BANK OF IRELAND GROUP

NOTES TO CONSOLIDATED FINANCIAL STATEMENT

Index to the notes to the consolidated financial statements

		Page
1	Comparative period	F-42
2	Operating segments	F-42
3	Interest income	F-49
4	Interest expense	F-49
5	Net insurance premium income	F-49
6	Fees and commission income and expense	F-50
7	Net trading expense	F-50
8	Life assurance investment income and gains/(losses)	F-51
9	Gain on repurchase of subordinated liabilities	F-52
10	Other operating income	F-53
11	Insurance contract liabilities and claims paid	F-53
12	Other operating expenses	F-54
13	Auditors' remuneration	F-55
14	Impairment charges on financial assets	F-56
15	Operating (loss)/profit	F-56
16	Results of associates and joint ventures (after tax)	F-56
17	Loss on disposal of business activities	F-56
18	Taxation	F-57
19	Earnings per share	F-60
20	Trading securities	F-62
21	Derivative financial instruments	F-62
22	Other financial assets at fair value through profit or loss	F-65
23	Loans and advances to banks	F-65
24	Available for sale financial assets	F-66
25	Loans and advances to customers	F-67
26	Assets and liabilities held for sale to NAMA	F-69
27	Impairment provisions	F-72
28	Interest in associates	F-72
29	Interest in joint ventures	F-73
30	Intangible assets	F-73
31	Investment properties	F-76
32	Property, plant and equipment	F-77
33	Other assets	F-80
34	Other assets and liabilities classified as held for sale	F-80
35	Deposits from banks	F-81
36	Customer accounts	F-81
37	Debt securities in issue	F-81
38	Liabilities to customer unders investment and insurance contracts	F-82
39	Subordinated liabilities	F-84
40	Other liabilities	F-87

		Page
41	Provisions	F-88
42	Deferred tax	F-89
43	Retirement benefit obligations	F-90
44	Contingent liabilities and commitments	F-95
45	Capital stock	F-97
46	Fair values of financial assets and liabilities	F-104
47	Measurement basis of financial assets and liabilities	F-112
48	Cash and cash equivalents	F-114
49	General	F-114
50	Related party transactions	F-115
51	Principal undertakings	F-121
52	Other subsidiaries	F-123
53	Life assurance business	F-124
54	Directors' information	F-126
55	Summary of relations with the Irish Government	F-135
56	Risk management	F-141
57	Capital management	F-176
58	Post balance sheet events	F-177
59	Selected financial information for the nine months ended 31 December 2008 (unaudited)	F-183
60	Approval of 20-F	F-183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

1 COMPARATIVE PERIOD

On February 17, 2010, the Governor & Company of the Bank of Ireland announced that it was changing its fiscal year end from March 31 to December 31 to align its financial calendar with that of its peer banks.

These consolidated financial statements cover the nine month period from April 1, 2009 to December 31, 2009, while the comparative period covers the twelve months from April 1, 2008 to March 31, 2009 and April 1, 2007 to March 31, 2008. As a result, the amounts presented in the financial statements are not entirely comparable.

2 OPERATING SEGMENTS

The Group has five reportable operating segments as detailed below. As noted in the accounting policies and basis of presentation on pages F-12 to F-35 the Group adopted IFRS 8 during the period and this has not resulted in a change in the Group's operating segments. These segments reflect the internal financial and management reporting structure and are organised as follows:

Retail Republic of Ireland

Retail Republic of Ireland includes all the Group's branch operations in the Republic of Ireland. The branches offer a wide range of financial products and services in addition to the deposit, lending, current account and other money transmission services traditionally offered by banks. It also includes Bank of Ireland Mortgage Bank, ICS Building Society, Private Banking, an instalment credit and leasing business, credit card operations, commercial finance/ factoring businesses, the domestic and US foreign exchange operations of First Rate Enterprises and direct telephone and online banking services.

Bank of Ireland Life (BoI Life)

BoI Life offers life assurance, protection, pensions and investment products to customers in Ireland through the extensive branch banking network of Retail Republic of Ireland. The company also operates in the independent intermediary market and through a direct sales force.

UK Financial Services

UK Financial Services (UKFS) comprises Business Banking in Great Britain and Northern Ireland, the branch network in Northern Ireland, the UK residential mortgage business which, as announced in January 2009 is no longer being sourced through the intermediary channel and the business ventures with the UK Post Office. The business banking unit provides loan facilities to medium and large corporate clients in addition to international banking, working capital financing, leasing and electronic banking services. Offshore deposit taking services are offered in the Isle of Man. The business activities with the UK Post Office are Post Office Financial Services and First Rate Exchange Services, which provide a range of retail financial services.

Capital Markets

The principal constituents of this division are Corporate Banking and Global Markets in addition to Asset Management Services and IBI Corporate Finance.

Corporate Banking provides integrated relationship banking services to a significant number of the major Irish corporations, financial institutions and multinational corporations operating in or out of Ireland. The range of lending products provided includes overdraft and short term loan facilities, term loans, project finance and structured finance. Corporate Banking is also engaged in international lending, with offices located in the UK, France, Germany and the US. Its international lending business includes acquisition finance, project finance, term lending and asset based financing, principally in the UK, Continental Europe and the US.

2 OPERATING SEGMENTS (Continued)

Global Markets is responsible for managing the Group's interest rate and foreign exchange risks, while also executing the Group's liquidity and funding requirements. Global Markets trades in a range of market instruments on behalf of the Group itself and the Group's customers. The trading activities include dealing in inter-bank deposits and loans, foreign exchange spot and forward contracts, options, financial futures, bonds, swaps, forward rate agreements and equity tracker products. Global Markets has offices located in the UK and the US, as well as in the Republic of Ireland.

Group Centre

Group Centre mainly includes capital management activities, unallocated support costs and the cost of the Irish Government Guarantee Schemes.

Other Reconciling Items

Other reconciling items represent inter-segment transactions which are eliminated upon consolidation.

The analysis of results by operating segment is based on the information used by management to allocate resources and assess performance. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

The Group's management reporting and controlling systems use accounting policies that are the same as those referenced in Accounting Policies on pages F-12 to F-35. The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "Underlying profit" in our internal management reporting systems. Underlying profit or loss is the measure of segment profit or loss used in segment reporting and excludes gross up of policyholder tax in the life business; gain/loss on disposal of business activities; impairment of goodwill and other intangible assets arising from a systemic market event or where the Group is committed to exiting the relevant business; gain on repurchase of subordinated liabilities; investment return on treasury stock held for policyholders; Effective Interest Rate (EIR) adjustment on subordinated debt, the cost of restructuring programmes; hedge ineffectiveness is no longer excluded from underlying for the nine months to December 31, 2009.

Capital expenditure comprises additions to property, plant and equipment and intangible assets including additions resulting from acquisitions through business combinations.

Gross revenue comprises interest income, net insurance premium income, fee and commission income, net trading expense, life assurance investment income and gains/losses, other operating income, insurance contract liabilities and claims paid and income from associates and joint ventures.

There were no revenues deriving from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

Note to table on page F-44

(i) *In the current period a revision of estimated cash flows on certain subordinated liabilities has resulted in an income statement credit of €67 million. Of this amount €58 million represents a reduction in interest expense (note 4) while €9 million is report in net trading expense (note 7).*

2 OPERATING SEGMENTS (Continued)

9 Months Ended December 31, 2009	Retail Republic of Ireland	BoI Life	UK Financial Services	Capital Markets	Group Centre	Other Reconciling items	Group
	€m	€m	€m	€m	€m	€m	€m
Interest income	3,304	14	2,339	3,438	(513)	(4,394)	4,188
Interest expense	(2,416)	(16)	(1,874)	(2,733)	578	4,394	(2,067)
Net interest income	888	(2)	465	705	65	—	2,121
Other income, net of insurance claims	112	153	70	83	(102)	—	316
Total operating income, net of insurance claims	1,000	151	535	788	(37)	—	2,437
Other operating expenses	(638)	(78)	(277)	(222)	(59)	—	(1,274)
Depreciation and amortisation	(42)	(4)	(27)	(8)	(26)	—	(107)
Operating expenses	(680)	(82)	(304)	(230)	(85)	—	(1,381)
Impairment of goodwill and other intangible assets	(6)	—	—	—	—	—	(6)
Operating profit before impairment charges on financial assets	314	69	231	558	(122)	—	1,050
Impairment charges on loans and advances to customers	(1,836)	—	(1,062)	(1,157)	—	—	(4,055)
Impairment charges on available for sale financial assets	—	—	—	(2)	—	—	(2)
Share of results of associates and joint ventures	8	—	26	1	—	—	35
Underlying (loss)/profit before tax	(1,514)	69	(805)	(600)	(122)	—	(2,972)
Effective Interest Rate adjustment on subordinated liabilities[1]	—	—	—	—	67	—	67
Gross-up of policyholder tax in the Life business	—	64	—	—	—	—	64
Investment return on treasury stock held for policyholders	—	—	—	—	(6)	—	(6)
Loss on disposal of business activities	—	—	—	(3)	—	—	(3)
Repurchase of subordinated liabilities	—	—	—	—	1,037	—	1,037
Statutory (loss)/profit before tax	**(1,514)**	**133**	**(805)**	**(603)**	**976**	**—**	**(1,813)**
Capital expenditure	—	2	32	6	20	—	60
Investment in associates and joint ventures	134	—	74	9	—	—	217
External assets	52,999	11,744	53,804	60,101	2,458	—	181,106
Inter segment assets	68,946	1,714	22,202	135,270	47,020	(275,152)	—
Total assets	121,945	13,458	76,006	195,371	49,478	(275,152)	181,106
External liabilities	49,109	12,081	18,400	78,562	16,517	—	174,669
Inter segment liabilities	72,401	515	58,298	117,743	26,195	(275,152)	—
Total liabilities	121,510	12,596	76,698	196,305	42,712	(275,152)	174,669

1. *See note (i) on page number F-43.*

2 OPERATING SEGMENTS (Continued)

Year Ended March 31, 2009	Retail Republic of Ireland	BoI Life	UK Financial Services	Capital Markets	Restated* Group Centre	Other reconciling items	Restated* Group
	€m	€m	€m	€m	€m	€m	€m
Interest income	7,819	30	4,962	8,650	(2,521)	(9,223)	9,717
Interest expense	(6,367)	(37)	(4,211)	(7,168)	2,513	9,223	(6,047)
Net interest income	1,452	(7)	751	1,482	(8)	—	3,670
Other income, net of insurance claims	277	84	139	(237)	(24)	—	239
Total operating income, net of insurance claims	1,729	77	890	1,245	(32)	—	3,909
Other operating expenses	(858)	(102)	(435)	(366)	(99)	—	(1,860)
Depreciation and amortisation	(73)	(6)	(37)	(11)	(51)	—	(178)
Operating expenses	(931)	(108)	(472)	(377)	(150)	—	(2,038)
Operating profit before impairment charges on financial assets	798	(31)	418	868	(182)	—	1,871
Impairment charges on loans and advances to customers	(708)	—	(422)	(305)	—	—	(1,435)
Impairment charges on available for sale financial assets	—	—	—	(76)	—	—	(76)
Impairment charges on loans and advances to banks	—	—	—	(2)	—	—	(2)
Share of results of associates and joint ventures	(70)	—	39	(11)	—	—	(42)
Underlying (loss)/profit before tax	20	(31)	35	474	(182)	—	316
Gross-up of policyholder tax in the Life business	—	(76)	—	—	—	—	(76)
Impairment of goodwill and other intangible assets	—	—	—	(304)	—	—	(304)
Investment return on treasury stock held for policyholders	—	—	—	—	131	—	131
Hedge ineffectiveness on transition to IFRS	—	—	—	—	(7)	—	(7)
Cost of restructuring programme	(9)	—	(61)	(9)	(4)	—	(83)
Statutory (loss)/profit before tax	11	(107)	(26)	161	(62)	—	(23)
Capital expenditure	60	7	59	14	54	—	194
Investment in associates and joint ventures	118	—	46	9	—	—	173
External assets	55,501	9,697	52,574	71,774	4,570	—	194,116
Inter segment assets	58,879	1,671	12,784	122,534	25,223	(221,091)	—
Total assets	114,380	11,368	65,358	194,308	29,793	(221,091)	194,116
External liabilities	54,382	10,058	19,932	92,129	10,702	—	187,203
Inter segment liabilities	56,514	521	46,371	102,577	15,108	(221,091)	—
Total liabilities	110,896	10,579	66,303	194,706	25,810	(221,091)	187,203

* *The prior periods have been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page number F-13.*

2 OPERATING SEGMENTS (Continued)

Year Ended March 31, 2008	Retail Republic of Ireland	BoI Life	UK Financial Services	Capital Markets	Restated* Group Centre	Other Reconciling Items	Restated* Group
	€m	€m	€m	€m	€m	€m	€m
Interest income	7,452	14	5,484	8,612	(2,792)	(8,373)	10,397
Interest expense	(6,023)	(21)	(4,638)	(7,582)	2,757	8,373	(7,134)
Net interest income	1,429	(7)	846	1,030	(35)	—	3,263
Other income, net of insurance claims	417	225	163	89	(43)	—	851
Total operating income, net of insurance claims	1,846	218	1,009	1,119	(78)	—	4,114
Other operating expenses	(909)	(106)	(497)	(405)	(89)	—	(2,006)
Depreciation and amortisation	(74)	(4)	(36)	(11)	(12)	—	(137)
Operating expenses	(983)	(110)	(533)	(416)	(101)		(2,143)
Profit on disposal of property	—	—	5	1	—	—	6
Operating profit before impairment charges on financial assets	863	108	481	704	(179)	0	1,977
Impairment charges on loans and advances to customers	(146)	—	(33)	(48)	—	—	(227)
Impairment charges on available for sale financial assets	—	—	—	(5)	—	—	(5)
Share of results of associates and joint ventures	(1)	—	47		—	—	46
Underlying loss/profit before tax	716	108	495	651	(179)		1,791
Profit on disposal of property	33	—	—	—	—	—	33
Gross up for policyholder tax in the Life business	—	(60)	—	—	—	—	(60)
Investment return on treasury stock held for policyholders	—	—	—	—	189	—	189
Hedge ineffectiveness on transition to IFRS	—	—	—	—	(6)	—	(6)
Cost of restructuring program	—	—	—	—	(17)	—	(17)
Statutory (loss) profit before tax	749	48	495	651	(13)	0	1,930
Capital expenditure	56	15	57	14	10	—	152
Investment in associates and joint ventures	31	—	50	17	—	—	98
External assets	59,555	13,678	56,690	66,888	623	—	197,434
Inter segment assets	58,295	907	13,973	114,889	40,747	(228,811)	—
Total assets	117,850	14,585	70,663	181,777	41,370	(228,811)	197,434
External liabilities	43,237	13,307	28,587	97,336	8,445	—	190,912
Inter segment liabilities	72,065	368	40,761	83,404	32,213	(228,811)	—
Total liabilities	115,302	13,675	69,348	180,740	40,658	(228,811)	190,912

* *The prior periods have been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page F-13.*

2 OPERATING SEGMENTS (Continued)

Gross Revenue by Business Segments

9 Months Ended December 31, 2009	Retail Republic of Ireland	BOI Life	UK Financial Services	Capital Markets	Group Centre	Eliminations	Group
	€m	€m	€m	€m	€m	€m	€m
External customers	1,458	247	1,814	1,107	1,264	—	5,890
Inter-segment revenue	1,996	15	693	2,474	(734)	(4,444)	—
Total gross revenue	3,454	262	2,507	3,581	530	(4,444)	5,890

Year Ended March 31, 2009	Retail Republic of Ireland	BOI Life	UK Financial Services	Capital Markets	Group Centre	Eliminations	Group
	€m	€m	€m	€m	€m	€m	€m
External customers	2,766	7	3,575	4,014	(168)	—	10,194
Inter-segment revenue	4,981	(10)	1,629	5,270	(2,626)	(9,244)	—
Total gross revenue	7,747	(3)	5,204	9,284	(2,794)	(9,244)	10,194

Year Ended March 31, 2008	Retail Republic of Ireland	BOI Life	UK Financial Services	Capital Markets	Group Centre	Eliminations	Group
	€m	€m	€m	€m	€m	€m	€m
External customers	3,232	300	3,982	3,889	164	—	11,567
Inter-segment revenue	4,690	(53)	1,727	4,846	(2,813)	(8,397)	—
Total gross revenue	7,922	247	5,709	8,735	(2,649)	(8,397)	11,567

Geographical Segments

9 Months Ended December 31, 2009	Ireland	United Kingdom	Rest of World	Eliminations	Total
	€m	€m	€m	€m	€m
External revenues	3,795	2,022	73	—	5,890
Inter segment revenue	1,003	509	226	(1,738)	—
Gross revenue	4,798	2,531	299	(1,738)	5,890
(Loss) / profit before taxation	(1,242)	(602)	31	—	(1,813)
Capital expenditure	27	32	1	—	60
External assets	116,259	59,089	5,758	—	181,106
Inter segment assets	57,873	26,684	10,731	(95,288)	—
Total assets	174,132	85,773	16,489	(95,288)	181,106
External liabilities	138,292	26,627	9,750	—	174,669
Inter segment liabilities	29,722	59,478	6,089	(95,289)	—
Total liabilities	168,014	86,105	15,839	(95,289)	174,669

2 OPERATING SEGMENTS (Continued)

Geographical Segments

Year Ended March 31, 2009	Restated* Ireland	United Kingdom	Rest of World	Eliminations	Restated* Total
	€m	€m	€m	€m	€m
External revenues	6,733	3,304	157	—	10,194
Inter segment revenue	889	2,908	648	(4,445)	—
Gross revenue	7,622	6,212	805	(4,445)	10,194
(Loss) / profit before taxation	154	129	(306)	—	(23)
Capital expenditure	134	58	2	—	194
External assets	128,291	59,791	6,034	—	194,116
Inter segment assets	56,344	33,823	9,280	(99,447)	—
Total assets	184,635	93,614	15,314	(99,447)	194,116
External liabilities	148,094	29,211	9,898	—	187,203
Inter segment liabilities	30,715	63,911	4,821	(99,447)	—
Total liabilities	178,809	93,122	14,719	(99,447)	187,203

Geographical segments

Year Ended March 31, 2008	Restated* Ireland	United Kingdom	Rest of World	Eliminations	Restated* Total
	€m	€m	€m	€m	€m
External revenues	7,306	4,119	142	—	11,567
Inter segment revenue	1,267	2,341	225	(3,833)	—
Gross revenue	8,573	6,460	367	(3,833)	11,567
(Loss) / profit before taxation	1,409	491	30	—	1,930
Capital expenditure	93	57	2	—	152
External assets	133,925	61,471	2,038	—	197,434
Inter segment assets	38,440	33,023	13,296	(84,759)	—
Total assets	172,365	94,494	15,334	(84,759)	197,434
External liabilities	130,490	47,414	13,008	—	190,912
Inter segment liabilities	37,299	45,815	1,645	(84,759)	—
Total liabilities	167,789	93,229	14,653	(84,759)	190,912

* *The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page F-13.*

3 INTEREST INCOME

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Loans and advances to customers	3,503	7,901	8,213
Available for sale financial assets	498	1,335	1,604
Loans and advances to banks	48	246	323
Finance leases	139	232	251
Other	—	3	6
Interest income	4,188	9,717	10,397

Included within interest income is €161 million (March 31, 2009: €110 million; March 31, 2008: €31 million) in respect of impaired loans and advances to customers. Net interest income also includes a debit of €351 million (March 31, 2009: credit of €93 million; March 31, 2008: credit of €185 million) transferred from the cash flow hedge reserve (see page F-7).

4 INTEREST EXPENSE

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Customer accounts	995	2,773	2,808
Debt securities in issue	653	2,297	3,041
Deposits from banks	198	554	840
Subordinated liabilities	163	423	445
Interest expense	2,009	6,047	7,134

Interest expense on financial liabilities (including subordinated liabilities) is recognised using the effective interest rate (EIR) method. In accordance with the EIR method, the carrying value of certain subordinated liabilities has been reduced by €58 million at December 31, 2009 to reflect the Group's revised estimates of future cashflows on these liabilities. This adjustment has been reflected as a reduction in interest expense in the nine months ended December 31, 2009. For further information see note 58.

5 NET INSURANCE PREMIUM INCOME

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Gross premiums written	751	1,190	2,101
Ceded reinsurance premiums	(91)	(116)	(173)
Net premiums written	660	1,074	1,928
Change in provision for unearned premiums	5	(5)	12
Net insurance premium income	665	1,069	1,940

6 FEES AND COMMISSION INCOME/EXPENSE

Income	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Retail banking customer fees	268	368	401
Asset management fees	66	132	189
Credit related fees	41	38	81
Insurance commissions	60	75	42
Brokerage fees	8	13	23
Other	31	91	80
Fees and commissions income	474	717	816

For the year ended March 31, 2009, fees amounting to €42 million have been reclassified from retail banking customer fees to insurance commissions for comparative purposes. Included in other fees is an amount of €3 million (March 31, 2009: €4 million, March 31, 2008: €6 million) in trust and other fiduciary fees.

Expenses	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Government Guarantee fee (note 55)	105	66	—
Other	150	166	150
Fees and commission expense	255	232	150

The Government Guarantee fee of €105 million (March 31, 2009: €66 million) relates to the fee paid under the Credit Institutions (Financial Support) Scheme, which commenced on September 30, 2008.

7 NET TRADING EXPENSE

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Financial assets designated at fair value	31	(29)	(6)
Financial liabilities designated at fair value	(137)	55	107
Related derivatives held for trading	86	(41)	(260)
	(20)	(15)	(159)
Other financial instruments held for trading	(13)	(258)	(79)
Net fair value hedge ineffectiveness	7	(27)	(6)
Cash flow hedge ineffectiveness	(2)	(7)	(2)
Net trading expense	(28)	(307)	(246)

7 NET TRADING EXPENSE (continued)

Net trading expense of €28 million (March 31, 2009: €307 million; March 31, 2008: €246 million) includes the gains and losses on financial instruments held for trading and those designated at fair value through profit or loss (other than unit linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €20 million (March 31, 2009: €65 million; March 31, 2008: €28 million) in relation to net gains arising from foreign exchange.

Net trading expense includes the total fair value movement (including interest receivable and payable) on liabilities that have been designated at fair value through profit or loss. The interest receivable on amortised cost assets which are funded by those liabilities is reported in net interest income. Net trading expense also includes the total fair value movements on derivatives that are economic hedges of assets and liabilities which are measured at amortised cost, the net interest receivable or payable on which is also reported within net interest income. The net amount reported within net interest income relating to these amortised cost instruments was €71 million (March 31, 2009: €578 million; March 31, 2008: €346 million).

Net fair value hedge ineffectiveness comprises a net loss from hedging instruments of €97 million (March 31, 2009: net gain of €213 million; March 31, 2008: Net gain of €168 million) offsetting a net gain from hedged items of €104 million (March 31, 2009: net loss of €240 million; March 31, 2008: net loss of €174 million).

Net trading expense for March 31, 2009 includes a loss of €39 million arising from the Lehman collapse in September 2008.

The net loss from the change in credit spreads relating to the Group's issued notes designated at fair value through profit or loss was €6 million (March 31, 2009: net gain €64 million; March 31, 2008: €32 million). The cumulative impact from the change in credit spreads at December 31, 2009 is a net gain of €90 million (March 31, 2009: €96 million).

Included within net trading expense above is a credit of €9 million in relation to the revised estimates of future cashflows on certain subordinated liabilities. See note 4 for further details.

8 LIFE ASSURANCE INVESTMENT INCOME AND GAINS/(LOSSES)

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Gross life assurance investment income and gains/(losses)	961	(1,635)	(924)
Elimination of investment return on treasury stock held for the benefit of policyholders	(3)	65	98
Life assurance investment income and gains/(losses)	958	(1,570)	(826)

Life assurance investment income and gains/(losses) comprise the investment return, realised gains and losses, and unrealised gains and losses which accrue to the Group, on all investment assets held by BoI Life, other than those held for the benefit of policyholders whose contracts are considered to be investment contracts.

IFRS requires that Bank of Ireland stock held by the Group, including those held by BoI Life for the benefit of policyholders, are reclassified as treasury stock and accounted for as a deduction from equity. Changes in the value of any treasury stock held are recognised in equity at the time of disposal and dividends are not recognised as income or distributions.

8 LIFE ASSURANCE INVESTMENT INCOME AND LOSSES (continued)

The impact on the Group income statement in the nine months to December 31, 2009 of applying this accounting treatment is that life assurance investment income and gains of €961 million have been reduced by €3 million which is the profit on Bank of Ireland stock held under insurance contracts. Other operating income (see note 10) has been reduced by €3 million which is the gain on stock held under investment contracts. The combined adjustment is €6 million. (March 31, 2009 €131 million, March 31, 2008 : €189 million).

9 GAIN ON REPURCHASE OF SUBORDINATED LIABILITIES

As part of its ongoing capital management activities the Group repurchased certain subordinated liabilities in June 2009. This involved the repurchase for cash of euro, US dollar and sterling subordinated liabilities at a discount to their nominal value.

