BANK OF IRELAND MORTGAGE BANK REPORT & ACCOUNTS

31st March 2009

BANK OF IRELAND MORTGAGE BANK

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DIRECTORS AND OTHER INFORMATION

Directors at 15th May 2009

R. Hynes
B. Kealy
M. Meagher
R. Boucher
K. Twomey
B. Nevin
J. Martin
J. Byrne

Secretary

Hill Wilson Secretarial Limited

Registered Office

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

Bank

Bank of Ireland
6 Lower O'Connell St
Dublin 1

Cover-Asset Monitor

Mazars
Harcourt Centre
Block 3
Harcourt Road
Dublin 2

Auditors

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

Legal Advisors

Group Legal Advisors
Bank of Ireland
Mespil Rd
Dublin 4

BANK OF IRELAND MORTGAGE BANK

CHAIRMANS' STATEMENT

On behalf of the Board of Directors of Bank of Ireland Mortgage Bank I am pleased to report on the 2008/09 performance of the Mortgage Bank. This was a year of significant turbulence in financial markets and a general downturn in economic conditions both nationally and internationally. Against this very difficult trading background the Mortgage Bank has achieved a satisfactory performance, the noteworthy points of which include:

- The mortgage book increased by 5.9% from €19,346m to €20,505m
- Total assets have increased by 31.6% from €27,475m to €36,161m
- The cost income ratio has decreased from 13.9% to 13.6%
- Loan losses increased to €48m from €0.3m in 2007/08
- PBT decreased by 60% to €35m from €87m in 2007/08

I would now like to comment on some of the more significant issues in the Mortgage Bank's business.

The Mortgage and Housing Markets

2008/09 has been a very challenging year for the residential property and mortgage markets. From 2007 it was evident that the supply of properties on the market exceeded natural demand and that the annual increases in house prices of recent years would not continue. Indeed, house price increases, coupled with rising interest rates had led to a sharp decline in affordability, pricing many potential buyers out of the market.

During the course of 2008 Ireland's difficult economic situation, the expectations of declines in house prices and the turmoil in the international financial markets all further contributed to a decline in housing and mortgage market activity.

The worsening global and European economic environment prompted widespread interventions by governments and financial authorities including state guarantees, liquidity and capital supports together with interest rate decreases, to limit the impact of the downturn in economic activity. From October 2008 to March 2009 the European Central Bank reduced its main refinancing rate from 4.25% to 1.5%.

While the reduction in interest rates is welcomed the worsening economic conditions leading to increased job losses and falling property values has impacted on our customers. While the overall quality of our mortgage book remains robust, loan losses have increased to €48m. In the current economic climate, the Bank continues to work closely with customers who find themselves in financial difficulties in order to achieve satisfactory resolutions and outcomes.

The other major impact of the turmoil in the financial market has been the higher cost and reduced availability of funding. The fall-out from this in the Irish market has been significant with an increase in the cost of funds at which financial institutions borrow money to fund mortgage lending.

I am pleased to say that against this market background, the Mortgage Bank remained very much open for business, offering competitively priced mortgages to the market and this very much remains the case today.

Going into the new trading year the outlook for the mortgage market is mixed. The growing number of job losses will clearly result in continued subdued demand for housing and mortgages. Consumer confidence remains low and under such conditions potential buyers may continue to adopt a "wait and see" approach.

However, from a positive point of view affordability has improved substantially, due to both a reduction in house prices from their peak and the range of aggressive ECB rate reductions. Under these conditions mortgage repayments would represent a similar proportion of disposable income as in the mid-1990's and there should be real value for the prospective buyer.

Asset Covered Securities

In the 2008/09 financial year, Bank of Ireland Mortgage Bank completed €3.1 billion in Asset Covered Securities (ACS) transactions comprising of €675 million in private placements, €31 million in registered private placements and €2.4 billion in transactions with its parent, Bank of Ireland. Of the €2.4 billion transactions with Bank of Ireland, €1 billion was issued in Sept'08 under the €10 billion ACS programme and €1.4 billion under a new €3 billion Mortgage Covered Securities Programme which was launched on the 13th March 2009 for the issuance of securities maturing before the end of the

Government Guarantee Scheme on the 29th September 2010. This brings the total mortgage covered securities in issue as at 31st March 2009 to €10 billion.

Cost Management

For 2008/09 the Bank's cost to income ratio stood at 13.6%, slightly down from 13.9% in 2007/08.

We continue to drive our cost efficiency programmes while delivering growth and maintaining our overall quality service to our customers. We also benefit from and contribute to the overall Bank of Ireland Group cost management programmes.

The Future

The year ahead is likely to remain challenging with difficult times ahead for the global and domestic economies. However, the overall strength of the Mortgage Bank and of the Bank of Ireland Group will see us through this difficult period as well as positioning us to maximise any growth opportunities.

I would like to express my appreciation to our employees for their part in the Mortgage Bank's performance. The commitment of all the management and staff to deliver for our customers in whatever circumstances will continue to set us apart from our competitors.

Finally, I would like to sincerely thank all our customers for their valued business with the Mortgage Bank.

Richie Boucher
Chairman

15th May 2009

BANK OF IRELAND MORTGAGE BANK
DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 31st March 2009.

Principal activities

Bank of Ireland Mortgage Bank ("the Bank") was incorporated in Ireland under the Companies Acts, 1963 to 2006 on 21st May 2004 as a public limited company under the name Bank of Ireland Mortgage Bank p.l.c. It was subsequently re-registered as a public unlimited company under the name Bank of Ireland Mortgage Bank. The bank obtained an Irish banking licence under the Irish Central Bank Act, 1971 (as amended) and was registered as a designated mortgage credit institution under the Act on 1st July 2004. The Bank is a wholly owned subsidiary of the Governor & Company of the Bank of Ireland.

With effect from 5th July 2004 the Governor & Company of the Bank of Ireland transferred its Irish residential mortgage business and substantially all of its Irish residential mortgage loans and their related security to Bank of Ireland Mortgage Bank, trading as Bank of Ireland Mortgages. The transfer was affected pursuant to section 58 of the 2001 Asset Covered Securities Act, with the approval of the Central Bank and Financial Services Regulatory Authority of Ireland ("CBFSAI").

The Bank's principal activities are the provision of Irish residential mortgages and the issuance of Mortgage Covered Securities in accordance with the Asset Covered Securities Acts, 2001 to 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. Mortgages are originated exclusively through the Bank of Ireland branch channel.

Results for the year

Profit before tax was €35m for the year, a decrease of 60% on 2007/08. Profit after tax attributable to the Ordinary Shareholders amounted to €31m (March 2008: €76m).

Net interest income increased by 3.7% to €195m (March 2008: €188m), with the change due to a combination of higher volumes, a change in the accounting estimate for the life of the mortgage under the effective interest rate offset by higher funding costs.

During the year one interest rate swap contract was re-categorised. As a result, from the date of re-categorisation, the related net interest expense on the swap is recorded in net trading income in line with our accounting policy.

Fees and commissions payable for 2008/09 amounted to €101m (March 2008: €90m). This change is attributable to service fees payable to related entities of Bank of Ireland Group which have increased by €6m in line with higher book volumes and the cost of the Government Guarantee Scheme of €5m.

The offset to the reclassification of the interest rate swap noted above can be seen in net trading income, which also includes interest flows in relation to the interest rate swaps held for trading and fair value adjustments.

The Bank maintained a strong focus on costs which were 7% lower that last year.

Loan losses increased to €48m (March 2008: Nil). Although asset quality overall remains robust, provisions on loans have increased year-on-year from €13m to €61m. Loan losses have accelerated in the last quarter, as a result of worsening economic conditions leading to increased job losses and falling property values.

Review of the business and future developments

2008/09 has been a very challenging year for the residential property and mortgage markets. Ireland's difficult economic situation, expectations of further declines in house prices and turmoil in the international financial markets contributed to a significant decline in housing and mortgage market activity.

