatives held for trading	37,231	620	436
Interest rate derivatives			
Interest rate swaps	146,569	2,653	2,546
Cross currency interest rate swaps	16,402	1,155	1,123
Forward rate agreements	15,544	28	31
Over the counter interest rate options	10,582	154	141
Total interest rate derivatives held for trading	189,097	3,990	3,841
Equity and commodity contracts			
Equity index linked contracts held	5,500	141	191
Total derivative assets / liabilities held for trading	231,828	4,751	4,468
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	20,125	783	609
Cross currency interest rate swaps	1,119	119	2
Total designated as fair value hedges	21,244	902	611
Derivatives designated as cash flow hedges			
Interest rate swaps	69,576	1,754	2,357
Cross currency interest rate swaps	2,674	10	38
Currency forwards	6,628	81	80
Currency swaps	2,470	899	-
Total designated as cash flow hedges	81,348	2,744	2,475
Total derivative assets / liabilities held for hedging	102,592	3,646	3,086
Total derivative assets / liabilities	334,420	8,397	7,554

Derivatives held for trading above comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Group does not apply hedge accounting.

As set out in its risk management policy on page 78, the Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €5.8 billion at 31 December 2009 (31 March 2009: €8.4 billion), €3.8 billion (31 March 2009: €5.4 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities.

Placements with other banks includes cash collateral of €1.9 billion (31 March 2009: €1.9 billion) placed with derivative counterparties in respect of the net derivative liability position of €2.2 billion (31 March 2009: €2.2 billion).

Net derivative assets of €2.1 billion (31 March 2009: €3.0 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the balance sheet date. At 31 December 2009 cash collateral of €0.5 billion (31 March 2009: €0.7 billion) was held against these assets and is reported within Deposits from banks (see note 35).

21 Derivative financial instruments (continued)

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships.

Fair value hedges
Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and foreign exchange exposure on the Group's fixed rate debt held and debt issued portfolios.

Cash flow hedges
The Group designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from variable assets and liabilities. Movement in the cash flow hedge reserve are shown in the statement of changes in equity (page 152).

The periods in which the hedged cash flows are expected to occur are shown in the table below.

31 December 2009	1 year €m	1 to 2 years €m	2 to 5 years €m	5 years €m	Total €m
Forecast receivable cash flows	153	393	1,215	517	2,278
Forecast payable cash flows	(1,056)	(1,240)	(2,457)	(915)	(5,668)

31 March 2009	1 year €m	1 to 2 years €m	2 to 5 years €m	5 years €m	Total €m
Forecast receivable cash flows	3,470	298	1,021	921	5,710
Forecast payable cash flows	(7,865)	(2,704)	(3,681)	(1,137)	(15,387)

The hedged cash flows are expected to impact the income statement in the following periods, excluding any hedge accounting adjustments that may be applied:

31 December 2009	1 year €m	1 to 2 years €m	2 to 5 years €m	5 years €m	Total €m
Forecast receivable cash flows	203	418	1,189	468	2,278
Forecast payable cash flows	(3,159)	(550)	(1,104)	(855)	(5,668)

31 March 2009	1 year €m	1 to 2 years €m	2 to 5 years €m	5 years €m	Total €m
Forecast receivable cash flows	3,903	309	1,014	484	5,710
Forecast payable cash flows	(12,920)	(586)	(1,168)	(713)	(15,387)

During the year ended 31 March 2009, the Group applied hedge accounting to a forecast future borrowing of €252 million, of which €62 million was no longer expected to occur as at 31 March 2009. During the nine month period to 31 December 2009, the remainder of the forecast transaction was no longer expected to occur, and the remaining portion of the cumulative loss on the hedging instrument was reclassified from other comprehensive income to the income statement.

22 Other financial assets at fair value through profit or loss

	31 December 2009 €m	31 March 2009 €m
Equity securities	6,404	4,397
Government bonds	1,605	1,741
Unit trusts	1,013	894
Debt securities	587	549
Loans and advances	70	23
Other financial assets at fair value through profit or loss	9,679	7,604

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments is borne by the investors. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal but opposite change in the value of the amounts due to policyholders.

At 31 December 2009, such assets amounted to €9,224 million (31 March 2009: €7,195 million). The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet.

The remaining €455 million (31 March 2009: €409 million) relates to other Group businesses.

23 Loans and advances to banks

	31 December 2009 €m	31 March 2009 €m
Placements with other banks	2,683	4,123
Mandatory deposit with central banks	2,107	2,674
Funds placed with central banks	223	1,091
Securities purchased with agreement to resell	20	-
	5,033	7,888
Less allowance for impairment on loans and advances to banks	(2)	(2)
Loans and advances to banks	5,031	7,886

As set out in its risk management policy on page 78, the Group uses netting arrangements to reduce its exposure to credit losses. Loans and advances with other banks includes money market placements to an international bank counterparty of €nil (31 March 2009: €0.8 billion; 30 September 2008: €1.3 billion), undertaken in the normal course of business, for which a right of set-off in the event of default existed against Deposits from banks of €nil (31 March 2009: €0.8 billion; 30 September 2008: €0.7 billion). In accordance with accounting standards, as there was no intention to settle these balances on a net basis or simultaneously, these balances were recorded as assets and liabilities respectively (see note 35).

Placements with other banks includes cash collateral of €1.9 billion (31 March 2009: €1.9 billion) placed with derivative counterparties in relation to net derivative liability positions (see note 21).

For the purposes of disclosure of credit risk exposures, loans and advances to banks are included within Other financial instruments of €36.1 billion (31 March 2009: €46.9 billion) in the risk management section on page 90.

The Group has entered into transactions to purchase securities with agreement to resell and has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of this collateral at 31 December 2009 was €21 million (31 March 2009: nil).

24 Available for sale financial assets

	31 December 2009 €m	31 March 2009 €m
Government bonds	1,055	2,460
Other debt securities		
– listed	18,438	21,728
– unlisted	1,391	2,608
Equity securities		
– listed	16	26
– unlisted	40	36
Available for sale financial assets	20,940	26,858

At 31 December 2009, available for sale financial assets at fair value of €9.8 billion (31 March 2009: €7.6 billion) had been pledged to third parties in sale and repurchase agreements.

The movement on available for sale financial assets is analysed as follows:

	31 December 2009 €m	31 March 2009 €m
At beginning of period	26,858	29,307
Revaluation, exchange and other adjustments	874	(953)
Additions	8,587	27,267
Sales	(3,385)	(5,398)
Redemptions	(12,004)	(22,926)
Amortisation	12	56
Impairment charge (note 14)	(2)	(76)
Reclassification	-	(419)
At end of period	20,940	26,858

In accordance with the amendment to IAS 39 disclosed in the accounting policies section on page 174, during the year ended 31 March 2009 the Group reclassified available for sale financial assets with a carrying amount and fair value of €419 million to loans and advances to customers. At the date of this reclassification, the Group had the intention and ability to hold these assets for the foreseeable future or until maturity. The Group did not make any such reclassifications in the nine months ended 31 December 2009.

The table below sets out the relevant carrying amounts and fair values:

	31 December 2009		31 March 2009	
	Carrying amounts €m	Fair Value €m	Carrying amounts €m	Fair Value €m
AFS financial assets reclassified to loans and advances to customers	424	432	419	419

Interest income of €11 million and an impairment charge of €22 million have been recognised in the income statement for the nine months ended 31 December 2009 in relation to these assets. If the assets had not been reclassified a fair value gain of €56 million would have been recognised in other comprehensive income and the impairment charge would have been €24 million.

25 Loans and advances to customers

	31 December 2009 €m	31 March 2009 €m
Loans and advances to customers	119,926	132,522
Finance leases and hire purchase receivables (see analysis below)	2,510	2,999
	122,436	135,521
Less allowance for impairment charges on loans and advances to customers (note 14)	(2,997)	(1,781)
Loans and advances to customers	119,439	133,740

On 31 December 2009, loans and advances to customers of €9,457 million (net of impairment provision of €2,778 million) were reclassified to loans held for sale to NAMA (see note 26). The total loans and advances to customers above exclude these assets.

Finance leases and hire purchase receivables

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed as follows:

	31 December 2009 €m	31 March 2009 €m
Gross investment in finance leases:		
Not later than 1 year	1,176	1,339
Later than 1 year and not later than 5 years	1,553	1,932
Later than 5 years	25	36
	2,754	3,307
Unearned future finance income on finance leases	(244)	(308)
Net investment in finance leases	2,510	2,999
The net investment in finance leases is analysed as follows:		
Not later than 1 year	1,072	1,215
Later than 1 year and not later than 5 years	1,415	1,751
Later than 5 years	23	33
	2,510	2,999

The Group's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and commercial customers.

At 31 December 2009, the accumulated allowance for uncollectable minimum lease payments receivable was €62 million.

Securitisations

Loans and advances to customers include balances that have been securitised but not derecognised, comprising both residential mortgages and commercial loans. In general, the assets, or interests in the assets, are transferred to Special Purposes Entities (SPE's), which then issue securities to third party investors or to other entities within the Group. All of the Group's Securitisation SPE's are consolidated.

Refer to note 53 for further details on these SPE's, including details of entities that have issued liabilities internal to the Group and thus are capable of being pledged to monetary authorities.

26 Assets and liabilities held for sale to NAMA

In April 2009, the Minister for Finance announced that NAMA would be established with the purpose of strengthening the Irish financial sector and the NAMA legislation was enacted into law in November 2009.

The participation of Bank of Ireland in the NAMA programme was recommended by the Court of Directors in the Circular of 18 December 2009. It was approved by the stockholders at an Extraordinary General Court on 12 January 2010. Bank of Ireland's application as a participating institution was approved by the Minister for Finance on 12 February 2010.

NAMA has the power to acquire from Participating Institutions, Eligible Bank Assets, that is, land and development loans and certain associated loans (which are expected to comprise non-land and non-development related loans to borrowers of land and development related loans, or loans to certain associated entities of borrowers who had provided security in respect of the land or development related loans). The geographic distribution of the loans relates to exposures both within and outside Ireland. The Eligible Bank Assets will also include interest rate derivative contracts sold to borrowers by Participating Institutions that relate to hedging the interest rate exposure on the loans to be acquired.

The Eligible Bank Assets are expected to be acquired on a phased basis from April 2010, with the largest systemic exposures to the Irish banking system acquired first. Details of each tranche of assets to be acquired will be set out in the form of an acquisition schedule issued by NAMA prior to each acquisition date. It is expected that all Eligible Assets will have been transferred by 31 December 2010.

In acquiring such assets, NAMA will apply a valuation methodology which will take account of the current market value and the long term economic value on a loan by loan basis. As loan quality, geographic distribution and type of loans vary from institution to institution, each loan will be valued individually. As a result the aggregate discount applied to gross loan values in determining the consideration to be paid by NAMA will vary from institution to institution. Participating Institutions are required to accept the valuations set by NAMA, subject only to certain limited rights of objection.

As consideration for Eligible Bank Assets transferred, NAMA will issue to financial institutions a combination of Government guaranteed bonds, issued by NAMA (not less than 95% of the consideration) and subordinated bonds (not more than 5% of the consideration). These Government guaranteed bonds will be marketable instruments that are capable of being pledged as funding collateral to debt market investors and to monetary authorities such as the ECB.

Payments on the subordinated bonds are subject to the requirement that NAMA has sufficient funds, both annually (in respect of coupon payments) and in order to repay the Government guaranteed bonds and subordinated bonds, based on a measure of financial performance of NAMA in totality (rather than on the financial performance of the Eligible Bank Assets acquired from any particular Participating Institution). The subordinated bonds are not guaranteed by the Irish Government and they are not expected to be marketable, they could have a value less than their nominal face value and the payment of interest and repayment of capital is dependent on the performance of NAMA.

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

Based on the Eligible Asset Regulations (as contained within the NAMA regulations), internal review work to identify all loans falling within the eligibility criteria and ongoing interaction with NAMA, the Group expects to transfer total land and development and associated loans of approximately gross circa. €12.2 billion together with related derivatives and accrued interest of €0.2 billion. Net of impairment provisions of €2.8 billion which are held against these loans at 31 December 2009, this estimate would imply a net transfer of €9.6 billion of Eligible Bank Assets to NAMA.

26 Assets and liabilities held for sale to NAMA (continued)

Assets held for sale to NAMA	31 December 2009 €m
Land and development loans	8,522
Associated loans	3,713
	12,235
Impairment provisions	(2,778)
	9,457
Derivatives	93
Accrued interest	31
Total assets held for sale to NAMA	9,581
Analysed by operating segment	
Retail Republic of Ireland	2,470
UK Financial Services	2,765
Capital Markets	4,346
Total assets held for sale to NAMA	9,581

The fair values and notional amounts of derivative instruments held for sale to NAMA are set out in the table below:

31 December 2009	Contract / notional amount €m	Fair Values Assets €m	Fair Values Liabilities €m
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	2,001	88	-
Over the counter interest rate options	348	5	1
Total derivatives held for trading	2,349	93	1

26 Assets and liabilities held for sale to NAMA (continued)

As interactions with NAMA and the internal review work are ongoing and the possibility that loans that are expected to transfer may be repaid or refinanced with other banks, there is uncertainty as to the final amount of eligible assets that will transfer.

The Group expects to incur a loss on disposal of the Eligible Bank Assets to NAMA arising from the difference between the fair value of the consideration to be received and the carrying value of the Eligible Bank Assets to be disposed of together with the costs of disposal and any provision that may be required under accounting standards due to the ongoing cost of servicing these assets on behalf of NAMA.

The principal determinant of the expected loss on disposal is the difference between the discount applied to the original gross Eligible Bank Asset value in arriving at NAMA's valuation and the impairment provisions recorded against the Eligible Bank Assets under Accounting Standards. This discount or haircut to original asset value is calculated on a different basis and using a different methodology to the determination of impairment provisions under accounting standards.

In accordance with Accounting Standards, the loss on disposal will only be recognised on the actual transfer of each tranche of assets to NAMA. At the same time as recognition of such losses, the Bank will benefit from a reduction in its risk weighted assets for regulatory capital purposes.

The loss on disposal of Eligible Bank Assets will be tax deductible. However, the use of such tax losses in future years will be restricted as set out in part 10 of Schedule 3 of the National Asset Management Agency Act 2009 (the "Act"). This inserts a new section 396C into the Taxes Consolidation Act 1997 which limits the utilisation of tax losses carried forward by an institution participating in NAMA. It lengthens the period over which the deferred tax asset created will reverse by restricting the amount of profits against which trading losses can be utilised. The balance is available for indefinite carry forward. There is no time limit on the utilisation of these losses.

In addition, the Act provides that, on the later of ten years after the passing of the Act or the dissolution, restructuring or material alteration of NAMA, in the event that the accounts of NAMA disclose an underlying loss, the Minister for Finance may bring forward legislation to impose a special tax by way of surcharge on Participating Institutions to recover such loss.

The Group has recently received acquisition schedules requiring the transfer of the first tranche of specified loans to NAMA and these loans are expected to transfer in early April 2010.

The acquisition schedules require a transfer of gross Eligible Bank Assets totalling €1.9 billion to NAMA. These loans (including accrued interest) comprise land and development loans of €0.9 billion and associated loans of €1.0 billion. As at 31 December 2009, the Group held impairment provisions of €0.3 billion against these loans. In addition, the transfer includes associated derivatives with a fair value of €15 million.

Based on the acquisition schedules the nominal consideration receivable for these Eligible Bank Assets amounts to €1.2 billion and a loss of €0.4 billion (before the impact of any adjustment required to record the subordinated debt at fair value and any provision that may be required for ongoing servicing costs) will be recognised in the Group's income statement for the year ending 31 December 2010.

The limited number and nature of loans involved in this first tranche mean that it may not be a representative sample of the total portfolio of assets held for sale to NAMA and consequently the loss on sale is not necessarily indicative of the loss that the entire portfolio of Eligible Bank Assets that may ultimately transfer. The loss on sale that is expected to ultimately arise for the Group is a function of the quantum of assets to be transferred, the mix of those assets as between land, development and associated loans and the discount that is applied to the assets transferring on a loan by loan basis. Accordingly the Group is currently unable to accurately quantify the ultimate expected loss on transfer of all of the Bank's Eligible Bank Assets to NAMA.

27 Impairment provisions

The following tables show the movement in the impairment provisions on loans and advances to customers, inclusive of loans and advances reclassified to loans held for sale to NAMA.

9 months ended 31 December 2009

Impairment provisions	Residential Mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total impairment provisions €m
Impaired financial assets	471	2,806	9,648	426	13,351
Provision at the beginning of the period	144	480	856	301	1,781
Exchange adjustments	3	22	22	1	48
Amounts written off	(30)	(42)	-	(73)	(145)
Recoveries	-	1	(1)	3	3
Charge against income statement	237	659	2,993	166	4,055
Other movements	5	32	14	(18)	33
Provision at the end of the period	359	1,152	3,884	380	5,775

The provision at 31 December 2009 is split as follows:

Loans and advances to customers	359	1,134	1,124	380	2,997
Loans held for sale to NAMA	-	18	2,760	-	2,778
Provision at the end of the period	359	1,152	3,884	380	5,775

Year ended 31 March 2009

Impairment provisions	Residential Mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total impairment provisions €m
Impaired financial assets	229	1,187	3,538	368	5,322
Provision at the beginning of the year	21	280	108	187	596
Exchange adjustments	3	(6)	2	5	4
Amounts written off	(9)	(134)	(16)	(85)	(244)
Recoveries	4	1	1	2	8
Charge against income statement	127	344	766	198	1,435
Other movements	(2)	(5)	(5)	(6)	(18)
Provision at the end of the year	144	480	856	301	1,781

28 Interest in associates

	31 December 2009 €m	31 March 2009 €m
At beginning of period	22	28
Share of results after tax (note 16)	(2)	(7)
Increase in investments	3	2
Dividends received	-	(1)
At end of period	23	22

In presenting details of the associated undertakings of the Group, the exemption permitted by Regulation 10 of the European Communities (Credit Institutions: Accounts) Regulations, 1992 has been availed of and the Group will annex a full listing of associates to its annual return to the Companies Office.

29 Interest in joint ventures

	31 December 2009 €m	31 March 2009 €m
At beginning of period	151	70
Reclassifications	-	175
Share of results after tax (note 16)	37	(35)
- First Rate Exchange Services Ltd.	27	39
- Property unit trust	10	(63)
- Paul Capital Investments LLC	1	(11)
- Other	(1)	-
Dividends received	-	(34)
Exchange adjustments	6	(25)
At end of period	194	151

30 Intangible assets

	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total Intangible assets - other €m
Cost					
At 1 April 2009	334	278	828	144	1,250
Exchange adjustments	1	3	5	2	10
Reclassifications	-	(8)	8	-	-
Additions	-	11	31	5	47
Disposals / write-offs	(287)	(14)	(39)	(19)	(72)
At 31 December 2009	48	270	833	132	1,235
Accumulated amortisation					
At 1 April 2009	(287)	(231)	(473)	(61)	(765)
Exchange adjustments	-	(1)	(2)	1	(2)
Disposals / write-offs	287	14	39	19	72
Impairment	-	-	-	(6)	(6)
Charge for the period (note 12)	-	(8)	(61)	(6)	(75)
At 31 December 2009	-	(226)	(497)	(53)	(776)
Net Book Value at 31 December 2009	48	44	336	79	459

	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total Intangible assets - other €m
Cost					
At 1 April 2008	293	267	807	149	1,223
Exchange adjustments	41	(12)	(20)	(14)	(46)
Reclassifications	-	-	2	(19)	(17)
Additions	-	35	56	28	119
Disposals / write-offs	-	(12)	(17)	-	(29)
At 31 March 2009	334	278	828	144	1,250
Accumulated amortisation					
At 1 April 2008	-	(211)	(401)	(41)	(653)
Exchange adjustments	-	5	6	4	15
Disposals / write-offs	-	12	10	-	22
Impairment	(287)	-	-	(17)	(17)
Charge for the year (note 12)	-	(37)	(88)	(7)	(132)
At 31 March 2009	(287)	(231)	(473)	(61)	(765)
Net Book Value at 31 March 2009	47	47	355	83	485

30 Intangible assets (continued)

Impairment review - Goodwill and other intangible assets

Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, where the value in use is the present value of the future cash flows expected to be derived from the asset.

Impairment testing of goodwill

At 31 December 2009, total goodwill on the Group balance sheet was €48 million (31 March 2009: €47 million), which is outlined in the table below:

Goodwill	**Burdale €m**	**Other €m**	**Total €m**
At 1 April 2009	41	6	47
Exchange adjustments	1	-	1
At 31 December 2009	42	6	48

	Guggenheim €m	Iridian €m	Burdale €m	Other €m	Total €m
At 1 April 2008	72	168	48	5	293
Exchange adjustments	14	33	(7)	1	41
Impairment	(86)	(201)	-	-	(287)
At 31 March 2009	-	-	41	6	47

Goodwill is allocated to cash generating units at a level which represents the smallest identifiable group of assets that generate largely independent cash flows.

The calculation of the recoverable amount of goodwill for each of these cash generating units is based upon a value in use calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the cash generating unit. The determination of both require the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance.

The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Cash flow forecasts

Cash flow forecasts are based on internal management information for a period of up to five years, after which a growth factor appropriate for the business is applied. Initial cash flows are based on performance in the current year and the next four years' cash flows are consistent with approved plans for each business.

30 Intangible assets (continued)

Growth rates
Growth rates beyond five years are determined by reference to local economic growth, inflation projections or long term bond yields. The assumed long term growth rate for Burdale is 2.25%.

Discount rate
The discount rate applied in Burdale is the pre-tax weighted average cost of capital for the Group increased to include a risk premium to reflect the specific risk profile of the cash generating unit to the extent that such risk is not already reflected in the forecast cash flows. A rate of 13.5% has been used in the model.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. The Directors consider that reasonable changes in key assumptions used to determine the recoverable amount of Burdale, would not result in any impairment of goodwill.

No impairment was identified in the periods ended 31 December 2009 or the year ended 31 March 2009 in relation to Burdale.

During the year ended 31 March 2009, goodwill in both Iridian and Guggenheim and the other intangibles in Guggenheim were impaired in full resulting in a charge to the income statement of €304 million. During the nine months ended 31 December 2009 these businesses were disposed of. Further information on these disposals is outlined in note 17.

31 Investment properties

	31 December 2009 €m	31 March 2009 €m
At beginning of period	1,413	1,511
Exchange adjustment	(17)	-
Revaluation	(98)	(512)
Additions / reclassifications	-	414
Disposals	(33)	-
At end of period	1,265	1,413

Of the €1,265 million (31 March 2009: €1,413 million) €983 million (31 March 2009: €1,062 million) is held on behalf of BoI Life policyholders.

Investment properties are carried at fair value as determined by external qualified property surveyors appropriate to the variety of properties held. Fair values have been calculated using both current trends in the market and recent transactions for similar properties.

During the year ended 31 March 2009 certain other properties were reclassified from assets classified as held for sale to investment properties.

Rental income from investment property amounted to €86 million for the nine months ended 31 December 2009 (year ended 31 March 2009: €100 million). Expenses directly attributable to investment property generating rental income amounted to €27 million for the nine months ended 31 December 2009 (year ended 31 March 2009: €28 million). There were no expenses directly attributable to investment property not generating rental income for the nine months ended 31 December 2009 (or the year ended 31 March 2009).

32 Property, plant and equipment

	Freehold land and buildings and long leaseholds (at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 April 2009	272	146	668	7	23	1,116
Exchange adjustments	2	1	4	-	-	7
Additions	-	1	3	-	7	11
Disposals	(1)	(2)	(50)	-	-	(53)
Revaluation	(66)	-	-	-	-	(66)
Reclassifications	-	2	17	-	(19)	-
At 31 December 2009	207	148	642	7	11	1,015
Accumulated depreciation and amortisation						
At 1 April 2009	-	(67)	(550)	(7)	-	(624)
Exchange adjustments	-	-	(4)	-	-	(4)
Disposals	-	1	48	-	-	49
Charge for the year (note 12)	-	(11)	(21)	-	-	(32)
Reclassifications	-	1	(1)	-	-	-
At 31 December 2009	-	(76)	(528)	(7)	-	(611)
Net book value at 31 December 2009	207	72	114	-	11	404

The net book value of property, plant and equipment at 31 December 2009 at fair value was €207 million, while that held at amortised cost amounted to €197 million.

	Freehold land and buildings and long leaseholds (at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 April 2008	380	124	658	7	35	1,204
Exchange adjustments	(10)	(3)	(19)	-	(4)	(36)
Additions	5	8	28	-	34	75
Disposals	(1)	(1)	(15)	-	-	(17)
Revaluation	(122)	-	-	-	-	(122)
Reclassifications	20	18	16	-	(42)	12
At 31 March 2009	272	146	668	7	23	1,116
Accumulated depreciation and amortisation						
At 1 April 2008	-	(55)	(550)	(6)	-	(611)
Exchange adjustments	-	3	14	-	-	17
Disposals	-	-	13	-	-	13
Charge for the year (note 12)	-	(15)	(30)	(1)	-	(46)
Reclassifications	-	-	3	-	-	3
At 31 March 2009	-	(67)	(550)	(7)	-	(624)
Net book value at 31 March 2009	272	79	118	-	23	492

The net book value of property, plant and equipment at 31 March 2009 at fair value was €272 million, while that held at cost amounted to €220 million.

32 Property, plant and equipment (continued)

Property

A revaluation of Group property was carried out as at 31 December 2009. All freehold and long leasehold (50 years or more unexpired) commercial properties were valued by Lisneys as external valuers, who also reviewed the valuation of all other property carried out by the Bank's professionally qualified staff. Valuations were made on the basis of open market value.