The table below sets out the detail of the instruments purchased, the price paid and the residual amount of each security outstanding at December 31, 2009:

Description	Original Principle Amount	Principle Amount Repurchased	Price Paid (% of Principal Amount Repurchased)	Residual Principle Amount
€600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	€ 600m	€ 124m	50%	€476m
Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities	£350m	£304m	42%	£46m
€600 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	€ 600m	€ 250m	38%	€350m
US$800 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	$ 800m	$ 400m	40%	$400m
US$400 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	$ 400m	$ 200m	40%	$200m
Stg£500 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	£500m	£463m	40%	£37m

The net gain after transaction costs on the purchase of the subordinated liabilities amounted to €1,037 million (€1,029 million after taxation) being the difference between of the consideration paid of €683 million and the carrying value of the securities of €1,720 million.

Further information on subordinated liabilities is set out in note 39.

10 OTHER OPERATING INCOME

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Profit on disposal available for sale financial assets	55	5	34
Other insurance income	83	23	91
Other income	(104)	(21)	22
Elimination of investment return on treasury stock held for the benefit of policyholders	(3)	66	91
Other operating income	31	73	238

Included in other income for the nine months ended December 31, 2009 is a charge of €62 million (March 31, 2009: €46 million) for impairment of investment properties and related activities. Also included in other income is a charge of €74 million arising from an unfavourable court ruling in connection with a European property investment.

11 INSURANCE CONTRACT LIABILITIES AND CLAIMS PAID

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Gross claims (see analysis below)	(656)	(963)	(1,013)
Reinsurance	38	40	27
Net claims	(618)	(923)	(986)
Change in liabilities:			
Gross	(1,023)	1,507	41
Reinsurance	179	(47)	147
Net changes in liabilities	(844)	1,460	188
Insurance contract liabilities and claims paid	(1,462)	537	(798)
Gross claims are analysed as follows:			
Surrenders	(480)	(768)	(851)
Death and critical illness	(105)	(128)	(113)
Annuities	(34)	(35)	(32)
Maturities	(3)	(5)	(3)
Other	(34)	(27)	(14)
	(656)	(963)	(1,013)

12 OTHER OPERATING EXPENSES

	9 months ended December 31, 2009	Restated* Year ended March 31, 2009	Restated* Year ended March 31, 2008
	€m	€m	€m
Administrative expenses			
— Staff costs (see analysis below)	789	1,197	1,238
— Other administrative expenses	479	737	785
Depreciation			
— Intangible assets (note 30)	75	132	87
— Property, plant and equipment (note 32)	32	46	50
Decline in property below cost	6	9	—
Other operating expenses	1,381	2,121	2,160
Staff costs are analysed as follows:			
Wages and salaries	569	849	963
Social security costs	61	91	93
Retirement benefit costs — defined benefit plans (note 43)	147	173	130
Retirement benefit costs — defined contribution plans	2	7	4
Share based payment schemes (note 45)	—	19	16
Other	10	58	32
Staff costs	789	1,197	1,238

* *The prior year has been restated to reflect the impact of adoption of "Amendment to IFRS2" share based payments vesting conditions and cancellations". Further information on this is shown on page number F-13.*

Depreciation of intangible assets for the year ended March 31, 2009 included a one off charge of €38 million in relation to accelerated depreciation on software assets as a result of technology consolidation.

Included in other administration expenses above is an amount of €49 million (March 31, 2009: €68 million) in relation to operating lease payments.

During the year ended March 31, 2009, the Group commenced a process of aligning its structure and cost base to an environment of lower levels of business and activity and a charge of €83 million was included in other operating expenses.

12 OTHER OPERATING EXPENSES (continued)

Staff numbers

In the nine months ended December 31, 2009 the average number of staff (full time equivalents) was 14,755 (March 31, 2009: 15,868, March 31, 2008: 16,026) categorised as follows in line with the operating segments as stated in note 2.

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
Retail Republic of Ireland	5,698	5,951	8,467
BoI Life	1,071	1,132	1,183
UK Financial Services	2,865	3,514	3,599
Capital Markets	1,557	1,801	1,737
Group Centre	3,564	3,470*	1,040
Total	14,755	15,868	16,026

* *The growth in staff numbers in Group Centre since April 1, 2008 reflects the ongoing centralisation of support functions in order to maximise operating efficiencies.*

13 AUDITORS' REMUNERATION

	Notes	ROI	Overseas (i)	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
		€m	€m	€m	€m	€m
Audit and assurance services (including VAT)						
Statutory audit (including expenses)		3.4	1.1	4.5	4.3	4.9
Other audit and assurance services	(ii)	4.7	0.5	5.2	5.0	4.8
		8.1	1.6	9.7	9.3	9.7
Other services (including VAT)						
Taxation services		0.2	0.2	0.4	0.8	1.1
Auditors remuneration		8.3	1.8	10.1	10.1	10.8

The figures in the above table relate to fees paid to PricewaterhouseCoopers (PwC). The Group Audit Committee has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

(i) Fees to overseas auditors principally consist of fees to PwC in the UK.

(ii) Other audit and assurance services consist primarily of fees in connection with reporting to regulators, letters of comfort, review of compliance with Government guarantee, reporting on Sarbanes-Oxley, reporting accountants work and accounting matters.

It is Group policy to subject all major consultancy assignments to a competitive tender process.

14 IMPAIRMENT CHARGES ON FINANCIAL ASSETS

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Loans and advances to customers (note 25)	4,055	1,435	227
Available for sale financial assets (note 24)	2	76	5
Loans and advances to banks (note 23)	—	2	—
	4,057	1,513	232

Of the €4,055 million charge for loans and advances to customers for the nine months to December 31, 2009, €2,231 million relates to loans held for sale to NAMA.

15 OPERATING (LOSS)/PROFIT

Operating (loss) / profit includes the Group's earnings from ongoing activities after impairment charges and before share of profit or loss on associates and joint ventures (after tax) and loss on disposal of business activities.

16 RESULTS OF ASSOCIATES AND JOINT VENTURES (AFTER TAX)

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
First Rate Exchange Services (note 29)	27	39	47
Property unit trust (note 29)	10	(63)	—
Paul Capital Investment (note 29)	1	(11)	—
Other joint ventures (note 29)	(1)	—	—
Associates (note 28)	(2)	(7)	(1)
	35	(42)	46

17 LOSS ON DISPOSAL OF BUSINESS ACTIVITIES

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Iridian Asset Management LLC	(10)	—	—
Guggenheim Alternative Asset Management LLC	7	—	—
Total	(3)	—	—

17 LOSS ON DISPOSAL OF BUSINESS ACTIVITIES (continued)

Disposal of Iridian Asset Management LLC

During the nine months ended December 31, 2009 the Group disposed of its interest in Iridian Asset Management LLC (Iridian). Iridian was a 100% subsidiary of BIAM US Inc and acted as an Institutional Asset Manager in the US market within the Capital Markets division of the Group. In the Annual Report for the year ended March 31, 2009 the impact of a fall in assets under management in the latter part of that year was highlighted and it was noted that the Group was reviewing its strategic options for this business. The disposal was concluded on June 30, 2009 with a resulting loss on disposal of €10 million.

In the year ended March 31, 2009 an impairment charge of €201 million on goodwill relating to Iridian was recognised in the income statement.

Disposal of Guggenheim Alternative Asset Management LLC

At March 31, 2009, the Group held a 71.5% interest in Guggenheim Alternative Asset Management LLC (Guggenheim). During the nine months ended December 31, 2009, the Group disposed of a 49.5% interest in Guggenheim with the intention of disposing of the remaining interest (22%) in the following year. Guggenheim acted as a US based fund of hedge funds manager within the Capital Markets division of the Group. Similar to Iridian, the significant drop in assets under management in the latter part of the last financial year following the turmoil in global markets prompted the Group to consider its strategic options for this business. The disposal of the 49.5% stake was concluded on August 31, 2009 with a resulting profit on disposal of €7 million. The remaining 22% interest is of negligible value with minimal control or influence.

In the year ended March 31, 2009 an impairment charge of €103 million on goodwill and other intangibles relating to Guggenheim was recognised in the income statement.

18 TAXATION

	9 months ended December 31, 2009	Restated* Year ended March 31, 2009	Restated* Year ended March 31, 2008
	€m	€m	€m
Current Tax			
Irish corporation tax			
— current year	(19)	(84)	(236)
— prior year	5	7	2
Double taxation relief	1	—	62
Foreign tax			
— current year	2	3	(140)
— prior year	(1)	—	(1)
	(12)	(74)	(313)
Deferred tax			
Origination and reversal of temporary differences (note 42)	356	115	84
Taxation credit/(charge)	344	41	(229)

18 TAXATION (continued)

The reconciliation of tax on (loss) / profit at the standard Irish corporation tax rate to the Group's actual tax credit/ (charge) for the periods ended December 31, 2009, March 31, 2009 and March 31, 2008 is as follows:

	9 months ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008
	€m	€m	€m
Loss/(profit) before taxation multiplied by the Standard rate of corporate tax in the Republic of Ireland of 12.5% (2008: 12.5%)	227	1	(242)
Effects of:			
Foreign earnings subject to different rates of tax	70	81	(86)
BoI Life — different basis of accounting	(55)	58	53
Income arising on repurchase of subordinated liabilities	121	—	—
Elimination of investment return on treasury stock held for the benefit of policyholders	(1)	16	24
Tax exempted profits and income at a reduced Irish tax rate	—	(4)	(2)
Non-deductible goodwill impairment	(1)	(110)	—
Non-deductible expenses	(9)	(19)	(7)
Prior year adjustments	4	7	1
Shares of profit of associates and joint ventures shown post tax in income statement	3	5	6
Other adjustments for tax purposes	(15)	6	24
Taxation credit/(charge)	344	41	(229)

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

The effective taxation rate for the nine months ended December 31, 2009 is a credit of 19%. The effective taxation rate for the year ended March 31, 2009 is a credit of 178%[1] (March 2008: 11.8%). Excluding the impact of the Life policyholder tax gross up, the elimination of the investment return on treasury shares held by BoI Life for policyholders, hedge ineffectiveness, the gain on the repurchase of subordinated liabilities[2] , cost of restructuring, the loss on disposal of business activities, the impairment of goodwill and other intangible assets and the EIR adjustment on the subordinated debt[2], the effective taxation rate is 16.1% compared to a rate of 17.7% for the year ended March 31, 2009.

The taxation credit for the Group was €41 million for the year ended March 31, 2009 compared to a taxation charge of €229 million for the year ended March 31, 2008. The effective tax rate was a credit of 178%[1] for the year ended March 31, 2009, as compared to a charge of 11.8% for the year ended March 31, 2008. The increase in the effective rate is due to the reduction in earnings across the Group and the Life policyholder tax gross-up.

[1] The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page F-13.

[2] These items relate to the nine months ended December 31, 2009 only.

18 TAXATION (continued)

The tax effects relating to each component of other comprehensive income are as follows:

Nine Months Ended December 31, 2009	Pre tax amount	Tax (charge)/ credit	Net of tax amount
	€m	€m	€m
Changes in revaluation reserve	(60)	7	(53)
Cash flow hedge reserve			
Changes in fair value	(555)	136	(419)
Transfer to income statement	676	(175)	501
Net change in reserve	121	(39)	82
Available for sale reserve			
Changes in fair value	1,110	(137)	973
Transfer to income statement on asset disposal	(55)	6	(49)
Net change in reserve	1,055	(131)	924
Changes in defined benefit pension funds	(99)	25	(74)
Changes in foreign exchange reserve	117	—	117
Other comprehensive income for the period	1,134	(138)	996

Year Ended March 31, 2009	Pre tax amount	Tax (charge)/ credit	Net of tax amount
	€m	€m	€m
Changes in revaluation reserve	(113)	17	(96)
Cash flow hedge reserve			
Changes in fair value	121	(102)	19
Transfer to income statement	(765)	206	(559)
Net change in reserve	(644)	104	(540)
Available for sale reserve			
Changes in fair value	(1,270)	162	(1,108)
Transfer to income statement on asset disposal	(5)	—	(5)
Net change in reserve	(1,275)	162	(1,113)
Changes in defined benefit pension funds	(624)	80	(544)
Changes in foreign exchange reserve	(528)	—	(528)
Other comprehensive income for the period	(3,184)	363	(2,821)

18 TAXATION (continued)

Year Ended March 31, 2008	Pre tax amount	Tax (charge)/ credit	Net of tax amount
	€m	€m	€m
Changes in revaluation reserve	(78)	8	(70)
Cash flow hedge reserve			
Changes in fair value	128	(28)	100
Transfer to income statement	(443)	96	(347)
Net change in reserve	(315)	68	(247)
Available for sale reserve			
Changes in fair value	(406)	50	(356)
Transfer to income statement on asset disposal	(34)	4	(30)
Net change in reserve	(440)	54	(386)
Changes in defined benefit pension funds	(245)	36	(209)
Changes in foreign exchange reserve	(712)	—	(712)
Other comprehensive income for the period	(1,790)	166	(1,624)

19 EARNINGS PER SHARE

The calculation of basic earnings per unit of €0.64 ordinary stock is based on the (loss) / profit attributable to ordinary stockholders divided by the weighted average ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders.

	9 Months Ended December 31, 2009	Restated* Year Ended March 31, 2009	Restated* Year Ended March 31, 2008
	€m	€m	€m
Basic			
(Loss)/ profit attributable to stockholders as published	(1,460)	69	1,699
Restatement for IFRS 2 amendment	—	(16)	(3)
(Loss)/profit attributable to stockholders as restated	(1,460)	53	1,696
Dividends on other equity interests	(4)	(10)	(14)
Dividends on 2009 preference stock	(210)	(1)	—
(Loss)/profit attributable to ordinary stockholders	(1,674)	42	1,682
Weighted average number of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	993m	988m	965m
Basic earnings per share (cent)	(168.6c)	4.3c	174.3c

19 EARNINGS PER SHARE (continued)

Diluted

The diluted earnings per share is based on the (loss) / profit attributable to ordinary stockholders divided by the weighted average ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders adjusted for the effect of all dilutive potential ordinary stock.

	9 Months ended December 31, 2009	Restated* Year ended March 31, 2009	Restated* Year ended March 31, 2008
	€m	€m	€m
Diluted			
(Loss)/ profit attributable to stockholders as published	(1,460)	69	1,699
Restatement for IFRS 2 amendment	—	(16)	(3)
(Loss)/profit attributable to stockholders as restated	(1,460)	53	1,696
Dividends on other equity interests	(4)	(10)	(14)
Dividends on 2009 preference stock	(210)	(1)	—
(Loss)/profit attributable to ordinary stockholders	(1,674)	42	1,682
Weighted average number of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	993m	988m	965m
Effect of all dilutive potential ordinary stock	—	—	4m
	993m	988m	969m
Diluted earnings per share (cent)	(168.6c)	4.3c	173.6c

* *The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". Further information on this is shown on page number F-13.*

For the period ending December 31, 2009 there was no difference in the weighted-average number of units of stock used for basic and diluted net loss per share as the effect of all potentially dilutive ordinary units of stock outstanding was anti-dilutive. At March 31, 2009, 158 million warrants issued to the National Pension Reserve Fund Commission (NPRFC) on that date ("the secondary tranche warrants" — see note 55) were dilutive and were included in the calculation of diluted earnings per share, but did not have a significant impact on the weighted average number of shares outstanding. At March 31, 2009 the calculation of diluted earnings per share excluded a weighted average of 20 million units of potential ordinary stock (March 31, 2008: 6 million units).

As at December 31, 2009 there were stock options over 12 million units of ordinary units of stock (March 31, 2009: 16 million units of stock), and warrants issued to the NPRFC over 335 million units of stock outstanding (March 31, 2009: 177 million units of stock, "the core tranche warrants" - see note 55), which could potentially have a dilutive impact in the future, but which were anti-dilutive in the period ended December 31, 2009 and year ended March 31, 2009 respectively.

EPS above has not been adjusted for the rights issue which completed on June 14, 2010. EPS will be retrospectively adjusted in the financial statements for the year ended December 31, 2010. The adjusted EPS is set out in note 58(i).

Dividend on 2009 preference stock

Where a dividend on the 2009 preference stock is not paid in either cash or shares, that dividend must subsequently be paid in the form of shares if a subsequent dividend is paid or if any dividend on ordinary stock is paid. The dividend required for the period, although undeclared and not accounted for in these financial statements, has been deducted in the calculation of basic and diluted earnings per share. The dividend due on February 20, 2010 was settled by the issue and allotment of ordinary stock to the NPRFC (see note 58).

20 TRADING SECURITIES

	9 months ended December 31, 2009	Year ended March 31, 2009
	€m	€m
Debt securities — listed	403	125
Trading securities	403	125

The Group holds a portfolio of bonds for trading purposes typically taking positions in sovereign, financial and corporate risk with ratings between investment grade AAA and BBB (average rating AA-).

21 DERIVATIVE FINANCIAL INSTRUMENTS

The Group's use, objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in the Risk Management note 56. The notional amounts of certain types of financial instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit risk. The derivative instruments become assets or liabilities as a result of fluctuations in market rates or prices relative to their terms.

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

December 31, 2009	Contract / notional amount	Fair values	
		Assets	Liabilities
	€m	€m	€m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	33,354	218	454
Currency swaps	957	58	20
Over the counter currency options	1,191	9	10
Total foreign exchange derivatives held for trading	35,502	285	484
Interest rate derivatives			
Interest rate swaps	182,704	2,078	2,175
Cross currency interest rate swaps	14,936	725	818
Forward rate agreements	17,643	14	15
Over the counter interest rate options	8,732	94	87
Total interest rate derivatives held for trading	224,015	2,911	3,095
Equity and commodity contracts			
Equity index linked contracts held	5,493	148	123
Credit derivatives	721	—	—
Total derivative assets/liabilities held for trading	265,731	3,344	3,702
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	28,554	634	595
Cross currency interest rate swaps	922	106	3
Total designated as fair value hedges	29,476	740	598
Derivatives designated as cash flow hedges			
Interest rate swaps	63,023	1,155	1,736
Currency forwards	28	—	1
Currency swaps	2,270	585	—
Total designated as cash flow hedges	65,321	1,740	1,737
Total derivative assets/liabilities held for hedging	94,797	2,480	2,335
Total derivative assets/liabilities	360,528	5,824	6,037

21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

March 31, 2009	Contract / notional amount	Fair values	
		Assets	Liabilities
	€m	€m	€m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	34,697	571	362
Currency swaps	819	34	58
Over the counter currency options	1,715	15	16
Total foreign exchange derivatives held for trading	37,231	620	436
Interest rate derivatives			
Interest rate swaps	146,569	2,653	2,546
Cross currency interest rate swaps	16,402	1,155	1,123
Forward rate agreements	15,544	28	31
Over the counter interest rate options	10,582	154	141
Total interest rate derivatives held for trading	189,097	3,990	3,841
Equity and commodity contracts			
Equity index linked contracts held	5,500	141	191
Total derivative assets/liabilities held for trading	231,828	4,751	4,468
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	20,125	783	609
Cross currency interest rate swaps	1,119	119	2
Total designated as fair value hedges	21,244	902	611
Derivatives designated as cash flow hedges			
Interest rate swaps	69,576	1,754	2,357
Cross currency interest rate swaps	2,674	10	38
Currency forwards	6,628	81	80
Currency swaps	2,470	899	—
Total designated as cash flow hedges	81,348	2,744	2,475
Total derivative assets/liabilities held for hedging	102,592	3,646	3,086
Total derivative assets/liabilities	334,420	8,397	7,554

Derivatives held for trading above comprise derivatives entered into with trading intent as well as derivatives entered into with economic hedging intent to which the Group does not apply hedge accounting.

As set out in its risk management policy on pages F-141 to F-175, the Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €5.8 billion at December 31, 2009 (March 31, 2009: €8.4 billion), €3.8 billion (March 31, 2009: €5.4 billion) are available for offset against

21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities.

Placements with other banks includes cash collateral of €1.9 billion (March 31, 2009: €1.9 billion) placed with derivative counterparties in respect of the net derivative liability position of €2.2 billion (March 31, 2009: €2.2 billion).

Net derivative assets of €2.1 billion (March 31, 2009: €3.0 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the balance sheet date. At December 31, 2009 cash collateral of €0.5 billion (March 31, 2009: €0.7 billion) was held against these assets and is reported within Deposits from banks (see note 35).

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships.

Fair value hedges

Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and foreign exchange exposure on the Group's fixed rate debt held and debt issued portfolios.

Cash flow hedges

The Group designates certain interest rate and currency derivatives in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from variable assets and liabilities. Movement in the cash flow hedge reserve are shown in the statement of changes in equity (page F-7).

The periods in which the hedged cash flows are expected to occur are shown in the table below.

December 31, 2009	Up to 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
	€m	€m	€m	€m	€m
Forecast receivable cash flows	153	393	1,215	517	2,278
Forecast payable cash flows	(1,056)	(1,240)	(2,457)	(915)	(5,668)

March 31, 2009	Up to 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
	€m	€m	€m	€m	€m
Forecast receivable cash flows	3,470	298	1,021	921	5,710
Forecast payable cash flows	(7,865)	(2,704)	(3,681)	(1,137)	(15,387)

The hedged cash flows are expected to impact the income statement in the following periods, excluding any hedge accounting adjustments that may be applied:

December 31, 2009	Up to 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
	€m	€m	€m	€m	€m
Forecast receivable cash flows	203	418	1,189	468	2,278
Forecast payable cash flows	(3,159)	(550)	(1,104)	(855)	(5,668)

21 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

March 31, 2009	Up to 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
	€m	€m	€m	€m	€m
Forecast receivable cash flows	3,903	309	1,014	484	5,710
Forecast payable cash flows	(12,920)	(586)	(1,168)	(713)	(15,387)

During the year ended March 31, 2009, the Group applied hedge accounting to a forecast future borrowing of €252 million, of which €62 million was no longer expected to occur as at March 31, 2009. During the nine month period to December 31, 2009, the remainder of the forecast transaction was no longer expected to occur, and the remaining portion of the cumulative loss on the hedging instrument was reclassified from other comprehensive income to the income statement.

22 OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2009	March 31, 2009
	€m	€m
Equity securities	6,404	4,397
Government bonds	1,605	1,741
Unit trusts	1,013	894
Debt securities	587	549
Loans and advances	70	23
Other financial assets at fair value through profit or loss	9,679	7,604

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments is borne by the investors. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal but opposite change in the value of the amounts due to policyholders.

At December 31, 2009, such assets amounted to €9,224 million (March 31, 2009: €7,195 million). The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet.

The remaining €455 million (March 31, 2009: €409 million) relates to other Group businesses.

23 LOANS AND ADVANCES TO BANKS

	December 31, 2009	March 31, 2009
	€m	€m
Placements with other banks	2,683	4,123
Mandatory deposit with central banks	2,107	2,674
Funds placed with central banks	223	1,091
Securities purchased with agreement to resell	20	—
	5,033	7,888
Less allowance for impairment on loans and advances to banks	(2)	(2)
Loans and advances to banks	5,031	7,886

23 LOANS AND ADVANCES TO BANKS (continued)

As set out in its risk management note on pages F-141 to F-175, the Group uses netting arrangements to reduce its exposure to credit losses. Loans and advances with other banks includes money market placements to an international bank counterparty of **€nil (March 31, 2009: €0.8 billion), undertaken in the normal course of business, for which a right of set-off in the event of default existed against Deposits from banks of €nil (March 31, 2009: €0.8 billion). In accordance with accounting standards, as there was no intention to settle these balances on a net basis or simultaneously, these balances were recorded as assets and liabilities respectively (see note 34).**

Placements with other banks includes cash collateral of €1.9 billion (March 31, 2009: €1.9 billion) placed with derivative counterparties in relation to net derivative liability positions (see note 21).

For the purposes of disclosure of credit risk exposures, loans and advances to banks are included within Other financial instruments of €36.1 billion (March 31, 2009: €46.9 billion) in the risk management note on pages F-141 to F-175.

The Group has entered into transactions to purchase securities with agreement to resell and has accepted collateral that it is permitted to sell or repledge in the absence of default by the owner of the collateral. The fair value of this collateral at December 31, 2009 was €21 million (March 31, 2009: nil).

24 AVAILABLE FOR SALE FINANCIAL ASSETS

	December 31, 2009	March 31, 2009
	€m	€m
Government bonds	1,055	2,460
Other debt securities		
— listed	18,438	21,728
— unlisted	1,391	2,608
Equity securities		
— listed	16	26
— unlisted	40	36
Available for sale financial assets	20,940	26,858

At December 31, 2009, available for sale financial assets at fair value of €9.8 billion (March 31, 2009: €7.6 billion) had been pledged to third parties in sale and repurchase agreements.

The movement on available for sale financial assets is analysed as follows:

	9 months ended December 31, 2009	Year ended March 31, 2009
	€m	€m
As at the beginning of period	26,858	29,307
Revaluation, exchange and other adjustments	874	(953)
Additions	8,587	27,267
Sales	(3,385)	(5,398)
Redemptions	(12,004)	(22,926)
Amortisation	12	56
Impairment charge (note 14)	(2)	(76)
Reclassification	—	(419)
As at end of period	20,940	26,858

24 AVAILABLE FOR SALE FINANCIAL ASSETS (continued)

In accordance with the amendment to IAS 39 disclosed in the accounting policies section on page F-33, during the year ended March 31, 2009 the Group reclassified available for sale financial assets with a carrying amount and fair value of €419 million to loans and advances to customers. At the date of this reclassification, the Group had the intention and ability to hold these assets for the foreseeable future or until maturity. The Group did not make any such reclassifications in the nine months ended December 31, 2009.