Completions of new mortgages amounted to €2.5bn in 2008/09 (€4.2bn in 2007/08). The mortgage book grew by 6% to €20.5bn (March 2008: €19.3bn). This is a smaller increase than in previous years and reflects the slowdown in the Irish mortgage market generally.

As noted, impaired loans have increased year on year. In the current economic climate, the Bank continues to work closely with customers who find themselves financially challenged in order to achieve satisfactory resolutions.

2008/09 has been a year of unprecedented turbulence in the financial markets, with liquidity constraints leading to increased cost of funds and reduced product margins. However, the Bank is well funded and throughout the year has maintained access to a range of alternative sources of funding.

The Board of Directors have approved a funding policy for the Bank that permits funding via the use of asset covered securities, a mortgage backed promissory note programme and borrowings from the Bank of Ireland Group.

In the 2008/09 financial year, Bank of Ireland Mortgage Bank completed €3.1 billion in Asset Covered Securities (ACS) transactions comprising of €675 million in private placements, €31 million in registered private placements and €2.4 billion in transactions with its parent, Bank of Ireland. Of the €2.4 billion transactions with Bank of Ireland, €1 billion was issued in Sept'08 under the €10 billion ACS programme and €1.4 billion under a new €3 billion Mortgage Covered Securities Programme which was launched on the 13th March 2009 for the issuance of securities maturing before the end of the Government Guarantee Scheme on the 29th September 2010. This brings the total mortgage covered securities in issue as at 31st March 2009 to €10 billion.

As at 31st March 2009 the Bank has drawn down a €3bn borrowing facility via the Central Banks Mortgage Backed Promissory Note Scheme.

The solvency ratio as reported to the Financial Regulator is 9.4%.

The directors have not proposed or paid a final dividend in the current year. A dividend of €20m was paid during the year to 31st March 2008.

On 24th October 2008, the Bank elected to participate in a guarantee scheme announced by the Irish Government, the "Credit Institutions (Financial Support Act 2008)" scheme. The liabilities of participating institutions are fully guaranteed under the laws of Ireland by the Minister of Finance for the period from 30th September 2008 to 29th September 2010 inclusive. A quarterly charge is payable to the Irish Government under the Scheme. Further information on the scheme is outlined in note 29 to the accounts.

In the coming year, circa €5bn of external funding is scheduled to mature. The Bank has access to alternative funding lines and continued support from its parent.

The directors are confident that the Bank will continue to compete successfully in its target markets in 2009/10. The overall strength of the Bank and the Bank of Ireland Group will ensure that the Bank is well positioned to capitalise on future growth opportunities.

Risk management

The Bank's Risk Management Structure and Controls Framework is consistent with that of Bank of Ireland Group and is described in detail in the accounts.

In addition the Cover-Asset Monitor performs the statutory function in relation to the covered asset pool and reports independently to the Financial Regulator.

Share capital and subordinated liabilities

624,000,000 units of Ordinary Shares, of nominal value of €1.00 each, were in issue at 31st March 2009.

Subordinated debt is at €312m at 31st March 2009 (March 2008: €312m).

Directors' & Secretary

The names of the persons who were Directors and Secretary of the Bank at any time during the year ended 31st March 2009 are set out below. Except where indicated they served as directors for the entire year.

Directors	
J. Collins	Retired 15th May 2008
J. Larkin	Retired 15th May 2008
R. Hynes	
B. Kealy	
D. Mahony (former Deputy Secretary)	Retired 10th December 2008
M. Meagher	
R. Boucher (Chairman)	
K Twomey	
J. Byrne	Appointed 12th March 2009
B. Nevin	Appointed 15th May 2008
J. Martin	Appointed 10th December 2008
G Kerr (former Secretary)	Retired 10th September 2008
Hill Wilson Secretarial Limited (Secretary)	Appointed 10th September 2008

Directors' & secretary's interests

The interests of the Directors and Secretary, in office at 31st March 2009, and of their spouses and minor children, in the shares of the Governor & Company of the Bank of Ireland and related Group entities, are disclosed in Note 5(b) of the financial statements.

Political donations

The Electoral Act 1997 requires companies to disclose all political donations over €5,079 in aggregate made during the financial year. The directors on enquiry have satisfied themselves that no such donations have been made by the Bank during the financial year.

Going concern

The Directors are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for the preparation of the accounts.

Books of account

The Directors ensure that proper books and account records are kept at the bank's registered office, through the appointment of suitably qualified personnel, the implementation of appropriate computerised systems and the use of financial and other controls over the systems and the data.

Audit committee

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

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

Events since the year end

There have been no post balance sheet events that require reporting since the year end, 31st March 2009 and the date of signing.

Auditors

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

Richie Boucher
Chairman

Brendan Nevin
Director

Rose Hynes
Director

15th May 2009

BANK OF IRELAND MORTGAGE BANK

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

Irish company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Acts, 1963 to 2006, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act 2001 to 2007. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements which comprise the Profit and Loss Account, the Balance Sheet, the Cashflow Statement 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 the accounting standards issued by the Accounting Standards Board and published by The Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 10.

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 Bank's members 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 financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act 2001 to 2007. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed.

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.

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Bank's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2006, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act, 2001 to 2007.

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

In our opinion the information given in the directors' report on pages 6 to 9 is consistent with the financial statements.

The net assets of the Bank, as stated in the balance sheet on page 14 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 March 2009 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Bank.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

15th May 2009

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.

BANK OF IRELAND MORTGAGE BANK
PROFIT AND LOSS ACCOUNT

	Notes	Year Ended 31 March 2009 €m	Year Ended 31 March 2008 €m
Interest receivable and similar income	2	1,390	1,276
Interest payable	3	(1,195)	(1,088)
NET INTEREST INCOME		195	188
Fees and commissions payable	4	(101)	(90)
TOTAL OPERATING INCOME		94	98
Administrative expenses	5	(13)	(14)
Impairment losses on loans & advances	12	(48)	-
Net trading income	7	2	3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		35	87
Taxation on profit on ordinary activities	8	(4)	(11)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		31	76

The movement in the reserves is shown in note 20

The notes on pages 16 to 47 form part of the financial statements.

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

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

Richie Boucher
Chairman

Rose Hynes
Director

Brendan Nevin
Director

Jeremy Crean
For and Behalf of
Hill Wilson Secretarial Limited

15th May 2009

BANK OF IRELAND MORTGAGE BANK
BALANCE SHEET

	Notes	Year Ended 31 March 2009 €m	Year Ended 31 March 2008 €m
ASSETS			
Cash and balances at central banks	9	-	-
Loans and advances to banks	10	15,348	8,123
Loans and advances to customers	11	20,505	19,346
Derivative financial instruments	14	302	-
Other assets	13	6	6
		36,161	27,475
LIABILITIES			
Deposits by banks	15	21,663	19,383
Debt securities in issue	16	13,370	6,910
Derivative financial instruments	14	2	79
Other liabilities	17	19	26
Subordinated liabilities	18	313	314
		35,367	26,712
SHAREHOLDERS' FUNDS			
Called up capital stock	19	624	624
Profit and loss account	20	170	139
		794	763
		36,161	27,475

The notes on pages 16 to 47 form part of the financial statements.

Commitments see note 27.

Richie Boucher
Chairman

Brendan Nevin
Director

Jeremy Crean
For and Behalf of
Hill Wilson Secretarial Limited

Rose Hynes
Director

15th May 2009

BANK OF IRELAND MORTGAGE BANK
CASHFLOW STATEMENT

	Notes	Year Ended 31 March 2009 €m	Year Ended 31 March 2008 €m
Net cash flow from operating activities	22	34	(42)
Returns on Investment and Servicing of Finance	22	(15)	(32)
Taxation		(10)	(11)
Financing	22	-	70
Increase/(decrease) in cash in the period	22	9	(15)

The notes on pages 16 to 47 form part of the financial statements.