Future capital expenditure	31 December 2009 €m	31 March 2009 €m
Future capital expenditure:		
- contracted but not provided for in the financial statements	4	17
- authorised by the Directors but not contracted	1	81

Operating leases

The Group leases a number of branch and office premises to carry out its business. The commercial leases typically are 25 to 35 year operating leases with 5 yearly rent reviews. The majority of the rent reviews are on an upwards only basis. Some leases also include break options. The Group also holds a number of short term leases for less than 10 years and a number of long term leases at market rent with less than 110 years unexpired. On expiry of long term leases greater than 5 years the Group has rights of renewal in the majority of the leases.

Minimum future rentals are the rentals payable under operating leases up to the next available break option where this exists or to expiry date of the lease. Both the required break option notice period and the amount of any penalty rent have been included in the amounts payable below.

Minimum future rentals under non-cancellable operating leases are as follows:

	Payable 31 December 2009 €m	Receivable 31 December 2009 €m	Payable 31 March 2009 €m	Receivable 31 March 2009 €m
Not later than 1 year	65	3	52	-
Later than 1 year and not later than 5 years	219	8	168	3
Later than 5 years	442	2	369	2

The Group has entered into a small number of sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements.

Included in the operating lease rental receivable is an amount of €11 million in relation to sub-lease rental (31 March 2009: €12 million).

33 Other Assets

	31 December 2009 €m	31 March 2009 €m
Sundry and other debtors	379	657
Interest receivable	503	636
Value in force of life assurance business (note 54)	497	468
Reinsurance asset	615	437
Accounts receivable and prepayments	176	212
Current tax asset	134	156
Other assets	2,304	2,566
Other assets are analysed as follows:		
Within 1 year	1,192	1,661
After 1 year	1,112	905
	2,304	2,566
The movement in the reinsurance asset is noted below:		
At beginning of period	437	484
New business	86	108
Changes in business	92	(155)
At the end of the period	615	437

34 Other assets and liabilities classified as held for sale

Assets classified as held for sale	31 December 2009 €m	31 March 2009 €m
Assets of Guggenheim	-	7
Assets of Iridian	-	17
Total	-	24

Liabilities	31 December 2009 €m	31 March 2009 €m
Liabilities of Guggenheim	-	4
Liabilities of Iridian	-	10
Total	-	14

These companies were disposed of during the nine months ended 31 December 2009. Information on the sale of both Guggenheim and Iridian is outlined in note 17.

35 Deposits from banks

	31 December 2009 €m	31 March 2009 €m
Deposits from banks	4,639	9,210
Securities sold under agreement to repurchase	12,994	19,508
Other bank borrowings	270	96
Deposits by banks	17,903	28,814

As set out in its risk management policy on page 78, the Group uses netting arrangements to reduce its exposure to credit losses. Deposits from banks includes money market placements by an international bank counterparty of €nil (31 March 2009: €0.8 billion: 30 September 2008: €0.7 billion), undertaken in the normal course of business, for which a right of set-off in the event of default existed against Loans and advances to banks of €nil (31 March 2009: €0.8 billion; 30 September 2008: €1.3 billion). In accordance with accounting standards, as there was no intention to settle these balances on a net basis or simultaneously, these balances were recorded as liabilities and assets respectively (see note 23).

Deposits from banks includes cash collateral of €0.5 billion (31 March 2009: €0.7 billion) received from derivative counterparties in relation to net derivative asset positions (see note 21).

The Group has developed significant pools of eligible collateral from its balance sheet which are capable of being pledged in the secondary market and through the normal market operations of the Monetary Authorities to provide access to secured funding. At 31 December 2009, the net drawings, from Monetary Authorities, were €8 billion (31 March 2009: €17 billion).

36 Customer accounts

	31 December 2009 €m	31 March 2009 €m
Term deposits and other products	35,169	40,437
Demand deposits	34,979	28,808
Current accounts	14,664	13,874
	84,812	83,119

At 31 December 2009, the Group's largest 20 customer deposits amounted to 11% (31 March 2009: 11%; 30 September 2008: 8%) of total customer accounts. Information on the contractual maturities of customer accounts is set out on page 94 in the risk management report.

At 31 December 2009 Customer accounts included an amount of €nil (31 March 2009: €nil; 30 September 2008: €1.2 billion) from a global financial institution. The Group had placed net cash with a banking affiliate of the same institution of €nil (31 March 2009: €nil; 30 September 2008: €0.6 billion).

37 Debt securities in issue

	31 December 2009 €m	31 March 2009 €m
Bonds and medium term notes	25,571	23,986
Other debt securities in issue	17,573	21,147
Debt securities in issue	43,144	45,133

38 Liabilities to customers under investment and insurance contracts

Investment contract liabilities	31 December 2009 €m	31 March 2009 €m
Liabilities to customers under investment contracts, at fair value	5,050	4,084

The movement in gross life insurance contract liabilities can be analysed as follows:

Insurance contract liabilities	31 December 2009 €m	31 March 2009 €m
At beginning of period	5,634	7,140
New business	710	662
Changes in business	314	(2,168)
At end of period	6,658	5,634

38 Liabilities to customers under investment and insurance contracts (continued)

Bank of Ireland Life (BoI Life) writes the following life assurance contracts that contain insurance risk:

Non-unit linked life assurance contracts
These contracts provide the policyholder with insurance in the event of death, critical illness or permanent disability (principally mortality and morbidity risk).

Non-unit linked annuity contracts
These contracts provide the policyholder with an income until death (principally longevity and market risk).

Linked insurance contracts
These contracts include both policies primarily providing life assurance protection and policies providing investment but with a level of insurance risk deemed to be significant (principally mortality and market risk).

Insurance contract liabilities, which consist of both unit linked and non-unit linked liabilities, are calculated in accordance with the Insurance Regulations. Unit linked liabilities reflect the value of the underlying funds in which the policyholder is invested. Non unit-linked liabilities are calculated using either a gross premium or net premium method of valuation.

The assumptions are also set out in accordance with the Insurance Regulations and contain a margin for adverse development. The key assumption used in the valuation of insurance contract liabilities are:

Interest rate:	The interest rates are derived in accordance with the guidelines in the Insurance Regulations. Margins for risk are allowed for in the derived interest rates.
Mortality and morbidity:	The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.
Maintenance expenses:	Allowance is made for future policy costs and expense inflation explicitly.

Options and guarantees
BoI Life has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit linked without investment guarantees. Where investment guarantees do exist they are either hedged with an outside party or matched through appropriate investment assets.

Uncertainties associated with insurance contract cash flows and risk management activities
For life assurance contracts where death is the insured risk, the most significant factors that could adversely affect the frequency and severity of claims are the incidence of disease and general changes in lifestyle. Where the insured risk is longevity, advances in medical care are the key factor that increases longevity. The Group manages its exposures to insurance risks through a combination of applying strict underwriting criteria, asset and liability matching, transferring risk to reinsurers and the establishment of prudent insurance contract liabilities.

Credit risk
Reinsurance programmes are in place to restrict the amount of cover on any single life. The Group uses a panel of highly rated reinsurance companies to diversify credit risk.

Capital Management and Available Resources
The Group holds technical reserves to meet its liabilities to policyholders based on prudent actuarial assumptions. In addition, the Financial Regulator requires the Group's life assurance operation to hold shareholder equity that exceeds a statutory margin, the required minimum regulatory solvency margin. The table below sets out the shareholder equity held by the Group's life assurance operation compared to the required minimum regulatory margin as at 31 December 2009.

	31 December 2009 €m	31 March 2009 €m
Minimum regulatory solvency margin	173	178
Shareholder equity held for life business	345	290

39 Subordinated liabilities

Undated loan capital	Notes	31 December 2009 €m	31 March 2009 €m
Bank of Ireland UK Holdings plc			
€600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	a, b	499 [1,2]	637
Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities	b, c	52 [1,2]	381
BoI Capital Funding (No 1) LP			
€600 million Fixed Rate / Variable Rate Guaranteed Non-voting			
Non-Cumulative Perpetual Preferred Securities	d, e	342 [1,2]	592
BoI Capital Funding (No 2) LP			
US$800 million Fixed Rate / Variable Rate Guaranteed Non-voting			
Non-Cumulative Perpetual Preferred Securities	e, f	272 [1,2]	674
BoI Capital Funding (No 3) LP			
US$400 million Fixed Rate / Variable Rate Guaranteed Non-voting			
Non-Cumulative Perpetual Preferred Securities	e, g	139 [1,2]	345
BoI Capital Funding (No 4) LP			
Stg£500 million Fixed Rate / Variable Rate Guaranteed Non-voting			
Non-Cumulative Perpetual Preferred Securities	e, h	40 [1,2]	587
Bank of Ireland			
Stg£75 million $13^{3}/_{8}$% Perpetual Subordinated Bonds	i	140	134
Bristol & West plc			
Stg£32.6 million $8^{1}/_{8}$% Non-Cumulative Preference Shares	j	37	35
		1,521	3,385
Dated loan capital			
€750 million 6.45% Subordinated Bonds 2010	k	754	775
Can$400 million Fixed / Floating Rate Subordinated Notes 2015		229	229
€600 million Subordinated Floating Rate Notes 2017		599 [3]	599
€750 million Floating Rate Subordinated Notes 2017		749 [3]	749
Stg£400 million Fixed / Floating Rate Subordinated Notes 2018		449 [3]	428
US $600 million Subordinated Floating Rate Notes due 2018		416 [3]	450
Stg£75 million 10¾% Subordinated Bonds 2018		96	95
€650 million Fixed / Floating Rate Subordinated Notes 2019		688 [3]	692
Stg£450 million dated callable Step-up Fixed / Floating Rate Subordinated Notes September 2020	l	552	540
		4,532	4,557
		6,053	7,942

[1] *In June 2009 the Group repurchased certain amounts of these subordinated liabilities. Information on the repurchase of these subordinated liabilities are shown in note 9.*

[2] *On 19 January 2010, the Group advised the Stock Exchange that the EU Commission had indicated that, in line with its policy and pending its assessment of the Group's restructuring plan (which is required in compliance with EU State aid rules), that the Group should not make coupon payments on its Tier 1 and Upper Tier 2 capital instruments unless under a binding legal obligation to do so.*

[3] *On 12 February 2010, the Group announced that it had completed an Exchange offer for outstanding notes relating to these five lower Tier 2 securities. For further information see note 56.*

39 Subordinated liabilities (continued)

Undated loan capital

(a) The securities are redeemable in whole or in part at the option of the Issuer subject to the prior consent of the Financial Regulator and of the Bank, at their principal amount together with any outstanding payments on 7 March 2011 or any coupon payment date thereafter. They bear interest at a rate of 7.40% per annum to 7 March 2011 and thereafter at a rate of 3 month Euribor plus 3.26% per annum, reset quarterly.

(b) The rights and claims of the holder of the Preferred Securities are subordinated to the claims of the senior creditors of the Issuer or of the Bank (as the case may be) in that no payment in respect of the Preferred Securities or the guarantee in respect of them shall be due and payable except to the extent that the Issuer or the Bank (as applicable) is solvent and could make such payment and still be solvent immediately thereafter. Upon any winding up of the Issuer or the Bank (in respect of claims under the guarantee), the holders of the Preferred Securities will rank pari passu with the holders of the most senior class or classes of preference shares or stock (if any) of the Issuer or of the Bank then in issue and in priority to all other shareholders of the Issuer and of the Bank.

(c) The securities are redeemable in whole but not in part at the option of the Issuer subject to the prior consent of the Financial Regulator and of the Bank, at their principal amount together with any outstanding payments on 7 March 2023 or any coupon date thereafter. They bear interest at a rate of 6.25% per annum to 7 March 2023 and thereafter at a rate of 6 month Stg£ Libor plus 1.70% per annum, reset semi annually.

(d) The securities are redeemable, subject to the prior approval of the Financial Regulator, on 3 March 2010 or any distribution payment date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at their principal amount plus any outstanding payments due. They bear interest at a rate of 6.25% per annum to 3 March 2007 and thereafter at a variable rate of interest per annum which is the lesser of (i) the aggregate of 0.10% per annum and the annual spot 10 year EUR fixed versus 6 month Euribor swap rate and (ii) 8% per annum.

(e) The issuer will not pay any distributions and the guarantor will not make any payment in respect of distributions under the subordinated guarantee to the extent that such payment would exceed adjusted distributable reserves or even if adjusted distributable reserves are sufficient to the extent that such payment would breach or cause a breach of Capital Adequacy Regulations then applicable to the Group as determined by the Guarantor's Court of Directors; or to the extent that the Guarantor is not meeting its minimum capital requirements or is not meeting its solvency ratios; or provided a Deemed Declaration Notice has not been delivered, if the Guarantor's Court of Directors has resolved no distributions should be made; or if the Regulator has instructed the General Partner or the Guarantor not to make such payment.

The Preferred Securities, together with the subordinated guarantee, are intended to provide holders with rights on liquidation equivalent to non-cumulative Stg£1 and €1.27 preference stock of the Guarantor. Claims under the Preferred Securities in respect of any liquidation distributions will rank senior to the rights of the General Partner in respect of other partnership interests issued by the Issuer and pari passu with claims of the holders of all other preferred securities issued by the Issuer which rank pari passu with the Preferred Securities.

The rights and claims of the holders of the Preferred Securities rank (i) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes Tier 1 Capital or which is referred to in (ii) or (iii) below and any other liability expressed to rank pari passu with or junior to the subordinated guarantee), (ii) pari passu with parity securities issued by the Guarantor and any guarantee of the Guarantor ranking pari passu with the subordinated guarantee and (iii) senior to junior share capital.

(f) The securities are redeemable, subject to the prior approval of the Financial Regulator, on 1 February 2016 or any distribution payment date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 5.571% per annum up to but excluding 1 February 2016 and thereafter at a floating rate of interest of 1.68% per annum above the rate for US$ Libor 3 month US dollar deposits.

(g) The securities are redeemable, subject to the prior approval of the Financial Regulator, on 4 February 2016 or on every subsequent tenth anniversary date of 4 February 2016, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 6.107% per annum up to but excluding 4 February 2016 and thereafter at a floating rate of interest of 1.06% per annum above the rate for US$ Libor 3 month US dollar deposits.

(h) The securities are redeemable, subject to the prior approval of the Financial Regulator, on 3 April 2017 or any distribution date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference

39 Subordinated liabilities (continued)

amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 6.4295% per annum up to but excluding 3 April 2017 and thereafter at a floating rate of interest of 1.50% per annum above the rate for Stg£ Libor 3 month sterling deposits.

(i) The 13 $^{3}/_{8}$% Perpetual Subordinated Bonds which have a nominal value of Stg£75 million were revalued as part of the fair value adjustments on the acquisition of Bristol & West plc.

(j) These preference shares which are non-redeemable, non-equity shares rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc.

Holders of the Preference Shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. The preference dividend on the preference shares will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Acts.

On 1 October 2007 in connection with the transfer of the business of Bristol & West plc to Bank of Ireland, Bank of Ireland entered into a Guarantee and Capital Maintenance Commitment (the Guarantee) with respect to the preference shares. Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of business would be protected. Under the Guarantee, Bank of Ireland agreed subject to certain conditions to (i) contribute capital to Bristol & West plc to the extent required to ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends on the preference shares and to the extent required, repay the preference share capital and (ii) guarantee Bristol & West plc's obligations to make repayment of the dividends and preference share capital.

In this connection the Guarantee contains provisions to the effect that the rights of Bank of Ireland's creditors under the Guarantee are subordinated to (i) unsubordinated creditors and debtors of Bank of Ireland and (ii) subordinated creditors of Bank of Ireland other than those whose claims rank, or are expressed to rank pari passu or junior to the payments under the Guarantee.

Dated loan capital

Dated loan capital, which includes bonds and notes, constitute unsecured obligations of the Bank subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

Interest rates on the floating rate and fixed rate subordinated liabilities (accommodated through swaps) are determined by reference to the relevant currency reference rate.

The table on page 218 provides a description of the dated loan capital, all of which with the exception of the issue marked (l) were issued under the Bank's Euro Note Programme.

- the currency of the issue;
- if the issue is fixed, floating or a combination of both;
- maturity.

(k) On 10 February 2010 the €750 million 6.45% subordinated bonds were redeemed on reaching their maturity date.

(l) On 7 August 2008 the Group issued Stg£450 million dated callable Step-up Fixed / Floating Rate Subordinated Notes due September 2020.

40 Other liabilities

	31 December 2009 €m	31 March 2009 €m
Accrued interest payable	863	929
Notes in circulation	715	660
Sundry creditors	312	323
Accruals and deferred income	217	229
Current taxation	121	103
Other	671	805
Other liabilities	2,899	3,049

Other liabilities at 31 December 2009 and at 31 March 2009 are due within 1 year.

The Bank is authorised to issue bank notes in Northern Ireland under the Bankers (Ireland) Act, 1845 and the Bankers (Northern Ireland) Act, 1928.

41 Provisions

	Restructuring €m	Onerous Contracts €m	Legal €m	Total €m
As at 1 April 2009	52	12	23	87
Exchange adjustments	2	1	-	3
Charge to income statement	-	1	88	89
Utilised during the period	(32)	(2)	(2)	(36)
Unused amounts reversed during the period	-	(1)	-	(1)
As at 31 December 2009	22	11	109	142

	Restructuring €m	Onerous Contracts €m	Legal €m	Total €m
As at 1 April 2008	34	4	9	47
Exchange adjustments	(2)	(1)	-	(3)
Charge to income statement	44	11	20	75
Utilised during the period	(23)	(1)	(3)	(27)
Unused amounts reversed during the period	(1)	(1)	(3)	(5)
As at 31 March 2009	52	12	23	87

Restructuring

During the year ended 31 March 2009 the Group commenced the process of aligning its structure and cost base to an environment of lower levels of business and activity. The Group commenced a number of downsizing initiatives with an expected associated cost of €83 million. These initiatives included the cessation of mortgage lending through the intermediary channel in the UK and downsizing of some activities within Capital Markets and in the UK business banking operations.

The principal assumptions underlying the provision calculation relate to the timing and cost of executing the initiatives and particularly the number, mix, timing and net cost of associated staff reductions.

It is expected that this provision will be used within the next 2 years.

41 Provisions (continued)

Legal

This provision includes certain legal claims brought against the Group by third parties. Legal claims are subject to many uncertainties, and their outcome is often difficult to predict both in terms of timing and economic impact.

Of the increase in the legal provision €74 million relates to the unfavourable court ruling in connection with a European property investment.

Onerous Lease

Partly as a result of the Group's restructuring of its operations, the Group is a lessee in a number of non-cancellable leases over properties that it no longer occupies. The present value of future lease payments on these properties, less any rental income receivable from sub-leasing, has been provided for.

42 Deferred tax

	31 December 2009 €m	31 March 2009 €m
The movement on the deferred tax account is as follows:		
At beginning of period	(510)	(14)
Income statement credit for period (note 18)	(356)	(116)
Available for sale financial assets – charge / (credit) other comprehensive income	131	(162)
Cash flow hedges – transferred to other comprehensive income	39	(104)
Revaluation / reclassification of property during period	(7)	(17)
Pension	(25)	(83)
Other movements	(3)	(14)
At end of period	(731)	(510)
Deferred tax assets and liabilities are attributable to the following items:		
Deferred tax liabilities		
Accelerated capital allowances:		
- on finance leases	30	40
- on equipment used by the Group	17	20
Property revaluation surplus	19	27
Life companies	35	-
Other temporary differences	70	10
Deferred tax liabilities	171	97
Deferred tax assets		
Pensions and other post retirement benefits	243	211
Provision for loan impairment	12	12
Other provisions	-	6
Cash flow hedge reserve	80	116
Available for sale reserve	86	219
Life companies	-	23
Unutilised tax losses	475	-
Other temporary differences	6	20
Deferred tax assets	902	607
Represented on the balance sheet as follows:		
Deferred tax assets	(865)	(560)
Deferred tax liabilities	134	50
	(731)	(510)

In presenting the deferred tax balances above, under IAS 12, the Group offset deferred tax assets and liabilities where:

- an entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

42 Deferred tax (continued)

Deferred tax liabilities have not been recognised for tax that may be payable if earnings of certain overseas subsidiaries were remitted to Ireland, as the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings for overseas subsidiaries at 31 December 2009 totalled €1,222 million (31 March 2009: €1,455 million).

The deferred tax asset of €902 million includes an amount of €475 million at 31 December 2009 in respect of operating losses which are available to relieve future profits from tax. This deferred tax asset has been recognised on the basis that it is probable it will be recovered as the Directors are satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred operating losses can be utilised. Under current Irish and UK tax legislation, there is no time restriction on the utilisation of these losses.

Deferred tax assets have not been recognised in respect of US tax credits amounting to €1 million, US tax losses of €83 million and US temporary differences of €3 million. €11 million of the US tax losses expire in the period 2020 to 2028 with €72 million due to expire in 2029. There is no expiration date on the tax credits. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The deferred tax credit in the income statement comprises the following temporary differences:

	31 December 2009 €m	31 March 2009 €m
Accelerated tax depreciation	(17)	(37)
Pensions and other retirement benefits	(6)	(9)
Other provisions	30	(2)
Life companies	58	(92)
Other temporary differences	43	(2)
Current period losses	(466)	-
Prior year adjustment	2	26
Total deferred tax	(356)	(116)

43 Retirement benefit obligations

The Group operates a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement the Group has been advised by independent actuaries, Towers Watson.

The most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pension Fund (BSPF) which accounts for approximately 81% of the pension liability on the consolidated Group balance sheet. The BSPF was closed to new members from 1 October 2006, with the exception of a number of new entry-level employees, (who joined from 1 October 2006 to 21 November 2007), who were offered the one-off option to join the scheme. All new employees in the Group from 21 November 2007 are eligible to become members of the Bank of Ireland Group Pension Fund ("The BIGPF") or the Bank of Ireland Group UK Pension Fund. The BIGPF is a hybrid scheme which includes elements of both a defined benefit and a defined contribution scheme.

Retirement benefits under the BSPF and the other defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date.

The last formal valuation of the BSPF, using the projected unit method, was carried out at 31 March 2007. The projected unit method measures liabilities taking account of the projected future levels of pensionable earnings at the time of commencement of benefits i.e. at normal retirement date.

The valuation disclosed that the fair value of scheme assets, after allowing for expected future increases in earnings and pensions, represented 109% of the benefits that had accrued to members. The actuary recommended a contribution rate increase of 0.7% of salaries in the funding programme following the conclusion of the valuation. The next formal valuation is being performed as at 30 September 2009 and will be completed during 2010. The BSPF met the statutory funding standard as at 31 March 2007, however the Fund did not meet the statutory funding standard as at 31 March 2009 and as a result the Trustees and the Bank will be putting a proposal to the Pensions Board to address this deficit.

43 Retirement benefit obligations (continued)

The actuarial valuations are available for inspection to the members of the schemes but are not available for public inspection. The financial assumptions used in deriving the valuation are set out in the table below.

Financial assumptions	31 December 2009 % p.a.	31 March 2009 % p.a.
Irish schemes		
Inflation rate	2.10	2.00
Discount rate	5.60	5.95
Rate of general increase in salaries	2.73*	2.62*
Rate of increase in pensions in payments	2.49*	2.40*
Rate of increase to deferred pensions	2.10	2.00
UK schemes		
Inflation rate	3.50	2.75
Discount rate	5.70	6.50
Rate of general increase in salaries	4.33*	3.61*
Rate of increase in pensions in payments	3.82*	3.05*
Rate of increase to deferred pensions	3.50	2.75

* Weighted average increase across all Group schemes.

The discount rates for the Irish and UK schemes are based on the iBoxx over 10 year AA-rated Euro corporate bond index and the iBoxx over 15 year AA-rated Sterling corporate bond index respectively.

Mortality assumptions

In the last quarter of 2008, the Society of Actuaries in Ireland presented the results of their mortality investigations to the Pensions Board. This included an outline for future improvements in life expectancies. The Bank decided to adopt these assumptions for the purposes of calculating the liabilities of all its Republic of Ireland schemes at 31 March 2009. The table below sets out life expectancies based on these assumptions.

Post retirement mortality assumptions (Main Scheme)	At 31 December 2009 years	At 31 March 2009 years
Longevity at age 70 for current pensioners		
Males	16.7	16.5
Females	18.3	18.1
Longevity at age 60 for active members currently aged 60 years		
Males	26.4	26.2
Females	28.1	28.0
Longevity at age 60 for active members currently aged 40 years		
Males	29.2	29.0
Females	30.4	30.3

43 Retirement benefit obligations (continued)

The expected long term rates of return and market value of assets of the material defined benefit plans on a combined basis as at 31 December 2009 and 31 March 2009 were as follows:

	31 December 2009 Expected long term rates of return				31 March 2009 Expected long term rates of return			
%	RoI %	UK %	Fund %	Market Value €m	RoI %	UK %	Fund %	Market Value €m
Equities	7.25	8.25	54.8	2,047	7.75	8.5	48.2	1,446
Debt securities	4.6	5.0	36.8	1,373	4.6	5.6	40.3	1,210
Property	6.3	6.35	6.8	255	6.0	6.2	9.5	285
Cash and other	3.0	4.4	1.6	59	3.0	3.5	2.0	62
Total market value of schemes assets				3,734				3,003
Actuarial value of liabilities of funded schemes				(5,356)				(4,472)
Aggregate deficit in funded schemes				(1,622)				(1,469)
Unfunded schemes				(9)				(9)
Net defined benefit pension deficit				(1,631)				(1,478)
Defined contribution schemes				(1)				-
				(1,632)				(1,478)
This is shown in the balance sheet as:-								
Retirement benefit obligations				1,638				1,485
Retirement benefit asset				(6)				(7)
				1,632				1,478

Substantially all of the scheme assets have been valued on a bid basis.

The expected rate of return on individual asset classes is estimated using current and projected economic and market factors at the measurement date, based on the global asset model employed by the Group actuary. The overall expected return on plan assets is based upon the weighted average of the assumed returns on the major asset classes. The expected long term rate of return on the total of the Group schemes assets as at 31 December 2009 is 6.2% (31 March 2009: 6.3%).