The table below sets out the relevant carrying amounts and fair values:

	December 31, 2009		March 31, 2009	
	Carrying Amounts	Fair Value	Carrying Amounts	Fair Value
	€m	€m	€m	€m
AFS financial assets reclassified to loans and advances to customers	424	432	419	419

Interest income of €11 million and an impairment charge of €22 million have been recognised in the income statement for the nine months ended December 31, 2009 in relation to these assets. If the assets had not been reclassified a fair value gain of €56 million would have been recognised in other comprehensive income and the impairment charge would have been €24 million.

25 LOANS AND ADVANCES TO CUSTOMERS

	December 31, 2009	March 31, 2009
	€m	€m
Loans and advances to customers	119,926	132,522
Finance leases and hire purchase receivables (see analysis below)	2,510	2,999
	122,436	135,521
Less allowance for impairment charges on loans and advances to customers (note 27)	(2,997)	(1,781)
Loans and advances to customers	119,439	133,740

On December 31, 2009, loans and advances to customers of €9,457 million (net of impairment provision of €2,778 million) were reclassified to loans held for sale to NAMA (see note 26). The total loans and advances to customers above exclude these assets.

25 LOANS AND ADVANCES TO CUSTOMERS (continued)

Finance leases and hire purchase receivables

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed as follows:

	December 31, 2009	March 31, 2009
	€m	€m
Gross investment in finance leases:		
Not later than 1 year	1,176	1,339
Later than 1 year and not later than 5 years	1,553	1,932
Later than 5 years	25	36
	2,754	3,307
Unearned future finance income on finance leases	(244)	(308)
Net investment in finance leases	2,510	2,999
The net investment in finance leases is analysed as follows:		
Not later than 1 year	1,072	1,215
Later than 1 year and not later than 5 years	1,415	1,751
Later than 5 years	23	33
	2,510	2,999

The Group's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and commercial customers.

At December 31, 2009, the accumulated allowance for uncollectable minimum lease payments receivable was €62 million.

Securitisations

Loans and advances to customers include balances that have been securitised but not derecognised, comprising both residential mortgages and commercial loans. In general, the assets, or interests in the assets, are transferred to Special Purposes Entities (SPE's), which then issue securities to third party investors or to other entities within the Group. All of the Group's Securitisation SPE's are consolidated.

Refer to note 52 for further details on these SPE's, including details of entities that have issued liabilities internal to the Group and thus are capable of being pledged to monetary authorities.

26 ASSETS AND LIABILITIES HELD FOR SALE TO NAMA

In April 2009, the Minister for Finance announced that NAMA would be established with the purpose of strengthening the Irish financial sector and the NAMA legislation was enacted into law in November 2009.

The participation of Bank of Ireland in the NAMA programme was recommended by the Court of Directors in the Circular of December 18, 2009. It was approved by the stockholders at an Extraordinary General Court on January 12, 2010. Bank of Ireland's application as a participating institution was approved by the Minister for Finance on February 12, 2010.

NAMA has the power to acquire from Participating Institutions, Eligible Bank Assets, that is, land and development loans and certain associated loans (which are expected to comprise non-land and non-development related loans to borrowers of land and development related loans, or loans to certain associated entities of borrowers who had provided security in respect of the land or development related loans). The geographic distribution of the loans relates to exposures both within and outside Ireland. The Eligible Bank Assets will also include interest rate derivative contracts sold to borrowers by Participating Institutions that relate to hedging the interest rate exposure on the loans to be acquired.

The Eligible Bank Assets are being acquired on a phased basis from April 2010, with the largest systemic exposures to the Irish banking system acquired first. Details of each tranche of assets to be acquired will be set out in the form of an acquisition schedule issued by NAMA prior to each acquisition date. It is expected that all Eligible Assets will have been transferred by December 31, 2010.

In acquiring such assets, NAMA will apply a valuation methodology which will take account of the current market value and the long term economic value on a loan by loan basis. As loan quality, geographic distribution and type of loans vary from institution to institution, each loan will be valued individually. As a result the aggregate discount applied to gross loan values in determining the consideration to be paid by NAMA will vary from institution to institution. Participating Institutions are required to accept the valuations set by NAMA, subject only to certain limited rights of objection.

As consideration for Eligible Bank Assets transferred, NAMA will issue to financial institutions a combination of Government guaranteed bonds, issued by NAMA (not less than 95% of the consideration) and subordinated bonds (not more than 5% of the consideration). These Government guaranteed bonds will be marketable instruments that are capable of being pledged as funding collateral to debt market investors and to monetary authorities such as the ECB.

Payments on the subordinated bonds are subject to the requirement that NAMA has sufficient funds, both annually (in respect of coupon payments) and in order to repay the Government guaranteed bonds and subordinated bonds, based on a measure of financial performance of NAMA in totality (rather than on the financial performance of the Eligible Bank Assets acquired from any particular Participating Institution). The subordinated bonds are not guaranteed by the Irish Government and they are not expected to be marketable, they could have a value less than their nominal face value and the payment of interest and repayment of capital is dependent on the performance of NAMA.

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

26 ASSETS AND LIABILITIES HELD FOR SALE TO NAMA (continued)

Based on the Eligible Asset Regulations (as contained within the NAMA regulations), internal review work to identify all loans falling within the eligibility criteria and ongoing interaction with NAMA, the Group expects to transfer total land and development and associated loans of approximately gross. €12.2 billion together with related derivatives and accrued interest of €0.2 billion. Net of impairment provisions of €2.8 billion which are held against these loans at December 31, 2009, this estimate would imply a net transfer of €9.6 billion of Eligible Bank Assets to NAMA.

	December 31, 2009
	€m
Assets held for sale to NAMA	
Land and development loans	8,522
Associated loans	3,713
	12,235
Impairment provisions	(2,778)
	9,457
Derivatives	93
Accrued interest	31
Total assets held for sale to NAMA	9,581
Analysed by operating segment	
Retail Republic of Ireland	2,470
UK Financial Services	2,765
Capital Markets	4,346
Total assets held for sale to NAMA	9,581

The fair values and notional amounts of derivative instruments held for sale to NAMA are set out in the table below:

December 31, 2009	Contract/ notional amount	Fair Values	
		Assets	Liabilities
	€m	€m	€m
Derivatives held for trading			
Interest rate derivatives			
Interest rate swaps	2,001	88	—
Over the counter interest rate options	348	5	1
Total derivatives held for trading	2,349	93	1

As interactions with NAMA and the internal review work are ongoing and the possibility that loans that are expected to transfer may be repaid or refinanced with other banks, there is uncertainty as to the final amount of eligible assets that will transfer.

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

26 ASSETS AND LIABILITIES HELD FOR SALE TO NAMA (continued)

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

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

The loss on disposal of Eligible Bank Assets will be tax deductible. However, the use of such tax losses in future years will be restricted as set out in part 10 of Schedule 3 of the National Asset Management Agency Act 2009 (the "Act"). This inserts a new section 396C into the Taxes Consolidation Act 1997 which limits the utilisation of tax losses carried forward by an institution participating in NAMA. It lengthens the period over which the deferred tax asset created will reverse by restricting the amount of profits against which trading losses can be utilised. The balance is available for indefinite carry forward. There is no time limit on the utilisation of these losses.

In addition, the Act provides that, on the later of ten years after the passing of the Act or the dissolution, restructuring or material alteration of NAMA, in the event that the accounts of NAMA disclose an underlying loss, the Minister for Finance may bring forward legislation to impose a special tax by way of surcharge on Participating Institutions to recover such loss.

The first tranche of assets transferred to NAMA on April 2, 2010. This tranche comprised €1.9 billion of assets (before impairment provision) for which consideration of €1.2 billion in Government guaranteed bonds and subordinated bonds was received. This resulted in a discount to gross loan value of approximately 36%.

These loans (including accrued interest) comprised land and development loans of €0.9 billion and associated loans of €1.0 billion. As at December 31, 2009, the Group held impairment provisions of €0.3 billion against these loans. In addition, the transfer included associated derivatives with a fair value of €15 million.

The nominal consideration receivable for these Eligible Bank Assets amounted to €1.2 billion and a loss of €0.4 billion (before the impact of any adjustment required to record the subordinated debt at fair value and any provision that may be required for ongoing servicing costs) will be recognised in the Group's income statement for the year ending December 31, 2010.

The limited number and nature of loans involved in this first tranche mean that it may not be a representative sample of the total portfolio of assets held for sale to NAMA and consequently the loss on sale is not necessarily indicative of the loss that the entire portfolio of Eligible Bank Assets that may ultimately transfer. The loss on sale that is expected to ultimately arise for the Group is a function of the quantum of assets to be transferred, the mix of those assets as between land, development and associated loans and the discount that is applied to the assets transferring on a loan by loan basis. Accordingly the Group is currently unable to accurately quantify the ultimate expected loss on transfer of all of the Bank's Eligible Bank Assets to NAMA.

27 IMPAIRMENT PROVISIONS

The following tables show the movement in the impairment provisions on loans and advances to customers, inclusive of loans and advances reclassified to loans held for sale to NAMA.

9 Months Ended December 31, 2009 Impairment provisions	Residential Mortgages	Non-Property SME & corporate	Property and construction	Consumer	Total
	€m	€m	€m	€m	€m
Impaired financial assets	471	2,806	9,648	426	13,351
Provision at the beginning of the period	144	480	856	301	1,781
Exchange adjustments	3	22	22	1	48
Amounts written off	(30)	(42)	—	(73)	(145)
Recoveries	—	1	(1)	3	3
Charge against income statement	237	659	2,993	166	4,055
Other movements	5	32	14	(18)	33
Provision at the end of the period	359	1,152	3,884	380	5,775
The provision at December 31, 2009 is split as follows:					
Loans and advances to customers	359	1,134	1,124	380	2,997
Loans held for sale to NAMA	—	18	2,760	—	2,778
Provision at the end of the period	359	1,152	3,884	380	5,775

Year Ended March 31, 2009 Impairment provisions	Residential Mortgages	Non-Property SME & corporate	Property and construction	Consumer	Total
	€m	€m	€m	€m	€m
Impaired financial assets	229	1,187	3,538	368	5,322
Provision at the beginning of the period	21	280	108	187	596
Exchange adjustments	3	(6)	2	5	4
Amounts written off	(9)	(134)	(16)	(85)	(244)
Recoveries	4	1	1	2	8
Charge against income statement	127	344	766	198	1,435
Other movements	(2)	(5)	(5)	(6)	(18)
Provision at the end of the period	144	480	856	301	1,781

28 INTEREST IN ASSOCIATES

	December 31, 2009	March 31, 2009
	€m	€m
At the beginning of the period	22	28
Share of results after tax (note 16)	(2)	(7)
Increase in investments	3	2
Dividend received	—	(1)
At end of period	23	22

28 INTEREST IN ASSOCIATES (continued)

In presenting details of the associated undertakings of the Group, the exemption permitted by Regulation 10 of the European Communities (Credit Institutions: Accounts) Regulations, 1992 has been availed of and the Group will annex a full listing of associates to its annual return to the Companies Office.

29 INTEREST IN JOINT VENTURES

	December 31, 2009	March 31, 2009
	€m	€m
At beginning of period	151	70
Reclassifications	—	175
Share of results after tax (note 16):	37	(35)
— First Rate Exchange Services	27	39
— Property unit trust	10	(63)
— Paul Capital Investment	1	(11)
— Other	(1)	—
Dividends received	—	(34)
Exchange adjustments	6	(25)
At end of period	194	151

30 INTANGIBLE ASSETS

	Goodwill	Computer software externally purchased	Computer software internally generated	Other externally purchased intangible assets	Total
	€m	€m	€m	€m	€m
Cost					
At April 1, 2009	334	278	828	144	1,250
Exchange adjustments	1	3	5	2	10
Reclassifications	—	(8)	8	—	—
Additions	—	11	31	5	47
Disposals / write offs	(287)	(14)	(39)	(19)	(72)
At December 31, 2009	48	270	833	132	1,235
Accumulated amortisation					
At April 1, 2009	(287)	(231)	(473)	(61)	(765)
Exchange adjustments	—	(1)	(2)	1	(2)
Disposals / write offs	287	14	39	19	72
Impairment	—	—	—	(6)	(6)
Charge for the year (note 12)	—	(8)	(61)	(6)	(75)
At December 31, 2009	—	(226)	(497)	(53)	(776)
Net Book Value at December 31, 2009	48	44	336	79	459

30 INTANGIBLE ASSETS (continued)

	Goodwill	Computer software externally purchased	Computer software internally generated	Other externally purchased intangible assets	Total
	€m	€m	€m	€m	€m
Cost					
At April 1, 2008	293	267	807	149	1,223
Exchange adjustments	41	(12)	(20)	(14)	(46)
Reclassifications	—	—	2	(19)	(17)
Additions	—	35	56	28	119
Disposals / write offs	—	(12)	(17)	—	(29)
At March 31, 2009	334	278	828	144	1,250
Accumulated amortisation					
At April 1, 2008	—	(211)	(401)	(41)	(653)
Exchange adjustments	—	5	6	4	15
Disposals / write offs	—	12	10	—	22
Impairment	(287)	—	—	(17)	(17)
Charge for the year (note 12)	—	(37)	(88)	(7)	(132)
At March 31, 2009	(287)	(231)	(473)	(61)	(765)
Net Book Value at March 31, 2009	47	47	355	83	485

Impairment Review — Goodwill and Other Intangible Assets

Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of goodwill to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, where the value in use is the present value of the future cash flows expected to be derived from the asset.

Impairment testing of goodwill

At December 31, 2009 total goodwill on the Group balance sheet was €48 million (March 31, 2009: €47 million), which is outlined in the table below:

Goodwill	Burdale	Other	Total
	€m	€m	€m
At April 1, 2009	41	6	47
Exchange adjustments	1	—	1
At December 31, 2009	42	6	48

30 INTANGIBLE ASSETS (continued)

	Guggenheim €m	Iridian €m	Burdale €m	Other €m	Total €m
At April 1, 2008	72	168	48	5	293
Exchange adjustments	14	33	(7)	1	41
Impairment	(86)	(201)	—	—	(287)
At March 31, 2009	—	—	41	6	47

Goodwill is allocated to cash generating units at a level which represents the smallest identifiable group of assets that generate largely independent cash flows.

The calculation of the recoverable amount of goodwill for each of these cash generating units is based upon a value in use calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the cash generating unit. The determination of both require the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance.

The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Cash flow forecasts

Cash flow forecasts are based on internal management information for a period of up to five years, after which a growth factor appropriate for the business is applied. Initial cash flows are based on performance in the current year and the next four years' cash flows are consistent with approved plans for each business.

Growth rates

Growth rates beyond five years are determined by reference to local economic growth, inflation projections or long term bond yields. The assumed long term growth rate for Burdale is 2.25%.

Discount rate

The discount rate applied in Burdale is the pre-tax weighted average cost of capital for the Group increased to include a risk premium to reflect the specific risk profile of the cash generating unit to the extent that such risk is not already reflected in the forecast cash flows. A rate of 13.5% has been used in the model.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. The Directors consider that reasonable changes in key assumptions used to determine the recoverable amount of Burdale, would not result in any impairment of goodwill.

No impairment was identified in the periods ended December 31, 2009 or the year ended March 31, 2009 in relation to Burdale.

During the year ended March 31, 2009 goodwill in both Iridian and Guggenheim and the other intangibles in Guggenheim were impaired in full resulting in a charge to the income statement of €304 million. During the nine months ended December 31, 2009 these businesses were disposed of. Further information on these disposals is outlined in note 17.

31 INVESTMENT PROPERTIES

	December 31, 2009	March 31, 2009
	€m	€m
At beginning of period	1,413	1,511
Exchange adjustment	(17)	—
Revaluation	(98)	(512)
Additions/reclassifications	—	414
Disposals	(33)	—
At the end of period	1,265	1,413

Of the €1,265 million (March 31, 2009: €1,413 million) €983 million (March 31, 2009: €1,062 million) is held on behalf of BoI Life policyholders.

Investment properties are carried at fair value as determined by external qualified property surveyors appropriate to the variety of properties held. Fair values have been calculated using both current trends in the market and recent transactions for similar properties.

During the year ended March 31, 2009 certain other properties were reclassified from assets classified as held for sale to investment properties.

Rental income from investment property amounted to €86 million for the nine months ended December 31, 2009 (year ended March 31, 2009: €100 million). Expenses directly attributable to investment property generating rental income amounted to €27 million for the nine months ended December 31, 2009 (year ended March 31, 2009: €28 million). There were no expenses directly attributable to investment property not generating rental income for the nine months ended December 31, 2009 (or the year ended March 31, 2009).

32 PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings and long leaseholds (at fair value)	Adaptations (at cost)	Computer and other equipment (at cost)	Finance lease assets (at cost)	Payments on account and assets in the course of construction (at cost)	Total
	€m	€m	€m	€m	€m	€m
Cost or valuation						
At April 1, 2009	272	146	668	7	23	1,116
Exchange adjustments	2	1	4	—	—	7
Additions	—	1	3	—	7	11
Disposals	(1)	(2)	(50)	—	—	(53)
Revaluation	(66)	—	—	—	—	(66)
Reclassifications	—	2	17	—	(19)	—
At December 31, 2009	207	148	642	7	11	1,015
Accumulated depreciation and amortisation						
At April 1, 2009	—	(67)	(550)	(7)	—	(624)
Exchange adjustments	—	—	(4)	—	—	(4)
Disposals	—	1	48	—	—	49
Charge for the year (note 12)	—	(11)	(21)	—	—	(32)
Reclassifications	—	1	(1)	—	—	—
At December 31, 2009	—	(76)	(528)	(7)	0	(611)
Net book value at December 31, 2009	207	72	114	—	11	404

32 PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of property, plant and equipment at December 31, 2009 at fair value was €207 million, while that held at amortised cost amounted to €197 million.

	Freehold land and buildings and long leaseholds (at fair value)	Adaptations (at cost)	Computer and other equipment (at cost)	Finance lease assets (at cost)	Payments on account and assets in the course of construction (at cost)	Total
	€m	€m	€m	€m	€m	€m
Cost or valuation						
At April 1, 2008	380	124	658	7	35	1,204
Exchange adjustments	(10)	(3)	(19)	—	(4)	(36)
Additions	5	8	28	—	34	75
Disposals	(1)	(1)	(15)	—	—	(17)
Revaluation	(122)	—	—	—	—	(122)
Reclassifications	20	18	16	—	(42)	12
At March 31, 2009	272	146	668	7	23	1,116
Accumulated depreciation and amortisation						
At April 1, 2008	—	(55)	(550)	(6)	—	(611)
Exchange adjustments	—	3	14	—	—	17
Disposals	—	—	13	—	—	13
Charge for the year (note 12)	—	(15)	(30)	(1)	—	(46)
Reclassifications	—	—	3	—	—	3
At March 31, 2009	—	(67)	(550)	(7)	—	(624)
Net book value at March 31, 2009	272	79	118	—	23	492

The net book value of property, plant and equipment at March 31, 2009 at fair value was €272 million, while that held at cost amounted to €220 million.

Property

A revaluation of Group property was carried out as at December 31, 2009. All freehold and long leasehold (50 years or more unexpired) commercial properties were valued by Lisneys as external valuers, who also reviewed the valuation of all other property carried out by the Bank's professionally qualified staff. Valuations were made on the basis of open market value.

	December 31, 2009	March 31, 2009
	€m	€m
Future capital expenditure		
— contracted but not provided in the financial statements	4	17
— authorised by the Directors but not contracted	1	81

32 PROPERTY, PLANT AND EQUIPMENT (continued)

Operating leases

The Group leases a number of branch and office premises to carry out its business. The commercial leases typically are 25 to 35 year operating leases with 5 yearly rent reviews. The majority of the rent reviews are on an upwards only basis. Some leases also include break options. The Group also holds a number of short term leases for less than 10 years and a number of long term leases at market rent with less than 110 years unexpired. On expiry of long term leases greater than 5 years the Group has rights of renewal in the majority of the leases.

Minimum future rentals are the rentals payable under operating leases up to the next available break option where this exists or to expiry date of the lease. Both the required break option notice period and the amount of any penalty rent have been included in the amounts payable below.

Minimum future rentals under non-cancellable operating leases are as follows:

	Payable December 31, 2009	Receivable December 31, 2009	Payable March 31, 2009	Receivable March 31, 2009
	€m	€m	€m	€m
Not later than 1 year	65	3	52	—
Later than 1 year and not later than 5 years	219	8	168	3
Later than 5 years	442	2	369	2

The Group has entered into a small number of sub-leases as lessor which represent properties and components of properties surplus to the Group's own requirements.

Included in the operating lease rental receivable is an amount of €11 million in relation to sub-lease rental (March 31, 2009: €12 million).

33 OTHER ASSETS

	December 31, 2009	March 31, 2009
	€m	€m
Sundry and other debtors	379	657
Interest receivable	503	636
Value in force of life assurance business (note 53)	497	468
Reinsurance asset	615	437
Accounts receivable and prepayments	176	212
Current tax asset	134	156
Other assets	2,304	2,566
Other assets are analysed as follows:		
Within 1 year	1,192	1,661
After 1 year	1,112	905
	2,304	2,566
The movement in the reinsurance asset is noted below:		
At beginning of period	437	484
New business	86	108
Changes in business	92	(155)
At the end of the period	615	437

34 OTHER ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Assets	December 31, 2009	March 31, 2009
	€m	€m
Assets of Guggenheim	—	7
Assets of Iridian	—	17
Assets classified as held for sale	—	24

Liabilities	December 31, 2009	March 31, 2009
	€m	€m
Liabilities of Guggenheim	—	4
Liabilities of Iridian	—	10
Liabilities classified as held for sale	—	14

These companies were disposed of during the nine months ended December 31, 2009. Information on the sale of both Guggenheim and Iridian is outlined in note 17.

35 DEPOSITS FROM BANKS

	December 31, 2009	March 31, 2009
	€m	€m
Deposits from banks	4,639	9,210
Securities sold under agreement to repurchase	12,994	19,508
Other bank borrowings	270	96
Deposits by banks	17,903	28,814

As set out in the risk management note on pages F-141 to F-175, the Group uses netting arrangements to reduce its exposure to credit losses. Deposits from banks includes money market placements by an international bank counterparty of €nil (March 31, 2009: €0.8 billion, undertaken in the normal course of business, for which a right of set-off in the event of default existed against Loans and Advances to banks of €nil (March 31, 2009: €0.8 billion). In accordance with accounting standards, as there was no intention to settle these balances on a net basis or simultaneously, these balances were recorded as liabilities and assets respectively (see note 34).

Deposits from banks includes cash collateral of €0.5 billion (March 31, 2009: €0.7 billion) received from derivative counterparties in relation to net derivative asset positions (see note 21).

The Group has developed significant pools of eligible collateral from its balance sheet which are capable of being pledged in the secondary market and through the normal market operations of the Monetary Authorities to provide access to secured funding. At December 31, 2009, the net drawings, from Monetary Authorities, were €8 billion (March 31, 2009: €17 billion).

36 CUSTOMER ACCOUNTS

	December 31, 2009	March 31, 2009
	€m	€m
Term deposits and other products	35,169	40,437
Demand deposits	34,979	28,808
Current accounts	14,664	13,874
Customer accounts	84,812	83,119

At December 31, 2009, the Group's largest 20 customer deposits amounted to 11% (March 31, 2009) of total customer accounts. Information on the contractual maturities of customer accounts is set out in note 56 Risk Management.

At December 31, 2009 Customer accounts included an amount of €nil (March 31, 2009: €nil) from a global financial institution. The Group had placed net cash with a banking affiliate of the same institution of €nil (March 31, 2009: €nil).

37 DEBT SECURITIES IN ISSUE

	December 31, 2009	March 31, 2009
	€m	€m
Bonds and medium term notes	25,571	23,986
Other debt securities in issue	17,573	21,147
Debt securities in issue	43,144	45,133

38 LIABILITIES TO CUSTOMERS UNDER INVESTMENT AND INSURANCE CONTRACTS

Investment contract liabilities	December 31, 2009	March 31, 2009
	€m	€m
Liabilities to customers under investment contracts at fair value	5,050	4,084

The movement in gross life insurance contract liabilities can be analysed as follows:

Insurance contract liabilities	December 31, 2009	March 31, 2009
	€m	€m
At beginning of period	5,634	7,140
New business	710	662
Changes in business	314	(2,168)
At end of period	6,658	5,634

Bank of Ireland Life (BoI Life) writes the following life assurance contracts that contain insurance risk:

Non-unit linked life assurance contracts

These contracts provide the policyholder with insurance in the event of death, critical illness or permanent disability (principally mortality and morbidity risk).

Non-unit linked annuity contracts

These contracts provide the policyholder with an income until death (principally longevity and market risk).

Linked insurance contracts

These contracts include both policies primarily providing life assurance protection and policies providing investment but with a level of insurance risk deemed to be significant (principally mortality and market risk).