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

1.1 Basis of Preparation

The financial statements on pages 13 to 47 have been prepared under the historical cost convention, modified by the revaluation of certain financial instruments, in accordance with the Companies Acts, 1963 to 2006, the European Communities (Credit Institutions: Accounts) Regulations 1992, the Asset Covered Securities, Act 2001 to 2007 and with accounting standards generally accepted in Ireland.

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

A change in accounting estimate for the life of the mortgage contributed an additional €23m income under the effective interest rate.

1.2 Interest Income and Expense

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

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

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

1.3 Fees & commission income / payable

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

1.4 Financial Assets

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

Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Loans and receivables investments are carried at amortised cost using the effective interest method.

1.5 Financial Liabilities

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

1.6 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Bank designates certain derivatives as hedges of the fair value of recognised assets or liabilities (fair value hedge).

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying value of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

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

1.7 Impairment of financial assets

(a) Assets carried at amortised cost

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment 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 Bank about the following loss events:

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

g) adverse changes in the payment status of borrowers in the group; or
h) national or local economic conditions that correlate with defaults on the assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment 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 receivables 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 has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less cost for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

1.8 Impairment of financial assets continued

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

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

1.9 Issued Debt Securities

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

1.10 Pensions

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

Whilst the scheme is a defined benefit scheme the Bank is unable to identify its share of the underlying assets and liabilities of the scheme and hence it is treated as a defined contribution scheme in the accounts of the Bank.

The pension cost relating to this scheme is assessed in accordance with the advice of a qualified actuary. Contributions are charged to the profit and loss account in the period in which they became payable. The disclosures required under Financial Reporting Standard 17 ("Retirement Benefit") for the year ended 31st March 2009 are shown in note 24.

1.11 Deferred Taxation

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

1.12 Accrued interest

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

1.13 Subordinated Loan

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

1.14 Use of estimates or judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 €m	2008 €m
Interest receivable on intergroup placings	469	389
Interest receivable on loans and advances to customers	921	887
	1,390	1,276

Included in Loans and advances to customers is €482,193 relating to Interest on impaired loans.

3 INTEREST PAYABLE

	2009 €m	2008 €m
Interest payable on intergroup borrowings	776	746
Interest payable on debt securities in issue	404	330
Interest payable on subordinated liabilities	15	12
	1,195	1,088

4 FEES AND COMMISSIONS PAYABLE

	2009 €m	2008 €m
Service fee payable to Bank of Ireland group companies	96	90
Government Guarantee Scheme (note 29)	5	-
	101	90

5 ADMINISTRATIVE EXPENSES

	2009 €m	2008 €m
Staff Costs:		
- wages and salaries	0.43	0.52
- social security costs	0.05	0.05
- pension costs	0.10	0.03
	0.58	0.60
Other administrative expenses	12.79	13.09
Total administrative expenses	13.37	13.69

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

5(a) EMPLOYEE INFORMATION

For the year ended 31st March 2009 the average number of employees was 6 (March 2008: 7 employees).

5 (b) DIRECTORS' & SECRETARY'S INTERESTS

The interests of the Directors and Secretary, in office as at 31st March 2009, and of their spouses and minor children, in the shares of Bank of Ireland or the Group undertakings are set out in the tables below.

SHARES IN THE GOVERNOR & COMPANY OF THE BANK OF IRELAND

	As at 31 March 2009	As at 31 March 2008 (or date of appointment if later)
Directors	SHARES	SHARES
B.Nevin	10,756	9,157
R. Hynes	6,250 ADRs*	6,250 ADRs*
B. Kealy	8,010	5,986
M. Meagher	69,598	69,598
R. Boucher	33,127	22,866
K. Twomey	7,725	5,099
J. Martin	Nil	Nil
J. Byrne	2,018	2,018
Secretary		
Hill Wilson Secretarial Limited	Nil	Nil

*In the United States of America the Governor & Company of the Bank of Ireland 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).

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

Directors	Date of Grant	Earliest Exercise Date	Exercise Price €	Lapsed	As at 31 March 2009	As at 31 March 2008 (or date of appointment if later)
B. Nevin	26 Jul 2004	26 Jun 2007	10.76	-	18,000	18,000
	21 Jun 2005	21 Jun 2008	12.85	-	11,500	11,500
	04 Jul 2006	03 Jun 2009	14.00	12,000	Nil	12,000
	12 Jun 2007	11 Jun 2010	15.45	-	9,500	9,500
	03 Jun 2008	02 Jul 2011	8.10	-	25,450	Nil
	01 Feb 2006	01 Feb 2009	7.84	-	Nil	2,653
R. Hynes	-	-	-	-	Nil	Nil
B. Kealy	26 Jul 2004	26 Jul 2007	10.76	-	11,500	11,500
	21 Jun 2005	21 Jul 2008	12.85	-	9,500	9,500
	04 Jul 2006	04 Jul 2009	14.00	8,000	Nil	8,000
	22 Dec 2006	01 Mar 2010	12.28	-	301	301
	12 June 2007	12 Jun 2010	15.45	-	5,900	5,900
	24 Dec 2007	01 Mar 2011	6.96	-	531	531
	03 June 2008	02 Jun 2011	8.10	-	9,650	Nil
J. Martin	-	-	-	-	Nil	Nil
M. Meagher	-	-	-	-	Nil	Nil
R. Boucher	26 Jul 2004	26 Jul 2007	10.76	-	26,000	26,000
	21 Jun 2005	21 Jun 2008	12.85	-	23,000	23,000
	04 Jul 2006	04 Jul 2009	14.00	30,500	Nil	30,500
	22 Dec 2006	01 Mar 2010	12.28	-	301	301
	12 Jun 2007	12 Jun 2010	15.45	-	33,950	33,950
	03 June 2008	02 Jun 2011	8.10	-	71,600	Nil
K. Twomey	22 Dec 2006	01 Mar 2010	12.28	-	301	301
	24 Dec 2007	01 Mar 2011	6.96	-	531	531
J. Byrne	22 Dec 2006	01 Mar 2010	12.28	-	301	301
	12 June 2007	11 Jun 2010	15.45	-	4,550	4,550
	24 Dec 2007	01 Mar 2011	6.96	-	531	531
	03 June 2008	02 Jun 2011	8.10	-	12,750	12,750

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

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

Directors	Date of Award	Lapsed	As at 31 March 2009	As at 31 March 2008 (or date of appointment if later)
B. Nevin	21 Jun 2005	-	Nil	9,500
	04 Jul 2006	8,900	Nil	8,900
	12 Jun 2007	-	8,050	8,050
	03 Jun 2008	-	22,250	Nil
R. Hynes	-	-	Nil	Nil
B. Kealy	-	-	Nil	Nil
J. Martin	-	-	Nil	N/A
M. Meagher	-	-	Nil	Nil
R. Boucher	21 Jun 2005	-	Nil	16,000
	04 Jul 2006	30,500	Nil	30,500
	12 Jun 2007	-	33,950	33,950
	03 Jun 2008	-	71,600	Nil
K. Twomey	-	-	Nil	Nil
J. Byrne	-	-	Nil	Nil

*Since 2004 the Governor & Company of the Bank of Ireland has operated a Long Term Incentive Plan ('LTIP'), with stockholder approval, for key senior executives who are best placed to maximise stockholder value. This replaced the Long Term Performance Stock Plan ('LTPSP'), which operated from 1999 to 2003. Under this plan and its predecessor, the LTPSP, conditional awards have been made to the executive Directors as set out in the table above.