The expected returns on the debt securities is derived from gilt yields and corporate bond yields. This has decreased for the UK schemes mainly due to a reduction in UK corporate bond yields. Approximately 65% of the value of debt securities is held in a liability driven investment portfolio.

The retirement benefit scheme assets includes Bank of Ireland stock amounting to €3 million (31 March 2009: €1 million) and property occupied by Bank of Ireland Group companies to the value of €25 million (31 March 2009: €28 million).

The following table sets out the components of the cost of the defined benefit schemes for the period ended 31 December 2009 and the year ended 31 March 2009.

Components of pension expenses	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Current service cost	91	150
Past service cost	2	8
Curtailments	(3)	-
Expected return on retirement benefit scheme assets	(142)	(262)
Interest on pension scheme liabilities	199	277
Cost of providing defined retirement benefits	**147**	**173**

43 Retirement benefit obligations (continued)

Actual return on scheme assets	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Expected return on scheme assets	142	262
Actuarial gain / (loss) on scheme assets	574	(1,176)
Actual return on scheme assets	**716**	**(914)**

Movement in defined benefit obligations during the period	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Defined benefit obligations at beginning of the period	4,481	4,762
Current service cost	91	150
Actual member contributions	11	16
Past service cost	2	8
Interest cost	199	277
Actuarial loss / (gain) on scheme liabilities	643	(470)
Benefits paid	(100)	(137)
Curtailments	(3)	-
Currency loss / (gain)	41	(125)
Defined benefit obligations at end of period	**5,365**	**4,481**

Movement in the fair value of scheme assets during the period	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Fair value of scheme assets at beginning of the period	3,003	3,967
Expected return	142	262
Actual member contributions	11	16
Actuarial gain / (loss) on scheme assets	574	(1,176)
Contributions by employer	93	114
Benefits paid	(100)	(137)
Currency gain / (loss)	11	(43)
Fair value of scheme assets at end of period	**3,734**	**3,003**

Statement of Other Comprehensive Income	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Actuarial gain / (loss) on scheme assets	574	(1,176)
Experience gain on liabilities	33	63
(Loss) / gain on change of assumptions (financial and demographic)	(676)	407
Currency (loss) / gain	(30)	82
Total loss recognised in Other Comprehensive Income during the period before adjustment of tax	**(99)**	**(624)**
Cumulative amount of losses recognised in Other Comprehensive Income to end of period	(1,085)	(986)

43 Retirement benefit obligations (continued)

History of experience gains and losses	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m	Year ended 31 March 2006 €m
Actuarial gain / (loss) on scheme assets:					
Amount	574	(1,176)	(823)	144	401
Percentage of scheme assets	15.4%	(39.2%)	(20.7%)	3.2%	9.9%
Experience gain / (loss) on scheme liabilities:					
Amount	33	63	(58)	(126)	(46)
Percentage of scheme liabilities	0.6%	1.4%	(1.2%)	(2.5%)	(0.9%)
Total actuarial (loss) / gain recognised in SOCI*					
Amount	(99)	(624)	(244)	213	131
Percentage of scheme liabilities	(1.8%)	(13.9%)	(5.1%)	4.2%	2.7%

*Statement of Other Comprehensive Income.

Defined benefit pension plans	December 2009 €m	March 2009 €m	March 2008 €m	March 2007 €m	March 2006 €m
Present value of obligations	5,365	4,481	4,762	5,092	4,878
Scheme assets	3,734	3,003	3,967	4,505	4,070
Deficit within schemes	1,631	1,478	795	587	808

The deficit above includes a deficit of €1,474 million (31 March 2009: €1,311 million) relating to the defined benefit schemes in the Bank.

Expected employer contributions and expected employee contributions for the year ended 31 December 2010 are €120 million and €15 million respectively.

Sensitivity analysis for each of the key assumptions used to measure the scheme liabilities at 31 December 2009

Factor	Change in assumption	BSPF Impact on actuarial liabilities
Discount rate	Decrease 0.1%	Increase 2.1%
Rate of inflation	Increase 0.1%	Increase 2.1%
Rate of salary growth	Increase 0.1%	Increase 0.7%
Life expectancy	Increase by 1 year	Increase 2.4%

While the table above shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

44 Contingent liabilities and commitments

The table below gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

	31 December 2009 Contract amount €m	31 March 2009 Contract amount €m
Contingent liabilities		
Acceptances and endorsements	27	19
Guarantees and irrevocable letters of credit	1,599	1,879
Other contingent liabilities	799	670
	2,425	2,568
Commitments		
Documentary credits and short term trade related transactions	186	260
Undrawn note issuance and revolving underwriting facilities	121	157
Undrawn formal standby facilities, credit lines and other commitments to lend		
- revocable or irrevocable with original maturity of 1 year or less	15,837	17,721
- irrevocable with original maturity of over 1 year	8,887	8,781
	25,031	26,919

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities primarily include performance bonds and are generally short term commitments to third parties which are not directly dependent on the customers credit worthiness. The Group is party to legal actions arising out of its normal business operations. The Directors believe that adequate provision has been made in respect of this litigation. The other contingent liabilities disclosed include an amount relating to one matter under litigation. This amount has not been separately disclosed as, in line with the exemption in IAS 37, doing so could be prejudicial to the claim and the Group is satisfied that this litigation is not expected to have a significant adverse effect on its financial position.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions.

45 Capital stock

	31 December 2009	31 March 2009
Authorised		
€	**€m**	€m
2,000 (31 March 2009: 2,000) million units of €0.64 of ordinary stock	1,280	1,280
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
3.5 billion units of non-cumulative preference stock (2009 preference stock) of €0.01 each	35	35
Stg£	**£m**	**£m**
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	**$m**
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

Allotted and fully paid	31 December 2009 €m	31 March 2009 €m
993.0 (31 March 2009: 994.1) million units of €0.64 of ordinary stock	636	636
33.2 (31 March 2009:32.1) million units of €0.64 of treasury stock	21	21
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
3.5 billion units of non-cumulative preference stock (2009 preference stock) of €0.01 each	35	35
	699	699

Ordinary stock

The weighted average ordinary stock in issue at 31 December 2009, used in the earnings per share calculation, excludes the treasury stock which does not represent ordinary stock in issue. Treasury stock does not rank for dividend. While own stock held for the benefit of life assurance policyholders legally rank for dividend, in line with accounting standards this dividend does not accrue in the Group financial statements.

	Ordinary		Treasury	
Movements in ordinary and treasury stock (units)	**31 December 2009**	31 March 2009	**31 December 2009**	31 March 2009
At beginning of period	994,107,002	980,482,472	32,118,677	45,734,778
Sharesave scheme	(1,189)	8,429	1,189	-
Long term incentive plan (LTIP)	6,733	-	(6,733)	-
Employee stock issue scheme	-	4,157,268	-	(4,157,268)
Stock sold / purchased and held for the benefit of Life assurance policyholders	(1,110,682)	9,458,833	1,110,682	(9,458,833)
At end of period	993,001,864	994,107,002	33,223,815	32,118,677

45 Capital stock (continued)

At an Extraordinary General Court of the Bank of Ireland held on 27 March 2009, the authorised ordinary stock was increased from 1,500 million units to 2,000 million units at a par value of €0.64 per unit to facilitate the issue of the warrants as part of the National Pensions Reserve Fund Commission (NPRFC) investment as described in note 55.

During the period ended 31 December 2009 the total ordinary stock in issue decreased from 994,107,002 units of nominal value of €0.64 each to 993,001,864 units of nominal value of €0.64 each as a result of:

- 1,189 units of ordinary stock were redeemed due to a correction in relation to the exercise of options under the terms of the SAYE 2003 Scheme at prices of €7.84.
- 6,733 units of ordinary stock were issued under the 1999 Long term Incentive Plan under the matching stock rule.
- 10,104,443 units of ordinary stock held by the Group's life assurance company as at 31 March 2009 are categorised as "own shares". 1,110,682 units of ordinary stock were acquired by the life assurance company during the period ended 31 December 2009. At 31 December 2009 the Group's life assurance company held 11,215,125 units of ordinary stock as "own shares".

All units of ordinary stock in issue carry the same voting rights. All issued stock is fully paid.

Preference Stock – Stg£1 each and €1.27 each

The preference stock is non-redeemable. The holders of preference stock are entitled to receive, at the discretion of the Bank, a non-cumulative preferential dividend, which in the case of the Sterling preference stock will be payable in Sterling, in a gross amount of Stg£1.2625 per unit per annum and in the case of euro preference stock will be payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on February 20 and August 20 in each year.

On a winding up of, or other return of capital by, the Bank (other than on a redemption) the holders of preference stock will be entitled to receive an amount equal to the amount paid up on each unit of the preference stock held (including the premium) out of the surplus assets available for distribution to the holders of ordinary stock.

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances when a restricted vote may apply.

The Bank has an obligation to increase the cash dividend payable on each unit of preference stock so that the sum of the cash dividend paid or payable together with the associated dividend tax credit shall equal the appropriate gross amounts.

As at 31 December 2009 and at 31 March 2009, 1,876,090 units of Sterling preference stock and 3,026,598 units of euro preference stock were in issue.

2009 Preference Stock

For information on the 2009 Preference stock refer to note 55.

Use of ordinary stock in employee schemes

(a) Employee Stock Issue Scheme

At the 2006 Annual General Court the stockholders approved the establishment of a new Employee Stock Issue Scheme to replace the scheme originally approved by the stockholders in 1997. Under this scheme, which has an Irish and a UK version in order to conform with the relevant Revenue legislation in both jurisdictions, all employees in Ireland and the UK are eligible to participate provided that they have been employed by the Group in one of the schemes' participating companies for the previous financial year and are still employed by the Group on the date the annual results are announced. Each year the Court may set aside an element of Group profit before taxation for allocation to the trustees of the scheme to enable them to acquire units of ordinary stock on behalf of the scheme participants. As a result there was no award in the nine months ended 31 December 2009.

45 Capital stock (continued)

Currently the amount set aside is related to overall Group performance. The maximum award permitted under the scheme is 6% of a participant's salary. To date, annual distributions under the schemes have ranged between nil and 6% of each participants salary.

In addition, if an employee elects for the free stock award, they become eligible to purchase additional stock at market price from gross salary subject to Revenue Commissioners and HM Revenue & Customs rules respectively.

(b) Sharesave Scheme (SAYE Scheme)

At the 1999 Annual General Court the stockholders approved the establishment of an SAYE Scheme. Under this scheme, which has an Irish and UK version in order to conform with the relevant Revenue legislation in both jurisdictions, all employees in Ireland and the UK are eligible to participate provided that they are employed by the Group on the invitation to participate date and they are still in the employ of the Group on the date that the options are granted. The table below shows the option price for each year, and what discount this represented of the market price at that time.

Grant Dates		SAYE 2007	SAYE 2006	SAYE 2003
Option Price	ROI	€6.96	€12.28	€7.84
	UK	€7.43	€13.09	€8.37
Discount	ROI	25%	25%	25%
	UK	20%	20%	20%

The difference between Irish and UK option prices reflects the maximum discounts permitted under Revenue Commissioners and HM Revenue & Customs rules respectively.

As at 31 December 2009, there are outstanding options under the scheme over 2,069,925 units of ordinary stock of the issued ordinary capital. These options are ordinarily exercisable, provided the participant's savings contracts are complete between February 2009 and August 2011.

2009	RoI			UK			
	2003 5yr[1]	2006 3yr	2007 3yr	2003 5yr	2006 3yr	2007 3yr	Total
Outstanding at beginning of period	1,643,102	635,057	1,961,474	283,187	154,299	354,616	5,031,735
Granted	-	-	-	-	-	-	-
Exercised *	-	-	-	-	-	-	-
Lapsed	(1,610,504)	(163,985)	(686,637)	(281,559)	(61,835)	(157,290)	(2,961,810)
Outstanding at end of period	32,598	471,072	1,274,837	1,628	92,464	197,326	2,069,925
Weighted average exercise price	€7.84	€12.28	€6.96	€8.37	€13.09	€7.43	€8.50

*No options were exercised in the period to 31 December 2009. (The weighted average market price on the date the options were exercised in the year ended March 2009 was €8.16).

Under the terms of the SAYE schemes an individual may defer payments for a period to a maximum of six months. This extends the maturity date of the scheme for that individual. Upon maturity, individuals have up to six months from maturity date to decide if they wish to exercise their options.

[1] *The 2003 5 year SAYE scheme had a general maturity date of 1 February 2009. The maturity date could be extended to 1 August 2009, with a decision to exercise allowed up to 1 February 2010.*

45 Capital stock (continued)

(c) Stock Option Scheme

Options to subscribe for units of Ordinary Stock are granted under the terms of the Stock Option Scheme. The scheme was approved by the stockholders at the Annual General Court in 1996 - the "Bank of Ireland Group Stock Option Scheme - 1996", and its successor scheme, the "Bank of Ireland Group Executive Stock Option Scheme - 2004" which was approved by stockholders at the Annual General Court held in 2004. Key executives may participate in the current scheme at the discretion of the Remuneration Committee. Under the current scheme, the total value of options granted may not exceed 100% of an executive's salary. The subscription price per unit of stock shall not be less than the market value of the stock at the date of grant.

The exercise of options granted between 2004 and 2007 is conditional upon underlying earnings per share achieving a cumulative growth of at least 5% per annum compound above the increase in the Consumer Price Index over the three year performance period, commencing with the period in which the options are granted. If this performance condition is not achieved, the options lapse. For options granted in 2008, 25% will become capable of exercise if the Group's underlying earnings per share growth is 3% per annum compounded, commencing with the period in which the options are granted. The performance conditions for options granted in 1996 up to and including 2005 have been satisfied. Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant.

	31 December 2009		31 March 2009	
	Number of options	**Weighted average exercise price (€)**	Number of options	Weighted average exercise price (€)
Outstanding at beginning of period	9,367,967	€10.85	7,575,585	€12.26
Granted during the period	-	-	2,642,600	€7.01
Exercised during period	-	-	-	-
Expired during period	(1,417,922)	€13.65	(850,218)	€11.48
Outstanding at end of period	7,950,045	€10.35	9,367,967	€10.85
Exercisable at end of period	4,485,663	€11.13	4,714,080	€10.94

No options were granted during the period ended 31 December 2009.

No options were exercised in the period to 31 December 2009 or in the year to 31 March 2009.

Exercise Price Range (€)	**Number of options**
1.22 – 6.96	678,250
6.97 – 10.65	2,412,432
10.66 – 10.77	2,065,499
10.78 – 15.45	2,793,864
Total	7,950,045

Outstanding options under the Stock Option Scheme are exercisable at price ranges above. The weighted average remaining contractual life of the outstanding options under the Stock Option Scheme is 1 year.

(d) Long Term Incentive Plan

The "Bank of Ireland Group Long Term Incentive Plan – 2004" ('LTIP') was approved by the stockholders at the Annual General Court in July 2004. Its predecessor plan, the "Long Term Performance Stock Plan – 1999" ('LTPSP'), was approved by the stockholders at the Annual General Court in July 1999. The LTIP links the number of units of stock receivable by participants to the Group's Total Shareholder Return ("TSR"). TSR represents stock price growth plus dividends.

Each year selected senior executives participating in the plan receive a conditional award of a number of units of ordinary stock. The maximum award, for Executive Directors and Group Executive Committee members, cannot exceed 100% (150% for the Group CEO) of their annual salary at the time of the award.

Provided the Group's Return on Equity ("ROE") over the three year performance period is, on average, at least 20%, then the proportion of these units which actually vest in the executive on the third anniversary of the date of the original award is based on the Group's TSR growth relative to a comparator group of financial services companies, as follows:

45 Capital stock (continued)

The Bank's total shareholder return performance relative to the Comparator Companies	% of units of stock subject to an award which may be issued or transferred
Equal to or better than the company ranked second	100%
Between the company ranked median and the company ranked second	Greater than 35% and less than 100% (Pro rata based on the Bank's performance relative to the Comparator Companies)
Equal to the median	35%
Below median	nil

If the Group's ROE over the three year performance period, is on average, below 20%, then the award lapses.

Under the LTPSP, a minimum of 80% of the vested stock must be retained for two years from maturity of award. After the two year retention period, an additional award of 20% is made. If the award is retained for an additional five years, a further award of 30% is made.

	December 2009		March 2009	
	Number of conditional units	**Weighted average grant price (€)**	Number of conditional units	Weighted average grant price (€)
Outstanding at beginning of period	2,488,162	9.86	1,989,005	13.96
Granted during period	-	-	1,616,200	6.57
Vested during period	-	-	-	-
Expired during period	(744,442)	13.27	(1,117,043)	12.40
Outstanding at end of period	1,743,720	8.40	2,488,162	9.86

Outstanding conditional units of stock under the LTIP were awarded at prices ranging between €1.215 to €15.45

The weighted average remaining contractual life of the outstanding options under the LTIP Scheme is 1 year (the potential matching awards of 30% on the previous LTPSP schemes are excluded from this calculation).

45 Capital stock (continued)

(e) Options Pricing Model

The binomial lattice option valuation model is used to estimate the value of the options granted. The following table details the assumptions used and the resulting fair values provided by the options pricing model. The volatility assumption has been set with reference to the average volatility (based on monthly price changes) measured over a five year period to the date of grant, and our adopted approach is to round this assumption to the nearest 5%, as it represents a subjective long term view of the stability of the business and therefore should not deviate constantly to reflect market fluctations.

	Stock Option Scheme granted during period		LTIP granted during period	
	March 2009	March 2008	**March 2009**	March 2008
Volatility	20%	20%	20%	20%
Dividend Yield	5.7%	3.4%	5.7%	3.4%
Risk free rate	4.4%	4.6%	N/A	N/A
Implied term	10 years	9.4 years	3 years	3 years
Fair value	€0.89	€3.06	€2.76	€6.00
Exercise price	€7.01	€15.45	nil	nil
No of options (000's)	2,642.6	1,151.8	1,616.2	580.4
Vesting period	3 years	3 years	3 years	3 years

	SAYE (RoI)		SAYE (UK)	
	3 Year 2007	3 Year 2006	**3 Year 2007**	3 Year 2006
Volatility	20%	20%	20%	20%
Dividend Yield	4.2%	3.3%	4.2%	3.3%
Risk free rate	4.1%	3.8%	4.1%	3.8%
Implied term	3 years	3 years	3 years	3 years
Fair value	€2.94	€5.10	€2.62	€4.55
Exercise price	€6.96	€12.28	€7.43	€13.09
No of options (000's)	3,967.8	2,311.0	811.3	513.6
Vesting period	3 years	3 years	3 years	3 years

	SAYE (RoI)	SAYE (UK)
	5 Year 2003	**5 Year 2003**
Volatility	30%	30%
Dividend yield	3.3%	3.3%
Risk free rate	3.6%	3.6%
Implied term	5 years	5 years
Fair value	€3.54	€3.31
Exercise price	€7.84	€8.37
No. of options (000's)	2,209.2	450.9
Vesting period	5 years	5 years

(f) Limitations on Employee Stock Issue and Stock Option Schemes

All of the above stock issue and stock option schemes are subject to a range of flow rate controls approved by the stockholders and which conform to current institutional investor guidelines.

46 Liquidity risk

The tables below summarises the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in BoI Life and those arising on derivative financial instruments) at 31 December 2009 and 31 March 2009 based on contractual undiscounted repayment obligations. Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,050 million and €6,658 million respectively (31 March 2009: €4,084 million and €5,634 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The balances will not agree directly to the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

As at 31 December 2009

	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	128	8,386	8,205	1,075	241	18,035
Customer accounts	36,795	31,484	12,625	4,361	692	85,957
Debt securities in issue	-	14,120	11,043	12,813	10,548	48,524
Subordinated liabilities	-	859	87	839	5,715	7,500
Contingent liabilities	2,425	-	-	-	-	2,425
Commitments	16,144	-	-	8,887	-	25,031
Total	55,492	54,849	31,960	27,975	17,196	187,472

As at 31 March 2009

	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	788	25,530	1,590	760	429	29,097
Customer accounts	32,849	36,214	11,527	3,415	1,351	85,356
Debt securities in issue	-	16,170	8,709	15,387	13,589	53,855
Subordinated liabilities	-	44	1,103	1,305	8,460	10,912
Contingent liabilities	2,568	-	-	-	-	2,568
Commitments	18,138	-	-	8,781	-	26,919
Total	54,343	77,958	22,929	29,648	23,829	208,707

As set out in note 21, derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered with economic hedging intent to which the Group does not apply hedge accounting. Derivatives held with hedging intent also include all derivatives to which the Group applies hedge accounting.

The table below summarises the maturity profile of the Group's derivative liabilities. The Group manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

As at 31 December 2009

Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	3,787	2,316	4,257	854	11,214
Gross settled derivative liabilities - inflows	-	(3,698)	(2,104)	(3,766)	(842)	(10,410)
Gross settled derivative liabilities - net flows	-	89	212	491	12	804
Net settled derivative liabilities	-	554	1,326	1,402	100	3,382
Total derivatives held with hedging intent	-	643	1,538	1,893	112	4,186
Derivative liabilities held with trading intent	1,795	-	-	-	-	1,795
Total derivative cash flows	1,795	643	1,538	1,893	112	5,981

46 Liquidity risk (continued)

As at 31 March 2009[1]

Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	7,291	4,180	6,230	466	18,167
Gross settled derivative liabilities - inflows	-	(7,246)	(3,894)	(5,370)	(463)	(16,973)
Gross settled derivative liabilities - net flows	-	45	286	860	3	1,194
Net settled derivative liabilities	-	266	1,046	2,003	241	3,556
Total derivatives held with hedging intent	-	311	1,332	2,863	244	4,750
Derivative liabilities held with trading intent	2,882	-	-	-	-	2,882
Total derivative cash flows	2,882	311	1,332	2,863	244	7,632

[1] *The figures above have been restated to align with the enhanced disclosure requirements of IFRS 7 (amended) and are on a consistent basis with those shown for 31 December 2009. As a result, the derivative liabilities held with trading intent are included in the 'demand' time bucket.*

47 Fair values of financial assets and liabilities

The Group's accounting policy on valuation is set out on pages 162 to 164, while page 178 gives details on the critical accounting estimates and judgements made by management in relation to the fair value of financial instruments. The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, in an arms length transaction between knowledgeable willing parties.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group.

These techniques are subjective in nature and involve assumptions which are based upon management's view of market conditions at period end which may not necessarily be indicative of any subsequent fair value. Furthermore, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values, and, as a result, readers of these financial statements are advised to use caution when using this data to evaluate the Group's financial position.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in many cases, particularly in respect of loans and advances to customers, the Group intends to realise assets through collection over time. As such the fair values calculated do not represent the value of the Group as a going concern at 31 December 2009 or 31 March 2009.

(a) Financial assets and liabilities recognised and subsequently measured at fair value

All financial instruments are initially recognised at fair value. The Group subsequently measures trading securities, other financial assets and liabilities designated at fair value through profit or loss, derivatives and available for sale financial assets at fair value in the balance sheet. These instruments are shown as "at fair value through profit or loss (FVTPL)" or "at fair value through Other Comprehensive Income (OCI)" in note 48 on the measurement basis of financial assets and liabilities. A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below.

Financial assets held for trading

These instruments are valued using observable market prices where available. Trading securities quoted in an active market are valued directly from observable market prices through a recognised pricing source or an independent broker or investment bank.

For the small number of trading securities where observable market prices are unavailable, fair value is calculated using discounted cash flow models. Using reasonably possible alternative assumptions would not change the fair value of these securities significantly.

47 Fair values of financial assets and liabilities (continued)

Other financial assets at fair value through profit or loss

These consist of assets designated at fair value through profit or loss, which are predominantly held for the benefit of unit linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have readily available prices. The remaining assets are valued using valuation techniques which use observable market data.

Derivative financial instruments

The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit. A small number of derivative financial instruments are valued using non-observable inputs. However, changing one or more assumptions used in the valuation of these derivatives would not have a significant impact as they are entered into to hedge the exposure arising on certain customer accounts (see below), leaving the Group with no net valuation risk due to the non-observable inputs.

Assets and liabilities held for sale to NAMA - derivatives

In the case of derivatives held for sale to NAMA, counterparty credit is not considered observable and is significant to their valuation. The effect of changing the assumptions in relation to counterparty credit to a range of reasonably possible alternatives would be to increase the fair value of these derivatives by up to €13 million or to decrease their fair value by up to €13 million, with a corresponding impact on the income statement.

Debt securities in issue and subordinated liabilities

These instruments comprise debt securities in issue and subordinated liabilities with a fair value of €701 million (31 March 2009: €795 million) which are measured at fair value through profit or loss, the fair value of which is based on valuation techniques incorporating significant unobservable market data. The significant unobservable input is the Group's credit spread, the estimation of which has become more judgemental in current market circumstances. The Group estimates this spread by reference to recent transactions in the same instrument or in similar instruments issued by the Group.

The effect of changing the estimated credit spread on subordinated liabilities to a reasonably possible alternative would be to decrease their fair value by up to €22 million with a corresponding impact on the income statement. The effect of changing the estimated credit spread on the debt securities in issue to a range of reasonably possible alternatives would be to decrease their fair value by up to €13 million or to increase their fair value by up to €6 million, with a corresponding impact on the income statement.

Available for sale financial assets

For available for sale financial assets for which an active market exists, fair value has been determined directly from observable market prices or yields through a recognised pricing source or an independent broker, price-provider or investment bank.

A small number of bonds have been valued using vendor prices, which are not considered to represent observable market data. The effect of using reasonably possible alternative assumptions would be to decrease their fair value by up to €6 million or to increase their fair value by up to €6 million, with a corresponding impact on the statement of other comprehensive income.

Customer accounts

Customer accounts designated at fair value through profit or loss consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The impact of changes in the Group's own credit spread is not significant to the fair value of these deposits. A small number of customer accounts are valued using non-observable inputs. However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to the non-observable inputs.