Insurance contract liabilities, which consist of both unit linked and non-unit linked liabilities, are calculated in accordance with the Insurance Regulations. Unit linked liabilities reflect the value of the underlying funds in which the policyholder is invested. Non unit-linked liabilities are calculated using either a gross premium or net premium method of valuation.

The assumptions are also set out in accordance with the Insurance Regulations and contain a margin for adverse development. The key assumption used in the valuation of insurance contract liabilities are:

Interest rate:	The interest rates are derived in accordance with the guidelines in the Insurance Regulations. Margins for risk are allowed for in the derived interest rate.
Mortality and morbidity:	The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and/or relevant industry data.
Maintenance expenses:	Allowance is made for future policy costs and expense inflation explicitly.

38 LIABILITIES TO CUSTOMERS UNDER INVESTMENT AND INSURANCE CONTRACTS (continued)

Options and guarantees

BoI Life has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit linked without investment guarantees. Where investment guarantees do exist they are either hedged with an outside party or matched through appropriate investment assets.

Uncertainties associated with insurance contract cash flows and risk management activities

For life assurance contracts where death is the insured risk, the most significant factors that could adversely affect the frequency and severity of claims are the incidence of disease and general changes in lifestyle. Where the insured risk is longevity, advances in medical care are the key factor that increases longevity. The Group manages its exposures to insurance risks through a combination of applying strict underwriting criteria, asset and liability matching, transferring risk to reinsurers and the establishment of prudent insurance contract liabilities.

Credit risk

Reinsurance programmes are in place to restrict the amount of cover on any single life. The Group uses a panel of highly rated reinsurance companies to diversify credit risk.

Capital Management and Available Resources

The Group holds technical reserves to meet its liabilities to policyholders based on prudent actuarial assumptions. In addition, the Financial Regulator requires the Group's life assurance operation to hold shareholder equity that exceeds a statutory margin, the required minimum regulatory solvency margin. The table below sets out the shareholder equity held by the Group's life assurance operation compared to the required minimum regulatory margin as at December 31, 2009.

	December 31, 2009	March 31, 2009
	€m	€m
Minimum regulatory solvency margin	173	178
Shareholder equity held for life business	345	290

39 SUBORDINATED LIABILITIES

	Notes	December 31, 2009 €m	March 31, 2009 €m
Undated Loan Capital			
Bank of Ireland UK Holdings plc			
€600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	a, b	499(1, 2, 4)	637
Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities	b, c	52(1, 2, 4)	381
BoI Capital Funding (No 1) LP			
€600 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	d, e	342(1, 2, 4)	592
BoI Capital Funding (No 2) LP			
US$800 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	e, f,	272(1, 2, 4)	674
BoI Capital Funding (No 3) LP			
US$400 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	e, g	139(1, 2, 4)	345
BoI Capital Funding (No 4) LP			
Stg£500 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	e, h	40(1, 2, 4)	587
Bank of Ireland			
Stg£75 million 13⅜% Perpetual Subordinated Bonds	i	140	134
Bristol & West plc			
Stg£32.6 million 8⅛% Non-Cumulative Preference Shares	j	37	35
		1,521	3,385
Dated loan capital			
€750 million 6.45% Subordinated Bonds 2010		754	775
€600 million Subordinated Floating Rate Notes 2013	k	—	—
Can$400 million Fixed/Floating Rate Subordinated Notes 2015		229	229
€600 million Subordinated Floating Rate Notes due 2017		599(3)	599
€750 million Floating Rate Subordinated Notes 2017		749(3)	749
Stg£400 million Fixed/Floating Rate Subordinated Notes 2018		449(3)	428
US $600 million Subordinated Floating Rate Notes due 2018		416(3)	450
Stg£75 million 10¾% Subordinated Bonds 2018		96	95
€650 million Fixed/Floating Rate Subordinated Notes 2019		688(3)	692
Stg£450 million dated callable Step-up Fixed/Floating Rate Subordinated Notes September 2020	l	552	540
		4,532	4,557
		6,053	7,942

39 SUBORDINATED LIABILITIES (continued)

(1) In June 2009 the Group repurchased certain amounts of these subordinated liabilities. Information on the repurchase of these subordinated liabilities are shown in note 9.

(2) On January 19, 2010, the Group advised the Stock Exchange that the EU Commission had indicated that, in line with its policy and pending its assessment of the Group's restructuring plan (which is required in compliance with EU State aid rules), that the Group should not make coupon payments on its Tier 1 and Upper Tier 2 capital instruments unless under a binding legal obligation to do so.

(3) On February 12, 2010, the Group announced that it had completed an Exchange offer for outstanding notes relating to these five lower Tier 2 securities. For further information see note 58.

(4) On April 26, 2010, the Group announced a debt for equity swap on certain of the above securities.

Undated loan capital

(a) The securities are redeemable in whole or in part at the option of the Issuer subject to the prior consent of the Financial Regulator and of the Bank, at their principal amount together with any outstanding payments on March 7, 2011 or any coupon payment date thereafter. They bear interest at a rate of 7.40% per annum to March 7, 2011 and thereafter at a rate of 3 month Euribor plus 3.26% per annum, reset quarterly.

(b) The rights and claims of the holder of the Preferred Securities are subordinated to the claims of the senior creditors of the Issuer or of the Bank (as the case may be) in that no payment in respect of the Preferred Securities or the guarantee in respect of them shall be due and payable except to the extent that the Issuer or the Bank (as applicable) is solvent and could make such payment and still be solvent immediately thereafter. Upon any winding up of the Issuer or the Bank (in respect of claims under the guarantee), the holders of the Preferred Securities will rank pari passu with the holders of the most senior class or classes of preference shares or stock (if any) of the Issuer or of the Bank then in issue and in priority to all other shareholders of the Issuer and of the Bank.

(c) The securities are redeemable in whole but not in part at the option of the Issuer subject to the prior consent of the Financial Regulator and of the Bank, at their principal amount together with any outstanding payments on March 7, 2023 or any coupon date thereafter. They bear interest at a rate of 6.25% per annum to March 7, 2023 and thereafter at a rate of 6 month Stg£ Libor plus 1.70% per annum, reset semi annually.

(d) The securities are redeemable, subject to the prior approval of the Financial Regulator, on March 3, 2010 or any distribution payment date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at their principal amount plus any outstanding payments due. They bear interest at a rate of 6.25% per annum to March 3, 2007 and thereafter at a variable rate of interest per annum which is the lesser of (i) the aggregate of 0.10% per annum and the annual spot 10 year EUR fixed versus 6 month Euribor swap rate and (ii) 8% per annum.

(e) The issuer will not pay any distributions and the guarantor will not make any payment in respect of distributions under the subordinated guarantee to the extent that such payment would exceed adjusted distributable reserves or even if adjusted distributable reserves are sufficient to the extent that such payment would breach or cause a breach of Capital Adequacy Regulations then applicable to the Group as determined by the Guarantor's Court of Directors; or to the extent that the Guarantor is not meeting its minimum capital requirements or is not meeting its solvency ratios; or provided a Deemed Declaration Notice has not been delivered, if the Guarantor's Court of Directors has resolved no distributions should be made; or if the Regulator has instructed the General Partner or the Guarantor not to make such payment.

The Preferred Securities, together with the subordinated guarantee, are intended to provide holders with rights on liquidation equivalent to non-cumulative Stg£1 and €1.27 preference stock of the Guarantor. Claims under the Preferred Securities in respect of any liquidation distributions will rank senior to the rights of the General

39 SUBORDINATED LIABILITIES (continued)

Partner in respect of other partnership interests issued by the Issuer and pari passu with claims of the holders of all other preferred securities issued by the Issuer which rank pari passu with the Preferred Securities.

The rights and claims of the holders of the Preferred Securities rank (i) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes Tier 1 Capital or which is referred to in (ii) or (iii) below and any other liability expressed to rank pari passu with or junior to the subordinated guarantee), (ii) pari passu with parity securities issued by the Guarantor and any guarantee of the Guarantor ranking pari passu with the subordinated guarantee and (iii) senior to junior share capital.

(f) The securities are redeemable, subject to the prior approval of the Financial Regulator, on February 1, 2016 or any distribution payment date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 5.571% per annum up to but excluding February 1, 2016 and thereafter at a floating rate of interest of 1.68% per annum above the rate for US$ Libor 3 month US dollar deposits.

(g) The securities are redeemable, subject to the prior approval of the Financial Regulator, on February 4, 2016 or on every subsequent tenth anniversary date of February 4, 2016, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 6.107% per annum up to but excluding February 4, 2016 and thereafter at a floating rate of interest of 1.06% per annum above the rate for US$ Libor 3 month US dollar deposits.

(h) The securities are redeemable, subject to the prior approval of the Financial Regulator, on April 3, 2017 or any distribution date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 6.4295% per annum up to but excluding April 3, 2017 and thereafter at a floating rate of interest of 1.50% per annum above the rate for Stg£ Libor 3 month sterling deposits.

(i) The 13⅜% Perpetual Subordinated Bonds which have a nominal value of Stg£75 million were revalued as part of the fair value adjustments on the acquisition of Bristol & West plc.

(j) These preference shares which are non-redeemable, non-equity shares rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc.

Holders of the Preference Shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on May 15 and November 15 each year. The preference dividend on the preference shares will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Acts.

On October 1, 2007 in connection with the transfer of the business of Bristol & West plc to Bank of Ireland, Bank of Ireland entered into a Guarantee and Capital Maintenance Commitment (the Guarantee) with respect to the preference shares. Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of business would be protected. Under the Guarantee, Bank of Ireland agreed subject to certain conditions to (i) contribute capital to Bristol & West plc to the extent required to ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends on the preference shares and to the extent required, repay the preference share capital and (ii) guarantee Bristol & West plc's obligations to make repayment of the dividends and preference share capital.

39 SUBORDINATED LIABILITIES (continued)

In this connection the Guarantee contains provisions to the effect that the rights of Bank of Ireland's creditors under the Guarantee are subordinated to (i) unsubordinated creditors and debtors of Bank of Ireland and (ii) subordinated creditors of Bank of Ireland other than those whose claims rank, or are expressed to rank pari passu or junior to the payments under the Guarantee.

Dated loan capital

Dated loan capital, which includes bonds and notes, constitute unsecured obligations of the Bank subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

Interest rates on the floating rate and fixed rate subordinated liabilities (accommodated through swaps) are determined by reference to the relevant currency reference rate.

The table on page F-84 provides a description of the dated loan capital, all of which with the exception of the issue marked (l) were issued under the Bank's Euro Note Programme.

- the currency of the issue;
- if the issue is fixed, floating or a combination of both; and
- maturity.

(k) On February 10, 2010 the €750 million 6.45% subordinated bonds were redeemed on reaching their maturity date.

(l) On August 7, 2008 the Group issued Stg£450 million dated callable Step-up Fixed / Floating Rate Subordinated Notes due September 2020.

40 OTHER LIABILITIES

	December 31, 2009	March 31, 2009
	€m	€m
Accrued interest payable	863	929
Notes in circulation	715	660
Sundry creditors	312	323
Accruals and deferred income	217	229
Current taxation	121	103
Other	671	805
Other liabilities	2,899	3,049

Other liabilities at December 31, 2009 and at March 31, 2009 are due within 1 year.

The Bank is authorised to issue bank notes in Northern Ireland under the Bankers (Ireland) Act, 1845 and the Bankers (Northern Ireland) Act, 1928.

41 PROVISIONS

	Restructuring €m	Onerous Contracts €m	Legal €m	Total €m
As at April 1, 2009	52	12	23	87
Exchange adjustments	2	1	—	3
Charge to income statement	—	1	88	89
Utilised during the period	(32)	(2)	(2)	(36)
Unused amounts reversed during the period	—	(1)	—	(1)
As at December 31, 2009	22	11	109	142

	Restructuring €m	Onerous Contracts €m	Legal €m	Total €m
As at April 1, 2008	34	4	9	47
Exchange adjustments	(2)	(1)	—	(3)
Charge to income statement	44	11	20	75
Utilised during the period	(23)	(1)	(3)	(27)
Unused amounts reversed during the period	(1)	(1)	(3)	(5)
As at March 31, 2009	52	12	23	87

Restructuring

During the year ended March 31, 2009 the Group commenced the process of aligning its structure and cost base to an environment of lower levels of business and activity. The Group commenced a number of downsizing initiatives with an expected associated cost of €83 million. These initiatives included the cessation of mortgage lending through the intermediary channel in the UK and downsizing of some activities within Capital Markets and in the UK business banking operations.

The principal assumptions underlying the provision calculation relate to the timing and cost of executing the initiatives and particularly the number, mix, timing and net cost of associated staff reductions.

It is expected that this provision will be used within the next 2 years.

Onerous Lease

Partly as a result of the Group's restructuring of its operations, the Group is a lessee in a number of non-cancellable leases over properties that it no longer occupies. The present value of future lease payments on these properties, less any rental income receivable from sub-leasing, has been provided for.

Legal

This provision includes certain legal claims brought against the Group by third parties. Legal claims are subject to many uncertainties, and their outcome is often difficult to predict both in terms of timing and economic impact.

Of the increase in the legal provision €74 million relates to the unfavourable court ruling in connection with a European property investment.

42 DEFERRED TAX

	December 31, 2009	March 31, 2009
	€m	€m
The movement on the deferred tax account is as follows:		
At beginning of period	(510)	(14)
Income statement credit for period (note 18)	(356)	(116)
Available for sale financial assets — charge/(credit) other comprehensive income	131	(162)
Cash flow hedges — transferred to other comprehensive income	39	(104)
Revaluation/reclassification of property during period	(7)	(17)
Pension	(25)	(83)
Other movements	(3)	(14)
At end of period	(731)	(510)
Deferred tax assets and liabilities are attributable to the following items:		
Deferred tax liabilities		
Accelerated capital allowances:		
— on finance leases	30	40
— on equipment used by the Group	17	20
Property revaluation surplus	19	27
Life companies	35	—
Other temporary differences	70	10
Deferred tax liabilities	171	97
Deferred tax assets		
Pensions and other post retirement benefits	243	211
Provision for loan impairment	12	12
Other provisions	—	6
Cash flow hedge reserve	80	116
Available for sale reserve	86	219
Life companies	—	23
Unutilised tax losses	475	—
Other temporary differences	6	20
Deferred tax assets	902	607
Represented on the balance sheet as follows:		
Deferred tax assets	(865)	(560)
Deferred tax liabilities	134	50
	(731)	(510)

In presenting the deferred tax balances above, under IAS 12, the Group offset deferred tax assets and liabilities where:

- an entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

42 DEFERRED TAX (continued)

Deferred tax liabilities have not been recognised for tax that may be payable if earnings of certain overseas subsidiaries were remitted to Ireland, as the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings for overseas subsidiaries at December 31, 2009 totalled €1,222 million (March 31, 2009: €1,455 million).

The deferred tax asset of €902 million includes an amount of €475 million at December 31, 2009 in respect of operating losses which are available to relieve future profits from tax. This deferred tax asset has been recognised on the basis that it is probable it will be recovered as the Directors are satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred operating losses can be utilised. Under current Irish and UK tax legislation, there is no time restriction on the utilisation of these losses.

Deferred tax assets have not been recognised in respect of US tax credits amounting to €1 million, US tax losses of €83 million and US temporary differences of €3 million. €11 million of the US tax losses expire in the period 2020 to 2028 with €72 million due to expire in 2029. There is no expiration date on the tax credits. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

The deferred tax credit in the income statement comprises the following temporary differences:

	December 31, 2009	March 31, 2009
	€m	€m
Accelerated tax depreciation	(17)	(37)
Pensions and other retirement benefits	(6)	(9)
Other provisions	30	(2)
Life companies	58	(92)
Other temporary differences	43	(2)
Current period losses	(466)	—
Prior year adjustment	2	26
Total deferred tax	(356)	(116)

43 RETIREMENT BENEFIT OBLIGATIONS

The Group operates a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement the Group has been advised by independent actuaries, Towers Watson.

The most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pension Fund (BSPF) which accounts for approximately 81% of the pension liability on the consolidated Group balance sheet. The BSPF was closed to new members from October 1, 2006, with the exception of a number of new entry-level employees, (who joined from October 1, 2006 to November 21, 2007), who were offered the one-off option to join the scheme. All new employees in the Group from November 21, 2007 are eligible to become members of the Bank of Ireland Group Pension Fund (“The BIGPF”) or the Bank of Ireland Group UK Pension Fund. The BIGPF is a hybrid scheme which includes elements of both a defined benefit and a defined contribution scheme.

Retirement benefits under the BSPF and the other defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date.

43 RETIREMENT BENEFIT OBLIGATIONS (continued)

The last formal valuation of the BSPF, using the projected unit method, was carried out at March 31, 2007. The projected unit method measures liabilities taking account of the projected future levels of pensionable earnings at the time of commencement of benefits i.e. at normal retirement date.

The valuation disclosed that the fair value of scheme assets, after allowing for expected future increases in earnings and pensions, represented 109% of the benefits that had accrued to members. The actuary recommended a contribution rate increase of 0.7% of salaries in the funding programme following the conclusion of the valuation. The next formal valuation is being performed as at March 31, 2010 and will be completed during 2010. The BSPF met the statutory funding standard as at March 31, 2007, however the Fund did not meet the statutory funding standard as at March 31, 2009 and as a result the Trustees and the Bank will be putting a proposal to the Pensions Board to address this deficit. On April 7, 2010 the Group announced that it was proposing to make a number of changes affecting pensions benefits. Further information is outlined in note 58 (g).

The actuarial valuations are available for inspection to the members of the schemes but are not available for public inspection. The financial assumptions used in deriving the valuation are set out in the table below.

Financial assumptions

	December 31, 2009 % per annum	March 31, 2009 % per annum
Irish Schemes		
Inflation rate	2.10	2.00
Discount rate	5.60	5.95
Rate of general increase in salaries	2.73*	2.62*
Rate of increase in pensions in payments	2.49*	2.40*
Rate of increase to deferred pensions	2.10	2.00
UK Schemes		
Inflation rate	3.50	2.75
Discount rate	5.70	6.50
Rate of general increase in salaries	4.33*	3.61*
Rate of increase in pensions in payments	3.82*	3.05*
Rate of increase to deferred pensions	3.50	2.75

* *Weighted average increase across all Group schemes.*

The discount rates for the Irish and UK schemes are based on the iBoxx over 10 year AA-rated Euro corporate bond index and the iBoxx over 15 year AA-rated Sterling corporate bond index respectively.

43 RETIREMENT BENEFIT OBLIGATIONS (continued)

Mortality assumptions

In the last quarter of 2008, the Society of Actuaries in Ireland presented the results of their mortality investigations to the Pensions Board. This included an outline for future improvements in life expectancies. The Bank decided to adopt these assumptions for the purposes of calculating the liabilities of all its Republic of Ireland schemes at March 31, 2009. The table below sets out life expectancies based on these assumptions.

Post retirement mortality assumptions (Main Scheme)

	December 31, 2009 Years	March 31, 2009 Years
Longevity at age 70 for current pensioners		
Male	16.7	16.5
Female	18.3	18.1
Longevity at age 60 for active members currently aged 60 years		
Male	26.4	26.2
Female	28.1	28.0
Longevity at age 60 for active members currently aged 40 years		
Male	29.2	29.0
Female	30.4	30.3

The expected long term rates of return and market value of assets of the material defined benefit plans on a combined basis as at December 31, 2009 and March 31, 2009 were as follows:

	December 31, 2009 Expected long term rate of return				March 31, 2009 Expected long term rate of return			
	RoI	UK	Fund	Market Value	RoI	UK	Fund	Market Value
	%	%	%	€m	%	%	%	€m
Equities	7.25	8.25	54.8	2,047	7.75	8.5	48.2	1,446
Debt Securities	4.6	5.0	36.8	1,373	4.6	5.6	40.3	1,210
Property	6.3	6.35	6.8	255	6.0	6.2	9.5	285
Cash and other	3.0	4.4	1.6	59	3.0	3.5	2.0	62
Total market value of schemes assets				3,734				3,003
Actuarial value of liabilities of funded schemes				(5,356)				(4,472)
Aggregate deficit in funded schemes				(1,622)				(1,469)
Unfunded schemes				(9)				(9)
Net defined benefit pension deficit				(1,631)				(1,478)
Defined Contribution schemes				(1)				—
				(1,632)				(1,478)
This is shown in the balance sheet as:-				1,638				1,485
Retirement benefit obligations				(6)				(7)
Retirement benefit asset				1,632				1,478

43 RETIREMENT BENEFIT OBLIGATIONS (continued)

Substantially all of the scheme assets have been valued on a bid basis.

The expected rate of return on individual asset classes is estimated using current and projected economic and market factors at the measurement date, based on the global asset model employed by the Group actuary. The overall expected return on plan assets is based upon the weighted average of the assumed returns on the major asset classes. The expected long term rate of return on the total of the Group schemes assets as at December 31, 2009 is 6.2% (March 31, 2009: 6.3%).

The expected returns on the debt securities is derived from gilt yields and corporate bond yields. This has decreased for the UK schemes mainly due to a reduction in UK corporate bond yields. Approximately 65% of the value of debt securities is held in a liability driven investment portfolio.

The retirement benefit scheme assets includes Bank of Ireland stock amounting to €3 million (March 31, 2009: €1 million) and property occupied by Bank of Ireland Group companies to the value of €25 million (March 31, 2009: €28 million).

The following table sets out the components of the cost of the defined benefit schemes for the period ended December 31, 2009 and the year ended March 31, 2009.

Components of pension expenses

	December 31, 2009	March 31, 2009
	€m	€m
Current service cost	91	150
Past service cost	2	8
Curtailments	(3)	—
Expected return on retirement benefit scheme assets	(142)	(262)
Interest cost on pension scheme liabilities	199	277
Cost of providing defined retirement benefits	**147**	**173**

Actual return on scheme assets

	9 months ended December 31, 2009	Year ended March 31, 2009
	€m	€m
Expected return on scheme assets	142	262
Actuarial gain/(loss) on scheme assets	574	(1,176)
Actual return on scheme assets	**716**	**(914)**

43 RETIREMENT BENEFIT OBLIGATIONS (continued)

Movement in defined benefit obligations during the period

	9 months ended December 31, 2009	Year ended March 31, 2009
	€m	€m
Defined benefit obligation at beginning of the period	4,481	4,762
Current service cost	91	150
Actual member contributions	11	16
Past service cost	2	8
Interest cost	199	277
Actuarial loss/(gain) on scheme liabilities	643	(470)
Benefits paid	(100)	(137)
Curtailments	(3)	—
Currency loss/(gain)	41	(125)
Defined benefit obligation at the end of the period	**5,365**	**4,481**

Movement in the fair value of scheme assets during the period

	9 months ended December 31, 2009	Year ended March 31, 2009
	€m	€m
Fair value of scheme assets at the beginning of the period	3,003	3,967
Expected return	142	262
Actual member contributions	11	16
Actuarial gain/(loss) on scheme assets	574	(1,176)
Contributions by employer	93	114
Benefits paid	(100)	(137)
Currency gain/(loss)	11	(43)
Fair value of scheme assets at the end of the period	**3,734**	**3,003**

Statement of Other Comprehensive Income

	9 months ended December 31, 2009	Year ended March 31, 2009
	€m	€m
Actuarial gain/(loss) on scheme assets	574	(1,176)
Experience gain on scheme liabilities	33	63
(Loss)/gain on change of assumptions (financial and demographic)	(676)	407
Currency (loss)/gain	(30)	82
Total loss recognised in Other Comprehensive Income during the period before adjustment of tax	**(99)**	**(624)**
Cumulative amount of losses recognised in Other Comprehensive Income to the end of period	(1,085)	(986)

43 RETIREMENT BENEFIT OBLIGATIONS (continued)

History of experience gains and losses

	9 month ended December 31, 2009	Year ended March 31, 2009	Year ended March 31, 2008	Year ended March 31, 2007	Year ended March 31, 2006
	€m	€m	€m	€m	€m
Actuarial gain/(loss) on scheme assets:					
Amount	574	(1,176)	(823)	144	401
Percentage of scheme assets	15.4%	(39.2%)	(20.7%)	3.2%	9.9%
Experience gain/(loss) on scheme liabilities:					
Amount	33	63	(58)	(126)	(46)
Percentage of scheme liabilities	0.6%	1.4%	(1.2%)	(2.5%)	(0.9%)
*Total actuarial (loss)/gain recognised in SOCI**					
Amount	(99)	(624)	(244)	213	131
Percentage of scheme liabilities	(1.8%)	(13.9%)	(5.1%)	4.2%	(2.7%)

* *Statement of Comprehensive Income.*

Defined benefit pensions

	December 31, 2009	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
	€m	€m	€m	€m	€m
Present value of obligations	5,365	4,481	4,762	5,092	4,878
Scheme assets	3,734	3,003	3,967	4,505	4,070
Deficit within schemes	1,631	1,478	795	587	808

The deficit above includes a deficit of €1,474 million (March 31, 2009: €1,311 million) relating to the defined benefit schemes in the Bank.

Expected employer contributions and expected employee contributions for the year ended December 31, 2010 are €120 million and €15 million respectively.

Sensitivity analysis for each of the assumptions used to measure the scheme liabilities at December 31, 2009.