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

Directors	As at 31 March 2009	As at 31 March 2008
B. Nevin	644	Nil
R. Hynes	Nil	Nil
B. Kealy	Nil	Nil
M. Meagher	Nil	Nil
R. Boucher	657	648
K. Twomey	Nil	Nil
J. Martin	Nil	Nil
J. Byrne	Nil	Nil

6 PROFIT BEFORE TAXATION

	2009 €000	2008 €000
Profit before taxation has been arrived at after charging:		
Auditors Remuneration (Including VAT)		
Statutory audit	48	46
Other assurance services	-	22
	--------	--------
Total	48	68
	=====	=====

7 NET TRADING INCOME

	2009 €m	2008 €m
Net income from assets and liabilities held for trading		
Interest rate contracts	19	-
Fair value hedges		
Fair value gains on derivative contracts in fair value hedge relationships	313	44
Fair value (losses) on liabilities in fair value hedge relationships	(330)	(41)
	---------	---------
	2	3
	=====	=====

Within fair value hedges there is a €17m loss (March 2008: €3m gain) which represents the net hedge ineffectiveness in relation to the fair value hedges. See notes 14 and 25 for details of interest rate contracts and fair value hedging arrangements. Included in interest rate contracts is the fair value of interest rate swaps and the related interest that do not qualify for hedge accounting.

During the year one interest rate swap contract failed hedge effectiveness testing and was re-categorised as “held for trading” from the date it failed.

8 TAXATION

	2009 €000	2008 €000
Current Tax		
Irish Corporation tax @ 12.5%	4,379	10,877
	---------	---------
Deferred Tax		
Unwinding of Transition Adjustments (note 17)	(161)	(161)
	---------	---------
	4,218	10,716
	=====	=====

The tax charge for the period is at an effective rate of 12.5%, which is the same as the standard Irish corporation tax rate.

9 CASH AND BALANCES AT CENTRAL BANKS

	2009 €000	2008 €000
Funds placed with Central Bank of Ireland	25	25
	25	25
Other loans and advances to banks by remaining maturity		
Repayable on demand		
- 3 months or less	-	-
- 1 year or less but over 3 months	25	25
	25	25

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

10 LOANS AND ADVANCES TO BANKS

	2009 €m	2008 €m
Funds placed with the Governor & Company of the Bank of Ireland	15,348	8,123
	15,348	8,123
Loans and advances to banks by remaining maturity		
Repayable on demand	16	7
- 3 months or less	4,932	931
- 1 year or less but over 3 months	2,000	-
- 5 years or less but over 1 year	5,877	2,783
- over 5 years	2,523	4,402
	15,348	8,123

11 LOANS AND ADVANCES TO CUSTOMERS

	Notes	2009 €m	2008 €m
Repayable on demand		-	-
3 months or less		170	131
1 year or less but over 3 months		506	387
5 years or less but over 1 year		2,886	2,366
Over 5 years		17,004	16,475
Less provisions for bad and doubtful debts	12	(61)	(13)
		20,505	19,346

The Bank's exposure to credit risk is from its mortgage lending activities on residential property in Ireland. For details of bad and doubtful debts see note 12.

12 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

The movement on the provision for bad and doubtful debts is included in the table below:

	2009 €000	2008 €000
Opening Provision at 1 April	12,812	6,335
Charge against Profits	47,864	6,477
At 31 March	60,676	12,812

Provisions include specific and "incurred but not reported" (IBNR) allowances.

Total loan loss provisions have increased year on year from €12.8m to €60.7m. Included in the charge in 2007/08 was an amount of €6.2m relating to one alleged solicitor fraud case. The loss on this case is covered under a BOI Group insurance policy and accordingly in the prior year the Bank has recognised a receivable for €6.2m (see note 13), resulting in a net charge to the P&L of Nil for the year ended 31st March 2008. Of this receivable, €2.2m remains outstanding as at 31st March 2009.

13 OTHER ASSETS

	2009 €m	2008 €m
Amounts recoverable from BOI Insurance Ltd.	2	6
Current Taxation	4	-
	6	6

14	DERIVATIVE FINANCIAL INSTRUMENTS AS AT 31st MARCH 2009	2009 €m Contract / Notional Amount €m	2009 €m Fair Value (Asset)/ Liability €m	2008 €m Contract / Notional Amount €m	2008 €m Fair Value Liability €m
14 (a)	Derivatives held for trading				
	Non-Pooled Swaps	8,841	-	9,548	-
	Pooled Swaps	11,460	-	9,416	-
	Private Placing Swaps	653	2.0	253	0.3
	Interest rate swaps	2,010	(52.4)	-	-
	Total derivatives held for trading	22,964	(50.4)	19,217	0.3
14 (b)	Derivatives held for hedging				
	Interest rate swaps	4,346	(249.8)	6,050	78.9
	Total derivatives held for hedging	4,346	(249.8)	6,050	78.9
	Total derivatives	27,310	(300.2)	25,267	79.2

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.
The following table represents the underlying principal and replacement costs of the bank's derivatives as at 31st March 2009.

During the year, one of the interest rate swaps held for hedging was reclassified to held for trading as it failed hedge effectiveness testing.

31st March 2009	Within one year €m	Over one year €m	Total €m
Underlying Principal Amount			
Interest Rate Contracts	22,301	5,009	27,310
Replacement Costs			
Interest Rate Contracts	51	251	302

The following table represents the underlying principal and replacement costs of the bank's derivatives as at 31st March 2008.

31st March 2008	Within one year €m	Over one year €m	Total €m
Underlying Principal Amount			
Interest Rate Contracts	18,964	6,303	25,267
Replacement Costs			
Interest Rate Contracts	-	-	-

The above interest rate contracts are all held with financial counterparties.

15 DEPOSITS BY BANKS

	2009 €m	2008 €m
Deposits by Banks	21,663	19,383
	======	======
Deposits by remaining maturity		
Repayable on demand	33	32
- 3 months or less	21,630	19,351
	----------	----------
Due to the Governor & Company of the Bank of Ireland	21,663	19,383
	======	======

16 DEBT SECURITIES IN ISSUE

	2009 €m	2008 €m
Bonds and medium term notes by remaining maturity		
- 3 months or less	3,000	52
- 1 year or less but over 3 months	2,026	96
- 5 years or less but over 1 year	6,069	2,756
- Greater than 5 years	2,275	4,006
	----------	----------
	13,370	6,910
	======	======

Bank of Ireland Mortgage Bank is a directly, wholly-owned, subsidiary of the Governor & Company of the Bank of Ireland, holds a banking licence and is a designated mortgage credit institution within the meaning of the Asset Covered Securities Act, 2001 to 2007 (the "Acts"). The Acts provide, among other things, for the registration of eligible credit institutions as designated mortgage credit institutions, the maintenance by designated mortgage credit institutions of a defined pool of prescribed mortgage credit assets and limited classes of other assets, known as a cover assets pool (Pool) and the issuance by designated mortgage credit institutions of certain asset covered securities secured by a statutory preference under the Acts on the assets (Cover Assets) comprised in the Pool. Asset covered securities issued by Institutions in accordance with the Acts are called mortgage covered securities (Mortgage Covered Securities). The value of the pool including mortgage assets and cash at the 31st of March 2009 securing these assets was €12.7bn (March 2008: €8.7bn). As at 31st March 2009 there are no mortgage credit assets secured on commercial property in Bank of Ireland Mortgage Bank (March 2008: Nil).

In accordance with the Acts, see the required disclosures set out in tables 16 (a) – 16(g) below.

The Bank's first issue of mortgage covered securities was for €2 billion in September 2004, maturing in September 2009. This was a standalone issue and was not an issue of Securities under the mortgage covered securities programme established by the Bank in May 2005 (the Original Programme). In June 2005, the Bank returned to the market with a second issue of €2 billion of mortgage covered securities with a ten year maturity.
In July 2006, the Bank returned to the market with a third issue for €2 billion with a seven-year maturity. In the 12 months to 31st December 2006 the Bank also completed €393 million in private placement transactions with maturities ranging from five to ten years. In January and March 2008 the bank executed two private placement transactions for €50m and €500m respectively.
In the 2008/9 financial year, the Bank completed €3.1 billion in funding transactions comprising of €675 million in private placements, €31 million in registered private placements and €2.4 billion in transactions with its parent, Bank of Ireland.