Liabilities to customers under insurance and investment contracts

The accounting policy for these instruments is set out on page 172. In accordance with the accounting policy, the fair value of liabilities to customers under both insurance and investment unit linked contracts is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the balance sheet date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

47 Fair values of financial assets and liabilities (continued)

(b) Financial assets and liabilities not subsequently measured at fair value

For financial assets and liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks
The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing money market interest rates for assets with similar credit risk and remaining maturity.

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.

Assets held for sale to NAMA
The assets held for sale to NAMA are measured on the same basis in the balance sheet as prior to their classification as held for sale. On transfer to NAMA, these assets will be valued on a loan-by-loan basis, using the valuation methodology specified in the NAMA Act and in the associated regulations. As set out on page 206, the Group is currently unable to accurately quantify the ultimate expected loss on the transfer of all the Group's Eligible Bank Assets to NAMA. The discount to gross loan value that will be incurred on the first tranche of loans to transfer to NAMA in early April 2010 is 36%. For the purposes of presenting a fair value of the total portfolio of assets held for sale to NAMA, the Group has applied this 36% discount to all assets. The limited number and nature of the loans involved in this first tranche mean that it may not be a representative sample of the total portfolio of assets held for sale to NAMA and consequently the loss on sale is not necessarily indicative of the loss that is expected to arise on the entire portfolio of Eligible Bank Assets that will ultimately transfer. As the assets held for sale to NAMA are financial instruments, they are carried at amortised cost less impairment provisions.

Deposits from banks and customer accounts
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

Debt securities in issue and subordinated liabilities
The fair values of these instruments are calculated based on quoted market prices where available. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread.

47 Fair values of financial assets and liabilities (continued)

Fair value hierarchy

The table below shows, for the Group's financial assets and liabilities that are recognised and subsequently measured at fair value, their classification within a three-level fair value hierarchy.

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 where the impact of the non-observable market data is significant in determining the fair value of the instrument. 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.

31 December 2009	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	403	-	-	403
Derivative financial instruments	-	5,788	36	5,824
Assets held for sale to NAMA- derivatives	-	-	93	93
Other financial assets at FVTPL	8,987	692	-	9,679
AFS financial assets	18,921	1,687	332	20,940
	28,311	8,167	461	36,939
As a % of fair value assets	76.7%	22.1%	1.2%	100%
Financial liabilities held at fair value				
Deposits from banks	-	2	-	2
Customer accounts	-	1,658	62	1,720
Derivative financial instruments	-	6,017	20	6,037
Liabilities held for sale to NAMA - derivatives	-	-	1	1
Liabilities to customers under investment contracts	-	5,050	-	5,050
Insurance contract liabilities	-	6,658	-	6,658
Debt securities in issue	-	-	472	472
Subordinated liabilities	-	-	229	229
	-	19,385	784	20,169
As a % of fair value liabilities	-	96.1%	3.9%	100%

47 Fair values of financial assets and liabilities (continued)

Movements in Level 3 assets

31 December 2009	Trading securities €m	Derivative financial instruments €m	Derivatives held for sale to NAMA €m	Available for sale financial assets €m	Total €m
Opening Balance	7	116	-	403	526
Total gains or losses in:					
- Profit or loss					
- Net trading expense	-	(27)	-	-	(27)
- Other income	-	-	-	2	2
- Other Comprehensive income	-	-	-	4	4
Additions	-	-	-	102	102
Disposals	-	-	-	(216)	(216)
Redemptions	-	(53)	-	(31)	(84)
Transfers out of level 3					
- from level 3 to level 1	(7)	-	-	(14)	(21)
- from level 3 to level 2	-	-	-	(2)	(2)
Transfers into level 3					
- from level 1 to level 3	-	-	-	-	-
- from level 2 to level 3	-	-	93	84	177
Closing balance	-	36	93	332	461
Total gains / (losses) for the period included in profit or loss for assets held in level 3 at the end of the reporting period	-	(26)	(55)	2	(79)
Other transfers					
- from level 1 to level 2	9	-	-	255	264
- from level 2 to level 1	-	-	-	152	152

The above table has been prepared in compliance with IFRS 7 (amended). Consequently, the opening balances of level 3 assets are not directly comparable to the Group's previously published fair value table.

Transfers from level 3 to level 1 resulted from an ability to obtain observable market prices in the current period which were unavailable in the prior year.

The transfer of derivatives held for sale to NAMA from level 2 to level 3 resulted from the unobservable inputs becoming significant to their fair value measurement.

The transfer of AFS assets from level 2 to level 3 resulted from inputs which were observable at 31 March 2009 becoming unobservable in the current period.

47 Fair values of financial assets and liabilities (continued)

Movements in Level 3 liabilities 31 December 2009	Customer accounts €m	Derivative financial instruments €m	Derivatives held for sale to NAMA €m	Debt securities in issue €m	Subordinated liabilities €m	Total €m
Opening Balance	69	56	-	566	229	920
Total gains or losses in:						
- Profit or loss						
- Net trading expense	1	(23)	-	(28)	20	(30)
- Other Comprehensive income	-	-	-	-	(20)	(20)
New derivative transactions	-	10	-	-	-	10
Redemptions and maturities	(8)	(23)	-	(66)	-	(97)
Transfers into level 3						
- from level 2 to level 3	-	-	1	-	-	1
Closing balance	62	20	1	472	229	784
Total gains / (losses) for the period included in profit or loss for liabilities held at the end of the reporting period	(1)	13	-	(16)	(20)	(24)

The above table has been prepared in compliance with IFRS 7 (amended). Consequently, the opening balances of level 3 liabilities are not directly comparable to the Group's previously published fair value table.

There were no transfers out of level 3 during the nine months ended 31 December 2009.

There were no transfers to level 3 from level 1. The only transfer into level 3 from level 2 was in relation to derivative liabilities held for sale to NAMA.

The transfer of derivatives held for sale to NAMA from level 2 to level 3 resulted from the unobservable inputs becoming significant to the fair value measurement.

47 Fair values of financial assets and liabilities (continued)

The carrying amount and the fair value of the Group's financial assets and liabilities as at 31 December 2009 and 31 March 2009 are set out in the table below.

	December 2009		March 2009	
	Carrying amount €m	**Fair values €m**	Carrying amount €m	Fair values €m
Financial instruments held for trading				
Debt securities [1]	403	403	125	125
Derivative financial instruments - trading				
Foreign exchange contracts [1]	(199)	(199)	184	184
Interest rate contracts [1]	(184)	(184)	149	149
Equity and commodity contracts [1]	25	25	(50)	(50)
Non-trading financial instruments				
Assets				
Cash and balances at central banks [1]	4,241	4,241	3,224	3,224
Items in course of collection from other banks [1]	400	400	515	515
Loans and advances to banks	5,031	5,028	7,886	7,879
Loans and advances to customers	119,439	116,846	133,740	128,938
Assets held for sale to NAMA[2]	9,581	7,910	-	-
Available for sale financial assets [1]	20,940	20,940	26,858	26,858
Other financial assets at fair value through profit or loss [1]	9,679	9,679	7,604	7,604
Liabilities				
Deposits from banks	17,903	17,829	28,814	28,742
Customer accounts	84,812	84,680	83,119	83,001
Items in the course of transmission to other banks [1]	198	198	238	238
Debt securities in issue	43,144	41,419	45,133	44,375
Liabilities to customers under investment contracts [1]	5,050	5,050	4,084	4,084
Insurance contract liabilities [1]	6,658	6,658	5,634	5,634
Subordinated liabilities	6,053	4,585	7,942	4,089
Liabilities held for sale to NAMA[2]	1	1	-	-
Derivative financial instruments - hedging				
Interest rate contracts and foreign exchange contracts [1]	(145)	(145)	560	560

[1] The fair value of these financial instruments is equal to the carrying value. These instruments are either carried at market value or have minimal credit losses and are either short term in nature or repriced frequently.

[2] As set out on page 206, the Group is currently unable to accurately quantify the ultimate expected loss on the transfer of all the Group's Eligible Bank Assets to NAMA. The discount to gross loan value that will be incurred on the first tranche of loans to transfer to NAMA in early April 2010 is 36%. For the purposes of presenting a fair value of the total portfolio of assets held for sale to NAMA, the Group has applied this 36% discount to the loans held for sale to NAMA. The limited number and nature of the loans involved in this first tranche mean that it may not be a representative sample of the total portfolio of assets held for sale to NAMA and consequently the loss on sale is not necessarily indicative of the loss that is expected to arise on the entire portfolio of Eligible Bank Assets that will ultimately transfer. As the loans held for sale to NAMA are financial instruments, they are carried at amortised cost less impairment provisions. Accounting standards require that additional disclosure is provided of the fair value of such assets at the balance sheet date.

48 Measurement basis of financial assets and liabilities

The table below analyses the carrying amounts of the financial assets and liabilities by accounting treatment and by balance sheet heading.

	At fair value through profit or loss			At fair value through Other Comprehensive income (OCI)				
31 December 2009	**Derivatives designated as fair value hedging instruments €m**	**Held for trading €m**	**Designated upon initial recognition €m**	**Available for sale €m**	**Cash flow hedge derivatives €m**	**Loans and advances / Held at amortised cost €m**	**Insurance contracts €m**	**Total €m**
Financial assets								
Cash and balances at central banks	-	-	-	-	-	4,241	-	4,241
Items in the course of collection from other banks	-	-	-	-	-	400	-	400
Trading securities	-	403	-	-	-	-	-	403
Derivative financial instruments	740	3,344	-	-	1,740	-	-	5,824
Other financial assets at fair value through profit or loss	-	-	9,679	-	-	-	-	9,679
Loans and advances to banks	-	-	-	-	-	5,031	-	5,031
Available for sale financial assets	-	-	-	20,940	-	-	-	20,940
Loans and advances to customers	-	-	-	-	-	119,439	-	119,439
Assets held for sale to NAMA	-	93	-	-	-	9,488	-	9,581
Total financial assets	740	3,840	9,679	20,940	1,740	138,599	-	175,538
Financial liabilities								
Deposits from banks	-	-	2	-	-	17,901	-	17,903
Customer accounts	-	-	1,720	-	-	83,092	-	84,812
Items in course of transmission to other banks	-	-	-	-	-	198	-	198
Derivative financial instruments	598	3,702	-	-	1,737		-	6,037
Liabilities to customers under investment contracts	-	-	5,050	-	-	-	-	5,050
Debt securities in issue	-	-	472	-	-	42,672	-	43,144
Insurance contract liabilities	-	-	-	-	-	-	6,658	6,658
Subordinated liabilities	-	-	229	-	-	5,824	-	6,053
Liabilities held for sale to NAMA	-	1	-	-	-	-	-	1
Total financial liabilities	598	3,703	7,473	-	1,737	149,687	6,658	169,856

48 Measurement basis of financial assets and liabilities (continued)

31 March 2009	At fair value through profit or loss: Derivatives designated as fair value hedging instruments €m	At fair value through profit or loss: Held for trading €m	At fair value through profit or loss: Designated upon initial recognition €m	At fair value through other Comprehensive income: Available for sale €m	At fair value through other Comprehensive income: Cash flow hedge derivatives €m	Loans and advances / Held at amortised cost €m	Insurance contracts €m	Total €m
Financial assets								
Cash and balances at central banks	-	-	-	-	-	3,224	-	3,224
Items in the course of collection from other banks	-	-	-	-	-	515	-	515
Trading securities	-	125	-	-	-	-	-	125
Derivative financial instruments	915	4,720	27	-	2,735	-	-	8,397
Other financial assets at fair value through profit or loss	-	-	7,604	-	-	-	-	7,604
Loans and advances to banks	-	-	-	-	-	7,886	-	7,886
Available for sale financial assets	-	-	-	26,858	-	-	-	26,858
Loans and advances to customers	-	-	-	-	-	133,740	-	133,740
Total financial assets	915	4,845	7,631	26,858	2,735	145,365	-	188,349
Financial liabilities								
Deposits from banks	-	-	92	-	-	28,722	-	28,814
Customer accounts	-	-	2,006	-	-	81,113	-	83,119
Items in course of transmission to other banks	-	-	-	-	-	238	-	238
Derivative financial instruments	611	4,468	-	-	2,475	-	-	7,554
Liabilities to customers under investment contracts	-	-	4,084	-	-	-	-	4,084
Debt securities in issue	-	-	566	-	-	44,567	-	45,133
Insurance contract liabilities	-	-	-	-	-	-	5,634	5,634
Subordinated liabilities	-	-	229	-	-	7,713	-	7,942
Total financial liabilities	611	4,468	6,977	-	2,475	162,353	5,634	182,518

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

	31 December 2009		31 March 2009	
	Fair values €m	**Contractual amount due on maturity €m**	Fair values €m	Contractual amount due on maturity €m
Deposits from banks	2	2	92	92
Customer accounts	1,720	1,775	2,006	2,085
Liabilities to customers under investment contracts	5,050	5,050	4,084	4,084
Debt securities in issue	472	494	566	526
Subordinated liabilities	229	264	229	240
Financial liabilities designated at fair value through profit or loss	7,473	7,585	6,977	7,027

For financial assets and liabilities which are recognised and subsequently measured at fair value through profit or loss or through other comprehensive income, a description of the methods and assumptions used to calculate those fair values is set out in note 47.

49 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances:

	31 December 2009 €m	31 March 2009 €m
Cash and balances at central banks	4,241	3,224
Loans and advances to banks (with an original maturity of less than 3 months)	4,946	4,035
Cash and cash equivalents	9,187	7,259

50 General

In accordance with Section 148(8) of the Companies Act, 1963 and Section 7(1A) of the Companies (Amendment) Act, 1986, the Bank is availing of the exemption of presenting its individual income statement to the Annual General Court and from filing it with the Registrar of Companies. The Bank's loss for the financial year determined in accordance with IFRS is €1,861 million (31 March 2009: €193 million as restated to reflect the impact of the adoption of 'Amendments to IFRS2 Share-based Payment Vesting Conditions and Cancellations'). Further information on this is shown on page 158.

51 Related party transactions

The parent company of the Group is the Governor and Company of the Bank of Ireland (referred to throughout as the "Bank"), which is a corporation established in Ireland in 1783 under Royal Charter with primary listings on both the Irish and London Stock Exchanges.

A number of banking transactions are entered into between the Governor and Company and its subsidiaries in the normal course of business. These include loans, deposits and foreign currency transactions; the volumes outstanding at the year end are set out in notes f, g, o and p of the Bank financial statements.

(a) Associates and joint ventures
The Group provides and receives from its associates and joint ventures certain banking and financial services on similar terms to third party transactions which are not material to the Group. These include loans, deposits and foreign currency transactions; the volumes outstanding at the year end are set out in notes f, g, o and p of the Bank financial statements.

(b) Irish Government
During the year ended 31 March 2009, the Irish Government through both the Bank's participation in the Government Guarantee Scheme and the recapitalisation through the NPRFC became a related party of the Bank. For further details on the Government Guarantee Scheme and on the recapitalisation see note 55.

On 22 February 2010 ordinary stock was issued to the NPRFC. Information on this post balance sheet event is shown in note 56.

Although there are other arms of the Irish Government with which the Bank has a related party relationship, these are not disclosed as they are in the ordinary course of business, were in place prior to the Irish Government becoming a related party of the Bank and the information is not material on a quantitative or qualitative basis, either separately or in aggregate.

National Asset Management Agency (NAMA): please see note 26 for details on NAMA.

51 Related party transactions (continued)

National Asset Management Agency Investment Limited (NAMAIL)

On 30 March 2010, the Group, through its wholly-owned subsidiary New Ireland Assurance Company plc, acquired 17 million B shares in NAMAIL, corresponding to one-third of the 51 million B shares issued by NAMAIL. The balance of the B shares are held in equal proportion by Irish Life Assurance and major pension and institutional clients of AIB Investment Managers. The cost to the Group of acquiring these B shares was €17 million. NAMAIL have also issued the 49 million A shares to NAMA. As a result the Group will hold 17 per cent of the total ordinary share capital of NAMAIL. NAMAIL is expected to be a holding company and its subsidiaries are expected to be the entities to which NAMA Participating Institutions will transfer Eligible Bank Assets.

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

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

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

(c) Pension funds

The Group provides a number of normal banking and financial services to various pension funds operated by the Group for the benefit of its employees (principally for the Bank Staff Pension Fund ("BSPF")), which are conducted on similar terms to third party transactions and which are not material to the Group. Further details on retirement benefit obligations are set out in note 43.

The Group occupies a number of premises owned by the Group's various pension schemes; the total value of these properties at 31 December 2009 is €25 million (ended 31 March 2009: €28 million).

The total rental income paid to the Group's pension scheme during the nine months ended 31 December 2009 was €1.6 million (31 March 2009: €2.5 million).

During the nine months ended 31 December 2009, fees of €3.8 million (year ended 31 March 2009: €4.8 million) were paid to the Group by the BSPF.

At 31 December 2009 €2,604 million (31 March 2009: €2,102 million) of the BSPF assets were managed by Bank of Ireland Asset Management Limited.

51 Related party transactions (continued)

(d) Transactions with Key Management Personnel

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 are the Court of Directors and any past Directors who were Directors during the relevant period. For the purposes of IAS 24 Related Party Disclosures, "key management personnel" (KMP) comprise the Directors of the Court, the members of the Group Executive Committee (GEC), the Group Secretary and the Group Legal Adviser (for part of the relevant period) and any past KMP who was a KMP during the relevant period. In addition to the Executive Directors, the GEC comprises the Group Chief Governance Risk Officer, the Chief Credit and Market Risk Officer, the Head of Group HR and the Head of Group Manufacturing.

Directors' emoluments are set out in the Remuneration Report on pages 119 to 130 and details of compensation paid to key management personnel are provided below.

Companies Acts disclosure Loans	Balance as at 1 April 2009 €'000	[2]Balance as at 31 December 2009 €'000	**[†]Aggregate maximum amount outstanding during the 9 months ended 31 December 2009 €'000
Current Directors			
R Boucher			
Mortgage total	257	235	257
Other loans total*	758	708	758
Credit cards total	-	3	13
Total	1,015	946	1,028
T Considine			
Credit cards total	1	1	4
Total	1	1	4
D Crowley			
Mortgage total	642	614	642
Other loans total	25	18	25
Credit cards total[1]*	3	14	36
Current account total[1]	-	-	2
Total	670	646	705
D Donovan			
Credit cards total	2	-	2
Total	2	-	2
P Haran			
Mortgage total	131	120	131
Credit cards total	-	2	9
Current account total	-	-	1
Total	131	122	141
J Kennedy			
Mortgage total	1,299	1,301	1,301
Other loans total	135	98	135
Credit cards total	-	-	4
Current account total	-	-	2
Total	1,434	1,399	1,442

**[†] Items explained on page 250.

51 Related party transactions (continued)

	Balance as at 1 April 2009 €'000	[2]Balance as at 31 December 2009 €'000	**[†]Aggregate maximum amount outstanding during the 9 months ended 31 December 2009 €'000
D McCourt			
Mortgage total	346	348	348
Other loans total	44	45	45
Credit cards total	-	3	3
Total	390	396	396
H A McSharry			
Mortgage total	139	120	139
Credit cards total	2	5	5
Total	141	125	144
P Molloy			
Other loans total	500	500	500
Credit cards total[1]	6	7	7
Total	506	507	507
T Neill			
Credit cards total	1	3	11
Total	1	3	11
J O' Donovan			
Credit cards total[1]	2	2	4
Total	2	2	4
J Walsh			
Credit cards total	2	1	5
Total	2	1	5
Past Directors			
R Burrows			
Credit cards total	5	-	5
Current Account total[1]	-	-	14
Total	5	-	19
G Magan			
Other loans total*	2,149	2,255	2,260
Credit cards total	1	-	4
Total	2,150	2,255	2,264

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.
D Dilger, D Holt, R Hynes and P O'Sullivan had no loans with the Group during the nine months ended 31 December 2009.

* *Currency converted at 1 April 2009 rate, 31 December 2009 rate and average rate for the nine month period.*
[1] *On terms similar to those available to staff generally.*
[2] *Balance includes principal and interest.*
**[†] *Items explained on page 250.*

51 Related party transactions (continued)

	Balance as at 31 December 2009 €'000	**†Maximum amounts outstanding during the during the 9 months ended 31 December 2009 €'000	Number of persons as at 31 December 2009
Connected Persons[3] of the following directors:			
D Crowley	3	3	1
P Molloy	1	7	2

The above arrangements are on favourable terms similar to those available to staff generally.

[3] *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.*

All Directors have other transactions with the Bank. The nature of these transactions includes investments, pension funds, deposits, life assurance and current accounts with credit balances. The balances on these accounts are included in the aggregate figure for deposits on the following page.

Guarantees amounting to €1.14 million at 31 December 2009 (the comparative figure for 31 March 2009 has been adjusted from €0.85 million to €1.14 million) in favour of the Group have been entered into by three Directors and the Group has entered into guarantees in favour of two Directors amounting to €0.08 million at 31 December 2009 (the comparative figure for 31 March 2009 has been adjusted from €0.05 million to €0.13 million). The Group has entered into a guarantee in favour of a) a business entity of one Director amounting to €0.80 million which is backed by collateral in the form of a cash deposit amounting to €0.80 million and b) the connected person of one Director amounting to €0.02 million (the comparative figure for 31 March 2009 has been adjusted from nil to €0.02 million). There were no calls on these guarantees during the period 31 March 2009 and 31 December 2009.

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

IAS 24 "Related party disclosures"

Key management personnel including Directors hold products with Group companies in the ordinary course of business. All loans to Non-Executive Directors are made in the ordinary course of business on substantially the same terms (except as indicated by [1] above), 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 (except as indicated by [1] above). 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 persons concerned, in respect of all loans, quasi-loans and credit transactions between the Bank and its key management personnel, as defined above, including members of their close families and entities influenced by them together with the disclosure of the year end balances and maximum amounts outstanding during the year are shown in the table on the following page.

51 Related party transactions (continued)

IAS 24 Disclosure Key Management Personnel	Balance as at 1 April 2009 €'000	Balance as at 31 December 2009 €'000	**†Maximum amounts outstanding during the period €'000	Number of persons as at 1 April 2009	Number of persons as at 31 December 2009
Loans	9,301	10,458	11,551	20	22
Deposits	17,991	20,514	32,584	21	26

† *These figures include credit card exposures at the maximum statement balance. In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €30,000.*

** *The maximum amount outstanding was calculated using the maximum balance on each account. The single highest maximum outstanding liability during the year ended 31 December 2009 for any member of key management personnel did not exceed €2.3 million. In some cases with credit transactions (i.e. funds based products, life assurance and other policies) the maximum balance amounts were not available and the greater of the balance at the start of the period and the balance at the end of the period has been included as the maximum balance amount. The closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.*

The comparative figure for loans has been adjusted from €8.327 million to €9.301 million. The comparative figure for deposits has also been adjusted from €14.548 million to €17.991 million. This restatement arises as a result of improvements to the bank's procedures for identification of balances relating to persons or entities connected to Directors.

Included in the above figures are loans to key management personnel (other than Non-Executive Directors) on terms similar to those available to staff generally, amounting to €1.881 million, (31 March 2009: €1.113 million).

There are no provisions in respect of any failure or anticipated failure to repay any of the above loans or interest thereon.

(e) Compensation of key management personnel	31 December 2009 €'000	31 March 2009 €'000
Remuneration		
Salaries and other short term benefits [1]	5,591	9,951
Post employment benefits [2]	2,039	876
Payment in lieu of notice	412	1,462
Equity compensation benefits [3]	-	1,973
Total remuneration before amounts waived	8,042	14,262
Amounts waived [4]	(237)	-
	7,805	14,262

[1] *Comprises gross salary, fees, bonus, cash in lieu of pension, car allowance and other short term benefits paid in the period. A bonus was paid to only one individual and in line with their contractual position. The individual was not an Executive Director.*
[2] *This comprises Employer contributions to pension funds.*
[3] *This includes the value of awards made under the Group's executive share option scheme, Save As You Earn schemes, LTIP, Staff Stock Issue in Ireland and Stock Incentive Plan in UK which are described further in note 45.*
[4] *The Executive Directors and members of the GEC who were in office on 1 May 2009 agreed to waive an amount equal to at least 10% of their salary for one year with effect from 1 May 2009. The total amount waived in the nine month period ended 31 December 2009 was €236,866.*

52 Principal undertakings

The principal Group undertakings at 31 December 2009 were:

Name	Principal activity	Country of incorporation	Statutory year end
Bank of Ireland International Finance Limited*	International asset financing	Ireland	31 March
Bank of Ireland (IOM) Limited	Retail banking	Isle of Man	31 March
Bank of Ireland Life Holdings Limited*	Life assurance and pensions	Ireland	31 December
Bank of Ireland Mortgage Bank*	Mortgage lending and mortgage covered securities	Ireland	31 March
First Rate Enterprises (UK) Limited[1]	Foreign exchange	England	31 March
ICS Building Society*	Building society	Ireland	31 December
Midasgrange Limited (t/a Post Office Financial Services, POFS)[2]	Retail financial Services	England	31 March

* *Direct subsidiary of the Governor and Company of Bank of Ireland*

[1] *This entity is a joint venture with the UK Post Office, in which the Group holds 50% of the equity of the business.*

[2] *This is a venture with Post Office Limited in the UK in which the Group holds 50.1% of the equity of the business.*

All the Group undertakings are included in the consolidated accounts. Unless stated otherwise, the Group owns 100% of the equity of the principal Group undertakings and 100% of the voting shares of all these undertakings and in the case of ICS Building Society, 100% of the investment shares.

The addresses of the above undertakings are given on pages 307 to 310.

In presenting details of the principal subsidiary undertakings, the exemption permitted by Regulation 10 of the European Communities (Credit Institutions: Accounts) Regulations, 1992 has been availed of and the Bank will annex a full listing of Group undertakings to its annual return to the Companies Registation Office.