Factor	Change in assumption	BSPF Impact on actuarial liabilities
Discount rate	Decrease 0.1%	Increase 2.1%
Rate of Inflation	Increase 0.1%	Increase 2.1%
Rate of salary growth	Increase 0.1%	Increase 0.7%
Life expectancy	Increase by 1 year	Increase 2.4%

While the table above shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

44 CONTINGENT LIABILITIES AND COMMITMENTS

The table below gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

44 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

	December 31, 2009	March 31, 2009
	€m	€m
Contingent Liabilities		
Acceptances and endorsements	27	19
Guarantees and irrevocable letters of credit	1,599	1,879
Other contingent liabilities	799	670
	2,425	2,568
Commitments		
Documentary credits and short term trade related transactions	186	260
Undrawn note issuance and revolving underwriting facilities	121	157
Undrawn formal standby facilities, credit lines and other commitments to lend		
— revocable or irrevocable with original maturity of 1 year or less	15,837	17,721
— irrevocable with original maturity of over 1 year	8,887	8,781
	25,031	26,919

In common with other banks, the Group conducts business involving acceptances, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Group expects most acceptances to be presented, but reimbursement by the customer is normally immediate. Endorsements are residual liabilities of the Group in respect of bills of exchange, which have been paid and subsequently rediscounted.

Guarantees and letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Other contingent liabilities primarily include performance bonds and are generally short term commitments to third parties which are not directly dependent on the customers credit worthiness. The Group is party to legal actions arising out of its normal business operations. The Directors believe that adequate provision has been made in respect of this litigation. The other contingent liabilities disclosed include an amount relating to one matter under litigation. This amount has not been separately disclosed as, in line with the exemption in IAS 37, doing so could be prejudicial to the claim and the Group is satisfied that this litigation is not expected to have a significant adverse effect on its financial position.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions.

45 CAPITAL STOCK

Authorised

	December 31, 2009	March 31, 2009
€	**€m**	**€m**
2,000 (March 31, 2009: 2,000) million units of €0.64 of ordinary stock	1,280	1,280
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
3.5 billion units of non-cumulative preference stock (2009 preference stock) of €0.01 each	35	35
Stg£	**£m**	**£m**
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	**$m**
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

Allotted and fully paid

	December 31, 2009	March 31, 2009
	€m	€m
993.0 (March 31, 2009: 994.1) million units of €0.64 of ordinary stock	636	636
33.2 (March 31, 2009: 32.1) million units of €0.64 of treasury stock	21	21
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
3.5 billion units of non-cumulative preference stock (2009 preference stock) of €0.01 each	35	35
	699	699

Ordinary stock

The weighted average ordinary stock in issue at December 31, 2009 used in the earnings per share calculation, excludes the treasury stock which does not represent ordinary stock in issue. Treasury stock does not rank for dividend. While own stock held for the benefit of life assurance policyholders legally rank for dividend, in line with accounting standards this dividend does not accrue in the Group financial statements.

45 CAPITAL STOCK (continued)

Movements in issued Ordinary and treasury stock (units)

	Ordinary		Treasury	
	December 31, 2009	March 31, 2009	December 31, 2009	March 31, 2009
As at the beginning of period	994,107,002	980,482,472	32,118,677	45,734,778
Sharesave scheme	(1,189)	8,429	1,189	—
Long term incentive plan (LTIP)	6,733	—	(6,733)	—
Employee stock issue scheme	—	4,157,268	—	(4,157,268)
Stock sold /purchased and held for the benefit of life assurance policyholders	(1,110,682)	9,458,833	1,110,682	(9,458,833)
As at end of period	993,001,864	994,107,002	32,223,815	32,118,677

At an Extraordinary General Court of the Bank of Ireland held on March 27, 2009, the authorised ordinary stock was increased from 1,500 million units to 2,000 million units at a par value of €0.64 per unit to facilitate the issue of the warrants as part of the National Pensions Reserve Fund Commission (NPRFC) investment as described in Note 45.

During the period ended December 31, 2009 the total ordinary stock in issue decreased from 994,107,002 units of nominal value of €0.64 each to 993,001,864 units of nominal value of €0.64 each as a result of:

- 1,189 units of ordinary stock were redeemed due to a correction in relation to the exercise of options under the terms of the SAYE 2003 Scheme at prices of €7.84.
- 6,733 units of ordinary stock were issued under the 1999 Long term Incentive Plan under the matching stock rule.
- 10,104,443 units of ordinary stock held by the Group's life assurance company as at March 31, 2009 are categorised as "own shares". 1,110,682 units of ordinary stock were acquired by the life assurance company during the period ended December 31, 2009. At December 31, 2009 the Group's life assurance company held 11,215,125 units of ordinary stock as "own shares".

All units of ordinary stock in issue carry the same voting rights. All issued stock is fully paid.

Further information on changes to the Ordinary Stock since December 31, 2009 is outlined in note 58.

Preference Stock — Stg £1 each and €1.27 each

The preference stock is non-redeemable. The holders of preference stock are entitled to receive, at the discretion of the Bank, a non-cumulative preferential dividend, which in the case of the Sterling preference stock will be payable in Sterling, in a gross amount of Stg£1.2625 per unit per annum and in the case of euro preference stock will be payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on February 20 and August 20 in each year.

On a winding up of, or other return of capital by, the Bank (other than on a redemption) the holders of preference stock will be entitled to receive an amount equal to the amount paid up on each unit of the preference stock held (including the premium) out of the surplus assets available for distribution to the holders of ordinary stock.

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances when a restricted vote may apply.

45 CAPITAL STOCK (continued)

The Bank has an obligation to increase the cash dividend payable on each unit of preference stock so that the sum of the cash dividend paid or payable together with the associated dividend tax credit shall equal the appropriate gross amounts.

As at December 31, 2009 and at March 31, 2009, 1,876,090 units of Sterling preference stock and 3,026,598 units of euro preference stock were in issue.

2009 Preference Stock

For information on the 2009 Preference stock refer to notes 55 and 58.

Use of ordinary stock in employee schemes

(a) Employee Stock Issue Scheme

At the 2006 Annual General Court the stockholders approved the establishment of a new Employee Stock Issue Scheme to replace the scheme originally approved by the stockholders in 1997. Under this scheme, which has an Irish and a UK version in order to conform with the relevant Revenue legislation in both jurisdictions, all employees in Ireland and the UK are eligible to participate provided that they have been employed by the Group in one of the schemes' participating companies for the previous financial year and are still employed by the Group on the date the annual results are announced. Each year the Court may set aside an element of Group profit before taxation for allocation to the trustees of the scheme to enable them to acquire units of ordinary stock on behalf of the scheme participants. As a result there was no award in the nine months ended December 31, 2009.

Currently the amount set aside is related to overall Group performance. The maximum award permitted under the scheme is 6% of a participant's salary. To date, annual distributions under the schemes have ranged between nil and 6% of each participants salary.

In addition, if an employee elects for the free stock award, they become eligible to purchase additional stock at market price from gross salary subject to Revenue Commissioners and HM Revenue & Customs rules respectively.

(b) Sharesave Scheme (SAYE Scheme)

At the 1999 Annual General Court the stockholders approved the establishment of an SAYE Scheme. Under this scheme, which has an Irish and UK version in order to conform with the relevant Revenue legislation in both jurisdictions, all employees in Ireland and the UK are eligible to participate provided that they are employed by the Group on the invitation to participate date and they are still in the employ of the Group on the date that the options are granted. The table below shows the option price for each year, and what discount this represented of the market price at that time.

Grant Dates		SAYE 2007	SAYE 2006	SAYE 2003
Option price	RoI	€ 6.96	€12.28	€ 7.84
	UK	€ 7.43	€13.09	€ 8.37
Discount	RoI	25%	25%	25%
	UK	20%	20%	20%

The difference between Irish and UK option prices reflects the maximum discounts permitted under Revenue Commissioners and HM Revenue & Customs rules respectively.

For information on the 2009 Preference stock refer to notes 55 and 58.

45 CAPITAL STOCK (continued)

As at December 31, 2009, there are outstanding options under the scheme over 2,069,925 units of ordinary stock of the issued ordinary capital. These options are ordinarily exercisable, provided the participant's savings contracts are complete between February 2009 and August 2011.

	RoI			UK			
2009	**2003 5 yr[1]**	**2006 3 yr**	**2007 3 yr**	**2003 5 yr**	**2006 3 yr**	**2007 3 yr**	**Total**
Outstanding at beginning of period	1,643,102	635,057	1,961,474	283,187	154,299	354,616	5,031,735
Granted	—	—	—	—	—	—	—
Exercised*	—	—	—	—	—	—	—
Lapsed	(1,610,504)	(163,985)	(686,637)	(281,559)	(61,835)	(157,290)	(2,961,810)
Outstanding at end of period	32,598	471,072	1,274,837	1,628	92,464	197,326	2,069,925
Weighted average exercise price	€ 7.84	€ 12.28	€ 6.96	€ 8.37	€ 13.09	€ 7.43	€ 8.50

* *No options were exercised in the period to December 31, 2009. (The weighted average market price on the date the options were exercised in the year ended March 31, 2009 was €8.16).*

Under the terms of the SAYE schemes an individual may defer payments for a period to a maximum of six months. This extends the maturity date of the scheme for that individual. Upon maturity, individuals have up to six months from maturity date to decide if they wish to exercise their options.

1 *The 2003 5 year SAYE scheme had a general maturity date of February 1, 2009. The maturity date could be extended to August 1, 2009, with a decision to exercise allowed up to February 1, 2010.*

(c) Stock Option Scheme

Options to subscribe for units of Ordinary Stock are granted under the terms of the Stock Option Scheme. The scheme was approved by the stockholders at the Annual General Court in 1996 — the "Bank of Ireland Group Stock Option Scheme — 1996", and its successor scheme, the "Bank of Ireland Group Executive Stock Option Scheme — 2004" which was approved by stockholders at the Annual General Court held in 2004. Key executives may participate in the current scheme at the discretion of the Remuneration Committee. Under the current scheme, the total value of options granted may not exceed 100% of an executive's salary. The subscription price per unit of stock shall not be less than the market value of the stock at the date of grant.

The exercise of options granted between 2004 and 2007 is conditional upon underlying earnings per share achieving a cumulative growth of at least 5% per annum compound above the increase in the Consumer Price Index over the three year performance period, commencing with the period in which the options are granted. If this performance condition is not achieved, the options lapse. For options granted in 2008, 25% will become capable of exercise if the Group's underlying earnings per share growth is 3% per annum compounded, commencing with the period in which the options are granted. The performance conditions for options granted in 1996 up to and including 2005 have been satisfied. Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant.

45 CAPITAL STOCK (continued)

	December 31, 2009		March 31, 2009	
	Number of options	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)
Outstanding at beginning of period	9,367,967	€10.85	7,575,585	€12.26
Granted during period	—	—	2,642,600	€ 7.01
Exercised during period	—	—	—	—
Expired during period	(1,417,922)	€13.65	(850,218)	€11.48
Outstanding at end of period	7,950,045	€10.35	9,367,967	€10.85
Exercisable at end of period	4,485,663	€11.13	4,714,080	€10.94

No options were granted during the period ended December 31, 2009.

No options were exercised in the period to December 31, 2009 or in the year to March 31, 2009.

For information on the 2009 Preference stock refer to notes 55 and 58.

Exercise Price Range (€)	Number of options
1.22 - 6.96	678,250
6.97 - 10.65	2,412,432
10.66 - 10.77	2,065,499
10.78 - 15.45	2,793,864
Total	7,950,045

Outstanding options under the Stock Option Scheme are exercisable at price ranges above. The weighted average remaining contractual life of the outstanding options under the Stock Option Scheme is 1 year.

(d) Long Term Incentive Plan

The "Bank of Ireland Group Long Term Incentive Plan — 2004" ('LTIP') was approved by the stockholders at the Annual General Court in July 2004. Its predecessor plan, the "Long Term Performance Stock Plan — 1999" ('LTPSP'), was approved by the stockholders at the Annual General Court in July 1999. The LTIP links the number of units of stock receivable by participants to the Group's Total Shareholder Return ("TSR"). TSR represents stock price growth plus dividends.

Each year selected senior executives participating in the plan receive a conditional award of a number of units of ordinary stock. The maximum award, for Executive Directors and Group Executive Committee members, cannot exceed 100% (150% for the Group CEO) of their annual salary at the time of the award.

Provided the Group's Return on Equity ("ROE") over the three year performance period is, on average, at least 20%, then the proportion of these units which actually vest in the executive on the third anniversary of the date of

45 CAPITAL STOCK (continued)

the original award is based on the Group's TSR growth relative to a comparator group of financial services companies, as follows:

The Bank's total shareholder return performance relative to the Comparator Companies	% of units of stock subject to an award which may be issued or transferred
Equal to or better than the company ranked second	100%
Between the company ranked median and the company ranked second	Greater than 35% and less than 100% (Pro rata based on the Bank's performance relative to the Comparator Companies)
Equal to the median	35%
Below median	Nil

If the Group's ROE over the three year performance period, is on average, below 20%, then the award lapses.

Under the LTPSP, a minimum of 80% of the vested stock must be retained for two years from maturity of award. After the two year retention period, an additional award of 20% is made. If the award is retained for an additional five years, a further award of 30% is made.

	December 2009		March 2009	
	Number of conditional units	Weighted average grant price (€)	Number of conditional units	Weighted average grant price (€)
Outstanding at beginning of period	2,488,162	9.86	1,989,005	13.96
Granted during period	—	—	1,616,200	6.57
Vested during period	—	—	—	—
Expired during period	(744,442)	13.27	(1,117,043)	12.40
Outstanding at end of period	1,743,720	8.40	2,488,162	9.86

Outstanding conditional units of stock under the LTIP were awarded at prices ranging between €1.215 to €15.45

The weighted average remaining contractual life of the outstanding options under the LTIP Scheme is 1 year (the potential matching awards of 30% on the previous LTPSP schemes are excluded from this calculation).

For information on the 2009 Preference stock refer to notes 55 and 58.

45 CAPITAL STOCK (continued)

(e) Options Pricing Model

The binomial lattice option valuation model is used to estimate the value of the options granted. The following table details the assumptions used and the resulting fair values provided by the options pricing model. The volatility assumption has been set with reference to the average volatility (based on monthly price changes) measured over a five year period to the date of grant, and our adopted approach is to round this assumption to the nearest 5%, as it represents a subjective long term view of the stability of the business and therefore should not deviate constantly to reflect market fluctuations.

	Stock Option Scheme Granted During Period		LTIP Granted During Period	
	March 2009	March 2008	March 2009	March 2008
Volatility	20%	20%	20%	20%
Dividend Yield	5.7%	3.4%	5.7%	3.4%
Risk free rate	4.4%	4.6%	N/A	N/A
Implied term	10 years	9.4 years	3 years	3 years
Fair value	€0.89	€3.06	€2.76	€6.00
Exercise price	€7.01	€15.45	Nil	Nil
No. of options (000's)	2,642.6	1,151.8	1,616.2	580.4
Vesting period	3 years	3 years	3 years	3 years

	SAYE (ROI) 3 Year		SAYE (UK) 3 Year	
	2007	2006	2007	2006
Volatility	20%	20%	20%	20%
Dividend Yield	4.2%	3.3%	4.2%	3.3%
Risk free rate	4.1%	3.8%	4.1%	3.8%
Implied term	3 years	3 years	3 years	3 years
Fair value	€2.94	€5.10	€2.62	€4.55
Exercise price	€6.96	€12.28	€7.43	€13.09
No. of options (000's)	3,967.8	2,311.0	811.3	513.6
Vesting period	3 years	3 years	3 years	3 years

	SAYE (ROI) 5 Year 2003	SAYE (UK) 5 Year 2003
Volatility	30%	30%
Dividend Yield	3.3%	3.3%
Risk free rate	3.6%	3.6%
Implied term	5 years	5 years
Fair value	€3.54	€3.31
Exercise price	€7.84	€8.37
No. of options (000's)	2,209.2	450.9
Vesting period	5 years	5 years

45 CAPITAL STOCK (continued)

(f) Limitations on Employee Stock Issue and Stock Option Schemes

All of the above stock issue and stock option schemes are subject to a range of flow rate controls approved by the stockholders and which conform to current institutional investor guidelines.

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The Group's accounting policy on valuation is set out on pages F-18 to F-20, while page F-37 gives details on the critical accounting estimates and judgements made by management in relation to the fair value of financial instruments. The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, in an arms length transaction between knowledgeable willing parties.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group.

These techniques are subjective in nature and involve assumptions which are based upon management's view of market conditions at period end which may not necessarily be indicative of any subsequent fair value. Furthermore, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values, and, as a result, readers of these financial statements are advised to use caution when using this data to evaluate the Group's financial position.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in many cases, particularly in respect of loans and advances to customers, the Group intends to realise assets through collection over time. As such the fair values calculated do not represent the value of the Group as a going concern at December 31, 2009 or March 31, 2009.

(a) Financial assets and liabilities recognised and subsequently measured at fair value

All financial instruments are initially recognised at fair value. The Group subsequently measures trading securities, other financial assets and liabilities designated at fair value through profit or loss, derivatives and available for sale financial assets at fair value in the balance sheet. These instruments are shown as "at fair value through profit or loss (FVTPL)" or "at fair value through Other Comprehensive Income (OCI)" in note 47 on the measurement basis of financial assets and liabilities. A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below.

Financial assets held for trading

These instruments are valued using observable market prices where available. Trading securities quoted in an active market are valued directly from observable market prices through a recognised pricing source or an independent broker or investment bank.

For the small number of trading securities where observable market prices are unavailable, fair value is calculated using discounted cash flow models. Using reasonably possible alternative assumptions would not change the fair value of these securities significantly.

Other financial assets at fair value through profit or loss

These consist of assets designated at fair value through profit or loss, which are predominantly held for the benefit of unit linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

readily available prices. The remaining assets are valued using valuation techniques which use observable market data.

Derivative financial instruments

The Group's derivative financial instruments are valued using valuation techniques commonly used by market participants. These consist of discounted cash flow and options pricing models, which typically incorporate observable market data, principally interest rates, basis spreads, foreign exchange rates, equity prices and counterparty credit. A small number of derivative financial instruments are valued using non-observable inputs. However, changing one or more assumptions used in the valuation of these derivatives would not have a significant impact as they are entered into to hedge the exposure arising on certain customer accounts (see below), leaving the Group with no net valuation risk due to the non-observable inputs.

Assets and liabilities held for sale to NAMA — derivatives

In the case of derivatives held for sale to NAMA, counterparty credit is not considered observable and is significant to their valuation. The effect of changing the assumptions in relation to counterparty credit to a range of reasonably possible alternatives would be to increase the fair value of these derivatives by up to €13 million or to decrease their fair value by up to €13 million, with a corresponding impact on the income statement.

Debt securities in issue and subordinated liabilities

These instruments comprise debt securities in issue and subordinated liabilities with a fair value of €701 million (March 31, 2009: €795 million) which are measured at fair value through profit or loss, the fair value of which is based on valuation techniques incorporating significant unobservable market data. The significant unobservable input is the Group's credit spread, the estimation of which has become more judgemental in current market circumstances. The Group estimates this spread by reference to recent transactions in the same instrument or in similar instruments issued by the Group.

The effect of changing the estimated credit spread on subordinated liabilities to a reasonably possible alternative would be to decrease their fair value by up to €22 million with a corresponding impact on the income statement. The effect of changing the estimated credit spread on the debt securities in issue to a range of reasonably possible alternatives would be to decrease their fair value by up to €13 million or to increase their fair value by up to €6 million, with a corresponding impact on the income statement.

Available for sale financial assets

For available for sale financial assets for which an active market exists, fair value has been determined directly from observable market prices or yields through a recognised pricing source or an independent broker, price-provider or investment bank.

A small number of bonds have been valued using vendor prices, which are not considered to represent observable market data. The effect of using reasonably possible alternative assumptions would be to decrease their fair value by up to €6 million or to increase their fair value by up to €6 million, with a corresponding impact on the statement of other comprehensive income.

Customer accounts

Customer accounts designated at fair value through profit or loss consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The impact of changes in the Group's own credit spread is not significant to the fair value of

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

these deposits. A small number of customer accounts are valued using non-observable inputs. However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to the non-observable inputs.

Liabilities to customers under insurance and investment contracts

The accounting policy for these instruments is set out on pages F-30 and F-31. In accordance with the accounting policy, the fair value of liabilities to customers under both insurance and investment unit linked contracts is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the balance sheet date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

(b) Financial assets and liabilities not subsequently measured at fair value

For financial assets and liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks

The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing money market interest rates for assets with similar credit risk and remaining maturity.

Loans and advances to customers

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

Assets held for sale to NAMA

The assets held for sale to NAMA are measured on the same basis in the balance sheet as prior to their classification as held for sale. On transfer to NAMA, these assets will be valued on a loan-by-loan basis, using the valuation methodology specified in the NAMA Act and in the associated regulations. As set out on page F-61, the Group is currently unable to accurately quantify the ultimate expected loss on the transfer of all the Group's Eligible Bank Assets to NAMA. The discount to gross loan value that was incurred on the first tranche of loans to transfer to NAMA in early April 2010 is 36%. For the purposes of presenting a fair value of the total portfolio of assets held for sale to NAMA, the Group has applied this 36% discount to all assets. The limited number and nature of the loans involved in this first tranche mean that it may not be a representative sample of the total portfolio of assets held for sale to NAMA and consequently the loss on sale is not necessarily indicative of the loss that is expected to arise on the entire portfolio of Eligible Bank Assets that will ultimately transfer. As the assets held for sale to NAMA are financial instruments, they are carried at amortised cost less impairment provisions.

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Deposits from banks and customer accounts

The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market prices is based on discounted cash flows using interest rates for new deposits with similar remaining maturity.

Debt securities in issue and subordinated liabilities

The fair values of these instruments are calculated based on quoted market prices where available. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate to the Group for the remaining term to maturity. The yield curve used incorporates the effect of changes in the Group's own credit spread.

Fair value hierarchy

The table below shows, for the Group's financial assets and liabilities that are recognised and subsequently measured at fair value, their classification within a three-level fair value hierarchy.

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

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

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

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

December 31, 2009	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets held at fair value				
Trading securities	403	—	—	403
Derivative financial instruments	—	5,788	36	5,824
Assets held for sale to NAMA — derivatives	—	—	93	93
Other financial assets at FVTPL	8,987	692	—	9,679
AFS financial assets	18,921	1,687	332	20,940
	28,311	8,167	461	36,939
As a % of fair value assets	76.7%	22.1%	1.2%	100%
Financial liabilities held at fair value				
Deposits from banks	—	2	—	2
Customer accounts	—	1,658	62	1,720
Derivative financial instruments	—	6,017	20	6,037
Liabilities held for sale to NAMA — derivatives	—	—	1	1
Liabilities to customers under investment contracts	—	5,050	—	5,050
Insurance contract liabilities	—	6,658	—	6,658
Debt securities in issue	—	—	472	472
Subordinated liabilities	—	—	229	229
	—	19,385	784	20,169
As a % of fair value liabilities	—	96.1%	3.9%	100%

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Movements in Level 3 assets

December 31, 2009	Trading securities	Derivatives financial instruments	Derivates held for sale to NAMA	Available for sale financial assets	Total
	€m	€m	€m	€m	€m
Opening balance	7	116	—	403	526
Total gains or losses in:-					
— Profit or loss					
— Net trading expense	—	(27)	—	—	(27)
— Other income	—	—	—	2	2
— Other Comprehensive income	—	—	—	4	4
Additions	—	—	—	102	102
Disposals	—	—	—	(216)	(216)
Redemptions	—	(53)	—	(31)	(84)
Transfer out of level 3					
— from level 3 to level 1	(7)	—	—	(14)	(21)
— from level 3 to level 2	—	—	—	(2)	(2)
Transfer into level 3					
— from level 1 to level 3	—	—	—	—	—
— from level 2 to level 3	—	—	93	84	177
Closing balance	—	36	93	332	461
Total gains/(losses) for the period included in the profit or loss for assets held in level 3 at the end of the reporting period	—	(26)	(55)	2	(79)
Other transfers					
— from level 1 to level 2	9	—	—	255	264
— from level 2 to level 1	—	—	—	152	152

The above table has been prepared in compliance with IFRS 7 (amended). Consequently, the opening balances of level 3 assets are not directly comparable to the Group's previously published fair value table.

Transfers from level 3 to level 1 resulted from an ability to obtain observable market prices in the current period which were unavailable in the prior year.

The transfer of derivatives held for sale to NAMA from level 2 to level 3 resulted from the unobservable inputs becoming significant to their fair value measurement.

The transfer of AFS assets from level 2 to level 3 resulted from inputs which were observable at March 31, 2009 becoming unobservable in the current period.