Of the €2.4bn transactions with Bank of Ireland, €1bn was issued in September 2008 under the €10 billion ACS programme and €1.4 billion under a new €3 billion Mortgage Covered Securities Programme launched 13th March 2009. This brings the total mortgage covered securities in issue as at 31st March 2009 to €10 billion.

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

The Bank can raise funds from the Central Bank and Financial Services Authority of Ireland ("CBFSAI") under the Mortgage Backed Promissory Note Programme (MBPNP) entered into. Obligations under the programme are secured by way of a first floating charge to the CBFSAI over all its right, title, interest and benefit of loans and advances to customers. The Bank has pledged under the terms of the floating charge to maintain the assets so charged free from any encumbrance and otherwise than in the ordinary course of business not to sell, transfer, lend or otherwise dispose of any part of the charged assets without the prior written consent of the CBFSAI. The deed of floating charge was executed by the Bank of Ireland Mortgage Bank and dated 5th July 2004 in favour of the CBFSAI. The mortgages in the MBPNP are secured by a floating charge over Irish Residential Mortgage Credit Assets, which are not in the covered assets pool. At 31st March 2009 there was €3bn worth of other debt securities obligated to Central Bank (March 2008: Nil).

In the coming year, circa €5bn of external funding is scheduled to mature. The Bank has access to alternative funding lines and continued support from its parent.

16(a) Mortgage Accounts & Principal Outstanding in the Mortgage Covered Pool as at 31st March 2009

From Range	**To Range**	**Number of Accounts 2009**	**Total Balances of Accounts** (1) **2009**	**Number of Accounts 2008**	**Total Balances of Accounts** (1) **2008**
€000	**€000**		**€000**		**€000**
0	100	30,908	1,491,100	26,857	1,320,367
100	200	22,587	3,352,134	19,458	2,883,651
200	500	18,527	5,222,202	14,505	4,046,424
Over 500		1,777	1,418,007	1,131	867,158
		73,799	11,483,443	61,951	9,117,600

(1) The total balance of accounts represents the cumulative amount outstanding on all the mortgage accounts in the pool as at 31st March 2009 and 31st March 2008 respectively

16 DEBT SECURITIES IN ISSUE continued

16(b) Geographical Location and Details for the Pool as at 31st March 2009

Geographical Area	% of Over all Properties	Number of Accounts (2) *	Number of Properties
Dublin	22%	16,287	13,916
Outside Dublin	78%	57,512	50,160
	----------	----------	----------
	100%	73,799	64,076
	======	======	======

(2) The number of accounts represents the cumulative number of mortgage accounts held in the pool, as at 31st March 2009 and 31st March 2008 respectively. There could be one or more accounts per mortgaged property giving rise to different figures for the number of accounts and the number of properties in the pool as at 31st March 2009 and for comparatives as at 31st March 2008.

Geographical Location and Details for the Pool 31st March 2008

Geographical Area	% of Over all Properties	Number of Accounts (2)	Number of Properties
Dublin	22%	13,738	11,670
Outside Dublin	78%	48,213	41,864
	----------	----------	----------
	100%	61,951	53,534
	======	======	======

16(c) Pool Accounts in Default as at 31st March 2009

As at 31st March 2009 there were 98 accounts (March 2008: 46) in default (the term default is defined as relating to mortgage accounts that are in arrears exceeding 3 months). The cumulative current balance on these accounts was €24,118,877 with an arrears amount of €566,261 as at 31st March 2009 (31st March 2008 cumulative balance was €11,228,797 with arrears of €260,670).

16(d) Pool Accounts in Default with Arrears >€1,000 as at 31st March 2009

During the year ended 31st March 2009 there were 585 accounts which had been in default with arrears of more than €1,000. The cumulative current balance on these accounts was €130,995,751 with an arrears amount of €3,222,439. As at 31st March 2009 there were 82 accounts with arrears in excess of €1,000. The cumulative current balance on these accounts was €23,362,600 with an arrears balance of €554,829.

As at 31st March 2008, 38 of the accounts in default had arrears of more than €1,000 on them. The cumulative balance on these accounts in arrears of over €1,000 was €11,046,358 with an arrears amount of €255,361 as at 31st March 2008.

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

During the year ended 31st March 2009, 554 accounts (March 2008: 664) that were non-performing (the term non performing is defined as relating to mortgage accounts that are in arrears exceeding 3 months) were replaced with other mortgage credit assets. The total amount in arrears in respect of mortgage assets that had not been written off as at 31st March 2009 was €566,261 (March 2008: €260,670). The variance between the amount of arrears in respect of mortgage assets that had not been written off is reflected in Note 16(c).

16(g) Total Mortgage Principal and Interest Repayments on Pooled Accounts by customers for year ended 31st March 2009

For the year ended 31st March 2009 the total amount of interest and capital repaid in respect of mortgage credit assets was €460,931,529 and €759,204,081 respectively (March 2008: €423,315,224 and €1,069,754,448) respectively.

17 OTHER LIABILITIES

		2009 €m	2008 €m
Amounts due to the Governor & Company of Bank of Ireland		18.8	23.9
Current taxation		-	1.8
Deferred taxation	(1)	0.2	0.3
		----------	----------
		19	26
		======	======

(1) **Deferred Taxation Liability**	2009 €000	2008 €000
Deferred tax	321	482
Profit and Loss	(161)	(161)
	----------	----------
Deferred tax at 31 March	160	321
	======	======

The closing Deferred Tax balance at the 31st March 2009 is made up of €85,000 (March 2008: €171,000) on Mortgage Discounts and €75,000 (March 2008: €150,000) on Loan Loss Provisions.

18 SUBORDINATED LIABILITIES

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

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

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

This brings the total to €313m (March 2008: €314m), €312m being the loan balance and €1.4m accrued interest at the 31st March 2009 (March 2008: €312m loan balance and €2.4m accrued interest).

19 SHARE CAPITAL

	2009 €m	2008 €m
Authorised		
1,000m units of €1.00 of Ordinary Shares	1,000	1,000
	1,000	1,000

Allotted and fully paid	2009 €m	2008 €m
Equity		
624m units of €1.00 of Ordinary Shares (2008: 624m units of €1.00 of Ordinary Shares)	624	624
	624	624

Share capital issued during 2008/09 amounted to nil (March 2008: nil). All units of Ordinary Shares in issue carry the same voting rights.

20 RESERVES

	Notes	2009 €m	2008 €m
Profit and loss account			
Opening balance		139	83
Profit for the period		31	76
Dividend paid	21	-	(20)
Closing balance		170	139

21 DIVIDEND

	2009 €m	2008 €m
Dividend Paid	-	20
	======	======

There were no dividends paid or proposed in the year ended 31st March 2009. A dividend of €20m or €0.03205128 per ordinary share in issue was paid during the year to 31st March 2008 to the Bank's parent the Governor & Company of the Bank of Ireland.

22 NOTES TO THE CASH FLOW STATEMENT

22(i) RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	Year Ended 31 March 2009 €m	Year Ended 31 March 2008 €m
Profit on Ordinary activities before taxation		35	87
Amortisation of issue costs and mortgage discounts		(1)	20
Interest charged on subordinated liabilities		15	12
Impairment charges		48	-
Fair value adjustments		(14)	(3)
		-----------	-----------
Net cash flow from trading activities		83	116
Net (increase)/decrease in loans and advances to banks		(7,215)	44
Net (increase) in loans and advances to customers		(1,206)	(1,972)
Net decrease/(increase) in other assets		3	(6)
Net increase in deposits by banks		2,280	1,203
Net increase in debt securities in issue		6,122	550
Net (decrease)/increase in other liabilities		(6)	15
Net (increase)/decrease in derivative financial instruments	(1)	(27)	8
		-----------	-----------
Net cash flow from operating activities		34	(42)
		=======	=======

Note:
(1) Balance sheet movements on derivative financial instruments comprises of movements in interest accruals.