Bank of Ireland Mortgage Bank (BoIMB)
BoIMB's principal activities are the issuance of Irish residential mortgages and mortgage covered securities in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007. Such loans may be made directly by the Bank or may be purchased from Bank of Ireland and other members of the Group or third parties.

At 31 December 2009, the total amount outstanding in respect of mortgage covered securities issued was €9 billion (31 March 2009: €10 billion). At 31 December 2009, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €12.7 billion (31 March 2009: €12.7 billion).

From time to time, BoIMB issues other debt securities comprising the BoIMB's obligation to the Central Bank and Financial Services Authority of Ireland (CBFSAI) under the terms of the Mortgage Backed Promissory Note (MBPN) programme. At 31 December 2009 there were €3.5 billion such debt securities in issue (31 March 2009: €3 billion). These obligations had been secured by way of a first floating charge to the CBFSAI over all its right, title, interest and benefit, in a relevant amount of loans and advances to customers. The bank had 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 prior written consent of the CBFSAI. The deed of floating charge was executed by BoIMB and dated 5 July 2004 in favour of the Central Bank and Irish Financial Services Regulatory Authority. The mortgages in the MBPN programme were secured by a floating charge over Irish Residential Mortgage Credit Assets which were not in the covered assets pool.

53 Other subsidiaries

The Group has a number of subsidiaries where it does not own more than half of the voting power in the company but which are consolidated. Details of these subsidiaries are listed below.

Activity	Company	31 December 2009 Gross assets m	31 December 2009 Notes in issue m	31 March 2009 Gross assets m	31 March 2009 Notes in issue m
Acquiring mortgage loans and other financial assets and issuing mortgage backed securities.	Brunel	£3,451	£3,354	£4,063	£3,966
	Colston No 1 PLC[1]	£4,093	£3,500	£4,362	£3,756
	Colston No 2 PLC[1]	£4,408	£3,909	£4,721	£4,202
	Colston No 3 PLC[1]	£4,493	£3,863	£4,724	£4,086
	Colston No 4 PLC[1]	£4,276	£3,526	£4,482	£3,716
	Kildare Securities Limited	€1,937	€1,892	€2,100	€2,115
	Melepard CDO 1 Limited[1]	€1,188	€1,208	€1,203	€1,208
	Morrigan CMBS I Limited[1]	€1,757	€1,755	€1,755	€1,755
	Morrigan CMBS 2 plc[1]	£762	£776	£776	£776
	Pirus Securities Limited[1]	€2,020	€1,688	€2,052	€1,721
Acquiring other financial assets and issuing debt securities.	Avondale Securities[3]	€829	€318	€833	€377
Acquiring a pool of acquisition finance loans assets which it has issued a series of loan notes to finance.	Partholon CDO 1 plc[2]	€371	€404	€398	€408

Under IFRS accounting rules all the assets of these companies are consolidated in the Group's financial statements and are collateral for the obligations of the companies above. The creditors of these companies have no recourse to the general credit of the Group.

1 *The Group holds all the notes issued by these companies.*
2 *The Group holds 25% of the subordinated loan notes. The Group also holds €30 million of AAA rated notes which it intends to hold until maturity. This investment is eliminated on consolidation.*
3 *The asset backing Avondale Securities' notes consists of future cash-flows arising from a defined block of unit-linked insurance and investment policies which are held on the balance sheet of a related group company, Bank of Ireland Life. At an interest rate of 1.36%, the present value of the defined block of policies is €829 million at 31 December 2009 and was €833 million at 31 March 2009.*

Activity	Company	31 December 2009 Gross assets m	31 December 2009 Borrowings m	31 March 2009 Gross assets m	31 March 2009 Borrowings m
Acquiring mortgage loans and other financial assets and guaranteeing mortgage backed securities issued by Bank of Ireland.	Bank of Ireland Covered Bonds LLP	£4,615	£4,500[1]	£4,951	£4,500

1 *All the borrowings of Bank of Ireland Covered Bonds LLP have been advanced by other Group compaines.*

54 Life assurance business

Value of In Force Life Assurance Business	31 December 2009 €m	31 March 2009 €m
At beginning of period	468	548
Income statement movement in value of in force (gross of tax)	29	(80)
At end of period	497	468

54 Life assurance business (continued)

The Group recognises as an asset the value of in force assurance business in respect of insurance contracts. The value of in force asset has been calculated in accordance with the achieved profits embedded value methodology in the Statement of Recommended Practice issued by the Association of British Insurers which came into force in 2002. The value of in force asset, which is presented gross of attributable tax, represents the present value of future profits expected to arise from these contracts as at the balance sheet date. It is determined by projecting future surpluses and other cash flows arising from insurance contracts and discounting at an appropriate rate. The useful life of the asset is based on the length of the underlying individual policies upon which the asset is calculated. This useful life is expected to be 6.77 years (31 March 2009: 6.83 years).

The key economic assumptions used in the calculation of the value of in force business are set out below:

	31 December 2009	31 March 2009
Risk discount rate	8.25%	9.0%
Unit growth rate	6.5%	7.25%
Shareholder tax rate	12.5%	12.5%

The process used in determining the key economic and experience assumptions is set out below:

Risk discount rate: The risk discount rate is the rate used to discount the surpluses that will arise on insurance business in the long term fund. The rate reflects the yield available on Government bonds of appropriate duration plus a risk margin.

Unit growth rate: The unit growth rate is the assumed rate of return on the Company's unit linked assets before taxation and management fees in future years. The growth rate reflects the mix of assets held.

Shareholder tax rate: The current rate of corporation tax is assumed to be maintained over the term of the business. Deferred tax is allowed for on the release of retained surplus in the life business.

Mortality and morbidity: Mortality and morbidity assumptions, which include allowances for improvements in longevity for annuitants, are set by reference to the Group's actual experience and / or relevant industry data.

Persistency: Persistency rates refer to the rate of policy termination for insurance policies. These rates are based on historical experience and management's views on future experience.

Maintenance expenses: Allowance is made for future policy costs by reference to current and expected future costs. Explicit allowance is made for future expense inflation.

Sensitivities

The table below indicates the stand alone impact of changes in the key assumptions on profit after tax and shareholder equity.

	31 December 2009	31 March 2009
1% increase in risk discount rate	(€27 million)	(€24 million)
1% decrease in risk discount rate	€30 million	€26 million
10% improvement in mortality	€10 million	€12 million
10% deterioration in persistency	(€18 million)	(€17 million)
5% improvement in maintenance expenses	€6 million	€6 million
1% increase in equity markets	€2 million	€2 million

While the table above shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

55 Summary of relations with the Irish Government

(a) Guarantee schemes

Credit Institutions (Financial Support) Scheme 2008

On 24 October 2008, four of the Group's entities elected to participate in the above scheme. Under the scheme the Irish Government has guaranteed relevant deposits and debt securities raised by Irish covered institutions[1] until 29 September 2010. The entities participating are the Governor and Company of the Bank of Ireland, Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland (IOM) Limited.

The following are the specific liabilities covered as set out in the Scheme rules:

- all retail and corporate deposits (to the extent not covered by existing deposit protection schemes in Ireland or any other jurisdiction);
- interbank deposits;
- senior unsecured debt;
- covered bonds (including asset covered securities); and
- dated subordinated debt (Lower Tier 2).

Any intergroup borrowing and any debt due to the European Central Bank arising from Eurosystem monetary operations is excluded.

A number of conditions have been imposed on covered institutions under the Scheme including inter alia, conditions that regulate the commercial conduct of their business, having regard to capital ratios, market share and balance sheet growth. This is in order to minimise any potential competitive distortion that may arise and to avoid any abuse of the guarantee or any use in a manner irreconcilable with the purpose of the guarantee. These conditions are set out in the Scheme.

Covered institutions are be subject to particular reporting requirements to enable the Financial Regulator and the Minister for Finance to monitor compliance with the Scheme and the achievement of its purposes.

A quarterly charge is payable to the Irish Government under the scheme. This amounted to €105 million for the nine months ended 31 December 2009 (€66 million for the six months to 31 March 2009).

At 31 December 2009, liabilities of €98.6 billion (31 March 2009: €105.9 billion) were guaranteed under this scheme.

Credit Institutions (Eligible Liabilities Guarantee) Scheme

On 9 December 2009 the Credit Institutions (Eligible Liabilities Guarantee) Scheme (the "ELG Scheme") was introduced. The purpose of the ELG scheme was to update and revise the current bank guarantee under the Credit Institutions (Financial Support) Scheme 2008 (the "2008 Scheme").

The ELG Scheme is subject to ongoing six monthly approval by the European Commission in accordance with EU State aid rules.

Eligible liabilities include:

- deposits to the extent not covered by deposit protection schemes in Ireland (other than the 2008 scheme) 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 (2008/C 270/02) and subject to prior consultation with the EU Commission.

From the time that a participating institution joins the ELG Scheme, only covered liabilities of that participating institution (as defined in the CIFS Scheme) in existence or contracted for prior to that time will continue to be guaranteed under the CIFS Scheme. All such then-existing covered liabilities will remain guaranteed until 29 September 2010 under the CIFS Scheme. From the time that a participating institution joins the ELG Scheme, any liabilities incurred or contracted for thereafter by that participating institution may be guaranteed under the ELG Scheme only.

A fee is payable to the Minister for Finance in respect of each liability guaranteed under the ELG Scheme.

[1] *Defined in Capital Stock and Government Guarantee – Defined Terms, section of Other Information, page 303.*

55 Summary of relations with the Irish Government (continued)

On 11 January 2010, the Group became a participating institution under the ELG Scheme.

Participating institutions are also required to indemnify the Minister for Finance for any costs and expenses incurred by the Minister and for any payments made by the Minister under the Scheme which relate to the participating institution's guarantee under the ELG and CIFS Schemes.

European Communities (Deposit Guarantee Schemes) Regulations, 1995
Under the European Communities (Deposit Guarantee Schemes) Regulations, 1995 (the 'Deposit Protection Scheme') as amended by the Irish Government on 20 September 2008, deposits of up to €100,000 per depositor per licensed institution regulated by the Irish Financial Regulator are guaranteed.

This Scheme covers:
- current accounts;
- demand deposit accounts; and
- term deposit accounts.

The level of contribution required from each credit institution is 0.2% per annum of eligible deposits held at all branches of the credit institution.

Deposits held in the Isle of Man benefit from the depositor compensation scheme in that jurisdiction which covers the first £50,000 of each deposit.

(b) 2009 Preference Stock
Against the backdrop of both higher market expectations for capital ratios and the Bank's revised estimates for loan impairment charges the Government announced on 11 February 2009 its decision to invest in Bank of Ireland. This was achieved by the issue of and subscription by the NPRFC for 3.5 billion units of 2009 preference stock and by the issue of warrants to the NPRFC on 31 March 2009.

Application of the €3.5 billion proceeds of 2009 preference stock and warrants was as follows:

	€m
Capital Stock	35
Stock Premium	3,317
Other equity reserves:	
Core tranche warrants	50
Secondary tranche warrants	60
Transaction expenses	38
	3,500

Of the €38 million in transaction expenses €30 million was paid to the NPRFC.

The 2009 preference stock is perpetual.

The 2009 preference stock entitles the NPRFC to receive a non-cumulative cash dividend at a fixed rate of 8 per cent of the issue price per annum, payable annually in arrears on 20 February at the discretion of the Bank. If a cash dividend is not paid by the Bank, the Bank shall issue units of ordinary stock to the NPRFC.

The number of units of ordinary stock that the Bank would be required to issue in the event of non-payment of a cash dividend is calculated by dividing the amount of the unpaid dividend by the Thirty Day Average Price[1]. These units will be settled on a day determined by the Bank, in its sole discretion, provided that this must occur no later than the day on which the Bank subsequently redeems or repurchases or pays a dividend on the 2009 preference stock or any class of capital stock.

[1] *Defined in Capital Stock and Government Guarantee – Defined Terms, section of Other Information, page 303.*

55 Summary of relations with the Irish Government (continued)

If the dividend on the 2009 preference stock is not paid in any particular year, the Bank is precluded from paying any dividend on ordinary stock until the Bank resumes the payment of dividends on the 2009 preference stock in cash. The Bank will also be precluded from paying any dividend on ordinary stock where the payment of such a dividend would reduce the distributable reserves of the Bank to such an extent that the Bank would be unable to pay the next dividend due for payment on the 2009 preference stock.

For information on the February 2010 dividend, refer to note 56.

The repayment of the capital paid up (inclusive of premium) on the 2009 preference stock ranks pari passu with the repayment of the paid up nominal value (excluding premium) of the ordinary stock on a winding up or other return of capital of the Bank.

The 2009 preference stock ranks ahead of ordinary stock as regards dividends and the repayment of premium on the ordinary stock on a winding up or other return of capital of the Bank. It ranks pari passu as regards dividends with other stock or securities which constitute core tier 1 capital of the Bank (other than ordinary stock and other than dividends to Minority Interests).

The 2009 preference stock is transferable in minimum lots of 50,000 units. If transferred to a person who is not a Government Entity[1], it will cease to carry any voting rights or the right to appoint Directors to the Court referred to below.

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

While the 2009 preference stock is held by a Government Entity, the Minister for Finance[1] will have the right to directly appoint 25 per cent of the Directors of the Bank (such 25 per cent to include any Directors nominated by the Minister for Finance pursuant to the Government Guarantee Scheme[1]).

If the ordinary stock to be issued in the event of non-payment of cash dividends on the 2009 preference stock is not settled on the dividend payment date to which it relates, the NPRFC is entitled to exercise the voting rights of that as yet unissued ordinary stock from the dividend payment date (although such voting rights will have no effect on the Bank's unfettered discretion in respect of (i) the payment of dividends on the 2009 preference stock or any other securities of the Bank ranking pari passu with, or junior to, the 2009 preference stock or the issuance of ordinary stock in the event of non-payment of cash dividends on the 2009 preference stock; or (ii) the redemption or repurchase of the 2009 preference stock or any other securities of the Bank ranking pari passu with, or junior to, the 2009 preference stock).

The 2009 preference stock carries voting rights equivalent to 25 per cent of the total voting rights on any resolution proposed at a General Court of the Bank in relation to the appointment or removal of a Director of the Bank (inclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of ordinary stock obtained through or in relation to the investment by the NPRFC and any voting rights obtained through the as yet unissued ordinary stock (as defined above)).

The 2009 preference stock carries voting rights equivalent to 25 per cent of the total voting rights in relation to any Control Resolution[1] (exclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of ordinary stock obtained through or in relation to the Investment by the NPRFC).

While the NPRFC or a Government Entity holds the 2009 preference stock or (if later) until the Warrants are exercised, the implementation of any existing, or the adoption of any proposed, Capital Stock Resolution[1] shall be subject to the prior written consent of the Minister for Finance.

[1] Defined in Capital Stock and Government Guarantee – Defined Terms, section of Other Information, page 303.

55 Summary of relations with the Irish Government (continued)

In connection with the investment by the NPRFC the Bank has agreed to implement a Banks Customer Package, including:
(a) Increasing Credit Capacity to SME and first-time buyers.
(b) Establishing an Environmental and Clean Energy and Innovation Fund.
(c) Complying with new Codes of Practice in relation to lending to SME and Mortgage Arrears.
(d) Engaging with the Financial Regulator in relation to improving customer communications and financial education.
(e) Participating in an independent review of credit availability.
(f) Working with the IDA, Enterprise Ireland and with State agencies to ensure the supply of appropriate finance to contractors engaged on major projects sponsored by those agencies.
(g) Providing additional funds for venture capital.
(h) Ensuring prompt payment arrangements in future customer contracts.

Overview of Banks' Commitments to SME sector

In his speech on 30 March 2010, the Minister for Finance announced a range of additional commitments for banks to support the SME sector. While the detail of these commitments remains to be finalised, they would require the Group to:

- make available for targeted lending not less than €3 billion for new or increased credit facilities to SMEs in both 2010 and 2011, to include funds for working capital for businesses. The Minister stressed that credit should only go to viable businesses.
- make available €20 million for Seed Capital to be provided to Enterprise Ireland supported ventures, building on programme launched in 2009
- set-up a new fund of €100 million for Environmental, Clean Energy and Innovation Projects
- commit resources to work with Enterprise Ireland and the IBF to develop sectoral expertise in the modern growth sectors of the Irish economy;
- explore with Enterprise Ireland and the IBF how best to develop the range of banking services that Irish SMEs trading internationally will need; and
- develop expertise and bring forward new credit products in areas where cashflow, rather than property or assets, is the basis for business lending

The Group is required to submit SME lending plans both by geography and sector for 2010 and 2011 in relation to the €3 billion target within a six week period.

Furthermore, as for other Irish banks, the Group will be subject to a Credit Review process whereby borrowers who have had credit refused or withdrawn can apply for an independent review of the Group's decision. Where the Independent Reviewer recommends that credit should be granted, the Group is required to comply with the recommendation or explain why it will not do so.

For further information refer to www.finance.gov.ie

The Warrants
The Bank also entered into a Warrant Instrument on 31 March 2009 pursuant to which the Bank issued 334,737,148 Warrants to the NPRFC. Under the terms of the Warrants, the NPRFC will be entitled to subscribe for units of ordinary stock on the basis of one unit of ordinary stock for each individual Warrant.

The Warrants, if exercised in full, will entitle the NPRFC to acquire 334,737,148 units of ordinary stock, equivalent to 25 per cent of the existing stock as at 31 March 2009 as enlarged by the ordinary stock issuable on exercise of the Warrants.

The NPRFC shall be entitled to exercise no more than 50 per cent of the voting rights attaching to any units of ordinary stock which are issued as a result of the exercise of the Warrants.

The Warrants will be exercisable on the earlier of (i) at any time between the fifth and tenth anniversary of the date of issue of the new preference stock (31 March 2009); and (ii) any offer (within the meaning of the Takeover Panel Act 1997) for the Bank or other change of Control event in respect of the Bank.

The exercise price per unit of ordinary stock issued pursuant to the Warrants will be €0.52 for 177,213,784 units of ordinary stock ("the core tranche warrants") and €0.20 for 157,523,364 units of ordinary stock ("the secondary tranche warrants"). Any difference between

55 Summary of relations with the Irish Government (continued)

the exercise price and the nominal value of the ordinary stock (being €0.64) shall be paid up from the Bank's undistributable reserves (including the Stock Premium Account) or (subject to there being no contravention of the rights of other stockholders) from the Bank's distributable reserves.

If the units of ordinary stock issued on exercise of the Warrants are transferred to any third party (other than a Government Entity), full voting rights will attach to those units.

From 1 January 2010, the Warrants are unaffected by any repurchase of the 2009 preference stock.

The number of units of ordinary stock which may be acquired pursuant to the exercise of the Warrants are subject to anti-dilution protection in line with market norms for warrants. Accordingly, the Warrants will be proportionately adjusted for any increase or decrease in the number of outstanding units of ordinary stock in issue resulting from a subdivision or consolidation of units of ordinary stock. The Warrants will also be proportionally adjusted for any capital distributions by the Bank and for certain bonus issues or rights issues by the Bank.

The Warrants are not transferable, other than to a Government Entity.

The exercise of the Warrants will result in the dilution of existing ordinary stockholders' proportionate ownership and voting interests in the Bank.

(c) National Asset Management Agency (NAMA)
Please refer to note 26 for details on NAMA.

(d) National Asset Management Agency Investment Limited (NAMAIL)
Please refer to note 51 for details on NAMAIL.

56 Post balance sheet events

(a) Discretionary Coupon Payments

On 19 January 2010, the Group advised the Stock Exchange that the EU Commission had indicated that, in line with its policy and pending its assessment of the Group's restructuring plan (which is required in compliance with EU State aid rules), that the Group should not make coupon payments on its Tier 1 and Upper Tier 2 capital instruments unless under a binding legal obligation to do so.

Under the terms of BOI Capital Funding (No. 2) LP US$800 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities ('LP2 Securities'), BOI Capital Funding (No. 3) LP US$400 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities ('LP3 Securities') and BOI Capital Funding (No. 1) LP €600 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities which have the benefits of subordinated guarantees from the Bank it was decided that the non-cumulative distribution on these securities, which would otherwise have been paid on 1 February, 4 February and 3 March 2010 respectively would not be paid.

The effect of this decision by the Group was to trigger the 'Dividend Stopper' provisions of the LP 2 Securities and LP 3 Securities. While these "Dividend Stoppers" remain in force, the Group will be precluded, for a period of one year from and including 1 and 4 February 2010, respectively from declaring and paying any distribution or dividend on its 'Junior Share Capital' and on any 'Parity Security', which currently comprises the Group's ordinary capital stock ('the Ordinary Stock'), the outstanding non-cumulative Euro and Sterling Preference Stock), the Bank of Ireland UK Holdings plc €600 million 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities, the Bank of Ireland UK Holdings plc Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities, and the BOI Capital Funding (No. 4) LP £500 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities and the Irish Government €3.5 billion preference stock ("the 2009 Preference Stock") issued to the NPRFC (for further information on the 2009 Preference Stock see (c) below.

The Group revised its estimates of future cash flows on these subordinated liabilities during 2009, resulting in an adjustment in interest expense in the nine month ended 31 December 2009.

(b) Exchange of Lower Tier 2 Securities

On 11 February 2010, the Group announced that it completed an Exchange Offer for outstanding notes relating to five Lower Tier 2 Securities (three Euro securities and one each in Sterling and US Dollars) with a potential nominal value equivalent to circa €2.9 billion.

The actual securities exchanged had a nominal value equivalent to €1.62 billion. These securities were exchanged at a discount into the following new securities

- €978 million, 10% coupon, maturity 12 February 2020
- £197 million, 10% coupon, maturity 12 February 2020

The gain from the Exchange Offer was approximately €405 million after tax.

Further information on the Group's subordinated liabilities is outlined in note 39.

56 Post balance sheet events (continued)

(c) Issue of Ordinary Stock to the NPRFC

On 22 February 2010, the Bank issued the NPRFC 184,394,378 units of Ordinary Stock being the number of units equal to the aggregate cash amount of the 2010 dividend, on the 2009 preference stock, of €250.4 million divided by 100% of the average price per unit of ordinary stock in the 30 trading days prior to and including 19 February 2010. This equated to a share price of €1.3582. This increased the units of Ordinary Stock of Bank of Ireland in issue to 1,186,611,367. As a result the NPRFC owns 15.73% of the issued Ordinary Stock (excluding the NPRFC Warrant Instrument).

(d) Credit Institutions (Eligible Liabilities Guarantee) Scheme - (ELG)

On 9 December 2009 the Credit Institutions (Eligible Liabilities Guarantee) Scheme (the "ELG Scheme") was introduced. The purpose of the ELG scheme was to update and revise the current bank guarantee under the Credit Institutions (Financial Support) Scheme 2008 (the "2008 Scheme").

On 11 January 2010, the Group became a participating institution under the ELG Scheme. For further information on the scheme see note 55.

(e) National Asset Management Agency (NAMA)

Please refer to note 26 for details on NAMA.

(f) National Asset Management Agency Investment Limited (NAMAIL)

Please refer to note 51 for details on NAMAIL.

57 Approval of financial statements

The Court of Directors approved the financial statements on 30 March 2010.