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

Movements in Level 3 liabilities

December 31, 2009	Customer accounts	Derivatives financial instruments	Derivates held for sale to NAMA	Debt securities in issue	Subordinated liabilities	Total
	€m	€m	€m	€m	€m	€m
Opening balance	69	56	—	566	229	920
Total gain or loss in:						
— Profit or loss						
— Net trading expense	1	(23)	—	(28)	20	(30)
— Other Comprehensive income	—	—	—	—	(20)	(20)
New derivative transactions	—	10	—	—	—	10
Redemption and maturities	(8)	(23)	—	(66)	—	(97)
Transfer into level 3						
— from level 2 to level 3	—	—	1	—	—	1
Closing balance	62	20	1	472	229	784
Total gains/(losses) for the period included in profit or loss for liabilities held at the end of the reporting period	(1)	13	—	(16)	(20)	(24)

The above table has been prepared in compliance with IFRS 7 (amended). Consequently, the opening balances of level 3 liabilities are not directly comparable to the Group's previously published fair value table.

There were no transfers out of level 3 during the nine months ended December 31, 2009.

There were no transfers to level 3 from level 1. The only transfer into level 3 from level 2 was in relation to derivative liabilities held for sale to NAMA.

The transfer of derivatives held for sale to NAMA from level 2 to level 3 resulted from the unobservable inputs becoming significant to the fair value measurement.

46 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (continued)

The carrying amount and the fair value of the Group's financial assets and liabilities as at December 31, 2009 and March 31, 2009 are set out in the table below.

	December 2009		March 2009	
	Carrying amount	Fair values	Carrying amount	Fair values
	€m	€m	€m	€m
Financial instruments held for trading				
Debt securities(1)	403	403	125	125
Derivative financial instruments — trading				
Foreign exchange contracts(1)	(199)	(199)	184	184
Interest rate contracts(1)	(184)	(184)	149	149
Equity and commodity contracts(1)	25	25	(50)	(50)
Non-trading financial instruments				
Assets				
Cash and balances at central banks(1)	4,241	4,241	3,224	3,224
Items in course of collection from other banks(1)	400	400	515	515
Loans and advances to banks	5,031	5,028	7,886	7,879
Loans and advances to customers	119,439	116,846	133,740	128,938
Assets held for sale to NAMA(2)	9,581	7,910	—	—
Available for sale financial assets(1)	20,940	20,940	26,858	26,858
Other financial assets at fair value through profit or loss(1)	9,679	9,679	7,604	7,604
Liabilities				
Deposits from banks	17,903	17,829	28,814	28,742
Customer accounts	84,812	84,680	83,119	83,001
Items in the course of transmission to other banks(1)	198	198	238	238
Debt securities in issue	43,144	41,419	45,133	44,375
Liabilities to customers under investment contracts(1)	5,050	5,050	4,084	4,084
Insurance contract liabilities(1)	6,658	6,658	5,634	5,634
Subordinated liabilities	6,053	4,585	7,942	4,089
Liabilities held for sale to NAMA(2)	1	1	—	—
Derivative financial instruments — hedging				
Interest rate contracts and foreign exchange contracts(1)	(145)	(145)	560	560

(1) *The fair value of these financial instruments is equal to the carrying value. These instruments are either carried at market value or have minimal credit losses and are either short term in nature or repriced frequently.*

(2) *As set out on page F-71, the Group is currently unable to accurately quantify the ultimate expected loss on the transfer of all the Group's Eligible Bank Assets to NAMA. The discount to gross loan value that will be incurred on the first tranche of loans to transfer to NAMA in early April 2010 is 36%. For the purposes of presenting a fair value of the total portfolio of assets held for sale to NAMA, the Group has applied this 36% discount to the loans held for sale to NAMA. The limited number and nature of the loans involved in this first tranche mean that it may not be a representative sample of the total portfolio of assets held for sale to NAMA and consequently the loss on sale is not necessarily indicative of the loss that is expected to arise on the entire portfolio of Eligible Bank Assets that will ultimately transfer. As the loans held for sale to NAMA are financial instruments, they are carried at amortised cost less impairment provisions. Accounting standards require that additional disclosure is provided of the fair value of such assets at the balance sheet date.*

47 MEASUREMENT BASIS OF FINANCIAL ASSETS AND LIABILITIES

The table below analyses the carrying amounts of the financial assets and liabilities by accounting treatment and by balance sheet heading.

At December 31, 2009

	At fair value through profit or loss			At fair value through Other Comprehensive income (OCI)				
	Derivatives designated as fair value hedging instruments	Held for trading	Designated upon initial recognition	Available for sale	Cash flow hedge derivatives	Loans and advances/ held at amortised cost	Insurance contracts	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Financial assets								
Cash and balances at central banks	—	—	—	—	—	4,241	—	4,241
Items in the course of collection from other banks	—	—	—	—	—	400	—	400
Trading securities	—	403	—	—	—	—	—	403
Derivative financial instruments	740	3,344	—	—	1,740	—	—	5,824
Other financial assets at fair value through profit or loss	—	—	9,679	—	—	—	—	9,679
Loans and advances to banks	—	—	—	—	—	5,031	—	5,031
Available for sale financial assets	—	—	—	20,940	—	—	—	20,940
Loans and advances to customers	—	—	—	—	—	119,439	—	119,439
Assets held for sale to NAMA	—	93	—	—	—	9,488	—	9,581
Total financial assets	740	3,840	9,679	20,940	1,740	138,599	—	175,538
Financial liabilities								
Deposits from banks	—	—	2	—	—	17,901	—	17,903
Customer accounts	—	—	1,720	—	—	83,092	—	84,812
Items in course of transmission to other banks	—	—	—	—	—	198	—	198
Derivative financial instruments	598	3,702	—	—	1,737	—	—	6,037
Liabilities to customers under investment contracts	—	—	5,050	—	—	—	—	5,050
Debt securities in issue	—	—	472	—	—	42,672	—	43,144
Insurance contract liabilities	—	—	—	—	—	—	6,658	6,658
Subordinated liabilities	—	—	229	—	—	5,824	—	6,053
Liabilities held for sale to NAMA	—	1	—	—	—	—	—	1
Total financial liabilities	598	3,703	7,473	—	1,737	149,687	6,658	169,856

47 MEASUREMENT BASIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

At March 31, 2009

	At fair value through profit or loss			At fair value through Other Comprehensive income (OCI)				
	Derivatives designated as fair value hedging instruments	Held for trading	Designated upon initial recognition	Available for sale	Cash flow hedge derivatives	Loans and advances/ held at amortised cost	Insurance contracts	Total
	€m	€m	€m	€m	€m	€m	€m	€m
Financial assets								
Cash and balances at central banks	—	—	—	—	—	3,224	—	3,224
Items in the course of collection from other banks	—	—	—	—	—	515	—	515
Trading securities	—	125	—	—	—	—	—	125
Derivative financial instruments	915	4,720	27	—	2,735	—	—	8,397
Other financial assets at fair value through profit or loss	—	—	7,604	—	—	—	—	7,604
Loans and advances to banks	—	—	—	—	—	7,886	—	7,886
Available for sale financial assets	—	—	—	26,858	—	—	—	26,858
Loans and advances to customers	—	—	—	—	—	133,740	—	133,740
Total financial assets	915	4,845	7,631	26,858	2,735	145,365	—	188,349
Financial liabilities								
Deposits from banks	—	—	92	—	—	28,722	—	28,814
Customer accounts	—	—	2,006	—	—	81,113	—	83,119
Items in course of transmission to other banks	—	—	—	—	—	238	—	238
Derivative financial instruments	611	4,468	—	—	2,475	—	—	7,554
Liabilities to customers under investment contracts	—	—	4,084	—	—	—	—	4,084
Debt securities in issue	—	—	566	—	—	44,567	—	45,133
Insurance contract liabilities	—	—	—	—	—	—	5,634	5,634
Subordinated liabilities	—	—	229	—	—	7,713	—	7,942
Total financial liabilities	611	4,468	6,977	—	2,475	162,353	5,634	182,518

47 MEASUREMENT BASIS OF FINANCIAL ASSETS AND LIABILITIES (continued)

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

	December 31, 2009		March 31, 2009	
	Fair values	Contractual amount due on maturity	Fair values	Contractual amount due on maturity
	€m	€m	€m	€m
Deposits from banks	2	2	92	92
Customer accounts	1,720	1,775	2,006	2,085
Liabilities to customers under investment contracts	5,050	5,050	4,084	4,084
Debt securities in issue	472	494	566	526
Subordinated liabilities	229	264	229	240
Financial liabilities designated at fair value through profit or loss	7,473	7,585	6,977	7,027

For financial assets and liabilities which are recognised and subsequently measured at fair value through profit or loss or through other comprehensive income, a description of the methods and assumptions used to calculate those fair values is set out in note 46.

48 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances:

	December 31, 2009	March 31, 2009	March 31, 2008
	€m	€m	€m
Cash and balances at central banks	4,241	3,224	484
Loans and advances to banks (with an original maturity of less than 3 months)	4,946	4,035	7,153
Central government and other eligible bills	—	—	10
Cash and cash equivalents	9,187	7,259	7,647

49 GENERAL

(a) The Bank is domiciled in the Republic of Ireland.

(b) The Bank has given a letter of comfort to the regulatory authority of the Isle of Man in respect of its banking subsidiary Bank of Ireland (IOM) Limited for the protection of the depositors of that subsidiary.

(c) The Bank has provided a guarantee under Section 17 of the Companies (Amendment) Act, 1986 for the following companies: Premier Direct Management Limited, Premier Direct Insurance Services Limited, Tustin Limited, Hill Wilson Secretarial Limited, Bank of Ireland Insurance Services Limited, Bank of Ireland Asset Management (US) Limited, Bank of Ireland Asset Management Limited, Bank of Ireland Car Loans Limited, Bank of Ireland Commercial Finance Limited, Bank of Ireland International Finance Limited, Bank of Ireland Outsourcing Services Limited, Bank of Ireland Unit Trust Managers Limited, Bushfield Leasing Limited, Clonvern Limited, Edendork Leasing Limited, First Rate Enterprises Limited, Florenville Limited, IBI Corporate Finance Limited, Nerling Limited, Nestland Limited.

50 RELATED PARTY TRANSACTIONS

The parent company of the Group is the Governor and Company of the Bank of Ireland (referred to throughout as the "Bank"), which is a corporation established in Ireland in 1783 under Royal Charter with primary listings on both the Irish and London Stock Exchanges.

A number of banking transactions are entered into between the Governor and Company and its subsidiaries in the normal course of business. These include loans, deposits and foreign currency transactions.

(a) Associates and joint ventures

The Group provides and receives from its associates and joint ventures certain banking and financial services on similar terms to third party transactions which are not material to the Group. These include loans deposits and foreign currency transactions.

(b) Irish Government

During the year ended March 31, 2009, the Irish Government through both the Bank's participation in the Government Guarantee Scheme and the recapitalisation through the NPRFC became a related party of the Bank. For further details on the Government Guarantee Scheme and on the recapitalisation see note 55.

On February 22, 2010 ordinary stock was issued to the NPRFC. Information on this post balance sheet event is shown in note 58.

Since March 2010 a number of transactions have occurred relating to the Irish Government. These comprise:-

- conversion of a portion of 2009 preference stock to Ordinary Stock (NPRFC Placing) and associated Rights Issue and
- cancellation of the warrants

Further information on these is outlined in note 58 (i).

Although there are other arms of the Irish Government with which the Bank has a related party relationship, these are not disclosed as they are in the ordinary course of business, were in place prior to the Irish Government becoming a related party of the Bank and the information is not material on a quantitative or qualitative basis, either separately or in aggregate.

National Asset Management Agency (NAMA): please see note 26 for details on NAMA.

National Asset Management Agency Investment Limited (NAMAIL)

On March 30, 2010, the Group, through its wholly-owned subsidiary New Ireland Assurance Company plc, acquired 17 million B shares in NAMAIL, corresponding to one-third of the 51 million B shares issued by NAMAIL. The balance of the B shares are held in equal proportion by Irish Life Assurance and major pension and institutional clients of AIB Investment Managers. The cost to the Group of acquiring these B shares was €17 million. NAMAIL have also issued the 49 million A shares to NAMA. As a result the Group will hold 17 per cent of the total ordinary share capital of NAMAIL. NAMAIL is expected to be a holding company and its subsidiaries are expected to be the entities to which NAMA Participating Institutions will transfer Eligible Bank Assets.

The A shares and B shares generally rank equally, except as otherwise provided in the Articles of Association of NAMAIL. NAMA may appoint up to six directors to the board of NAMAIL. In total, the B shareholders may also jointly appoint up to six directors. As holder of the A shares, NAMA has veto rights in relation to: the declaration of dividends; the appointment or removal of directors; the exercise of voting rights in respect of any subsidiary of

50 RELATED PARTY TRANSACTIONS (continued)

NAMAIL and the appointment of a Chairman. In addition NAMA can veto any actions by NAMAIL, which NAMA considers in any manner to be inconsistent with its objectives. A holder of the B shares may not sell the shares without the consent of NAMA.

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

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

(c) Pension funds

The Group provides a number of normal banking and financial services to various pension funds operated by the Group for the benefit of its employees (principally for the Bank Staff Pension Fund ("BSPF")), which are conducted on similar terms to third party transactions and which are not material to the Group. Further details on retirement benefit obligations are set out in note 43.

The Group occupies a number of premises owned by the Group's various pension schemes; the total value of these properties at December 31, 2009 is €25 million (March 31, 2009: €28 million).

The total rental income paid to the Group's pension scheme during the nine months ended December 31, 2009 was €1.6 million (March 31, 2009: €2.5 million, March 31, 2008: €1.9 million).

During the nine months ended December 31, 2009, fees of €3.8 million (year ended March 31, 2009: €4.8 million, year ended March 31, 2008: €6.1 million) were paid to the Group by the BSPF.

At December 31, 2009 €2,604 million (March 31, 2009: €2,102 million) of the BSPF assets were managed by Bank of Ireland Asset Management Limited.

(d) Transactions with Key Management Personnel

The following information is presented in accordance with the Companies Act 1990 (as amended by the Companies (Amendment) Act 2009). For the purposes of the Companies Act disclosures, Directors are the Court of Directors and any past Directors who were Directors during the relevant period. For the purposes of IAS 24 Related Party Disclosures, "key management personnel" (KMP) comprise the Directors of the Court, the members of the Group Executive Committee (GEC), the Group Secretary and the Group Legal Adviser (for part of the relevant period) and any past KMP who was a KMP during the relevant period. In addition to the Executive Directors, the GEC comprises the Group Chief Governance Risk Officer, the Chief Credit and Market Risk Officer, the Head of Group HR and the Head of Group Manufacturing.

Directors' emoluments are set out in the Directors interest note 54 and details of compensation paid to key management personnel are provided below.

50 RELATED PARTY TRANSACTIONS (continued)

Companies Acts disclosure

Loans	Balance as at April 1, 2009	[2]Balance as at December 31, 2009	**†Aggregate maximum amount outstanding during the 9 months ended December 31, 2009
	€'000	€'000	€'000
Current Directors			
R Boucher			
Mortgage total	257	235	257
Other loans total*	758	708	758
Credit cards total	—	3	13
Total	1,015	946	1,028
T Considine			
Credit cards total	1	1	4
Total	1	1	4
D Crowley			
Mortgage total	642	614	642
Other loans total	25	18	25
Credit cards total[1]*	3	14	36
Current account total[1]	—	—	2
Total	670	646	705
D Donovan			
Credit cards total	2	—	2
Total	2	—	2
P Haran			
Mortgage total	131	120	131
Credit cards total	—	2	9
Current account total	—	—	1
Total	131	122	141
J Kennedy			
Mortgage total	1,299	1,301	1,301
Other loans total	135	98	135
Credit cards total	—	—	4
Current account total	—	—	2
Total	1,434	1,399	1,442

* *Currency converted at April 1, 2009 rate, December 31, 2009 rate and average rate for the nine month period.*

1. *On terms similar to those available to staff generally.*
2. *Balance includes principal and interest.*

**† *Items explained on page F-120.*

BANK OF IRELAND GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT (Continued)

50 RELATED PARTY TRANSACTIONS (continued)

Companies Acts disclosure

Loans	Balance as at April 1, 2009	[2] Balance as at December 31, 2009	**†Aggregate maximum amount outstanding during the 9 months ended December 31, 2009
	€'000	€'000	€'000
D McCourt			
Mortgage total	346	348	348
Other loans total	44	45	45
Credit cards total	—	3	3
Total	390	396	396
H A McSharry			
Mortgage total	139	120	139
Credit cards total	2	5	5
Total	141	125	144
P Molloy			
Other loans total	500	500	500
Credit cards total(1)	6	7	7
Total	506	507	507
T Neill			
Credit cards total	1	3	11
Total	1	3	11
J O' Donovan			
Credit cards total(1)	2	2	4
Total	2	2	4
J Walsh			
Credit cards total	2	1	5
Total	2	1	5
Past Directors			
R Burrows			
Credit cards total	5	—	5
Current Account total(1)	—	—	14
Total	5	—	19
G Magan			
Other loans total*	2,149	2,255	2,260
Credit cards total	1	—	4
Total	2,150	2,255	2,264

50 RELATED PARTY TRANSACTIONS (continued)

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

D Dilger, D Holt, R Hynes and P O'Sullivan had no loans with the Group during the nine months ended December 31, 2009.

---

* *Currency converted at April 1, 2009 rate, December 31, 2009 rate and average rate for the nine month period.*

1. *On terms similar to those available to staff generally.*
2. *Balance includes principal and interest.*

**† *Items explained on page F-120.*

	Balance as at December 31, 2009	**†Maximum amounts outstanding during the months ended December 31, 2009	Number of persons as at December 31, 2009
	€'000	€'000	
Connected Persons [(3)] of the following directors:			
D Crowley	3	3	1
P Molloy	1	7	2

The above arrangements are on favourable terms similar to those available to staff generally.

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

**† *Items explained on page F-120.*

All Directors have other transactions with the Bank. The nature of these transactions includes investments, pension funds, deposits, life assurance and current accounts with credit balances. The balances on these accounts are included in the aggregate figure for deposits on the following page.

Guarantees amounting to €1.14 million at December 31, 2009 (the comparative figure for March 31, 2009 has been adjusted from €0.85 million to €1.14 million) in favour of the Group have been entered into by three Directors and the Group has entered into guarantees in favour of two Directors amounting to €0.08 million at December 31, 2009 (the comparative figure for March 31, 2009 has been adjusted from €0.05 million to €0.13 million). The Group has entered into a guarantee in favour of a) a business entity of one Director amounting to €0.80 million which is backed by collateral in the form of a cash deposit amounting to €0.80 million and b) the connected person of one Director amounting to €0.02 million (the comparative figure for March 31, 2009 has been adjusted from nil to €0.02 million). There were no calls on these guarantees during the period March 31, 2009 and December 31, 2009.

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

IAS 24 "Related party disclosures"

Key management personnel including Directors hold products with Group companies in the ordinary course of business. All loans to Non-Executive Directors are made in the ordinary course of business on substantially the

50 RELATED PARTY TRANSACTIONS (continued)

same terms (except as indicated by [1] above), including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and do not involve more than the normal risk of collectability or present other unfavourable features (except as indicated by [1] above). Loans to key management personnel other than Non-Executive Directors are made on terms similar to those available to staff generally and / or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding and the number of persons concerned, in respect of all loans, quasi-loans and credit transactions between the Bank and its key management personnel, as defined above, including members of their close families and entities influenced by them together with the disclosure of the year end balances and maximum amounts outstanding during the year are shown in the table on the following page.

IAS 24 Disclosure

Key Management Personnel	Balance as at April 1, 2009	Balance as at December 31, 2009	**†Maximum amounts outstanding during the period	Number of persons as at April 1, 2009	Number of persons as at December 31, 2009
	€'000	€'000	€'000		
Loans	9,301	10,458	11,551	20	22
Deposits	17,991	20,514	32,584	21	26

† *These figures include credit card exposures at the maximum statement balance. In all cases key management personnel have not exceeded their approved limits. The maximum approved credit limit on any credit card held by key management personnel is €30,000.*

** *The maximum amount outstanding was calculated using the maximum balance on each account. The single highest maximum outstanding liability during the year ended December 31, 2009 for any member of key management personnel did not exceed €2.3 million. In some cases with credit transactions (i.e. funds based products, life assurance and other policies) the maximum balance amounts were not available and the greater of the balance at the start of the period and the balance at the end of the period has been included as the maximum balance amount. The closing balance includes interest accrued and interest paid, the maximum balance includes interest paid.*

The comparative figure for loans has been adjusted from €8.327 million to €9.301 million. The comparative figure for deposits has also been adjusted from €14.548 million to €17.991 million. This restatement arises as a result of improvements to the bank's procedures for identification of balances relating to persons or entities connected to Directors.

Included in the above figures are loans to key management personnel (other than Non-Executive Directors) on terms similar to those available to staff generally, amounting to €1.881 million, (March 31, 2009: €1.113 million).

There are no provisions in respect of any failure or anticipated failure to repay any of the above loans or interest thereon.

50 RELATED PARTY TRANSACTIONS (continued)

(e) Compensation of key management personnel

Remuneration	9 months ended December 31, 2009	Year ended March 31 2009
	€'000	€'000
Salaries and other short term benefits.[1]	5,591	9,951
Post employment benefits[2][5]	2,039	876
Payment in lieu of notice	412	1,462
Equity compensation benefits[3]	—	1,973
Total remuneration before amounts waived	8,042	14,262
Amounts waived[4]	(237)	—
	7,805	14,262

(1) Comprises gross salary, fees, bonus, cash in lieu of pension, car allowance and other short term benefits paid in the period. A bonus was paid to only one individual and in line with their contractual position. The individual was not an Executive Director.

(2) This comprises Employer contributions to pension funds.

(3) This includes the value of awards made under the Group's executive share option scheme, Save As You Earn schemes, LTIP, Staff Stock Issue in Ireland and Stock Incentive Plan in UK which are described further in note 45.

(4) The Executive Directors and members of the GEC who were in office on May 1, 2009 agreed to waive an amount equal to at least 10% of their salary for one year with effect from May 1, 2009. The total amount waived in the nine month period ended December 31, 2009 was €236,866.

(5) Following his appointment as Group Chief Executive Officer the pension contribution for R Boucher includes a one-off amount paid to the Bank Staff Pension Fund required to cover the contractual option allowing him to retire at age 55 on a pension of approx 59% of salary. This option was waived in April 2010 and the financial impact of the waiver will be included in the next financial statements.

51 PRINCIPAL UNDERTAKINGS

The principal Group undertakings at December 31, 2009 were:

Name	Principal activity	Country of incorporation	Statutory year end
Bank of Ireland International Finance Limited*	International asset financing	Ireland	March 31
Bank of Ireland (IOM) Limited	Retail banking	Isle of Man	March 31
Bank of Ireland Life Holdings Limited*	Life assurance and pensions	Ireland	December 31
Bank of Ireland Mortgage Bank*	Mortgage lending and mortgage covered securities	Ireland	March 31
First Rate Enterprises (UK) Limited[1]	Foreign exchange	England	March 31
ICS Building Society*	Building society	Ireland	December 31
Midasgrange Limited (t/a Post Office Financial Services, POFS)[2]	Retail financial Services	England	March 31

* *Direct subsidiary of the Governor and Company of Bank of Ireland.*

51 PRINCIPAL UNDERTAKINGS (continued)

[1] *This entity is a joint venture with the UK Post Office, in which the Group holds 50% of the equity of the business.*

[2] *This is a venture with Post Office Limited in the UK in which the Group holds 50.1% of the equity of the business.*

All the Group undertakings are included in the consolidated accounts. Unless stated otherwise, the Group owns 100% of the equity of the principal Group undertakings and 100% of the voting shares of all these undertakings and in the case of ICS Building Society, 100% of the investment shares.

In presenting details of the principal subsidiary undertakings, the exemption permitted by Regulation 10 of the European Communities (Credit Institutions: Accounts) Regulations, 1992 has been availed of and the Bank will annex a full listing of Group undertakings to its annual return to the Companies Registration Office.

Bank of Ireland Mortgage Bank (BoIMB)

BoIMB's principal activities are the issuance of Irish residential mortgages and mortgage covered securities in accordance with the Asset Covered Securities Act 2001 and the Asset Covered Securities (Amendment) Act 2007. Such loans may be made directly by the Bank or may be purchased from Bank of Ireland and other members of the Group or third parties.

At December 31, 2009, the total amount outstanding in respect of mortgage covered securities issued was €9 billion (March 31, 2009: €10 billion). At December 31, 2009, the total amount of principal outstanding in the mortgage covered pool including mortgage assets and cash was €12.7 billion (March 31, 2009: €12.7 billion).

From time to time, BoIMB issues other debt securities comprising the BoIMB's obligation to the Central Bank and Financial Services Authority of Ireland (CBFSAI) under the terms of the Mortgage Backed Promissory Note (MBPN) programme. At December 31, 2009 there were €3.5 billion such debt securities in issue (March 31, 2009: €3 billion). These obligations had been secured by way of a first floating charge to the CBFSAI over all its right, title, interest and benefit, in a relevant amount of loans and advances to customers. The bank had pledged under the terms of the floating charge to maintain the assets so charged free from any encumbrance and otherwise than in the ordinary course of business not to sell, transfer, lend or otherwise dispose of any part of the charged assets without prior written consent of the CBFSAI. The deed of floating charge was executed by BoIMB and dated July 5, 2004 in favour of the Central Bank and Irish Financial Services Regulatory Authority. The mortgages in the MBPN programme were secured by a floating charge over Irish Residential Mortgage Credit Assets which were not in the covered assets pool.