	Year Ended 31 March 2009 €m	Year Ended 31 March 2008 €m
22(ii) Returns on investment and servicing of finance		
Interest paid on subordinated liabilities	(15)	(12)
Dividend paid	-	(20)
	(15)	(32)

	Year Ended 31 March 2009 €m	Year Ended 31 March 2008 €m
22 (iii) Financing		
Issue of subordinated liabilities	-	70
Issue of Ordinary stock	-	-
	-	70

22 (iv) ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE BALANCE SHEET

	Cash	Loans and advances to / from Banks on demand	Total Cash
2009	**€m**	**€m**	**€m**
At 1 April 2008	-	(25)	(25)
Cash Flow	-	9	9
At 31 March 2009	-	(16)	(16)
2008	**€m**	**€m**	**€m**
At 1 April 2007	-	(10)	(10)
Cash Flow	-	(15)	(15)
At 31 March 2008	-	(25)	(25)

23 SEGMENTAL INFORMATION

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

24 PENSION COSTS

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

An independent actuary, on the basis of triennial actuarial reviews, determines the Banks contributions to the ICS scheme. The most recent full actuarial valuations were performed at 1st January 2007. With effect from 1st October 2007 the Bank is contributing to the ICS Plan at a rate of 22.6% of pensionable salaries. The disclosures under FRS 17 have been calculated by qualified independent actuaries for the year ended 31 December 2008. The deficit on the scheme as at 31st December 2008 amounted to €14.6m (March 2007: €5.4m).

Whilst the scheme is a defined benefit scheme the Bank is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis due to the fact that it is a minority participating employer, hence it is treated as a defined contribution scheme (rather than a defined benefit scheme) in the accounts of the Bank.

Contributions on behalf of the Bank's employees amounted to €74,535 for the year ended 31st March 2009 (March 2008: €72,000). There were no outstanding amounts to be paid to the scheme at 31st March 2009 by the Bank (March 2008: €Nil).

25 RISK MANAGEMENT AND CONTROL

Financial Risk Management

The Board of Directors approve policies and limits with respect to credit risk, market risk, liquidity risk and operational risk. The Head of Credit and Risk Management for Consumer Banking for Bank of Ireland has overall responsibility for credit policy implementation at executive level and the Finance Director has overall responsibility for market, liquidity and operational policy implementation at executive level. The Credit Risk Management unit has responsibility for the day to day operation of the credit risk policy. The Treasury Unit has responsibility for the day to day operation of the market risk and liquidity risk policies. The Compliance and Operational Risk Unit has responsibility for operational risk and reviews the operation of the financial and operating controls. The credit risk, market risk, operational risk and liquidity risk policies are reviewed on a regular basis. The Bank's risk management and control policies comply with the Bank of Ireland Group policies on credit risk, market risk, liquidity risk and operational risk. In addition, Bank of Ireland Group Credit and Group Internal Audit review compliance with the Bank of Ireland Group credit risk, market risk, liquidity risk and operational risk policies as part of their ongoing work in Bank of Ireland Mortgage Bank. The general scheme of risk management, financial and operational controls is designed to safeguard the Bank's assets while allowing sufficient operational freedom to earn a satisfactory profit.

Credit Risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty can cause a financial loss for the Bank by failing to discharge an obligation. Credit Risk is one of the main types of risk to which the Bank's business is exposed, and is managed accordingly. Credit exposures arise principally in lending activities that lead to loans and advances to customers (mortgages). There is also credit risk in off-balance sheet financial instruments such as loan commitments. The Bank's exposure to credit risk is governed principally by its credit policy which is duly approved by the Board of Directors, and the Bank of Ireland Group Risk Policy Committee (GRPC).

Structure and Organisation of the Credit Risk Management Function

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

The Credit & Risk function within the Bank is a key function within the business responsible for both the credit policy and strategy formulation and the management and safety of lending while supporting the business in the achievement of its goals/objectives. Underwriting and Credit Management/Collections activity are centralised and staff are primarily goaled on credit quality and operational efficiency.

Lending officers operate in a centralised function through a hierarchy of authorities and, are allocated lending limits according to credit competence, proven judgement, experience and the nature and scale of lending particular to the Bank. Existing credit risk is reviewed periodically with lower quality exposures subject to greater intensity of supervision and management.

Applications for the Bank's mortgages are initiated using fully automated application processes by the Bank of Ireland branch network.

In the Bank, the application of ratings is automatic through the use of risk rating models, which are appropriate to the facilities being rated. This applies both at time of application and monthly updating of ratings based on account performance.

An independent control unit within the Bank of Ireland Group Risk Office, undertake periodic reviews of the appropriateness of the risk rating models that are used within the business and evaluate if the models are 'fit for purpose' and IRB (Internal Rating Based) compliant.

Group Credit Review, (an independent function within Group Credit), undertake periodic reviews of the quality and management of credit risk assets across the Group and plays a key role in reviewing the Bank's adherence to policy, processes and procedures and maintaining the quality agenda.

Management of Credit Risk
The Bank manages, limits and controls concentrations of credit risk.

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

Exposure to credit risk is also managed through analysis of the ability of borrowers and potential borrowers to meet repayment obligations. Renegotiation of facilities that would otherwise be past due or impaired in the financial year is not a routine practice.

Measurement of Credit Risk
In measuring credit risk of Loans and Advances to customers, the Bank reflects three components:

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

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

Loan loss provisioning or impairment allowances required under FRS 26 are based on losses that have been incurred at the balance sheet date (the "incurred loss model")

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

The risk rating system in addition to credit policy and strategy is continuously refined and validated to ensure that the level of risk incurred is acceptable to the Bank.

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

Accounts are managed on the basis of performance with those past due measured by instalments in arrears.

Credit Risk Mitigation & Collateral
The Bank employs a range of policies and practices to mitigate credit risk. The most common practice of these is the taking of security for funds advanced. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal type in relation to loans and advances are residential properties.

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

The Bank's requirements around completion, valuation and management requirements for collateral / security are set out in appropriate policies and procedures. The Bank's credit risk mitigation processes and procedures are designed with the objective of (1) ensuring mortgage charges are enforceable in all jurisdictions which are relevant at the time of the conclusion of the credit agreement, and (2) to ensure that mortgage charges are filed on a timely basis. The objective of this protection agreement, and the legal process underpinning it, is to enable the Bank to realise the value of the protection within a reasonable timeframe. Processes are designed with the objective of ensuring that appropriate fire and life insurance cover as appropriate is in place at mortgage drawdown.

Impairment Criteria and Provisions
Impairment provisions are recognised for financial reporting purposes for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

The impairment provision shown in the balance sheet at year-end is driven by the internal rating grades with the significant part coming from the poorer quality ratings. In addition impaired accounts at the poorest quality rating are individually assessed for provision by evaluating the incurred loss at balance sheet date. The assessment encompasses collateral held (including reassessment of its enforceability) and the anticipated receipts for that individual account where appropriate.

Management determines whether objective evidence of impairment exists based on the following criteria set out by the Bank:

- Mortgages are considered impaired when they are greater than 90 days past due where recovery of the account is significantly in doubt and on which a specific provision has been individually calculated (Mortgages are considered past due where a contracted payment of principal or interest is 1 or more days past due but not yet impaired)
- Cash flow difficulties experienced by the borrower
- Initiation of bankruptcy proceedings
- Deterioration in the value of collateral

Collectively assessed impairment allowances are provided for (i) accounts which are in default but not deemed individually significant or at the highest rating and (ii) losses that have been incurred but have not yet been identified by using the available historical experience adjusted for current conditions, experienced judgement and statistical techniques.