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Bank balance sheet

as at 31 December 2009

	Notes	31 December 2009 €m	31 March 2009 €m
ASSETS			
Cash and balances at central banks		4,202	3,190
Items in the course of collection from other banks		400	515
Trading securities	c	403	125
Derivative financial instruments	d	5,232	7,511
Other financial assets at fair value through profit or loss	e	70	22
Loans and advances to banks	f	35,540	33,269
Available for sale financial assets	g	21,826	28,223
Loans and advances to customers	h	96,856	110,798
Assets held for sale to NAMA		9,450	-
Shares in Group undertakings	j	2,033	1,309
Intangible assets – other	l	353	376
Property, plant and equipment	m	345	421
Deferred tax assets	u	777	421
Other assets	n	716	1,149
Retirement benefit asset		6	7
Total assets		178,209	187,336
EQUITY AND LIABILITIES			
Deposits from banks	o	43,715	53,353
Customer accounts	p	88,665	84,913
Items in the course of transmission to other banks		198	238
Derivative financial instruments	d	6,496	8,250
Debt securities in issue	q	26,389	27,032
Other liabilities	s	1,983	1,919
Provisions	t	131	85
Retirement benefit obligations		1,480	1,318
Subordinated liabilities	r	5,286	5,297
Liabilities held for sale to NAMA		1	-
Total liabilities		174,344	182,405
Equity			
Capital stock		699	699
Stock premium account		4,090	4,090
Retained earnings		213	2,149
Other reserves		(1,137)	(2,007)
Stockholders' equity		3,865	4,931
Total equity and liabilities		178,209	187,336

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Bank statement of changes in equity

	9 months ended 31 December 2009 €m	Restated* Year Ended 31 March 2009 €m
CAPITAL STOCK		
Balance at the beginning of the period	699	664
Issue of 2009 preference stock	-	35
Balance at the end of the period	699	699
Stock premium account		
Balance at the beginning of the period	4,090	775
Premium on issue of 2009 preference stock	-	3,315
Balance at the end of the period	4,090	4,090
Retained earnings		
Balance at the beginning of the period	2,149	2,817
(Loss)/Profit for period attributable to stockholders	(1,861)	193
Equity dividends	-	(394)
Dividends on other equity interests	(4)	(10)
Loss retained	(1,865)	(211)
Reissue of treasury stock	-	19
Transfer from revaluation reserve	-	4
Transfer from share based payments reserve	11	19
Net actuarial loss on pension funds	(82)	(492)
Reserves transferred to / from other units	-	(7)
Balance at the end of the period	213	2,149
Other Reserves:		
Available for sale reserve		
Balance at the beginning of the period	(1,039)	(286)
Changes in fair value	934	(859)
Deferred tax on fair value changes	(109)	109
Transfer to income statement on asset disposal	(50)	(3)
Balance at the end of the period	(264)	(1,039)
Cash flow hedge reserve		
Balance at the beginning of the period	(577)	(52)
Changes in fair value	(202)	(563)
Transferred to income statement		
- Net interest income	351	(120)
- Net trading expense (foreign exchange)	(40)	57
Deferred tax on reserve movements	(35)	101
Balance at the end of the period	(503)	(577)
Foreign exchange reserve		
Balance at the beginning of the period	(767)	(472)
Exchange adjustments during the period	80	(295)
Other movements		-
Balance at the end of the period	(687)	(767)

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Bank statement of changes in equity (continued)

	Year Ended 31 December 2009 €m	Restated* Year Ended 31 March 2009 €m
Capital reserve		
Balance at the beginning of the period	48	48
Balance at the end of the period	48	48
Share based payments reserve		
Balance at the beginning of the period	33	33
Charge to the income statement	-	19
Transfer to retained earnings	(11)	(19)
Balance at the end of the period	22	33
Revaluation reserve		
Balance at the beginning of the period	71	145
Transfer to retained earnings on sale of property	-	(4)
Revaluation of property	(54)	(94)
Deferred tax on revaluation of property	7	15
Other movement	(1)	9
Balance at the end of the period	23	71
Other equity reserves		
US$150 million capital note		
Balance at the beginning of the period	114	114
Balance at the end of the period	114	114
Core and secondary tranche warrants		
Balance at the beginning of the period	110	-
Issue of warrants	-	110
Balance at the end of the period	110	110
Total other reserves	(1,137)	(2,007)
Total stockholders' equity	3,865	4,931

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Bank cash flow statement

for the nine months ended 31 December 2009

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Cash flows from operating activities		
(Loss) / profit before taxation	(2,369)	195
Dividend received from Group undertakings	(787)	(527)
Depreciation and amortisation	91	154
Impairment of financial assets	3,684	1,524
Impairment of goodwill and other intangible	6	-
Decline in value of property below cost	2	-
Net change in prepayments and interest receivable	183	174
Net change in accruals and interest payable	5	(117)
Loans and advances written off net of recoveries	(112)	(384)
Interest expense on subordinated liabilities and other capital instruments	146	297
Profit on disposal of available for sale financial assets	(50)	(3)
Charge for share based payments	-	3
Charge for provisions	79	68
Charge for retirement benefit obligation	122	144
Impairment of shares in Group undertakings	19	-
Amortisation of premiums and discounts	(10)	(56)
Amortisation of debt issue expenses	2	3
Cash flows from operating activities before changes in operating assets and liabilities	1,011	1,475
Net change in deposits from banks	(9,539)	22,582
Net change in customer accounts	2,760	(29)
Net change in loans and advances to customers	3,508	(5,921)
Net change in loans and advances to banks	(1,140)	(4,566)
Net change in trading securities	(278)	(6)
Net change in derivative financial instruments	528	218
Net change in assets at fair value through profit or loss	(47)	34
Net change in items in the course of collection	78	146
Net change in debt securities in issue	(385)	(19,889)
Net change in other assets	222	(178)
Net change in other liabilities	(111)	(169)
Effect of exchange translation and other adjustments	(1,487)	4,425
Net cash flows from operating assets and liabilities	(5,891)	(3,353)
Net cash flows from operating activities before taxation	(4,880)	(1,878)
Taxation refunded / (paid)	80	(109)
Net cash flows from operating activities	(4,800)	(1,987)
Investing activities (section a)	7,119	(1,278)
Financing activities (section b)	(135)	2,766
Net change in cash and cash equivalents	2,184	(499)
Opening cash and cash equivalents	6,811	7,273
Effect of exchange translation adjustments	(180)	37
Closing cash and cash equivalents (note aa)	8,815	6,811

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Bank cash flow statement (continued)

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
(a) Investing activities		
Additions to available for sale financial assets	(8,426)	(29,389)
Disposal of available for sale financial assets	15,564	27,792
Additions to property, plant and equipment	(10)	(75)
Disposal of property, plant and equipment	3	3
Additions to intangible assets	(41)	(95)
Disposal of intangible assets	-	8
Increase in investment in subsidiaries	(758)	(49)
Dividend received from Group undertakings	787	527
Cash flows from investing activities	7,119	(1,278)
(b) Financing activities		
Reissue of treasury stock	-	19
Issue of new subordinated liabilities	-	565
Reduction in subordinated liabilities	-	(600)
Interest paid on subordinated liabilities	(131)	(274)
Equity dividends paid	-	(394)
Dividends on other equity interests	(4)	(10)
Issue of 2009 preference stock and warrants	-	3,460
Cash flows from financing activities	(135)	2,766

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page 158.*

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Notes to the Bank financial statements

a Comparative period

On 17 February 2010, the Governor & Company of the Bank of Ireland announced that it was changing its fiscal year end from 31 March to 31 December to align its financial calendar with that of its peer banks.

These financial statements cover the nine months period from 1 April 2009 to 31 December 2009, while the comparative period covers the twelve months from 1 April 2008 to 31 March 2009.

b Accounting policies

The Bank financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS, with the European Communities (Credit Instititutions: accounts) Regulations 1992 and with the Asset Covered Securities Acts 2001 to 2007. The EU adopted version of IAS 39 "Financial Instruments — Recognition and Measurement' relaxes some of the hedge accounting rules in IAS 39 "Financial Instruments — Recognition and Measurement". The Bank has not availed of this, hence these financial statements have been prepared in accordance with IFRS as adopted by the EU and IFRS as issued by the IASB.

The financial information has been prepared under the historical cost convention, as modified to include the fair valuation of certain financial instruments and land and buildings. The accounting policies of the parent company are the same as those of the Group which are set out in the Group accounting policies section of the Annual Report on pages 157 to 176 where applicable.

c Trading securities

	31 December 2009 €m	31 March 2009 €m
Debt securities – listed	403	125
Trading securities	403	125

The Bank holds a portfolio of bonds for trading purposes typically taking positions in sovereign, financial and corporate risk with ratings between investment grade AAA and BBB (average rating AA-).

d Derivative financial instruments

Information on derivatives is outlined on note 21 to the consolidated financial statements.

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

31 December 2009	Contract / notional amount €m	Fair Values Assets €m	Fair Values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	33,354	218	454
Currency swaps	943	58	20
Over the counter currency options	1,191	9	10
Total foreign exchange derivatives held for trading	35,488	285	484
Interest rate derivatives			
Interest rate swaps	209,164	1,774	2,658
Cross currency interest rate swaps	13,158	638	820
Forward rate agreements	17,643	14	15
Over the counter interest rate options	8,734	94	87
Total interest rate derivatives held for trading	248,699	2,520	3,580
Equity and commodity contracts			
Equity index linked contracts held	5,493	148	122
Credit derivatives	721	-	-
Total derivative assets / liabilities held for trading	290,401	2,953	4,186
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	35,950	1,018	577
Cross currency interest rate swaps	922	106	3
Total designated as fair value hedges	36,872	1,124	580
Derivatives designated as cash flow hedges			
Interest rate swaps	63,023	1,155	1,729
Cross currency interest rate swaps	-	-	-
Currency forwards	28	-	1
Currency swaps	-	-	-
Total designated as cash flow hedges	63,051	1,155	1,730
Total derivative assets / liabilities held for hedging	99,923	2,279	2,310
Total derivative assets / liabilities	390,324	5,232	6,496
Amounts include:			
Due from / to Group undertakings	33,016	9	535

d Derivative financial instruments (continued)

31 March 2009	Contract / notional amount €m	Fair values Assets €m	Fair values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	34,697	571	362
Currency swaps	804	34	57
Over the counter currency options	1,715	15	16
Total foreign exchange derivatives held for trading	37,216	620	435
Interest rate derivatives			
Interest rate swaps	186,437	3,149	3,115
Cross currency interest rate swaps	18,053	1,158	1,264
Forward rate agreements	15,544	28	31
Over the counter interest rate options	10,582	154	141
Total interest rate derivatives held for trading	230,616	4,489	4,551
Equity and commodity contracts			
Equity index linked contracts held	5,500	141	192
Total derivative assets / liabilities held for trading	273,332	5,250	5,178
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	13,221	298	595
Cross currency interest rate swaps	1,119	119	2
Total designated as fair value hedges	14,340	417	597
Derivatives designated as cash flow hedges			
Interest rate swaps	69,576	1,754	2,357
Cross currency interest rate swaps	2,674	10	38
Currency forwards	6,628	80	80
Currency swaps	-	-	-
Total designated as cash flow hedges	78,878	1,844	2,475
Total derivative assets / liabilities held for hedging	93,218	2,261	3,072
Total derivative assets / liabilities	366,550	7,511	8,250
Amounts include:			
Due from / to Group undertakings	33,061	31	721

Derivatives held for trading above comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Bank does not apply hedge accounting.

As set out in its risk management policy on page 78, the Bank uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivatives assets of €5.2 billion at 31 December 2009 (31 March 2009: €7.5 billion), €3.8 billion (31 March 2009: €5.4 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities.

Placements with other banks includes cash collateral of €1.9 billion (31 March 2009: €1.9 billion) placed with derivative counterparties in respect of the net derivative liability position of €1.4 billion (31 March 2009: €2.1 billion).

Net derivative assets of €2.7 billion (31 March 2009: €2.9 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the balance sheet date. At 31 December 2009 cash collateral of €0.5 billion (31 March 2009: €0.7 billion) was held against these assets and is reported within Deposits from banks (see note o).

d Derivative financial instruments (continued)

The periods in which the hedged cash flows are expected to occur are shown in the table below.

31 December 2009	Up to 1 year €m	Between 1 to 2 years €m	Between 2 to 5 years €m	More than 5 years €m	Total €m
Forecast receivable cash flows	153	393	1,215	517	2,278
Forecast payable cash flows	(168)	(504)	(1,139)	(903)	(2,714)

31 March 2009	Up to 1 year €m	Between 1 to 2 years €m	Between 2 to 5 years €m	More than 5 years €m	Total €m
Forecast receivable cash flows	3,471	298	1,021	920	5,710
Forecast payable cash flows	(6,764)	(1,779)	(1,763)	(1,118)	(11,424)

The hedged cash flows are expected to impact the income statement in the following periods, excluding any hedge accounting adjustments that may be applied:

31 December 2009	Up to 1 year €m	Between 1 to 2 years €m	Between 2 to 5 years €m	More than 5 years €m	Total €m
Forecast receivable cash flows	204	418	1,189	467	2,278
Forecast payable cash flows	(282)	(512)	(1,076)	(844)	(2,714)

31 March 2009	Up to 1 year €m	Between 1 to 2 years €m	Between 2 to 5 years €m	More than 5 years €m	Total €m
Forecast receivable cash flows	3,903	309	1,014	484	5,710
Forecast payable cash flows	(9,079)	(541)	(1,109)	(695)	(11,424)

During the year ended 31 March 2009, the Bank applied hedge accounting to a forecast future borrowing of €252 million, of which €62 million was no longer expected to occur as at 31 March 2009. During the nine month period to 31 December 2009, the remainder of the forecast transaction was no longer expected to occur, and the remaining portion of the cumulative loss on the hedging instrument was reclassified from other comprehensive income to the income statement.

e Other financial assets at fair value through profit or loss

	31 December 2009 €m	31 March 2009 €m
Loans and advances to customers	70	22
Other financial assets at fair value through profit or loss	70	22

f Loans and advances to banks

	31 December 2009 €m	31 March 2009 €m
Placements with other banks	33,277	29,628
Mandatory deposit with central banks	2,022	2,552
Funds placed with central banks	223	1,091
Securities purchased with agreement to resell	20	-
	35,542	33,271
Less allowance for impairment on loans and advances to banks	(2)	(2)
Loans and advances to banks	35,540	33,269
Amounts include:		
Due from Group undertakings	30,875	25,824
Due from associates and joint ventures	-	-

As set out in its risk management policy on page 78, the Bank uses netting arrangements to reduce its exposure to credit losses. Loans and advances with other banks includes money market placements to an international bank counterparty of €nil (31 March 2009: €0.8 billion; 30 September 2008: €1.3 billion), undertaken in the normal course of business, for which a right of set-off in the event of default existed against Deposits from banks of €nil (31 March 2009: €0.8 billion; 30 September 2008: €0.7 billion). In accordance with accounting standards, as there was no intention to settle these balances on a net basis or simultaneously, these balances were recorded as assets and liabilities respectively (see note o).

Placements with other banks includes cash collateral of €1.9 billion (31 March 2009: €1.9 billion) placed with derivative counterparties in relation to net derivative liability positions (see note d).

For the purposes of disclosure of credit risk exposures, Loans and advances to banks are included within Other financial instruments of €63 billion (31 March 2009: €69 billion) in note k on pages 276 to 281.

The Bank has entered into transactions to purchase securities with agreement to resell and has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of this collateral at 31 December 2009 was €21 million (31 March 2009: nil).

g Available for sale financial assets

	31 December 2009 €m	31 March 2009 €m
Government bonds	1,055	2,460
Other debt securities		
– listed	17,624	20,345
– unlisted	3,131	5,417
Equity securities		
– listed	16	1
– unlisted	-	-
Available for sale financial assets	21,826	28,223
Amounts include:		
Due from Group undertakings	2,265	2,916

At 31 December 2009, available for sale financial assets at fair value of €9.8 billion (31 March 2009: €7.6 billion) had been pledged to third parties in sale and repurchase agreements.

The movement on available for sale financial assets is analysed as follows:

	31 December 2009 €m	31 March 2009 €m
At beginning of period	28,223	27,053
Revaluation, exchange and other adjustments	731	(383)
Additions	8,426	29,389
Sales	(3,151)	(5,267)
Redemptions	(12,413)	(22,525)
Amortisation	10	56
Allowance for impairment	-	(62)
Reclassification	-	(38)
At end of period	21,826	28,223

In accordance with the amendment to IAS 39 disclosed in the accounting policies section on page 174, during the year ended 31 March 2009 the Bank reclassified available for sale financial assets with a carrying amount and fair value of €38 million to loans and advances to customers. At the date of this reclassification, the Bank had the intention and ability to hold these assets for the foreseeable future or until maturity. The Bank did not make any such reclassifications in the nine month period ended 31 December 2009.

The table below sets out the relevant carrying amount and fair value:

	31 December 2009 Carrying amounts €m	Fair Value €m	31 March 2009 Carrying amounts €m	Fair Value €m
AFS financial assets reclassified to loans and advances to customers	35	63	38	38

Interest income of €2 million has been recognised in the income statement for the nine months ended 31 December 2009. No impairment charge was taken in the period. If these assets had not been reclassified to loans to customers, no impairment charge would have been taken in the period. If the assets had not been reclassified a fair value gain of €25 million would have been recognised in other comprehensive income.

h Loans and advances to customers

	31 December 2009 €m	31 March 2009 €m
Loans and advances to customers	98,186	110,967
Finance leases and hire purchase receivables	1,082	1,348
	99,268	112,315
Less allowance for impairment charges on loans and advances to customers (note k)	(2,412)	(1,517)
Loans and advances to customers	96,856	110,798
Amounts include:		
Due from Group undertakings	16,623	17,539
Due from associates and joint ventures	-	-

On 31 December 2009, loans and advances to customers of €9,326 million (net of impairment provision of €2,736 million) were reclassified to loans held for sale to NAMA (See note i). The total loans and advances to customers above excludes these amounts.

Finance leases and hire purchase receivables

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed as follows:

	31 December 2009 €m	31 March 2009 €m
Gross investment in finance leases:		
Not later than 1 year	570	641
Later than 1 year and not later than 5 years	602	832
Later than 5 years	5	8
	1,177	1,481
Unearned future finance income on finance leases	(95)	(133)
Net investment in finance leases	1,082	1,348
The net investment in finance leases is analysed as follows:		
Not later than 1 year	524	582
Later than 1 year and not later than 5 years	553	758
Later than 5 years	5	8
	1,082	1,348

The Bank's material leasing arrangements include the provision of instalment credit and leasing for both consumer and commercial customers.

i Assets and liabilities held for sale to NAMA

In April 2009, the Minister for Finance announced that NAMA would be established with the purpose of strengthening the Irish financial sector and the NAMA legislation was enacted into law in November 2009.

The participation of Bank of Ireland in the NAMA programme was recommended by the Court of Directors in the Circular of 18 December 2009. It was approved by the stockholders at an Extraordinary General Court on 12 January 2010. Bank of Ireland's application as a participating institution was approved by the Minister for Finance on 12 February 2010.

Further information on NAMA is shown in note 26.

The gross loans and advances to customers held for sale to NAMA are €12,062 million. Provisions for impairments against these assets at 31 December 2009 amounted to €2,736 million.

Assets held for sale to NAMA (net of impairment provisions)	**31 December 2009 €m**
Loans and advances to customers	
- Retail Republic of Ireland	2,395
- UK Financial Services	2,747
- Capital Markets	4,184
	9,326
Derivative financial instruments held for sale to NAMA	
- Capital Markets	93
Accrued interest income on assets	31
	9,450

Liabilities held for sale to NAMA	**31 December 2009 €m**
Derivative financial instruments	
- Capital Markets	1
	1

31 December 2009	**Contract / notional amount €m**	**Fair Values Assets €m**	**Liabilities €m**
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	2,001	88	-
Over the counter currency options	348	5	1
Total foreign exchange derivatives held for trading	2,349	93	1

j Shares in Group undertakings

	31 December 2009 €m	31 March 2009 €m
At beginning of period	1,309	1,262
Exchange adjustments	(15)	(2)
Increase in investments	758	49
Impairment in investments	(19)	-
At end of period	2,033	1,309
Group undertakings of which		
- Credit Institutions	635	635
- Others	1,398	674
	2,033	1,309

k Credit risk exposures

The following tables should be read in conjunction with the credit risk information contained in the Risk Management section on pages 60 to 108.

	31 December 2009 €m	31 March 2009 €m
Maximum exposure to credit risk (before collateral or other credit enhancements)		
Loans and advances to banks (note f)	35,540	33,269
Loans and advances to customers (note h)	96,856	110,798
Assets held for sale to NAMA (note i)	9,450	-
Financial assets at fair value through profit or loss	-	-
- Trading securities (note c)	403	125
- Other financial assets[1]	70	22
Derivative financial instruments (note d)	5,232	7,511
Available for sale financial assets[2] (note g)	21,810	28,222
Other assets[3]	435	570
Total on balance sheet	169,796	180,517
Contingent liabilities and commitments (note v)	22,318	23,608
Total maximum exposure	192,114	204,125

[1] Other financial assets at fair value through profit or loss (see note e).
[2] Available for sale financial assets excludes equity securities (see note g).
[3] Other assets includes interest receivable (see note n).

k Credit risk exposures (continued)

Asset Quality - Loans and advances to customers & loans held for sale to NAMA (Total loans)

The tables and analysis below summarise the Group's Total loans over the following categories: 'neither past due nor impaired', 'past due but not impaired' and 'impaired'. Exposures are based on the gross amount before provisions for impairment.

31 December 2009 Loans and advances to customers	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Financial assets neither past due nor impaired	30,667	37,373	18,978	2,708	89,726
Financial assets past due but not impaired	1,965	606	968	227	3,766
Impaired financial assets	73	2,108	3,208	387	5,776
Total	32,705	40,087	23,154	3,322	99,268

31 December 2009 Loans held for sale to NAMA	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Financial assets neither past due nor impaired	1	97	5,287	-	5,385
Financial assets past due but not impaired	-	2	215	-	217
Impaired financial assets	-	112	6,348	-	6,460
Total	1	211	11,850	-	12,062

31 December 2009 Total loans	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Financial assets neither past due nor impaired	30,668	37,470	24,265	2,708	95,111
Financial assets past due but not impaired	1,965	608	1,183	227	3,983
Impaired financial assets	73	2,220	9,556	387	12,236
Total	32,706	40,298	35,004	3,322	111,330

31 March 2009 Total loans	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Financial assets neither past due nor impaired	29,459	41,526	28,384	3,503	102,872
Financial assets past due but not impaired	1,689	759	1,892	306	4,646
Impaired financial assets	66	898	3,513	320	4,797
Total	31,214	43,183	33,789	4,129	112,315

k Credit risk exposures (continued)

Financial Assets 'neither past due nor impaired': Loans and advances to customers & loans held for sale to NAMA (Total loans)
The tables below provide an analysis of Total loans 'neither past due nor impaired' by asset classification based on an assessment of the credit quality of the borrower.

31 December 2009 Risk profile Loans and advances to customers neither past due nor impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
High quality	30,667	21,633	779	1,730	54,809
Satisfactory quality	-	10,631	11,007	893	22,531
Acceptable quality	-	3,777	6,166	85	10,028
Lower quality but not past due nor impaired	-	1,332	1,026	-	2,358
Total	30,667	37,373	18,978	2,708	89,726

31 December 2009 Risk profile Loans held for sale to NAMA neither past due nor impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
High quality	1	5	524	-	530
Satisfactory quality	-	40	1,974	-	2,014
Acceptable quality	-	32	2,234	-	2,266
Lower quality but not past due nor impaired	-	20	555	-	575
Total	1	97	5,287	-	5,385

31 December 2009 Risk profile Total loans neither past due nor impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
High quality	30,668	21,638	1,303	1,730	55,339
Satisfactory quality	-	10,671	12,981	893	24,545
Acceptable quality	-	3,809	8,400	85	12,294
Lower quality but not past due nor impaired	-	1,352	1,581	-	2,933
Total	30,668	37,470	24,265	2,708	95,111

31 March 2009 Risk profile Total loans and advances to customers neither past due nor impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
High quality	29,459	24,804	2,338	2,211	58,812
Satisfactory quality	-	12,163	17,580	1,057	30,800
Acceptable quality	-	3,878	7,079	211	11,168
Lower quality but not past due nor impaired	-	681	1,387	24	2,092
Total	29,459	41,526	28,384	3,503	102,872

k Credit risk exposures (continued)

Financial Assets 'past due but not impaired': Loans and advances to customers & loans held for sale to NAMA (Total loans)
The tables below provide an aged analysis of financial assets 'past due but not impaired' by asset classification. Amounts arising from operational / timing issues that are outside the control of customers are generally excluded.

31 December 2009 Loans and advances to customers past due but not impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Past due up to 30 days	804	426	495	112	1,837
Past due 31 – 60 days	316	110	324	80	830
Past due 61 – 90 days	184	70	149	29	432
Past due more than 90 days	661	-	-	6	667
Total	1,965	606	968	227	3,766

31 December 2009 Loans held for sale to NAMA past due but not impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Past due up to 30 days	-	2	95	-	97
Past due 31 – 60 days	-	-	15	-	15
Past due 61 – 90 days	-	-	105	-	105
Past due more than 90 days	-	-	-	-	-
Total	-	2	215	-	217

31 December 2009 Total loans past due but not impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Past due up to 30 days	804	428	590	112	1,934
Past due 31 – 60 days	316	110	339	80	845
Past due 61 – 90 days	184	70	254	29	537
Past due more than 90 days	661	-	-	6	667
Total	1,965	608	1,183	227	3,983

31 March 2009 Total loans Past due but not impaired	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Past due up to 30 days	695	375	743	152	1,965
Past due 31 – 60 days	292	179	452	110	1,033
Past due 61 – 90 days	185	148	630	34	997
Past due more than 90 days	517	57	67	10	651
Total	1,689	759	1,892	306	4,646

k Credit risk exposures (continued)

31 December 2009 Impaired financial assets	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Impaired financial assets	73	2,220	9,556	387	12,236
Allowance at beginning of year	49	356	840	272	1,517
Exchange adjustments	2	(2)	22	-	22
Amounts written off	(16)	(34)	-	(62)	(112)
Recoveries	-	-	(1)	2	1
Charge against income statement	50	473	3,005	156	3,684
Other movements	2	26	14	(15)	27
Allowance at end of year	87	819	3,880	353	5,139

31 March 2009 Impaired financial assets	Residential mortgages €m	Non-Property SME and corporate €m	Property and construction €m	Consumer €m	Total €m
Impaired financial assets	66	898	3,513	320	4,797
Allowance at beginning of year	10	163	118	173	464
Exchange adjustments	-	(5)	(6)	2	(9)
Amounts written off	(9)	(289)	(16)	(77)	(391)
Recoveries	3	1	1	2	7
Charge against income statement	46	489	749	176	1,460
Other movements	(1)	(3)	(6)	(4)	(14)
Allowance at end of year	49	356	840	272	1,517

Financial assets renegotiated that would otherwise be past due or impaired

Renegotiated loans are those facilities at 31 December 2009 which if not renegotiated would have been classified as 'impaired' loans or as 'past due but not impaired' loans. The carrying value of these loans at 31 December 2009 is €5,728 million (31 March 2009: €5,661 million) and represents borrowers whose loan terms and conditions have been amended in recognition of a change in the borrowers' circumstances. Renegotiated loans are primarily included in the 'acceptable quality' and lower quality but not 'past due nor impaired' classifications and are not deemed to represent a risk of loss at the reporting date.

Repossessed collateral

During the nine months ended 31 December 2009, the Bank took possession of collateral held as security, as follows:

	31 December 2009 €m	31 March 2009 €m
Residential properties		
- Ireland	-	-
- UK and other	77	73
	77	73

Repossessed properties are sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

k Credit risk exposures (continued)

Asset quality: Other Financial Instruments

Other financial instruments include available for sale financial assets, derivative financial instruments, loans and advances to banks and interest receivable. The table below analyses the Bank's exposure to other financial instruments based on the gross amount before provisions for impairment.