52 OTHER SUBSIDIARIES

The Group has a number of subsidiaries where it does not own more than half of the voting power in the company but which are consolidated. Details of these subsidiaries are listed below.

Activity	Company	December 31, 2009 Gross assets	December 31, 2009 Notes in issue	March 31, 2009 Gross assets	March 31, 2009 Notes in issue
		m	m	m	m
Acquiring mortgage loans and other financial assets and issuing mortgage backed securities.	Brunel	£3,451	£3,354	£4,063	£3,966
	Colston No 1 PLC[1]	£4,093	£3,500	£4,362	£3,756
	Colston No 2 PLC[1]	£4,408	£3,909	£4,721	£4,202
	Colston No 3 PLC[1]	£4,493	£3,863	£4,724	£4,086
	Colston No 4 PLC[1]	£4,276	£3,526	£4,482	£3,716
	Kildare Securities Limited	€1,937	€1,892	€2,100	€2,115
	Melepard CDO 1 Limited[1]	€1,188	€1,208	€1,203	€1,208
	Morrigan CMBS I Limited[1]	€1,757	€1,755	€1,755	€1,755
	Morrigan CMBS 2 plc[1]	£ 762	£ 776	£ 776	£ 776
	Pirus Securities Limited[1]	€2,020	€1,688	€2,052	€1,721
Acquiring other financial assets and issuing debt securities.	Avondale Securities[3]	€ 829	€ 318	€ 833	€ 377
Acquiring a pool of acquisition finance loans assets which it has issued a series of loan notes to finance.	Partholon CDO 1 plc[2]	€ 371	€ 404	€ 398	€ 408

Under IFRS accounting rules all the assets of these companies are consolidated in the Group's financial statements and are collateral for the obligations of the companies above. The creditors of these companies have no recourse to the general credit of the Group.

1. *The Group holds all the notes issued by these companies.*

2. *The Group holds 25% of the subordinated loan notes. The Group also holds €30 million of AAA rated notes which it intends to hold until maturity. This investment is eliminated on consolidation.*

3. *The asset backing Avondale Securities' notes consists of future cash-flows arising from a defined block of unit-linked insurance and investment policies which are held on the balance sheet of a related group company, Bank of Ireland Life. At an interest rate of 1.36%, the present value of the defined block of policies is €829 million at December 31, 2009 and was €833 million at March 31, 2009.*

Activity	Company	December 31, 2009 Gross assets	December 31, 2009 Borrowings	March 31, 2009 Gross assets	March 31, 2009 Borrowings
		m	m	m	m
Acquiring mortgage loans and other financial assets and guaranteeing mortgage backed securities issued by Bank of Ireland	Bank of Ireland Covered Bonds LLP	£4,615	£4,500[1]	£4,951	£4,500

1. *All the borrowings of Bank of Ireland Covered Bonds LLP have been advanced by other Group companies.*

53 LIFE ASSURANCE BUSINESS

Value of In-Force Life Assurance Business

	December 31, 2009	March 31, 2009
	€m	€m
At beginning of period	468	548
Income statement movement in value of in force (gross of tax)	29	(80)
At end of period	497	468

The Group recognises as an asset the value of in force assurance business in respect of insurance contracts. The value of in force asset has been calculated in accordance with the achieved profits embedded value methodology in the Statement of Recommended Practice issued by the Association of British Insurers which came into force in 2002. The value of in force asset, which is presented gross of attributable tax, represents the present value of future profits expected to arise from these contracts as at the balance sheet date. It is determined by projecting future surpluses and other cash flows arising from insurance contracts and discounting at an appropriate rate. The useful life of the asset is based on the length of the underlying individual policies upon which the asset is calculated. This useful life is expected to be 6.77 years (31 March 2009: 6.83 years).

The key economic assumptions used in the calculation of the value of in force business are set out below:

	December 31, 2009	March 31, 2009
Risk Discount Rate	8.25%	9.0%
Unit Growth Rate	6.5%	7.25%
Shareholder Tax Rate	12.5%	12.5%

The process used in determining the key economic and experience assumptions is set out below:

Risk discount rate: The risk discount rate is the rate used to discount the surpluses that will arise on insurance business in the long term fund. The rate reflects the yield available on Government bonds of appropriate duration plus a risk margin.

Unit growth rate: The unit growth rate is the assumed rate of return on the Company's unit linked assets before taxation and management fees in future years. The growth rate reflects the mix of assets held.

Shareholder tax rate: The current rate of corporation tax is assumed to be maintained over the term of the business. Deferred tax is allowed for on the release of retained surplus in the life business.

Mortality and morbidity: Mortality and morbidity assumptions, which include allowances for improvements in longevity for annuitants, are set by reference to the Group's actual experience and/or relevant industry data.

Persistency: Persistency rates refer to the rate of policy termination for insurance policies. These rates are based on historical experience and management's views on future experience.

Maintenance expenses: Allowance is made for future policy costs by reference to current and expected future costs. Explicit allowance is made for future expense inflation.

53 LIFE ASSURANCE BUSINESS (continued)

Sensitivities

The table below indicates the stand alone impact of changes in the key assumptions on profit after tax and shareholder equity.

	9 months ended December 31, 2009	Year ended March 31, 2009
	€m	€m
1% increase in risk discount rate	(27)	(24)
1% decrease in risk discount rate	30	26
10% improvement in mortality	10	12
10% deterioration in persistency	(18)	17
5% improvement in renewal expenses	6	6
1% increase in equity markets	2	2

While the table above shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

54 DIRECTORS' INFORMATION

Directors' remuneration for the nine month period ended December 31, 2009 (all figures in €000s)

	Gross Salary (1)	Fees (2)	Performance Bonus (3)	Other remuneration (4)	Pension funding contributions (5)	Total 2009 (before amounts waived)	Amounts waived during the period (6)	Total 2009 (after amounts waived)
Governor								
R Burrows (retired July 3, 09)	** 103					103		103
P Molloy ☐ (appointed to Court on June 10, 2009 and Governor on July 3, 2009)	** 194	4				198		198
Deputy Governor								
G M Magan (retired July 3, 2009)	** 33					33		33
D Holt (appointed Deputy Governor August 25, 2009)	** 45	41				86		86
Executive Directors								
R Boucher	508			43	#1,490	2,041	(45)	1,996
D Crowley	428			107	(7)	528	(48)	480
D Donovan	495			223	(106)	612	(44)	568
J O'Donovan	412			151	8	571	(37)	534
Non — Executive Directors								
T Considine		60				60		60
D Dilger (retired July 3, 2009)		* 26				26		26
P Haran		67				67		67
R Hynes		+ 81				81		81
J Kennedy		+ 96				96		96
D McCourt		60				60		60
HA McSharry		65				65		65
T Neill		59				59		59
P O'Sullivan (appointed July 3, 2009)		* 37				37		37
J Walsh		59				59		59
Totals	**2,218**	**655**	**—**	**524**	**1,385**	**4,782**	**(174)**	**4,608**
Ex-gratia payments paid to former Directors/dependents						**248**		**248**

\# *The majority of this amount is a one-off amount paid to the Bank Staff Pensions Fund required to cover the contractual option allowing R Boucher to retire at age 55 on a pension without actuarial reduction. This option was waived in April 2010, and the financial impact of the waiver will be included in the next financial statements.*

* *From date of appointment or to date of retirement as a Director, as indicated.*

** *From date of appointment or to date of retirement as Governor/Deputy Governor, as indicated.*

\+ *Includes fees paid in respect of services as Directors of subsidiary companies (R Hynes €18,750, J Kennedy €31,500).*

☐ *In addition to amounts shown, P Molloy is also in receipt of a pension from the Bank Staff Pensions Fund relating to his previous employment with the Group.*

54 DIRECTORS' INFORMATION (continued)

Notes:

(1) *The Chief Executive Officer, Richie Boucher, has, with effect from May 1, 2009, waived a portion of his salary (€44,667 for the period ended December 31, 2009). The salary shown in the table is the gross amount before that waiver. In addition, the full amount of his pension cash allowance ceased with effect from May 1, 2009.*

The other Executive Directors have waived payment of at least 10% of their salary with effect from May 1, 2009. The amounts shown in Column (1) are before that waiver. The amounts waived during the nine months ended December 31, 2009 are D Crowley €48,199, D Donovan €44,000 and J O'Donovan €36,667.

The Governor and Deputy Governor, as Non-Executive Officers of the Bank, are not paid Court fees but are remunerated by way of non-pensionable salary.

(2) *Fees are paid only to Non-Executive Directors and a basic fee of €63,000 per annum applies. Additional fees were paid to Committee Chairmen, the Senior Independent Director and for Committee membership. On February 1, 2009, the Governor, Deputy Governor and all Non-Executive Directors agreed to reduce their salary (in the case of the Governor and Deputy Governor) and their fees (in the case of all other Non-Executive Directors) by 25%.*

All Committee fees were also reduced by 25%. Where Non-Executive Directors took on additional Committee roles in the period ended December 31, 2009 they received the reduced fee applicable to that role in addition to their basic fee of €63,000 per annum and any other Committee fee they were already receiving.

(3) *Payments under the performance bonus scheme, are linked to individual performance and overall Group performance versus pre determined targets for the financial year.*

No bonuses were awarded in respect of the nine months ended December 31, 2009.

(4) *The figures include car allowances and where applicable a taxable cash allowance in lieu of pension foregone for those Executives whose contractual pension promise would exceed the pensions cap introduced by the Finance Act 2006. No amount is payable in respect of a taxable cash allowance in lieu of pension foregone for R Boucher with effect from May 1, 2009.*

(5) *In the case of D Donovan and D Crowley their pension accrual is now capped at the increase in pension thresholds set out in the Finance Act each year, and as a result, a release back to the fund of previously funded benefits arises on an annual basis.*

Following his appointment as Group Chief Executive Officer, the pension contribution for R Boucher includes a one-off amount paid to the Bank Staff Pensions Fund required to cover the contractual option allowing him to retire at age 55 on a pension of approx. 59% of salary. This option was waived in April 2010 and the financial impact of the waiver will be included in the next financial statements.

All pension amounts at (4) and (5) have been determined by Towers Watson, the Group's actuary, and approved by the Group Remuneration Committee.

(6) *Amounts waived are as set out in note (1) above.*

54 DIRECTORS' INFORMATION (continued)

Directors' remuneration for the year ended March 31, 2009 (all figures in €000s)

	Gross salary (1)	Fees (2)	Performance Bonus (3)	Other remuneration (4)	Pension funding contributions (5)	Payment in lieu of notice (6)	Total 2008/09
Governor							
R Burrows	503						503
Deputy Governor							
G M Magan	161						161
Executive Directors							
R Boucher	580		—	284	202	—	1,066
D Crowley	478		—	386	(103)	—	++761
D Donovan	660		—	518	(121)	—	1,057
B J Goggin * (resigned as a Director Feb 25, 2009)	1,172		—	843	(382)	1,462	3,095
J O'Donovan	550		—	420	102	—	1,072
Non — Executive Directors							
T Considine** (appointed Jan 1, 2009)		19					19
D Dilger		127					127
P Haran		119					119
D Holt		117					117
R Hynes		+121					121
J Kennedy		+133					133
D McCourt		104					104
HA McSharry		106					106
T Neill		102					102
J Walsh** (appointed Jan 1, 2009)		21					21
Totals	**4,104**	**969**	**—**	**2,451**	**(302)**	**1,462**	**8,684**
Ex-gratia payments paid to former Directors/dependents							**379**

* *Figures in the above table for B J Goggin reflect his employment up to the end of March 2009.*

** *From date of appointment as a Director, as indicated.*

\+ *Includes fees paid in respect of services as Directors of subsidiary companies (R Hynes €25,000, J Kennedy €42,000).*

++ *Sterling equivalent 2008/09 — £700,000.*

Notes:

(1) The Governor and Deputy Governor, as Non-Executive Officers of the Bank, are not paid Court fees but are remunerated by way of non-pensionable salary.

(2) Fees are paid only to Non-Executive Directors; a basic fee of €84,000 per annum applied up to the end of January 2009. Additional fees were paid to Committee Chairmen, the Senior Independent Director and for

54 DIRECTORS' INFORMATION (continued)

Committee membership. On February 1, 2009, the Governor, Deputy Governor and all Non-Executive Directors agreed to reduce their salary (in the case of the Governor and Deputy Governor) and their fees (in the case of all other Non-Executive Directors) by 25%.

(3) *Payments under the performance bonus scheme, are linked to individual performance and overall Group performance versus pre determined targets for the financial year. No bonuses were awarded for the financial year 2008/09.*

(4) *The figures include car allowances and a taxable cash allowance in lieu of pension foregone for those Executives whose contractual pension promise would exceed the pensions cap introduced by the Finance Act 2006 together with the value of awards under the Employee Stock Issue Scheme.*

(5) *In the case of BJ Goggin, D Crowley and D Donovan their pension accrual is now 'capped' at the increase in pension thresholds set out in the Finance Act each year, and as a result, a release back to the fund of previously funded benefits arises on an annual basis.*

All pension amounts at (4) and (5) have been determined by Towers Watson, the Group's actuary, and approved by the Group Remuneration Committee.

(6) *B J Goggin resigned as a Director in February 2009 and left the employment of the Group in March 2009. As per his contractual notice period arrangements, he received twelve months pay in lieu of notice.*

Stock options held by Directors and Secretary

(a) Executive stock options

Options Granted between 2006 and 2007

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

Options granted in 2006 matured on July 4, 2009 and did not vest as the performance conditions were not achieved. This confirms the strong link between returns to stockholders and the remuneration of executives.

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

Options Granted in 2008

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

54 DIRECTORS' INFORMATION (continued)

Options to subscribe for ordinary stock in the Bank granted and exercised during the nine months ended December 31, 2009 are set out in the table below:

	Date of grant	Earliest exercise date	Expiry date	Exercise price	Options at April 1, 2009 or date of appointment if later	Granted in period	Exercised in year	Lapsed in period	Market price at exercise date	Options at December 31, 2009*
				€					€	
R Boucher	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	26,000					26,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	23,000					23,000
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	30,500			30,500		—
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950					33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	71,600					71,600
	Total				**185,050**			**30,500**		**154,550**
D Crowley	May 21, 2001	May 21, 2004	May 21, 2011	11.05	25,000					25,000
	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	25,000					25,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000					50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000					35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500					32,500
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	30,500			30,500		—
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950					33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	68,800					68,800
	Total				**300,750**			**30,500**		**270,250**
D Donovan	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	30,000					30,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000					50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000					35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500					32,500
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	30,500			30,500		—
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950					33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	81,450					81,450
	Total				**293,400**			**30,500**		**262,900**
J O'Donovan	Jun 24, 2002	Jun 24, 2005	Jun 24, 2012	12.50	25,000					25,000
	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	50,000					50,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	35,000					35,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	32,500					32,500
	Jul 4, 2006	Jul 4, 2009	Jul 4, 2016	14.00	30,500			30,500		—
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	33,950					33,950
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	67,900					67,900
	Total				**274,850**			**30,500**		**244,350**
Secretary	May 21, 2001	May 21, 2004	May 21, 2011	11.05	10,000					10,000
H Nolan	Jun 18, 2003	Jun 18, 2006	Jun 18, 2013	10.77	10,000					10,000
	Jul 26, 2004	Jul 26, 2007	Jul 26, 2014	10.76	12,000					12,000
	Jun 21, 2005	Jun 21, 2008	Jun 21, 2015	12.85	11,000					11,000
	Jul 04, 2006	Jul 4, 2009	Jul 4, 2016	14.00	11,500			11,500		—
	Jun 12, 2007	Jun 12, 2010	Jun 12, 2017	15.45	9,700					9,700
	Jun 3, 2008	Jun 3, 2011	Jun 3, 2018	8.10	16,400					16,400
	Total				**80,600**			**11,500**		**69,100**

* *Information is shown as at December 31, 2009 and before any changes which may be required as a consequence of the Rights Issue.*

No other Directors have been granted options to subscribe for units of ordinary stock of the Bank or of other Group entities.

The official closing price of ordinary stock at December 31, 2009 was €1.325 (March 31, 2009: €0.52).

54 DIRECTORS' INFORMATION (continued)

(b) Sharesave Scheme Options

Under the terms of the Sharesave Schemes offered in 2006 and 2007, options were granted in December of each of those years to all eligible Group employees who elected to participate. Option prices were set at a discount of 25% of the then market price as permitted by the Rules in Ireland and at a discount of 20% of the then market price as permitted by the Rules in the UK. Under the terms of the 2006 and 2007 Sharesave offers, participants could save for three years.

The following table summarises the Sharesave Schemes operating in the Group:

Sharesave Scheme	ROI Price	UK Price	Saving Period	Maturity Date
2006	€12.28	€13.09	3 years	February 2010
2007	€ 6.96	€ 7.43	3 years	February 2011

The options held under the Sharesave schemes by the Directors and Secretary are set out below:

Name	Sharesave Scheme date of Grant	Sharesave options granted	Market value at date of grant	Sharesave options held at December 31, 2009#
Directors:				
	2006			
R Boucher	December 22, 2006	301	€17.33	301
	2007			
D Crowley	December 24, 2007	574	€10.11	—*
Secretary				
H Nolan	**2006**			
	December 22, 2006	301	€17.33	301
	2007			
	December 24, 2007	531	€10.11	531

* *Des Crowley held 574 options under the 2007 3 Year SAYE Scheme, however, he withdrew from the scheme on June 10, 2009 withdrawing his savings of £1,120 and interest of £27. His options therefore lapsed.*

\# *Information is shown as at December 31, 2009, and before any changes which may be required as a consequence of the Rights Issue.*

(c) Long Term Incentive Plan (LTIP)

Conditional awards of units of ordinary stock are made to Group Senior Executives annually since 2004 under the terms of the LTIP.

These awards do not vest in the Executives unless demanding performance criteria are achieved (see description of LTIP in note 45 on page F-101). Prior to the introduction of the LTIP in 2004, conditional awards of units of ordinary stock were made under the Long Term Performance Stock Plan (LTPSP).

The performance conditions attached to the award of conditional units of stock made in June 2006 under the LTIP were not met in June 2009 and the awards granted under the scheme lapsed.

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

54 DIRECTORS' INFORMATION (continued)

The conditional awards of units of ordinary stock made to date to the Executive Directors and the Group Secretary are as follows:

	Date of award	No. of units conditionally held at April 1, 2009	Conditionally awarded in the year	Vested and Retained in Scheme*	Lapsed **	Matching Award*	Released from scheme in the year	Potential interest in shares at December 31, 2009#	Original Maturity date	Maturity date*
R Boucher	Jul 4, 2006	30,500			30,500			—	Jul 4, 2009	
	Jun 12, 2007	33,950						33,950	Jun 12, 2010	
	Jun 3, 2008	71,600						71,600	Jun 3, 2011	
	Total	**136,050**	**—**	**—**	**30,500**	**—**	**—**	**105,550**		
D Crowley	Jul 13, 1999			6,158		1,539	7,697	—	Jul 13, 2002	Jul 13, 2009
	May 25, 2000			13,079		3,269		3,269	May 25, 2003	May 25, 2010
	May 21, 2001			9,496		2,373		2,373	May 21, 2004	May 21, 2011
	Jun 24, 2002			7,070		1,767		1,767	Jun 24, 2005	Jun 24, 2012
	Jul 4, 2006	30,500			30,500			—	Jul 4, 2009	
	Jun 12, 2007	33,950						33,950	Jun 12, 2010	
	Jun 3, 2008	68,800						68,800	Jun 3, 2011	
	Total	**133,250**	**—**	**35,803**	**30,500**	**8,948**	**7,697**	**110,159**		
D Donovan	Jul 13, 1999			7,544		1,886	9,430	—	Jul 13, 2002	Jul 13, 2009
	May 25, 2000			11,494		2,873		2,873	May 25, 2003	May 25, 2010
	May 21, 2001			7,067		1,766		1,766	May 21, 2004	May 21, 2011
	Jun 24, 2002			4,714		1,178		1,178	Jun 24, 2005	Jun 24, 2012
	Jul 4, 2006	30,500			30,500			—	Jul 4, 2009	
	Jun 12, 2007	33,950						33,950	Jun 12, 2010	
	Jun 3, 2008	81,450						81,450	Jun 3, 2011	
	Total	**145,900**	**—**	**30,819**	**30,500**	**7,703**	**9,430**	**121,217**		
J O'Donovan	Jun 24, 2002			6,034		1,508	—	1,508	Jun 24, 2005	Jun 24, 2012
	Jul 4, 2006	30,500			30,500			—	Jul 4, 2009	
	Jun 12, 2007	33,950						33,950	Jun 12, 2010	
	Jun 3, 2008	67,900						67,900	Jun 3, 2011	
	Total	**132,350**	**—**	**6,034**	**30,500**	**1,508**	**—**	**103,358**		
Secretary										
H Nolan	Jul 4, 2006	11,500			11,500			—	Jul 4, 2009	
	Jun 12, 2007	6,950						6,950	Jun 12, 2010	
	Jun 3, 2008	12,300						12,300	Jun 3, 2011	
	Total	**30,750**	**—**	**—**	**11,500**	**—**	**—**	**19,250**		

* *Only applies to awards made under the LTPSP. A minimum of 80% of the vested stock must be retained for two years from maturity of award. After the two year retention period, an additional award of 20% is made. If the award is retained for an additional five years, a further award of 30% is made. These additional awards are made at the maturity date as per the above table.*

** *This column relates to any conditional grant which may have lapsed during the nine months ended December 31, 2009.*

\# *Information is shown as at December 31, 2009, and before any changes which may be required as a consequence of the Rights Issue.*

54 DIRECTORS' INFORMATION (continued)

Directors' pension entitlements

Set out below are details of the change in accrued pension benefits for the Directors during the nine months ended December 31, 2009.

Executive Directors	(a) Additional pension in the period	(b) Increase / (decrease) in transfer value	(c) Accrued pension entitlement at December 31, 2009
	€	€	€
R Boucher	65,512	1,906,623	276,690
D Crowley*	—	(10,688)	270,866
D Donovan*	—	—	268,507
J O'Donovan	3,462	25,770	268,903

Column (a) above is the increase in pension during the period. Increases are after adjustment for inflation and comprise allowance for additional pensionable service, increases in pensionable earnings and any agreed adjustment in the individual's pension accrual.

Column (b) is the additional/(reduced) capital value, less each Director's contributions, of column (a) which would arise if the pension were to be transferred to another pension plan on the Director leaving the Group and is calculated using factors supplied by the actuary in accordance with actuarial guidance notes ASP PEN-2, and is based on leaving service pension benefits becoming payable at normal retirement date, age 60 (or earlier where there is an unfettered right to the payment of the benefit from an earlier age, payable without reduction, on leaving service).

During 2009, Richie Boucher's contractual arrangements were changed to include an option to retire at age 55 on a pension of approx. 59% of his salary. Column (b) above includes an amount in respect of that change in contractual terms. This option was waived by him in April 2010 and the impact of this waiver will be reflected in the next financial statements.

Column (c) is the aggregate annual pension entitlement payable at normal retirement age based on each Director's pensionable service with the Group at December 31, 2009.

*Pension entitlements increase annually in line with the increase in fund thresholds announced in the Finance Act each year. In the case of these individuals, the pension earned in 2009 is nil as there were no increases in the statutory revaluation of this threshold in the period from March 31 to December 31 2009.

54 DIRECTORS' INFORMATION (continued)

Directors' interests in stock

In addition to their interests in the ordinary stock through their holding of stock options and the conditional awards of stock under the LTPSP and LTIP as set out above, the interests of the Directors and Secretary in office at December 31, 2009, and of their spouses and minor children, in the stocks issued by the Bank are set out below:

	Units of €0.64 of Ordinary Stock	
	As at December 31, 2009 Beneficial	As at April 1, 2009 Beneficial
DIRECTORS		
R Boucher	33,127	33,127
T Considine	5,000	5,000
D Crowley	130,454	128,915
D Donovan	185,078	183,192
P Haran	8,443	8,443
D Holt	16,284	16,284
R Hynes +	25,000	25,000
J Kennedy	8,062	8,062
D McCourt	50,674	50,674
H A McSharry	11,354	11,354
P Molloy	1,167,333	*1,167,333
T Neill	114,461	**114,461
J O'Donovan	91,126	108,326
P O'Sullivan	10,000	*10,000
J Walsh	10,733	10,733
SECRETARY		
H Nolan	21,883	*21,883

\+ *Held as American Depository Receipts (ADRs). One ADR equates to four units of ordinary stock.*

* *As at date of appointment.*

** *The comparative figure is amended to include an additional 161 units of Ordinary Stock taken up under the Stock Alternative Scheme in January 2008.*

Apart from the interests set out above and in the previous section, the Directors and Secretary and their spouses and minor children had no other interests in the stock / securities of the Bank or its Group undertakings at December 31, 2009.

There have been no changes in the stockholdings of the above Directors and Secretary between December 31, 2009 and May 24, 2010, with the exception of D Crowley (133,724 at May 24, 2010) and D Donovan (187,951 at May 24, 2010).