See details of the carrying value of these provisions in note 12.

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

	Maximum Exposure	
	2009	**2008**
	€m	**€m**
Current risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	15,348	8,123
Loans and advances to customers	20,415	19,346
Derivative financial instruments	302	-
Commitments	1,216	1,601
Total maximum exposure	**37,281**	**29,070**

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

As seen above the main asset class is 'Loans and Advances to Customers' (i.e. residential mortgages). The Loans and Advances to Banks and derivative financial instruments relate to Bank of Ireland Group entities.

Loans and Advances
Loans and Advances to Banks (note 10) and Loans and Advances to Customers (note 11) are the main classes of financial assets that the Bank is exposed to from a credit risk perspective. The tables below provide further details in relation to loans and advances.

Loans and Advances to Customers
(i) Loans and advances neither impaired nor past due

	2009	2008
	€m	€m
Good Quality	19,554	18,938

Loans and advances are deemed to be 'Good Quality' if the accounts do not have any amount outstanding as arrears.

(ii) Loans and advances past due but not impaired

	2009	2008
	€m	€m
Past due 1 - 30 days	265	190
Past due 31 - 60 days	159	67
Past due 61- 90 days	85	30
Past due greater than 90 days	296	109
Total	**805**	**396**

Loans and advances where balances are in arrears are not considered impaired unless other information is available to indicate the contrary.

(iii) Loans and advances impaired balances.

	2009	2008
	€m	€m
Impaired balances	118	12

Arrears on impaired loans as a % of the impaired balances amounts to 4.02%(March 2008: 20.8%). Total provisions as a % of impaired balances amounts to 52.11% (March 2008: 238%). The level of accounts falling into arrears is increasing and is actively being managed by the Credit Collections Department.

Loans and Advances to Banks

The total gross amount of impaired loans to banks as at 31st March 2009 was Nil (March 2008: Nil). These balances relate to amounts with Group entities of the Governor & Company of the Bank of Ireland. There are no amounts past due as at 31st March 2009 (March 2008: Nil).

Derivative Financial Instruments
Derivative contracts are only entered into with Bank of Ireland Group counterparties. There are no amounts past due or impaired as at 31 March 2009 (March 2008: nil).

Repossessed Collateral
The fair value of security repossessed by the Bank during the course of the year is as follows:

	2009	2008
	€'000	€'000
Nature of asset:		
Residential Mortgages	517	190

Repossessed property is sold as soon as practicable, with the proceeds used to reduce indebtedness.

Concentration of risks of financial assets with credit risk exposure

(i) Geographical sectors
The table below breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region. For this table, the Bank has allocated exposures based on the location of the asset.

	2009	2008
	€m	€m
Loans and Advances to Credit Institutions		
- Dublin	15,348	8,123
- Rest of Ireland	-	-
Loans and Advances to Customers		
- Dublin	6,511	6,115
- Rest of Ireland	13,904	13,231
Total	**35,763**	**27,469**

Financial Assets Renegotiated
The Bank has Financial Assets Renegotiated that would otherwise be past due or impaired as follows:

	2009	2008
	€'000	€'000
Nature of asset:		
Residential Mortgages	92,920	-

Fair Value of Collateral Held
As at 31st March 2009, the fair value of collateral held on past due loans is €1,275m, while collateral held on impaired loans is €89m.

(ii) Industry Sectors
The table below breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of our counterparties.

	2009	2008
	€m	**€m**
Loans and Advances to Credit Institutions		
- Financial	15,348	8,123
Loans and Advances to Customers		
- Personal (residential mortgages)	20,415	19,346
Derivative Financial Instruments		
- Financial	302	
Total	**36,065**	**27,469**

Market Risk

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

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

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

At 31 March 2009, the Bank had €4.8bn of fixed-rate lending, where the rate is typically fixed for periods of 1 to 3 years (March 08: €5.6bn). At 31st March 2009 the Bank had €10bn in issued Asset Covered Securities, where the rate is typically fixed for periods of 5 years or more (March 08: €6.9bn).

BOIMB does not enter into any trading positions and has no material sensitivity to changes in interest rates. The interest rate exposure of BOIMB relating to its Irish residential lending denominated in euro is managed using two macro interest rate swaps with Bank of Ireland Global Markets, one of which, the Pool Interest Rate Contract, relates only to the Pool and Mortgage Covered Securities issued by the Bank and the other, the Non-Pool Interest Rate Contract, relates only to Irish residential loans denominated in euro which are not included in the Pool. These macro interest rate swaps are deemed traded derivatives (see note 14) and do not qualify for hedge accounting.

In the case of the Pool Interest Rate Contract, this is a cover assets hedge contract for the purposes of the Asset Covered Securities Act, 2001 to 2007. Under the Pool Interest Rate Contract, on a monthly basis BOIMB pays to Bank of Ireland Global Markets an amount related to a weighted average basket interest rate, determined by reference to interest rates payable on the residential loans held by BOIMB and which are included in the Pool on the relevant date, on a notional amount equal to the principal amount outstanding of those loans on the relevant date. In return on a monthly basis, Bank of Ireland Global Markets pays to BOIMB interest on that notional amount at one month EURIBOR plus an amount related to the composite margin on the underlying mortgage loans. The non-pool interest rate contract is structured and operates on a similar basis to the pool interest rate contract.

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

BOIMB enters into these interest rate swaps to hedge the interest rate exposure on its fixed rate Mortgage Covered Securities in issue. These swaps and related fixed rate Mortgage Covered Securities qualify for hedge fair value accounting treatment. The nominal value of these swaps is €4bn (March 2008: €6bn) is set out in Note 14.

During the year, one of the interest rate swaps held for hedging was reclassified to held for trading as it failed hedge effectiveness testing.

The Bank measures its interest rate risk in terms of the sensitivity of its assets and liabilities, in NPV (Net Present Value) terms, to a 1% shift in the parallel yield curve. The Bank is required to ensure that this sensitivity remains within a low operational hedging limit. At the end of March 2009, the Bank's exposure to a parallel 1% upward shift in the euro yield curve was €1,651 (March 2008: €5,580), with an average of €5,407 for the year (March 2008: €10,096).

Currency risk

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

Liquidity Risk

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

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

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

Limits on potential cashflow mismatches over defined time horizons are the principal basis of liquidity control. The cashflow mismatch methodology involves estimating the net volume of funds, which must be refinanced in particular time periods, taking account of the value of assets that could be liquidated during these periods.

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

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

The Bank meets its day to day residual funding requirements through borrowing facilities in place with Bank of Ireland Group. While the Bank raises a significant level of its funding from the Bank of Ireland Group, the strength of the Bank's balance sheet gives it the capability to fund outside the Bank of Ireland Group if required.

The tables below analyse liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. In line with the requirements of FRS 29, the liabilities table below show principal balances and undiscounted interest cashflows over the life of the liabilities. It excludes non cash items such as fair value adjustments.