Other financial instruments	**31 December 2009 €m**	31 March 2009 €m
High quality	61,968	65,194
Satisfactory quality	768	3,817
Acceptable quality	217	35
Lower quality but not past due nor impaired	125	30
Neither past due nor impaired	**63,078**	**69,076**
Impaired	9	75
Total	**63,087**	**69,151**

I Intangible assets

	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost				
At 1 April 2009	223	720	56	999
Exchange adjustments	3	5	2	10
Additions	7	33	1	41
Disposals / write-offs	(13)	(41)	-	(54)
Reclassification	(7)	7	-	-
At 31 December 2009	213	724	59	996
Accumulated amortisation				
At 1 April 2009	(182)	(427)	(14)	(623)
Exchange adjustments	(2)	(2)	(1)	(5)
Disposals / write-offs	13	40	(6)	47
Charge for the year	(6)	(53)	(3)	(62)
At 31 December 2009	(177)	(442)	(24)	(643)
Net book value at 31 December 2009	**36**	**282**	**35**	**353**

	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost				
At 1 April 2008	216	708	37	961
Exchange adjustments	(11)	(14)	(5)	(30)
Additions	30	41	24	95
Disposals / write-offs	(12)	(17)	-	(29)
Reclassification	-	2	-	2
At 31 March 2009	223	720	56	999
Accumulated amortisation				
At 1 April 2008	(163)	(367)	(13)	(543)
Exchange adjustments	5	5	2	12
Disposals / write-offs	11	10	-	21
Charge for the year	(35)	(75)	(3)	(113)
At 31 March 2009	(182)	(427)	(14)	(623)
Net book value at 31 March 2009	41	293	42	376

m Property, plant and equipment

	Freehold land and buildings and long leaseholds (at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 April 2009	216	132	598	7	23	976
Exchange adjustments	1	1	5	-	-	7
Additions	-	1	2	-	7	10
Disposals / write-offs	(1)	(2)	(43)	-	-	(46)
Reclassifications	-	2	17	-	(19)	-
Revaluation	(56)	-	-	-	-	(56)
At 31 December 2009	160	134	579	7	11	891
Accumulated depreciation and amortisation						
At 1 April 2009	-	(61)	(488)	(6)	-	(555)
Exchange adjustments	-	-	(4)	-	-	(4)
Disposals / write-offs	-	1	41	-	-	42
Charge for the year	-	(10)	(19)	-	-	(29)
At 31 December 2009	-	(70)	(470)	(6)	-	(546)
Net book value at 31 December 2009	160	64	109	1	11	345

The net book value of property, plant and equipment at 31 December 2009 held at fair value was €160 million, while that held at cost amounted to €185 million.

Property

A revaluation of all Bank property was carried out as at 31 December 2009. All freehold and long leasehold (50 years of more unexpired) commercial properties were valued by Lisneys as external valuers, who also reviewed the valuation of all other property carried out by the Bank's professionally qualified staff. Valuations were made on the basis of open market value.

	31 December 2009 €m	31 March 2009 €m
Future Capital Expenditure		
- contracted but not provided in the financial statements	4	17
- authorised by the directors but not contracted	1	81

m Property, plant and equipment (continued)

	Freehold land and buildings and long leaseholds (at fair value) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on accounts and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 April 2008	291	109	583	7	34	1,024
Exchange adjustments	(3)	(3)	(21)	-	(5)	(32)
Additions	5	8	28	-	34	75
Disposals / write-offs	(1)	-	(14)	-	-	(15)
Reclassifications	20	18	22	-	(40)	20
Revaluation	(96)	-	-	-	-	(96)
At 31 March 2009	216	132	598	7	23	976
Accumulated depreciation and amortisation						
At 1 April 2008	-	(49)	(488)	(6)	-	(543)
Exchange adjustments	-	2	15	-	-	17
Disposals / write-offs	-	-	12	-	-	12
Charge for the year	-	(14)	(27)	-	-	(41)
At 31 March 2009	-	(61)	(488)	(6)	-	(555)
Net book value at 31 March 2009	216	71	110	1	23	421

The net book value of property, plant and equipment at 31 March 2009 at fair value was €216 million, while that held at cost amounted to €205 million.

n Other assets

	31 December 2009 €m	31 March 2009 €m
Interest receivable	435	570
Sundry debtors and other	123	341
Accounts receivable and prepayments	113	159
Current tax asset	45	79
Other assets	716	1,149
Other assets are analysed as follows:		
Within 1 year	716	1,149
After 1 year	-	-
	716	1,149

o Deposits from banks

	31 December 2009 €m	31 March 2009 €m
Deposits from banks	30,455	33,753
Securities sold under agreement to repurchase	12,994	19,508
Other bank borrowings	266	92
Deposits by banks	43,715	53,353
Amounts include:		
Due to Group undertakings	26,114	24,894
Due to associates and joint ventures	13	137

As set out in its risk management policy on page 78, the Bank uses netting arrangements to reduce its exposure to credit losses. Deposits from banks includes money market placements by an international bank counterparty of €nil (31 March 2009: €0.8 billion: 30 September 2008: €0.7 billion), undertaken in the normal course of business, for which a right of set-off in the event of default existed against Loans and advances to banks of €nil (31 March 2009: €0.8 billion: 30 September 2008: €1.3 billion). In accordance with accounting standards, as there was no intention to settle these balances on a net basis or simultaneously, these balances were recorded as liabilities and assets respectively (see note f).

Deposits from banks includes cash collateral of €0.5 billion (31 March 2009: €0.7 billion) received from derivative counterparties in relation to net derivative asset positions (see note d).

The Bank has developed significant pools of eligible collateral from its balance sheet which are capable of being pledged in the secondary market and through the normal market operations of the Monetary Authorities to provide access to secured funding. At 31 December 2009, the net drawings, primarily from Monetary Authorities, were €8 billion (31 March 2009: €17 billion).

p Customer accounts

	31 December 2009 €m	31 March 2009 €m
Term deposits and other products	30,969	33,316
Demand deposits	32,403	27,650
Current accounts	25,293	23,947
Customer accounts	88,665	84,913
Amounts include:		
Due to Group undertakings	11,216	10,074
Due to associates and joint ventures	-	-

At 31 December 2009, the Bank's largest 20 customer deposits amounted to 11% (31 March 2009: 11%; 30 September 2008: 8%) of total customer accounts. Information on the contractual maturities of customer accounts is set out in note y.

At 31 December 2009 Customer accounts included an amount of €nil (31 March 2009: €nil; 30 September 2008: €1.2 billion) from a global financial institution. The Bank had placed net cash with a banking affiliate of the same institution of €nil (31 March 2009: €nil; 30 September 2008 €0.6 billion).

q Debt securities in issue

	31 December 2009 €m	31 March 2009 €m
Bonds and medium term notes	16,432	14,184
Other debt securities in issue	9,957	12,848
Debt securities in issue	26,389	27,032

r Subordinated liabilities

	31 December 2009 €m	31 March 2009 €m
Undated loan capital		
Stg£75 million $13^{3}/_{8}$ % Perpetual Subordinated Bonds	140	134
	140	134
Dated loan capital		
€750 million 6.45% Subordinated Bonds 2010	754	775
Can$400 million Fixed / Floating Rate Subordinated Notes 2015	229	229
€600 million Subordinated Floating Rate Notes 2017	599	599
€750 million Floating Rate Subordinated Notes 2017	749	749
Stg£400 million Fixed / Floating Rate Subordinated Notes 2018	449	428
US $600 million Subordinated Floating Rate Notes due 2018	416	450
Stg£75 million 10¾% Subordinated Bonds 2018	96	95
€650 million Fixed / Floating Rate Subordinated Notes 2019	688	692
Stg£500 million Fixed / Floating Rate Subordinated Notes 2036	614	606
Stg£450 million Dated Callable Step-up Fixed / Floating Rate Subordinated Notes September 2020	552	540
	5,146	5,163
	5,286	5,297

Information on these bonds and notes is shown in note 39 to the consolidated financial statements.

s Other liabilities

	31 December 2009 €m	31 March 2009 €m
Accrued interest payable	672	639
Notes in circulation	715	660
Sundry creditors	218	160
Accruals and deferred income	25	30
Other	353	430
Other liabilities	1,983	1,919

Other liabilities at 31 December 2009 and 31 March 2009 are due within 1 year.

The Bank is authorised to issue bank notes in Northern Ireland under the Bankers (Ireland) Act, 1845 and the Bankers (Northern Ireland) Act, 1928.

t Provisions

	Restructuring €m	Onerous Contracts €m	Legal €m	Total €m
As at 1 April 2009	50	12	23	85
Exchange adjustments	2	1	-	3
Charge to income statement	-	1	80	81
Utilised during the period	(27)	(2)	(2)	(31)
Unused amounts reversed during the period	-	(2)	-	(2)
Other movements	(5)	-	-	(5)
As at 31 December 2009	20	10	101	131

	Restructuring €m	Onerous Contracts €m	Legal €m	Total €m
As at 1 April 2008	34	4	8	46
Exchange adjustments	(2)	(1)	-	(3)
Charge to income statement	42	11	20	73
Utilised during the period	(23)	(1)	(2)	(26)
Unused amounts reversed during the period	(1)	(1)	(3)	(5)
As at 31 March 2009	50	12	23	85

Restructuring

During the year ended 31 March 2009 the Bank commenced the process of aligning its structure and cost base to an environment of lower levels of business and activity. The Bank commenced a number of downsizing initiatives with an expected associated cost of €83 million. These initiatives included the cessation of mortgage lending through the intermediary channel in the UK and downsizing of some activities within Capital Markets and in the UK business banking operations.

The principal assumptions underlying the provision calculation relate to the timing and cost of executing the initiatives and particularly the number, mix, timing and net cost of associated staff reductions.

It is expected that this provision will be used within the next two years.

Legal

This provision includes certain legal claims brought against the Bank by third parties. Legal claims are subject to many uncertainties, and their outcome is often difficult to predict both in terms of timing and economic impact.

Of the increase in the legal provision €74 million relates to the unfavourable court ruling in connection with a European property investment.

Onerous Lease

Partly as a result of the Bank's restructuring of its operations, the Bank is a lessee in a number of non-cancellable leases over properties that it no longer occupies. The present value of future lease payments on these properties, less any rental income receivable from sub-leasing, has been provided for.

u Deferred tax

	31 December 2009 €m	31 March 2009 €m
The movement on the deferred tax account is as follows:		
At beginning of period	(421)	(104)
Income statement credit for period	(464)	(8)
Available for sale financial assets – transferred to other comprehensive income	109	(109)
Cash flow hedges – transferred to other comprehensive income	35	(101)
Revaluation / reclassification of property during period	(7)	(15)
Pensions	(25)	(79)
Other movements	(4)	(5)
At end of period	(777)	(421)
Deferred tax assets and liabilities are attributable to the following items:		
Deferred tax liabilities		
Accelerated capital allowances:		
- on finance leases	2	2
- on equipment used by the Bank	11	12
Property revaluation surplus	19	26
Other temporary differences	15	12
Deferred tax liabilities	47	52
Deferred tax assets		
Pensions and other post retirement benefits	222	190
Provision for loan impairment	12	12
Other provisions	5	4
Cash flow hedge reserve	80	113
Available for sale reserve	35	147
Current period losses	466	-
Other temporary differences	4	7
Deferred tax assets	824	473
Represented on the balance sheet as follows:		
Deferred tax assets	(777)	(421)
	(777)	(421)

This note should be read in conjunction with note 42 to the consolidated financial statements.

v Contingent liabilities and commitments

The tables below gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contract amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

	31 December 2009 Contract amount €m	31 March 2009 Contract amount €m
Contingent liabilities		
Acceptances and endorsements	27	19
Guarantees and irrevocable letters of credit	1,115	1,367
Other contingent liabilities	799	815
	1,941	2,201
Commitments		
Documentary credits and short term trade related transactions	186	260
Undrawn note issuance and revolving underwriting facilities	121	157
Undrawn formal standby facilities, credit lines and other commitments to lend:		
- revocable or irrevocable with original maturity of 1 year or less	14,592	16,384
- irrevocable with original maturity of over 1 year	5,478	4,606
	20,377	21,407

In common with other banks, the Bank conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Bank in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions.

Documentary credits commit the Bank to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Other contingent liabilities primarily include performance bonds and are generally short term commitments to third parties which are not directly dependent on the customers credit worthiness. The Group is party to legal actions arising out of its normal business operations. The Directors believe that adequate provision has been made in respect of this litigation. The other contingent liabilities disclosed include an amount relating to one matter under litigation. This amount has not been separately disclosed as, in line with the exemption in IAS 37, doing so could be prejudicial to the claim and the Group is satisfied that this litigation is not expected to have a significant adverse effect on its financial position.

w Capital stock

	31 December 2009	31 March 2009
Authorised		
€	**€m**	€m
2,000 (2008: 1,500) million units of €0.64 of ordinary stock	1,280	1,280
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
3.5 billion units of non-cumulative preference stock (2009 preference stock) of €0.01 each	35	35
Stg£	**£m**	£m
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	$m
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

Allotted and fully paid	31 December 2009 €m	31 March 2009 €m
993.0 (31 March 2009: 994.1) million units of €0.64 of ordinary stock	636	636
33.2 (31 March 2009: 32.1) million units of €0.64 of treasury stock	21	21
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
3.5 billion units of non-cumulative preference stock (2009 preference stock) of €0.01 each	35	35
	699	699

	Ordinary		Treasury	
Movements in ordinary and treasury stock (units)	**31 December 2009**	31 March 2009	**31 December 2009**	31 March 2009
At beginning of period	994,107,002	980,482,472	32,118,677	45,734,778
Stock option schemes	-	-	-	-
Sharesave scheme	(1,189)	8,429	1,189	-
Long term incentive plan (LTIP)	6,733	-	(6,733)	-
Employee stock issue scheme	-	4,157,268	-	(4,157,268)
Stock alternative scheme	-	-	-	-
Stock sold / purchased and held for the benefit of life assurance policyholders	(1,110,682)	9,458,833	1,110,682	(9,458,833)
At end of period	993,001,864	994,107,002	33,223,815	32,118,677

For further information on Capital stock refer to note 45 to the consolidated financial statements.

x Fair values of financial assets and liabilities

Fair value hierarchy

The table below shows, for the Bank's financial assets and liabilities that are recognised and subsequently measured at fair value only, their classification within that three-level hierarchy, which is set out below.

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 where the impact of the non-observable market data is significant in determining the fair value of the instrument. 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.

31 December 2009	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	403	-	-	403
Derivative financial instruments	-	5,103	36	5,139
Assets held for sale to NAMA - derivatives	-	-	93	93
Other financial assets at FVTPL	-	70	-	70
AFS financial assets	18,920	2,872	34	21,826
	19,323	8,045	163	27,531
As a % of fair value assets	70%	29%	1%	100%
Financial liabilities held at fair value				
Deposits from banks	-	2	-	2
Customer accounts	-	1,446	62	1,508
Derivative financial instruments	-	6,475	20	6,495
Liabilities held for sale to NAMA - derivatives	-	-	1	1
Debt securities in issue	-	-	472	472
Subordinated liabilities	-	-	229	229
	-	7,923	785	8,707
As a % of fair value liabilities	-	91%	9%	100%

x Fair values of financial assets and liabilities (continued)

Movements in Level 3 assets 31 December 2009	Trading[1] securities €m	Derivative financial instruments €m	Available for sale to NAMA - derviatives €m	Available for sale financial €m	Total €m
Opening Balance	7	116	-	98	221
Total gains or losses in:	-	-	-	-	-
- Profit or loss	-	(27)	-	6	(21)
- Other Comprehensive income	-	-	-	-	-
New Derivatives YTD	-	-	-	-	-
Issues	-	-	-	-	-
Purchases	-	-	-	15	15
Disposals	-	-	-	(71)	(71)
Redemptions	-	(53)	-	-	(53)
Transfers out of level 3					
- from level 3 to level 1	(7)	-	-	(14)	(21)
Transfers into level 3	-	-	-	-	-
- from level 2 to level 3	-	-	93	-	93
Gain / loss from changes in FV	-	-	-	-	-
Closing balance	-	36	93	34	163
Total gains / (losses) for the period included in profit or loss for assets held at the end of the reporting period	-	26	55	-	81
Other transfers					
- from level 1 to level 2	9	-	-	255	264
- from level 2 to level 1	-	-	-	152	152

[1] *Financial asset at fair value through profit and loss*

The transfer of derivatives held for sale to NAMA from level 2 to level 3 resulted from the unobservable inputs becoming significant to their fair value measurement.

x Fair values of financial assets and liabilities (continued)

Movements in Level 3 liabilities 31 December 2009	Customers accounts €m	Derivative financial instruments €m	Liabilities held for sale - to NAMA derviatives €m	Debt securities in issue €m	Subordinated liabilities €m	Total €m
Opening Balance	69	57	-	566	229	921
Total gains or losses in:	-	-	-	-	-	-
- Profit or loss	1	(23)	-	(28)	20	(30)
- Other Comprehensive income	-	-	-	-	(20)	(20)
New Derivatives YTD	-	10	-	-	-	10
Redemptions	(8)	(23)	-	(66)	-	(97)
Transfers into level 3	-	-	-	-	-	-
- from level 2 to level 3	-	-	1	-	-	1
Closing balance	62	21	1	472	229	785
Total gains / (losses) for the period included in profit or loss for assets held at the end of the reporting period	(1)	13	-	(16)	(20)	(24)

There were no transfers out of level 3 during the nine months ended 31 December 2009.

There were no transfers to level 3 from level 1. The only transfer into level 3 from level 2 was in relation to derivative liabilities held for sale to NAMA.

The transfer of derivatives held for sale to NAMA from level 2 to level 3 resulted from the unobservable inputs becoming significant to the fair value measurement.

y Liquidity risk

The tables below analyse the financial assets and financial liabilities (excluding those arising from insurance and investment contracts in BoI Life) of the Bank into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The Bank does not manage liquidity risk on the basis of contractual maturity. Instead, the Bank manages liquidity risk based on expected cash flows. The Bank's approach to liquidity risk management is outlined in the Risk Management section on pages 92 to 96. The tables below are prepared on a discounted basis.

As at 31 December 2009

Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity Shares €m	Total €m
Assets							
Cash and balances at central banks	4,202	-	-	-	-	-	4,202
Trading securities	-	19	270	84	30	-	403
Derivative financial instruments	1,058	142	520	2,142	1,370	-	5,232
Other financial assets at fair value through profit or loss	-	-	-	70	-	-	70
Loans and advances to banks	2,950	28,903	1,567	1,777	343	-	35,540
Available for sale financial assets	-	1,213	4,054	14,080	2,463	16	21,826
Loans and advances to customers (pre provisions)	4,559	18,000	8,603	27,978	40,128	-	99,268
Loans held for sale to NAMA (pre provisions)	3,615	3,997	1,741	1,893	816	-	12,062
Total	16,384	52,274	16,755	48,024	45,150	16	178,603
Liabilities							
Deposits from banks	797	21,712	10,360	8,188	2,658	-	43,715
Customer accounts	40,324	29,408	10,561	5,126	3,246	-	88,665
Derivative financial instruments	1,070	445	439	2,560	1,982	-	6,496
Debt securities in issue	-	10,459	10,628	4,750	552	-	26,389
Subordinated debt	38	750	-	-	4,498	-	5,286
Total	42,229	62,774	31,988	20,624	12,936	-	170,551

As at 31 March 2009

Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity Shares €m	Total €m
Assets							
Cash and balances at central banks	3,190	-	-	-	-	-	3,190
Trading securities	-	12	27	70	16	-	125
Derivative financial instruments	922	688	859	2,862	2,180	-	7,511
Other financial assets at fair value through profit or loss	-	-	-	15	7	-	22
Loans and advances to banks	27,689	3,178	1,644	484	274	-	33,269
Available for sale financial assets	14	2,478	3,391	19,977	2,362	1	28,223
Loans and advances to customers (pre provisions)	7,490	19,911	10,771	32,030	42,113	-	112,315
Total	39,305	26,267	16,692	55,438	46,952	1	184,655
Liabilities							
Deposits from banks	7,508	30,906	4,981	7,098	2,860	-	53,353
Customer accounts	36,161	31,569	10,257	3,426	3,500	-	84,913
Derivative financial instruments	941	361	592	3,363	2,993	-	8,250
Debt securities in issue	-	12,230	6,150	7,981	671	-	27,032
Subordinated debt	-	-	775	-	4,522	-	5,297
Total	44,610	75,066	22,755	21,868	14,546	-	178,845

y Liquidity risk (continued)

The tables below are prepared on an undiscounted basis.

31 December 2009

	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	126	8,381	8,190	938	19	17,654
Customer accounts	35,717	27,475	10,746	4,068	650	78,656
Debt securities in issue	-	10,582	10,671	4,972	717	26,942
Subordinated liabilities	-	859	84	524	4,173	5,640
Liabilities classified as held for sale	-	-	-	-	-	-
Contingent liabilities	1,941	-	-	-	-	1,941
Commitments	14,899	-	-	5,478	-	20,377
Total	52,683	47,297	29,691	15,980	5,559	151,210

Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	3,717	2,093	3,862	854	10,526
Gross settled derivative liabilities - inflows	-	(3,635)	(1,903)	(3,410)	(842)	(9,790)
Gross settled derivative liabilities - net flows	-	82	190	452	12	736
Net settled derivative liabilities	-	554	1,326	1,402	100	3,382
Total derivatives held with hedging intent	-	636	1,516	1,854	112	4,118
Derivative liabilities held for trading intent	1,795	-	-	-	-	1,795
Total derivative cash flows	1,795	636	1,516	1,854	112	5,913

31 March 2009

	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	7,546	30,958	5,011	7,114	2,911	53,540
Customer accounts	36,182	31,741	10,669	3,869	3,741	86,202
Debt securities in issue	-	12,364	6,319	8,322	789	27,794
Subordinated liabilities	-	25	943	622	4,388	5,978
Contingent liabilities	2,201	-	-	-	-	2,201
Commitments	16,802	-	-	4,606	-	21,408
Total	62,731	75,088	22,942	24,533	11,829	197,123

31 March 2009[1]

Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Derivatives held with hedging intent						
Gross settled derivative liabilities - outflows	-	7,182	3,881	5,764	466	17,293
Gross settled derivative liabilities - inflows	-	(7,140)	(3,602)	(4,916)	(463)	(16,121)
Gross settled derivative liabilities - net flows	-	42	279	848	3	1,172
Net settled derivative liabilities	-	266	1,046	2,003	241	3,556
Total derivatives held with hedging intent	-	308	1,325	2,851	244	4,728
Derivative liabilities held with trading intent	2,882	-	-	-	-	2,882
Total derivative cash flows	2,882	308	1,325	2,851	244	7,610

[1]The figures above have been restated to align with the enhanced disclosure requirements of IFRS 7 (amended) and are on a consistent basis with those shown for 31 December 2009.

z Measurement basis of financial assets and liabilities

The table below analyses the carrying amounts of the financial assets and liabilities by accounting treatment and by balance sheet heading.

	At fair value through profit or loss			At fair value through other Comprehensive income				
31 December 2009	**Derivatives designated as fair value hedging instruments €m**	**Held for trading €m**	**Designated upon initial recognition €m**	**Available for sale €m**	**Cash flow hedge derivatives €m**	**Loans and advances / Held at amortised cost €m**	**Insurance contracts €m**	**Total €m**
Financial assets								
Cash and balances at central banks	-	-	-	-	-	4,202	-	4,202
Items in the course of collection from other banks	-	-	-	-	-	400	-	400
Trading securities	-	403	-	-	-	-	-	403
Derivative financial instruments	1,124	2,953	-	-	1,155	-	-	5,232
Other financial assets at fair value through profit or loss	-	-	70	-	-	-	-	70
Loans and advances to banks	-	-	-	-	-	35,540	-	35,540
Available for sale financial assets	-	-	-	21,826	-	-	-	21,826
Loans and advances to customers	-	-	-	-	-	96,856	-	96,856
Assets held for sale to NAMA	-	93	-	-	-	9,357	-	9,450
Total financial assets	1,124	3,449	70	21,826	1,155	146,355	-	173,979
Financial liabilities								
Deposits from banks	-	-	2	-	-	43,713	-	43,715
Customer accounts	-	-	1,508	-	-	87,157	-	88,665
Items in course of transmission to other banks	-	-	-	-	-	198	-	198
Derivative financial instruments	580	4,186	-	-	1,730	-	-	6,496
Liabilities to customers under investment contracts	-	-	-	-	-	-	-	-
Debt securities in issue	-	-	472	-	-	25,917	-	26,389
Insurance contract liabilities	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	229	-	-	5,057	-	5,286
Liabilities held for sale to NAMA	-	1	-	-	-	-	-	1
Total financial liabilities	580	4,187	2,211	-	1,730	162,042	-	170,750

aa Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	31 December 2009 €m	31 March 2009 €m
Cash and balances at central banks	4,202	3,190
Loans and advances to banks (with an original maturity of less than 3 months)	4,613	3,621
Cash and cash equivalents	8,815	6,811

ab Other

(a) These financial statements are financial statements of the Bank only and are prepared in accordance with the Companies Act 1963 section 148 (1)

(b) The Bank is domiciled in Ireland.

(c) The Bank has given a letter of comfort to the regulatory authority of the Isle of Man in respect of its banking subsidiary Bank of Ireland (IOM) Limited for the protection of the depositors of that subsidiary.

(d) The Bank has provided a guarantee under Section 17 of the Companies (Amendment) Act, 1986 for the following companies:

Premier Direct Management Limited, Premier Direct Insurance Services Limited, Tustin Limited, Hill Wilson Secretarial Limited, Bank of Ireland Insurance Services Limited, Bank of Ireland Asset Management (US) Limited, Bank of Ireland Asset Management Limited, Bank of Ireland Car Loans Limited, Bank of Ireland Commercial Finance Limited, Bank of Ireland International Finance Limited, Bank of Ireland Outsourcing Services Limited, Bank of Ireland Unit Trust Managers Limited, Bushfield Leasing Limited, Clonvern Limited, Edendork Leasing Limited, First Rate Enterprises Limited, Florenville Limited, IBI Corporate Finance Limited, Nerling Limited, Nestland Limited.