31st March 2009:

Liabilities	**Demand €m**	**Within 3 months €m**	**After 3 months but within 1 year €m**	**After 1 year but within 5 years €m**	**After 5 years €m**	**Total €m**
Deposits by Banks	32	21,632	-	-	-	21,664
Debt Securities in Issue	-	3,094	2,203	6,565	2,356	14,218
Subordinated Debt	-	2	5	25	322	354
Other Liabilities	-	19	-	-	-	19
Committed Facilities	1,216	-	-	-	-	1,216
Total Liabilities	**1,248**	**24,747**	**2,208**	**6,590**	**2,678**	**37,471**

31st March 2008:

Liabilities	**Demand €m**	**Within 3 months €m**	**After 3 months but within 1 year €m**	**After 1 year but within 5 years €m**	**After 5 years €m**	**Total €m**
Deposits by Banks	32	19,351	-	-	-	19,383
Debt Securities in Issue	-	76	185	3,583	4,455	8,299
Subordinated Debt	-	4	12	63	351	430
Other Liabilities	-	26	-	-	-	26
Committed Facilities	1,601	-	-	-	-	1,601
Total Liabilities	**1,633**	**19,457**	**197**	**3,646**	**4,806**	**29,739**

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

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

31 March 2009

	Within 3 months €m	After 3 months but within 1 year €m	After 1 year but within 5 years €m	After 5 years €m	Total €m
Net cash inflows / (outflows) on derivative financial instruments	-	(1)	(1)	-	(2)

31 March 2008

	Within 3 months €m	After 3 months but within 1 year €m	After 1 year but within 5 years €m	After 5 years €m	Total €m
Net cash inflows / (outflows) on derivative financial instruments	15	(86)	(31)	8	(94)

Operational Risk

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

Regulatory Risk

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

The management of regulatory risk and compliance in the Bank is governed by Bank of Ireland Group policy, formulated by the Group Regulatory Risk and Compliance Committee and approved by the Group Risk Policy Committee, on behalf of the Court. This requires the conduct of business in accordance with applicable regulations and with an awareness of regulatory risk by all employees. The Board of Directors of the Bank has approved the adoption of the Bank of Ireland's Group policy and the Bank complies with this policy.

The effective management of regulatory compliance is the primary responsibility of the Banks management and this includes the Bank reassessing its regulatory risk profile, on a regular basis throughout the year, based on planning, monitoring undertaken and reporting to the Group's Audit Committee and Board of Directors and to Bank of Ireland Group Regulatory and Operational Risk function.

Capital Management

The objectives of the Bank's capital management policy are to:

- Align capital management within the Bank to the strategy of the Bank and that of the Bank of Ireland Group;
- Achieve the optimal mix of capital to meet the Bank's regulatory requirements and rating ambitions;
- Manage capital ensuring that capital is only invested in businesses which deliver adequate returns.

The Bank in managing its capital, uses as its basis, the capital adequacy requirements set by the Financial Regulator in Ireland which reflect the requirements as set out in the Capital Requirements Directive and its preceding directives. For the year ended 31 March 2009 the Bank was subject to the requirements of Basel II. It seeks to maintain sufficient capital to ensure that even under stressed conditions that these requirements are not breached.

The Bank's capital includes the Bank's shareholders' funds (subject to regulatory adjustments) together with dated subordinated debt. The regulatory capital requirements and actual capital held are compared to the risk weighted assets of the Bank.

The Bank meets its objectives in terms of capital management through the holding of capital ratios above the minimum levels set by the Financial Regulator. The Bank of Ireland Group stress tests the capital held within the Group to ensure that under stressed conditions that the Group continues to comply with regulatory minima ratios. As the sole external provider of capital to the Bank this enables the Bank of Ireland Group to ensure that the Bank has adequate capital available to it at all times.

Capital strategy is integrated into the overall strategy of the Bank and the Bank of Ireland Group ensuring that capital strategy is a key enabler of strategy.

The Group has a portfolio approach to its businesses to ensure that optimum returns are targeted and earned with strategy focused on ensuring growth in value enhancing activities. New lending activity and transactions are subject to RAROC (Risk Adjusted Return on Capital) return criteria.

Included in regulatory capital is called up share capital, revenue reserves, subordinated debt capital and provisions for impairment.

26 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table represents the carrying amount and the fair value financial assets and liabilities of the Bank as at 31st March 2009.

		31 March 2009 Carrying Amount €m	31 March 2009 Fair Values €m	31 March 2008 Carrying Amount €m	31 March 2008 Fair Values €m
Assets					
Loans and advances to banks	(1)	15,348	15,726	8,123	8,123
Loans and advances to customers	(2)	20,505	19,706	19,346	19,154
Derivative financial instruments	(5)	302	302	-	-
Liabilities					
Deposits by banks	(3)	21,663	21,663	19,383	19,383
Debt securities in issue	(4)	13,370	12,668	6,910	6,675
Derivative financial instruments	(5)	2	2	79	79

There are no material differences between the fair value and the carrying value of the other assets and liabilities shown on the balance sheet. The following notes summarise the methods and assumptions used in estimating the fair values of financial instruments shown above,

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

(2) Loans and Advances to Customers
The Bank provides lending facilities of varying rates and maturities to corporate and personal customers. Several different techniques are employed as considered appropriate in estimating the fair value of loans and advances. Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type. Each loan category is further segmented into fixed and variable rate interest terms. The carrying amount of variable rate loans was considered to be at market rate if there was no significant change in the credit risk of the borrower. The fair value of fixed rate loans is estimated by discounting future cash flows using market rates for similar loans with the same residual maturities, offered by the Bank.

(3) Deposits by Banks
The fair value of other borrowings is based on the discounted cash flows using market rates applicable for similar types of borrowing arrangements. The discount rate is estimated using market rates for deposits with similar remaining maturities. The carrying amount of variable rate loans is considered to be at market value.

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

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

27 COMMITMENTS

At 31st March 2009 the Bank had €1,216m of approved mortgage loan applications that as at the year end had not drawn down**.** Undrawn mortgage loan applications at 31st March 2008 calculated on an equivalent basis were €1,601m.

28 RELATED PARTY TRANSACTIONS

The Bank's immediate and ultimate parent undertaking is the Governor and Company of Bank of Ireland, a company incorporated by charter in Ireland. Group accounts are available at Bank of Ireland, Head Office, Lower Baggot Street, and Dublin 2.
Transactions with companies within the Bank of Ireland Group are not disclosed as the Bank has taken advantage of the exemption available under Financial Reporting Standard No. 8 – "Related Party Disclosures", on the basis that the consolidated financial statements of Bank of Ireland Group in which the Bank is included are publicly available as referred to above.

As at 31st March 2009, there were no loans to non executive directors (March 2008: €195,861), and no preferential loans to connected parties (March 2008: nil). Loans to executive directors are made on terms similar to those available to staff, generally on a case by case basis and in accordance with policy and / or in the ordinary course of business on normal commercial terms. Included in the loans and advances to customers are loans of €2.4m made to 5 executive directors (March 2008: €2.4m to 5 executive directors). The maximum loan balance during the year to directors does not materially exceed or differ to the loans to directors' balance as at 31st March 2009. None of the directors' loans were impaired as at 31st March 2009.

Directors' remuneration for the year ended 31st March 2009 is as set out in the table below:

Directors' remuneration	**2009 €000**	**2008 €000**
Fees	65	86
Other emoluments	200	200
	----------	----------
	265	286
	======	======

Amounts included in other emoluments were not paid to directors directly from the Bank. The cost was borne by the Governor & Company of Bank of Ireland. Amounts included in other emoluments above represent an allocation of the total emoluments paid to these directors in respect of services provided to the Bank.

29 GOVERNMENT GUARANTEE SCHEME

On 24th October 2008, four of the Group's entities elected to participate in the Guarantee Scheme announced by the Irish Government. Under the scheme the Irish Government guaranteed relevant deposits and debt securities raised by certain banks and financial institutions operating in Ireland until 29th September 2010. The entities concerned 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 by the scheme:

- 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 inter-group borrowing and any debt due to the European Central Bank arising from Eurosystem monetary policies are excluded.

Commercial conduct and reporting requirements

Conditions have been imposed on covered institutions that regulate the commercial conduct of their business, having regard to capital ratios, market share and balance sheet growth in order to minimize 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 also 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 the purposes of the Act.

A quarterly charge is payable to the Irish Government under the Scheme. This amounted to €4.8m in total for the year ended 31st March 2009.

30 APPROVAL OF THE FINANCIAL STATEMENTS

The Directors approved these financial statements on 15th May 2009.