(e) Bank income statement
In accordance with Section 148(8) of the Companies Act, 1963 and Section 7(1A) of the Companies (Amendment) Act, 1986, the Bank is availing of the exemption of presenting its individual income statement to the Annual General Court and from filing it with the Registrar of Companies. The Bank's loss for the financial period determined in accordance with IFRS is €1,861 million (31 March 2009: Profit of €193 million as restated to reflect the impact of the adoption of the amendment to IFRS 2 'Share based payments: Vesting Conditions and Cancellations'. Further information on this is shown on page 158).

Retirement benefit obligations information on the Bank is contained in note 43 to the consolidated financial statements.

Related Party information on the Bank is contained in note 51 to the consolidated financial statements.

Subsidiary information in relation to the Bank is contained in note 53 to the consolidated financial statements.

Post balance sheet events are shown in note 56.

The Bank's approach to Risk Management is as set out in the Group Risk Management report on pages 60 to 108.

Consolidated average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the nine months ended 31 December 2009 and the year ended 31 March 2009. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on product margin basis, with funding and interest exposure managed centrally by Global Markets. Domestic and foreign margins are provided for statutory purposes. The explanation of the underlying business trends in the Group's net interest margin, after adjusting for the impact of IFRS income classifications, is explained on pages 12 and 13. Rates for the nine month period are annualised.

	9 months ended 31 December 2009			Year ended 31 March 2009		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
ASSETS						
Loans and advances to banks						
Domestic offices	5,619	39	0.9	5,912	201	3.4
Foreign offices	3,284	9	0.4	1,399	45	3.2
Loans and advances to customers						
Domestic offices	78,956	2,293	3.9	78,251	4,681	6.0
Foreign offices	59,440	1,349	3.0	62,654	3,452	5.5
Available for sale financial assets						
Domestic offices	23,037	490	2.8	27,748	1,307	4.7
Foreign offices	919	8	1.2	899	28	3.1
Other financial assets at fair value through profit or loss						
Domestic offices	53	-	-	235	-	-
Foreign offices	202	-	-	81	-	-
Other	-	-	-	-	3	-
Total interest earning assets	171,510	4,188	3.3	177,179	9,717	5.5
Domestic offices	107,665	2,822	3.5	112,146	6,189	5.5
Foreign offices	63,845	1,366	2.9	65,033	3,528	5.4
	171,510	4,188	3.3	177,179	9,717	5.5
Allowance for impairment charges	(3,103)	-	-	(936)	-	-
Non interest earning assets	20,398	-	-	25,389	-	-
Total assets	188,805	4,188	3.0	201,632	9,717	4.8
Percentage of assets applicable to foreign activities	31.4%	-	-	31.8%	-	-

Consolidated average balance sheet and interest rates (continued)

	9 months ended 31 December 2009			Year ended 31 March 2009		
	Average Balance	**Interest**	**Rate**	Average Balance	Interest	Rate
	€m	**€m**	**%**	€m	€m	€m
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits from banks						
Domestic offices	24,531	192	1.0	16,111	521	3.2
Foreign offices	1,803	6	0.4	989	33	3.3
Customer accounts						
Domestic offices	42,297	372	1.2	42,254	1,221	2.9
Foreign offices	31,166	623	2.7	35,686	1,552	4.3
Debt securities in issue						
Domestic offices	31,444	568	2.4	41,029	1,625	4.0
Foreign offices	9,116	86	1.3	16,567	672	4.1
Subordinated liabilities						
Domestic offices	3,146	97	4.2	4,665	196	4.2
Foreign offices	3,373	65	2.6	3,424	227	6.6
Total interest bearing liabilities	146,876	2,009	1.8	160,725	6,047	3.8
Domestic offices	101,418	1,229	1.6	104,059	3,563	3.4
Foreign offices	45,458	780	2.3	56,666	2,484	4.4
	146,876	2,009	1.8	160,725	6,047	3.8
Current accounts	9,332	-	-	10,137	-	-
Non interest bearing liabilities	24,855	-	-	24,772	-	-
Stockholders equity	7,742	-	-	5,998	-	-
Total liabilities and stockholders' equity	188,805	2,009	1.4	201,632	6,047	3.8
Percentage of liabilities and stockholders equity applicable to foreign activities	26.0%			31.1%		

Certain lines above have been adjusted to correct for inter-jurisdictional funding items that arise through normal business activities, to give a more meaningful picture of the Group's domestic and foreign activities.

The balance sheet of the life assurance business has been consolidated and is reflected under 'non-interest earning assets' and 'other non-interest bearing liabilities'.

Consolidated income statement

for the nine months ended 31 December 2009

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
Interest income	4,188	6,034	3,719
Interest expense	(2,009)	(2,895)	(1,784)
Net interest income	2,179	3,139	1,935
Net insurance premium income	665	958	591
Fee and commission income	474	683	421
Fee and commission expense	(255)	(367)	(227)
Net trading expense	(28)	(40)	(25)
Life assurance investment income and gains / (losses)	958	1,380	851
Gain on repurchase of subordinated liabilities	1,037	1,494	921
Other operating income	31	45	28
Total operating income	5,061	7,292	4,495
Insurance contract liabilities and claims paid	(1,462)	(2,107)	(1,298)
Total operating income, net of insurance claims	3,599	5,185	3,197
Other operating expenses	(1,381)	(1,990)	(1,227)
Impairment of goodwill and other intangible assets	(6)	(9)	(5)
Operating profit before impairment charges on financial assets	2,212	3,186	1,965
Impairment charges on financial assets	(4,057)	(5,845)	(3,603)
Operating (loss) / profit	(1,845)	(2,659)	(1,638)
Share of results of associates and joint ventures (after tax)	35	50	31
Loss on disposal of business activities	(3)	(4)	(3)
Loss before taxation	(1,813)	(2,613)	(1,610)
Taxation	344	496	306
(Loss) / Profit for the period	(1,469)	(2,117)	(1,304)
Attributable to minority interests	(9)	(13)	(8)
Attributable to stockholders	(1,460)	(2,104)	(1,296)
(Loss) / Profit for the period	(1,469)	(2,117)	(1,304)

(1) Converted at closing exchange rates as set out on page 161.

Consolidated balance sheet

as at 31 December 2009

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
ASSETS			
Cash and balances at central banks	4,241	6,110	3,766
Items in the course of collection from other banks	400	576	355
Trading securities	403	581	358
Derivative financial instruments	5,824	8,391	5,172
Other financial assets at fair value through profit or loss	9,679	13,946	8,596
Loans and advances to banks	5,031	7,249	4,468
Available for sale financial assets	20,940	30,170	18,597
Loans and advances to customers	119,439	172,088	106,074
Assets held for sale to NAMA	9,581	13,804	8,509
Interest in associates	23	33	20
Interest in joint ventures	194	280	172
Intangible assets – goodwill	48	69	43
Intangible assets – other	459	661	408
Investment properties	1,265	1,823	1,123
Property, plant and equipment	404	582	359
Deferred tax assets	865	1,246	768
Other assets	2,304	3,320	2,046
Retirement benefit asset	6	9	5
Total assets	181,106	260,938	160,839
EQUITY AND LIABILITIES			
Deposits from banks	17,903	25,795	15,900
Customer accounts	84,812	122,197	75,321
Items in the course of transmission to other banks	198	285	176
Derivative financial instruments	6,037	8,698	5,361
Debt securities in issue	43,144	62,162	38,316
Liabilities to customers under investment contracts	5,050	7,276	4,485
Insurance contract liabilities	6,658	9,593	5,913
Other liabilities	2,899	4,177	2,574
Provisions	142	205	126
Deferred tax liabilities	134	193	119
Retirement benefit obligations	1,638	2,360	1,455
Subordinated liabilities	6,053	8,721	5,376
Liabilities held for sale to NAMA	1	1	1
Total liabilities	174,669	251,663	155,123
Equity			
Capital stock	699	1,007	621
Stock premium account	4,092	5,896	3,634
Retained earnings	3,263	4,701	2,898
Other reserves	(1,580)	(2,276)	(1,404)
Own stock held for the benefit of life assurance policyholders	(87)	(125)	(77)
Stockholders' equity	6,387	9,203	5,672
Minority interests	50	72	44
Total equity	6,437	9,275	5,716
Total equity and liabilities	181,106	260,938	160,839

(1) *Converted at closing exchange rates as set out on page 160..*

Other disclosures

TARGET 2

1. On 15 February 2008 a first floating charge was placed in favour of the Central Bank and Financial Services Authority of Ireland (CBFSAI) over all Bank of Ireland's right, title, interest and benefit, present and future, in and to the balances now or at any time standing to the credit of Bank of Ireland's account held as a TARGET 2 participant with the CBFSAI (the Charged Property) where TARGET 2 is a real time gross settlement system for payments in euro with settlement in central bank money.

This floating charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBFSAI, Bank of Ireland shall:

(a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the charged property or any part thereof; or

(b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the charged property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

2. On 15 February 2008 a first floating charge was placed in favour of the CBFSAI over all Bank of Ireland's right, title, interest and benefit, present and future, in and to certain segregated securities (the Charged Property) listed in an Eligible Securities Schedule kept by Bank of Ireland for purposes of participating in TARGET 2 where TARGET 2 is a real time gross settlement system for payments in euro with settlement in central bank money.

This floating charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBFSAI, Bank of Ireland shall:

(a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the charged property or any part thereof; or

(b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the Charged Property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

Capital stock and Government Guarantee - Defined terms

Capital Stock Resolution	any resolution proposed at a General Court of the Bank to alter the capital stock of the Bank by way of: (a) an increase in the capital stock of the Bank, the reissue of treasury stock or the allotment of any unissued capital stock of the Bank save for the issue of additional preference stock pursuant to the rights attaching to existing preference stock or the issue of capital stock to fund a repurchase or redemption of the 2009 Preference Stock; or (b) the redemption, consolidation, conversion or sub-division of the capital stock of the Bank save for the repurchase or redemption of the 2009 Preference Stock; or (c) any other changes in the capital structure of the Bank;
Control Resolution	a resolution of those Stockholders who are entitled to so vote for the approval of any agreement or transaction (including a merger) whereby, or in consequence of which, Control of the Bank, or substantially all of the Bank's business, is or may be acquired by any person or persons (excluding any government concert party) acting in concert and which for the avoidance of doubt shall include any resolution to approve a scheme of arrangement pursuant to section 201 of the Companies Act 1963 pursuant to which a takeover of the Bank (within the meaning of the Irish Takeover Panel Act 1997 Takeover Rules (as amended, replaced or substituted from time to time)) would be effected or approved or a merger or division of the Bank pursuant to European Communities (Mergers And Divisions of Companies) Regulations, 1987 (Statutory Instrument 137 of 1987) or a merger of the Bank pursuant to European Communities (Cross-Border Mergers) Regulations 2008 (Statutory Instrument 157 of 2008);
Covered Institution	means a credit institution or a subsidiary of a credit institution— (a) that stands specified by order by the Minister under section 6(1) of the Credit Institutions (Financial Support) Act 2008; and (b) that has joined this Scheme in accordance with paragraph 5 of the Schedule to S.I. No. 411 of 2008.
Government	the Government of Ireland;
Government Entity	(i) the NTMA, the NPRFC, the NRPF, the Minister for Finance or any Minister or Department of the Government, in each case holding 2009 Preference Stock, but excludes any other holder of 2009 Preference Stock provided however this shall not include any occupational pension scheme approved by the Revenue Commissioners and registered with the Pension Board; and (ii) any custodian or nominee holding 2009 Preference Stock on behalf of the NPRFC, the Minister for Finance, any Minister or Department of the Government provided however that where such custodian or nominee holds 2009 Preference Stock for any other person, such holding shall be not be taken into account for the purpose of determining the voting rights of the Stockholder;
Minister for Finance	the Minister for Finance of Ireland;
Thirty Day Average Price	(i) 100 per cent. of the average daily closing price of the Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, (in the event that the Ordinary Stock issued in the event of non-payment of dividends on the 2009 Preference Stock is settled on the dividend payment date to which it relates); or (ii) 95 per cent. of the average daily closing price of the Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date (in the event that the Ordinary Stock, issued in the event of non-payment of dividends on the 2009 Preference Stock, is settled after the dividend payment date to which it relates);

Stockholder information

Holders of ordinary stock

Stockholder profile	31 December 2009 % by value	31 March 2009 % by value
Ireland	9	11
UK	9	7
US	25	22
Europe / other	9	8
Retail	48	52
	100	100

Analysis of stockholdings

Stockholding range - units of stock	Number of stockholders	% of total holders	Stock held units	% of total stock
Up to 500	29,287	30.73	6,168,418	0.62
501 to 1,000	16,318	17.12	12,811,900	1.29
1,001 to 5,000	34,075	35.75	82,418,513	8.30
5,001 to 10,000	8,442	8.86	60,675,308	6.11
10,001 to 50,000	6,251	6.56	121,517,936	12.24
50,001 to 100,000	490	0.51	33,609,162	3.38
100,001 to 500,000	310	0.33	61,584,330	6.20
Over 500,000*	137	0.14	614,216,297	61.86
	95,310	100.00	993,001,864	100.00

* Excludes stockholdings held by BoI Life

Listings

The Governor and Company of the Bank of Ireland is a corporation established in Ireland in 1783 under Royal Charter. Its ordinary stock, of nominal value €0.64 per unit, has a primary listing on both the Irish and London Stock Exchanges. In the US the Bank's ordinary stock (symbol IRE) is traded on the New York Stock Exchange in the form of American Depository Shares (ADSs), each ADS representing the right to receive four units of ordinary stock and evidenced by American Depository Receipts (ADRs).

Registrar

The Bank's Registrar is:
Computershare Investor Services (Ireland) Limited,
PO Box 954,
Sandyford,
Dublin 18.

Telephone: + 353 1 247 5414,
Facsimile: + 353 1 216 3151
or
Contact via website: www.investorcentre.com/ie/contactus

Stockholders may check their accounts on the Bank's stock register by accessing the Bank's website at www.bankofireland.com, clicking on "Investor Relations" and then clicking on "Check your Stock". This facility allows stockholders to check their stockholdings and to download standard forms required to initiate changes in details held by the Registrar.

Amalgamating your stockholdings

If you receive more than one copy of stockholder mailing, it may be because the Bank has more than one record of stockholdings in your name. To ensure that you do not receive duplicate mailings in future and to reduce the cost and waste associated with this, please have all your stockholdings amalgamated into one account by contacting the Bank's Registrar.

Stockholder enquiries

All enquiries concerning stockholdings should be addressed to the Bank's Registrar.

Communication

It is the policy of the Bank to communicate with Stockholders by electronic means or through the www.bankofireland.com website in the interest of protecting the environment. Those stockholders who do not wish to receive documents or information by electronic means may request to receive the relevant information in paper form.

Form 20-F

The Form 20-F for the nine month period ended 31 December 2009 will be filed with the US Securities and Exchange Commission, Washington DC in due course. Copies will be available to download from the Bank's website (www.bankofireland.com) or on the website of the US Securities and Exchange Commission.

Holders of American Depositary Shares

American Depositary Receipts (ADRs) are negotiable securities that are used to represent, among other things, a non-US company's publicly traded ordinary share capital. ADRs are traded and dividends are distributed in US dollars just like any US security, alleviating certain obstacles associated with investing directly in the home markets of non-US companies. The Bank of New York is the Depositary Bank for the Bank of Ireland's ADR Program.

Address:
BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516
Toll Free # for Domestic Calls: 1-866-257-5729
Number for International Calls: 201-680-6825
Email: shrrelations@bnymellon.com
Website: www.adrbnymellon.com

Internet address

Further information about the Bank of Ireland Group can be obtained from the internet at www.bankofireland.com

Principal Business Units & Addresses

REPUBLIC OF IRELAND

Group Head Office

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Fax: + 353 1 661 5671
Website: www.bankofireland.com

Group Executive

Group Chief Executive	Richie Boucher
Chief Executive, Capital Markets	Denis Donovan
Chief Executive Officer, Retail (Ireland and UK)	Des Crowley
Head of Group Manufacturing	Liam McLoughlin
Group Chief Financial Officer	John O'Donovan
Chief Credit & Market Risk Officer	Vincent Mulvey
Chief Governance Risk Officer	Ronan Murphy
Interim Head of Group HR	Kevin O'Reilly
Group Secretary	Helen Nolan
Head of Group Investor Relations	Geraldine Deighan
Head of Group Corporate Communications	Dan Loughrey
Group Legal Adviser	Finbarr Murphy

RETAIL FINANCIAL SERVICES IRELAND

Branch Network

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Director Branch Network: Tim O'Neill

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Director: Mark Cunningham

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Head of Group Customer Operations: Joe Larkin

Bank of Ireland Consumer Banking (ROI)

Mortgages. Credit Cards, Personal Loans, Insurance
ICS Building Society
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Tel: + 353 1 611 3000, Fax: + 353 1 611 3100
Website: www.bankofireland.ie
Director: Brendan Nevin

Life Assurance

Bank of Ireland Life Holdings plc

(including New Ireland Assurance Company plc)

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Website: www.bankofirelandlife.ie
Chief Executive: Mick Sweeney

New Ireland Assurance Company plc

11/12 Dawson Street, Dublin 2
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Website: www.newireland.ie
Managing Director: Sean Casey

General Insurance

Bank of Ireland Insurance Services Ltd
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Email: info@boiinsurance.ie
Managing Director: Eamon Slevin

Bank of Ireland Finance

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Website: www.bif.ie
Managing Director: Pat Creed

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Website: www.privatebanking.ie
Managing Director: Brendan Mullin

Retail Foreign Exchange

Foreign Currency Exchange Corp
7352 Greenbriar Parkway, Orlando, Florida, USA 32819
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Website: www.FCECO.com
President & CEO: Brendan Kelly

Retail Foreign Exchange
First Rate Enterprises Ltd

3-4 South Frederick Street, Dublin 2
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Managing Director: Joe Redmond

UK FINANCIAL SERVICES

Bank of Ireland UK Financial Services

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Website: www.boiukfs.co.uk
Chief Executive: Des Crowley

Bank of Ireland Consumer Banking (UK)

Mortgages, Credit Cards, Personal Loans
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Director: Brendan Nevin

NIIB

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Business Banking UK

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Bank of Ireland (IOM) Ltd

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Tel: + 44 1624 644222, Fax: + 44 1624 644298
Website: www.boioffshore.com
Managing Director: Michael McKay

CAPITAL MARKETS

CORPORATE BANKING

Bank of Ireland Corporate Banking

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Website: www.bankofireland.ie/corporatebanking
Chief Executive: Tom Hayes

London

Bank of Ireland Corporate Banking

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Burdale Financial Limited

Bow Bells House
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Chief Executive: Dennis Levine

Belfast

Bank of Ireland Corporate Banking

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Head of Corporate Banking NI: Ian Sheppard

France

Bank of Ireland Corporate Banking

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Senior Manager: Mounia Benchekroun

Germany

Bank of Ireland Corporate Banking

Bank of Ireland Corporate Banking
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Heads of Acquisition Finance Germany: Ralph Betz

United States

Stamford Connecticut

Bank of Ireland Capital Markets U.S Branch

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Burdale Capital Finance

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Australia

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TREASURY

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London

Bank of Ireland Global Markets

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Bristol

Bank of Ireland Global Markets

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Belfast

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Head of Global Markets Belfast: Michael Burns

CORPORATE FINANCE

IBI Corporate Finance Ltd

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Executive Chairman: Róisín Brennan

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Director: Sean Duffy

ASSET MANAGEMENT SERVICES

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Chief Executive: Chris Johns

Bank of Ireland Securities Services Ltd

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Website: www.boiss.ie
Managing Director: Deirdre Flannery

United States

California

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Website: www.paulcap.com
CEO & Managing Director: David York

Glossary of terms

ABS	Asset Backed Securities
ACS	Asset Covered Securities
ADR	American Depository Receipts
ADS	American Depository Shares
AFS	Available for sale
AGC	Annual General Court
ALCO	Group Asset and Liability Committee
ALM	Group Asset and Liability Management
APE	Annual Premium Equivalent
BIGPF	Bank of Ireland Group Pension Fund
BIS	Bank for International Settlements
BoI	Bank of Ireland
BoIGM	Bank of Ireland Global Markets
BoI Life	Bank of Ireland Life
bps	Basis points
BSPF	Bank of Ireland Staff Pension Fund
BTL	Buy to let
CBFSAI	Central Bank and Financial Services Authority of Ireland
CDs	Certificates of deposit
CDO	Collateralised debt obligation
CDR	EU Capital Requirements Directive
CGU	Cash generating units
CIFS	Credit Institutions (Financial Support) Scheme
CIROC	Covered Institutions Remuneration Oversight Committee
CMBS	Commercial Mortgage Backed Securities
CP	Commercial Paper
CRD	Capital Requirements Directive (European Union)
CSAs	Collateral Support Agreements
DWT	Dividend withholding tax
EAD	Exposure at default
Ecap	Economic capital
EGC	Extraordinary General Court
EIR	Effective interest rate
ELG	Eligible Liabilities Guarantee Scheme
EPS	Earnings per share
EU	European Union
EUETS	European Union Emissions Trading Scheme
Euribor	Euro Inter Bank Offered Rate
EWMA	Exponentially Weighted Moving Average
FIRB	Foundation Internal Ratings Board
FRES	First Rate Exchange Services
FRN	Floating Rate Note
FX	Foreign Exchange
GAAP	Generally Accepted Accounting Practice
GAC	Group Audit Committee
GCC	Group Credit Committee
GCR	Group Credit Review
GCRO	Group Chief Risk Officer
GEC	Group Executive Committee
GIA	Group Internal Audit
GLC	Group Liquidity Committee
GRO	Group Risk Office
GROR	Group Regulatory and Operational Risk
GRORC	Group Regulatory and Operational Risk Committee
GRPC	Group Risk Policy Committee
HSE	Health Service Executive
ICAAP	Internal Capital Adequacy Assessment Process
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBF	Irish Banking Federation
IBNR	Incurred but not Reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRBA	Internal Ratings Based Approach
KRAs	Key Result Areas
LGD	Loss given default
Libor	London Inter Bank Offered Rate
LTIP	Long Term Incentive Plan
LTPSP	Long Term Performance Stock Plan
MBPN	Mortgage backed promissory note
NAMA	National Asset Management Agency
NI	Northern Ireland
NPRF	National Pensions Reserve Fund
NPRFC	National Pensions Reserve Fund Commission
NYSE	New York Stock Exchange
PBT	Profit before tax
PD	Probability of default
POFS	Post Office Financial Services
PPR	Performance Planning & Review
PRC	Portfolio Review Committee
PwC	PricewaterhouseCoopers
RAROC	Risk adjusted return on economic capital
Repos	repurchase agreements
RMBS	Residual Mortgage Backed Securities
RMC	Risk Measurement Committee
ROE	Return on Equity
RoI	Republic of Ireland
RWA	Risk weighted assets
SAYE	Save as you earn
SIVs	Structured investment vehicles
SME	Small Medium Enterprises
SOCIE	Statement of other comprehensive income or expense
SOx	Sarbanes Oxley Act of 2002
SPE	Special Purpose Entity
SSI	Stock Share Issue
STP	Strategic Transformation Programme
TSR	Total shareholder return
UKFS	UK Financial Services
VaR	Value at Risk
VIF	Value in force

Glossary of terms

Continued

Core Tier 1 capital - Called up stock capital and eligible reserves plus equity non-controlling interests, less goodwill and other intangible assets and certain other deductions as specified by the Financial Regulator.

Core Tier 1 captital ratio - Core Tier 1 capital as a percentage of risk weighted assets.

Cost: income ratio - Operating expenses compared to total income net of insurance claims.

Coverage ratio - Impairment allowances as a percentage of Customer Related Lending balances.

Credit Default Swaps (CDS) - A credit derivative is an arrangement whereby the credit risk of an asset (the reference asset) is transferred from the buyer to the seller of protection. A credit default swap is a contract where the protection seller receives premium or interest-related payments in return for contracting to make payments to the protection buyer in the event of a defined credit event. Credit events normally include bankruptcy, payment default on a reference asset or assets, or downgrades by a rating agency.

Credit spread - The yield spread between securities with the same coupon rate and maturity structure but with different associated credit risks, with the yield spread rising as the credit rating worsens. It is the premium over the benchmark of risk-free rate required by the market to accept a lower credit quality.

Economic Capital - An internal measure of the minimum equity and preference capital required for the Group to maintain its credit rating based upon its risk profile.

Effective Interest Rate (EIR) - 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 financial liability.

Income: cost jaws - The difference between the growth in cost and the growth in income.

Loan to deposit ratio - The ratio of wholesale and retail loans and advances to customers net of impairment allowance divided by customer deposits.

Loan to value ratio (LTV) - The amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the price of the loan to the borrower. LTV ratios may be expressed in a number of ways, including origination LTV and mark to market (MTM) LTV. Origination LTVs use the current outstanding loan balance and the value of the property at origination of the loan. MTM LTVs use the current outstanding loan value and the current value of the property (which is estimated using one or more external house price indices).

Net Interest Income - The difference between interest received on assets and interest paid on liabilities including the interest income on Group equity.

Net Interest Margin - The margin is expressed as annualised net interest income divided by the sum of the average assets and average liabilities.

Repo / Reverse repo - A repurchase agreement that allows a borrower to use a financial security as collateral for a cash loan at a fixed rate of interest. In a repo, the borrower agrees to sell a security to the lender subject to a commitment to repurchase the asset at a specified price on a given date. For the party selling the security (and agreeing to repurchase it in the future) it is a repo; for the party on the other end of the transaction (buying the security and agreeing to sell in the future) it is a reverse repurchase agreement or reverse repo.

Risk weighted assets - A measure of a bank's assets adjusted for their associated risks. Risk weightings are established in accordance with the Basel Capital Accord as implemented by the Financial Regulator.

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