55 SUMMARY OF RELATIONS WITH THE IRISH GOVERNMENT

(a) Guarantee schemes

Credit Institutions (Financial Support) Scheme 2008 — (the "2008 Scheme")

On 24 October 2008, four of the Group's entities elected to participate in the above scheme. Under the scheme the Irish Government has guaranteed relevant deposits and debt securities raised by Irish covered institutions[1] until September 29, 2010. The entities participating are the Governor and Company of the Bank of Ireland, Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland (IOM) Limited.

The following are the specific liabilities covered as set out in the Scheme rules:

- all retail and corporate deposits (to the extent not covered by existing deposit protection schemes in Ireland or any other jurisdiction);
- interbank deposits;
- senior unsecured debt;
- covered bonds (including asset covered securities); and
- dated subordinated debt (Lower Tier 2).

Any intergroup borrowing and any debt due to the European Central Bank arising from Eurosystem monetary operations is excluded.

A number of conditions have been imposed on covered institutions under the Scheme including inter alia, conditions that regulate the commercial conduct of their business, having regard to capital ratios, market share and balance sheet growth. This is in order to minimise any potential competitive distortion that may arise and to avoid any abuse of the guarantee or any use in a manner irreconcilable with the purpose of the guarantee. These conditions are set out in the Scheme.

Covered institutions are subject to particular reporting requirements to enable the Financial Regulator and the Minister for Finance to monitor compliance with the Scheme and the achievement of its purposes.

A quarterly charge is payable to the Irish Government under the scheme. This amounted to €105 million for the nine months ended December 31, 2009 (€66 million for the six months to March 31, 2009).

At December 31, 2009, liabilities of €98.6 billion (March 31, 2009: €105.9 billion) were guaranteed under this scheme.

Credit Institutions (Eligible Liabilities Guarantee) Scheme

On December 9, 2009 the Credit Institutions (Eligible Liabilities Guarantee) Scheme (the "ELG Scheme") was introduced. The purpose of the ELG scheme was to update and revise the current bank guarantee under the 2008 Scheme.

The ELG Scheme is subject to ongoing six monthly approval by the European Commission in accordance with EU State aid rules. The next review is due for completion by the end of June 2010.

Eligible liabilities include:

- deposits to the extent not covered by deposit protection schemes in Ireland (other than the 2008 scheme) or any other jurisdiction;
- senior unsecured certificates of deposit;
- senior unsecured commercial paper;

55 SUMMARY OF RELATIONS WITH THE IRISH GOVERNMENT (continued)

- other senior unsecured bonds and notes; and
- other forms of senior unsecured debt which may be specified by the Minister, consistent with EU State aid rules and the EU Commission's Banking Communication (2008/C 270/02) and subject to prior consultation with the EU Commission.

From the time that a participating institution joins the ELG Scheme, only covered liabilities of that participating institution (as defined in the CIFS Scheme) in existence or contracted for prior to that time will continue to be guaranteed under the CIFS Scheme. All such then-existing covered liabilities will remain guaranteed until September 29, 2010 under the CIFS Scheme. From the time that a participating institution joins the ELG Scheme, any liabilities incurred or contracted for thereafter by that participating institution may be guaranteed under the ELG Scheme only.

A fee is payable to the Minister for Finance in respect of each liability guaranteed under the ELG Scheme.

On January 11, 2010, the Group became a participating institution under the ELG Scheme.

Participating institutions are also required to indemnify the Minister for Finance for any costs and expenses incurred by the Minister and for any payments made by the Minister under the Scheme which relate to the participating institution's guarantee under the ELG and CIFS Schemes.

European Communities (Deposit Guarantee Schemes) Regulations, 1995

Under the European Communities (Deposit Guarantee Schemes) Regulations, 1995 (the 'Deposit Protection Scheme') as amended by the Irish Government on September 20, 2008, deposits of up to €100,000 per depositor per licensed institution regulated by the Irish Financial Regulator are guaranteed.

This Scheme covers:

- current accounts;
- demand deposit accounts; and
- term deposit accounts.

The level of contribution required from each credit institution is 0.2% per annum of eligible deposits held at all branches of the credit institution.

Deposits held in the Isle of Man benefit from the depositor compensation scheme in that jurisdiction which covers the first £50,000 of each deposit.

(b) 2009 Preference Stock

Against the backdrop of both higher market expectations for capital ratios and the Bank's revised estimates for loan impairment charges the Government announced on 11 February 2009 its decision to invest in Bank of Ireland. This was achieved by the issue of and subscription by the NPRFC for 3.5 billion units of 2009 preference stock and by the issue of warrants to the NPRFC on March 31, 2009.

55 SUMMARY OF RELATIONS WITH THE IRISH GOVERNMENT (continued)

Application of the €3.5 billion proceeds of 2009 preference stock and warrants was as follows:

	€m
Capital Stock	35
Stock Premium	3,317
Other equity reserves:	
Core tranche warrants	50
Secondary tranche warrants	60
Transaction expenses	38
	3,500

Of the €38 million in transaction expenses €30 million was paid to the NPRFC.

The 2009 preference stock is perpetual.

The 2009 preference stock entitles the NPRFC to receive a non-cumulative cash dividend at a fixed rate of 8 per cent of the issue price per annum, payable annually in arrears on February 20, at the discretion of the Bank. If a cash dividend is not paid by the Bank, the Bank shall issue units of ordinary stock to the NPRFC.

The number of units of ordinary stock that the Bank would be required to issue in the event of non-payment of a cash dividend is calculated by dividing the amount of the unpaid dividend by the Thirty Day Average Price[1] . These units will be settled on a day determined by the Bank, in its sole discretion, provided that this must occur no later than the day on which the Bank subsequently redeems or repurchases or pays a dividend on the 2009 preference stock or any class of capital stock.

If the dividend on the 2009 preference stock is not paid in any particular year, the Bank is precluded from paying any dividend on ordinary stock until the Bank resumes the payment of dividends on the 2009 preference stock in cash. The Bank will also be precluded from paying any dividend on ordinary stock where the payment of such a dividend would reduce the distributable reserves of the Bank to such an extent that the Bank would be unable to pay the next dividend due for payment on the 2009 preference stock.

For information on the February 2010 dividend, refer to note 58.

The repayment of the capital paid up (inclusive of premium) on the 2009 preference stock ranks pari passu with the repayment of the paid up nominal value (excluding premium) of the ordinary stock on a winding up or other return of capital of the Bank.

The 2009 preference stock ranks ahead of ordinary stock as regards dividends and the repayment of premium on the ordinary stock on a winding up or other return of capital of the Bank. It ranks pari passu as regards dividends with other stock or securities which constitute core tier 1 capital of the Bank (other than ordinary stock and other than dividends to Minority Interests).

The 2009 preference stock is transferable in minimum lots of 50,000 units. If transferred to a person who is not a Government Entity[2] , it will cease to carry any voting rights or the right to appoint Directors to the Court referred to below.

[1] Defined on page F-140.

[2] Defined on, page F-140.

55 SUMMARY OF RELATIONS WITH THE IRISH GOVERNMENT (continued)

The 2009 preference stock may be repurchased at the option of the Bank, in whole or in part, at a price per unit equal to the issue price of €1.00 per unit within the first five years from the date of issue and thereafter at a price per unit of €1.25, provided in either case that the consent of the Financial Regulator to the repurchase of the 2009 preference stock is obtained. The 2009 preference stock is not capable of being repurchased if it would breach or cause a breach of Irish banking capital adequacy requirements from time to time applicable to the Bank. It may be repurchased from profits available for distribution or from the proceeds of any issue of stock or securities that constitute core tier 1 capital.

While the 2009 preference stock is held by a Government Entity, the Minister for Finance[3] will have the right to directly appoint 25 per cent of the Directors of the Bank (such 25 per cent to include any Directors nominated by the Minister for Finance pursuant to the Government Guarantee Scheme[3]).

If the ordinary stock to be issued in the event of non-payment of cash dividends on the 2009 preference stock is not settled on the dividend payment date to which it relates, the NPRFC is entitled to exercise the voting rights of that as yet unissued ordinary stock from the dividend payment date (although such voting rights will have no effect on the Bank's unfettered discretion in respect of (i) the payment of dividends on the 2009 preference stock or any other securities of the Bank ranking pari passu with, or junior to, the 2009 preference stock or the issuance of ordinary stock in the event of non-payment of cash dividends on the 2009 preference stock; or (ii) the redemption or repurchase of the 2009 preference stock or any other securities of the Bank ranking pari passu with, or junior to, the 2009 preference stock).

The 2009 preference stock carries voting rights equivalent to 25 per cent of the total voting rights on any resolution proposed at a General Court of the Bank in relation to the appointment or removal of a Director of the Bank (inclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of ordinary stock obtained through or in relation to the investment by the NPRFC and any voting rights obtained through the as yet unissued ordinary stock (as defined above).

The 2009 preference stock carries voting rights equivalent to 25 per cent of the total voting rights in relation to any Control Resolution[3] (exclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of ordinary stock obtained through or in relation to the Investment by the NPRFC).

While the NPRFC or a Government Entity holds the 2009 preference stock or (if later) until the Warrants are exercised, the implementation of any existing, or the adoption of any proposed, Capital Stock Resolution[3] shall be subject to the prior written consent of the Minister for Finance.

On May 19, 2010 the NPRFC converted 1,036,000,000 units of 2009 preference stock to units of Ordinary Stock. Please refer to note 58 (i) for further information.

In connection with the investment by the NPRFC the Bank has agreed to implement a Banks Customer Package, including:

(a) Increasing Credit Capacity to SME and first-time buyers.

(b) Establishing an Environmental and Clean Energy and Innovation Fund.

(c) Complying with new Codes of Practice in relation to lending to SME and Mortgage Arrears.

(d) Engaging with the Financial Regulator in relation to improving customer communications and financial education.

(e) Participating in an independent review of credit availability.

---

[3] Defined on page F-140

55 SUMMARY OF RELATIONS WITH THE IRISH GOVERNMENT (continued)

(f) Working with the IDA, Enterprise Ireland and with State agencies to ensure the supply of appropriate finance to contractors engaged on major projects sponsored by those agencies.

(g) Providing additional funds for venture capital.

(h) Ensuring prompt payment arrangements in future customer contracts.

Overview of Banks' Commitments to SME sector

In his speech on March 30, 2010, the Minister for Finance announced a range of additional commitments for banks to support the SME sector. While the detail of these commitments remains to be finalised, they would require the Group to:

- make available for targeted lending not less than €3 billion for new or increased credit facilities to SMEs in both 2010 and 2011, to include funds for working capital for businesses. The Minister stressed that credit should only go to viable businesses;
- make available €20 million for Seed Capital to be provided to Enterprise Ireland supported ventures, building on the programme launched in 2009;
- set-up a new fund of €100 million for Environmental, Clean Energy and Innovation Projects;
- commit resources to work with Enterprise Ireland and the IBF to develop sectoral expertise in the modern growth sectors of the Irish economy;
- explore with Enterprise Ireland and the IBF how best to develop the range of banking services that Irish SMEs trading internationally will need; and
- develop expertise and bring forward new credit products in areas where cashflow, rather than property or assets, is the basis for business lending.

The Group is required to submit SME lending plans both by geography and sector for 2010 and 2011 in relation to the €3 billion target within a six week period.

Furthermore, as for other Irish banks, the Group will be subject to a Credit Review process whereby borrowers who have had credit refused or withdrawn can apply for an independent review of the Group's decision. Where the Independent Reviewer recommends that credit should be granted, the Group is required to comply with the recommendation or explain why it will not do so.

For further information refer to www.finance.gov.ie

The Warrants

The Bank also entered into a Warrant Instrument on March 31, 2009 pursuant to which the Bank issued 334,737,148 Warrants to the NPRFC. Under the terms of the Warrants, the NPRFC would have been entitled to subscribe for units of ordinary stock on the basis of one unit of ordinary stock for each individual Warrant.

The warrants held by the NPRFC were cancelled in return for a payment of €491 million on May 19, 2010. Please refer to note 58(i) for further information.

55 SUMMARY OF RELATIONS WITH THE IRISH GOVERNMENT (continued)

[1]Defined terms

Capital Stock Resolution

Any resolution proposed at a General Court of the Bank to alter the capital stock of the Bank by way of: (a) an increase in the capital stock of the Bank, the reissue of treasury stock or the allotment of any unissued capital stock of the Bank save for the issue of additional preference stock pursuant to the rights attaching to existing preference stock or the issue of capital stock to fund a repurchase or redemption of the 2009 Preference Stock; or (b) the redemption, consolidation, conversion or sub-division of the capital stock of the Bank save for the repurchase or redemption of the 2009 Preference Stock; or (c) any other changes in the capital structure of the Bank;

Control Resolution

A resolution of those Stockholders who are entitled to so vote for the approval of any agreement or transaction (including a merger) whereby, or in consequence of which, Control of the Bank, or substantially all of the Bank's business, is or may be acquired by any person or persons (excluding any government concert party) acting in concert and which for the avoidance of doubt shall include any resolution to approve a scheme of arrangement pursuant to section 201 of the Companies Act 1963 pursuant to which a takeover of the Bank (within the meaning of the Irish Takeover Panel Act 1997 Takeover Rules (as amended, replaced or substituted from time to time)) would be effected or approved or a merger or division of the Bank pursuant to European Communities (Mergers And Divisions of Companies) Regulations, 1987 (Statutory Instrument 137 of 1987) or a merger of the Bank pursuant to European Communities (Cross-Border Mergers) Regulations 2008 (Statutory Instrument 157 of 2008);

Covered Institution

A credit institution or a subsidiary of a credit institution: (a) that stands specified by order by the Minister under section 6(1) of the Credit Institutions (Financial Support) Act 2008; and (b) that has joined this Scheme in accordance with paragraph 5 of the Schedule to S.I. No. 411 of 2008.

Government

The Government of Ireland;

Government Entity

(i) The NTMA, the NPRFC, the NRPF, the Minister for Finance or any Minister or Department of the Government, in each case holding 2009 Preference Stock, but excludes any other holder of 2009 Preference Stock provided however this shall not include any occupational pension scheme approved by the Revenue Commissioners and registered with the Pension Board; and (ii) any custodian or nominee holding 2009 Preference Stock on behalf of the NPRFC, the Minister for Finance, any Minister or Department of the Government provided however that where such custodian or nominee holds 2009 Preference Stock for any other person, such holding shall be not be taken into account for the purpose of determining the voting rights of the Stockholder;

Minister for Finance

The Minister for Finance of Ireland;

Thirty Day Average Price

(i) 100 per cent of the average daily closing price of the Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date, (in the event that the

55 SUMMARY OF RELATIONS WITH THE IRISH GOVERNMENT (continued)

Ordinary Stock issued in the event of non-payment of dividends on the 2009 Preference Stock is settled on the dividend payment date to which it relates); or (ii) 95 per cent of the average daily closing price of the Ordinary Stock on the Irish Stock Exchange over the 30 dealing days immediately preceding the original scheduled dividend declaration date (in the event that the Ordinary Stock, issued in the event of non-payment of dividends on the 2009 Preference Stock, is settled after the dividend payment date to which it relates);

(c) National Asset Management Agency (NAMA)

Please refer to note 26 for details on NAMA.

(d) National Asset Management Agency Investment Limited (NAMAIL)

Please refer to note 50 for details on NAMAIL.

56 RISK MANAGEMENT

Credit Risk

Definition

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

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

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

How Credit Risk Arises

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

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

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

Credit Risk Exposures

At December 31, 2009, the Group classified those loans and advances to customers which are to transfer to NAMA as assets held for sale to NAMA. See note 26.

56 RISK MANAGEMENT (continued)

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

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

(1) Assets held for sale to NAMA include derivatives and accrued interest (see note 26).

(2) Other financial assets at fair value through profit or loss includes government bonds, unit trusts, debt securities, loans and advances, and excludes equity securities as they are not subject to credit risk (see note 22).

(3) Available for sale financial assets excludes equity securities (see note 24).

(4) Other assets includes interest receivable and the reinsurance asset.

Credit Risk Management

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

Credit policy

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

Lending authorisation

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

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

56 RISK MANAGEMENT (continued)

Credit Reporting/Monitoring

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

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

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

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

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

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

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

Credit related commitments

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

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

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

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

Commitments: unused elements of authorised credit in the form of loans, guarantees or letters of credit, where the Group is potentially exposed to loss in an amount equal to the total unused commitments. The likely amount of loss is less than the total unused commitments, as most commitments are contingent upon customers maintaining

56 RISK MANAGEMENT (continued)

specific credit and performance standards. These instruments are assessed on the same basis as loans for credit approval and management.

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

Counterparty Credit Risk arising from derivatives

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

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

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

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

Country Risk

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

Settlement Risk

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

Credit Concentration Risk

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

56 RISK MANAGEMENT (continued)

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

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

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

Large Exposures

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

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

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

Credit Risk Assessment & Measurement

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

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

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

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

Credit Risk Mitigation

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

Controls and limits

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

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

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

Risk transfer and financing strategies

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

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

The Group currently makes very limited use of hedging strategies or credit derivatives for risk mitigation purposes. A number of securitisation transactions for residential and commercial mortgages and a collateralised debt

56 RISK MANAGEMENT (continued)

obligation (CDO) vehicle, primarily for leveraged loans, have been undertaken. The primary purpose of these initiatives was for contingent liquidity management.

Collateral

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

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

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

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

Master Netting Arrangements

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

Loan Loss Provisioning Methodology

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

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

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

- delinquency in contractual payments of principal or interest;
- cash flow difficulties;

56 RISK MANAGEMENT (continued)

- breach of loan covenants or conditions;
- deterioration of the borrower's competitive position;
- deterioration in the value of collateral;
- external rating downgrade below an acceptable level; and
- initiation of bankruptcy proceedings.

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

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

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

All exposures are assessed for impairment either individually or collectively.

Methodology for Individually Assessing Impairment

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

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

Given the absence of sufficient transactional evidence and market liquidity, up to date, independent and professional valuations in writing are sought in certain circumstances. Whilst less formal than written valuations, verbal consultations with external valuers can help benchmark asset values and provide general information on market developments and trends. The application of local market knowledge occurs typically where the loan and underlying property asset are relatively small and relevant bank management has in-depth knowledge of both the property asset and local market conditions, which may be illiquid. In such cases, estimated valuations of undeveloped sites may be expressed on a 'per plot' basis if there is suitable zoning/planning in place, whereas unzoned rural land may be assumed to have only agricultural value. Residual value methodologies are used to estimate the current value of a site or part-completed development based on a detailed appraisal that assesses the

56 RISK MANAGEMENT (continued)

costs (building, funding and other costs) and receipts (forecast sales and/or lettings) associated with bringing a development to completion. This valuation methodology may be applied when a property asset is considered to have realistic development potential given current or anticipated planning status, projected marketability etc.

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

Methodology for Collectively Assessing Impairment

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

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

Methodology for establishing Incurred but not reported (IBNR) provisions

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

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

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

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

56 RISK MANAGEMENT (continued)

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

An analysis of the Group's impairment provisions at December 31, 2009 is set out on pages F-158 and F-159.

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

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

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

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

Asset Quality — Financial Assets

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

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

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

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

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

- high quality ratings apply to highly rated financial obligors, strong corporate and business counterparties and consumer banking borrowers (including residential mortgages) with whom the Group has an excellent repayment experience. High quality ratings are derived from grades 1 to 4 on the thirteen point grade scale, grades 1 and 2 on the seven point grade scale and ratings equivalent to AAA, AA+, AA, AA-, A+, A, A-, BBB+ and BBB for the external major rating agencies;

- satisfactory quality ratings apply to good quality financial assets that are performing as expected, including loans and advances to small and medium sized enterprises, leveraged entities and more recently established businesses. Satisfactory quality ratings also include some element of the Group's retail portfolios. Satisfactory quality ratings are derived from grades 5 to 7 on the thirteen point grade scale, grade 3 on the seven point grade scale and external ratings equivalent to BBB-, BB+, BB and BB-;

- acceptable quality ratings apply to customers with increased risk profiles that are subject to closer monitoring and scrutiny by lenders with the objective of managing risk and moving accounts to an improved rating category. Acceptable quality ratings are derived from grades 8 and 9 on the thirteen point grade scale, grade 4 outstandings within the seven point scale and external ratings equivalent to B+; and

56 RISK MANAGEMENT (continued)

- the lower quality but not past due nor impaired rating applies to those financial assets that are neither in arrears nor impaired but where the Group requires a work down or work out of the relationship unless an early reduction in risk is achievable. Lower quality ratings are derived from outstandings within rating grades 10 and 11 on the thirteen point grade scale and grade 5 on the seven point grade scale and external ratings equivalent to B or below.

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

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

'Impaired loans' are defined as follows:

- loans with a specific impairment provision attaching to them together with loans (excluding residential mortgages) which are more than 90 days in arrears; and

- all assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale are impaired.

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

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

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

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

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

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

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

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

56 RISK MANAGEMENT (continued)

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

Loan Impairment Charge

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

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

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

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

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

56 RISK MANAGEMENT (continued)

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

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

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

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

Financial assets renegotiated that would otherwise be past due or impaired

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

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

Repossessed collateral

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

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

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

56 RISK MANAGEMENT (continued)

Asset quality: Other Financial Instruments

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

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

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

Liquidity Risk

Market environment

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

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

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

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

- in common with other banks, the Group continued to target a reduction in its level of borrowing from wholesale markets by focusing on specific customer deposit gathering initiatives in each division;
- asset growth was controlled and managed in line with current funding capacity;

56 RISK MANAGEMENT (continued)

- the Group successfully issued term funding during the nine month period ended December 31, 2009 of €9.1 billion;
- the Group successfully issued two benchmark transactions of 3 years and 5 years maturity, beyond the term of the Government Guarantee at that time;
- the Group, through normal market operations, used its contingent liquidity pool to access funding from Monetary Authorities. As at December 31, 2009, the net drawings from Monetary Authorities were €8 billion down from €17 billion at March 31, 2009; and
- during the year, the Group Liquidity Committee (GLC) continued to manage the Group's Liquidity Position and report to both ALCO and the GRPC.

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

Definition of Liquidity Risk

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

How Liquidity Risk Arises

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

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

Liquidity Risk Management

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

Liquidity management within the Group consists of two main activities:

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

56 RISK MANAGEMENT (continued)

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

Liquidity Risk Measurement

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

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

56 RISK MANAGEMENT (continued)

December 31, 2009

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

56 RISK MANAGEMENT (continued)

March 31, 2009

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

Stress testing and scenario analysis

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

Liquidity Risk Mitigation

Wholesale Funding diversification

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

56 RISK MANAGEMENT (continued)

Customer Deposits

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

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

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

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

Contingent Liquidity

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

Internally Securitised Assets

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

Liquid Assets

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

56 RISK MANAGEMENT (continued)

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

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

56 RISK MANAGEMENT (continued)

The tables below summarises the maturity profile of the Group's financial liabilities (excluding those arising from insurance and investment contracts in BoI Life and those arising on derivative financial instruments) at December 31, 2009 and March 31, 2009 based on contractual undiscounted repayment obligations. Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,050 million and €6,658 million respectively (March 31, 2009: €4,084 million and €5,634 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The balances will not agree directly to the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

As at December 31, 2009

	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Deposits from banks	128	8,386	8,205	1,075	241	18,035
Customer accounts	36,795	31,484	12,625	4,361	692	85,957
Debt securities in issue	—	14,120	11,043	12,813	10,548	48,524
Subordinated liabilities	—	859	87	839	5,715	7,500
Contingent liabilities	2,425	—	—	—	—	2,425
Commitments	16,144	—	—	8,887	—	25,031
Total	55,492	54,849	31,960	27,975	17,196	187,472

As at March 31, 2009

	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Deposits from banks	788	25,530	1,590	760	429	29,097
Customer accounts	32,849	36,214	11,527	3,415	1,351	85,356
Debt securities in issue	—	16,170	8,709	15,387	13,589	53,855
Subordinated liabilities	—	44	1,103	1,305	8,460	10,912
Contingent liabilities	2,568	—	—	—	—	2,568
Commitments	18,138	—	—	8,781	—	26,919
Total	54,343	77,958	22,929	29,648	23,829	208,707

As set out in note 21, derivatives held for trading comprise derivatives entered into with trading intent as well as derivatives entered with economic hedging intent to which the Group does not apply hedge accounting. Derivatives held with hedging intent also include all derivatives to which the Group applies hedge accounting.

The table below summarises the maturity profile of the Group's derivative liabilities. The Group manages liquidity risk based on expected cash flows, therefore the undiscounted cash flows payable on derivatives liabilities held with hedging intent are classified according to their contractual maturity, while derivatives held with trading intent have been included at fair value in the 'demand' time bucket.

56 RISK MANAGEMENT (continued)

As at December 31, 2009

Derivative financial instruments	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Derivatives held with hedging intent						
Gross settled derivative liabilities — outflows	—	3,787	2,316	4,257	854	11,214
Gross settled derivative liabilities — inflows	—	(3,698)	(2,104)	(3,766)	(842)	(10,410)
Gross settled derivative liabilities — net flows	—	89	212	491	12	804
Net settled derivative liabilities	—	554	1,326	1,402	100	3,382
Total derivatives held with hedging intent	—	643	1,538	1,893	112	4,186
Derivative liabilities held with trading intent	1,795	—	—	—	—	1,795
Total derivative cash flows	1,795	643	1,538	1,893	112	5,981

As at March 31, 2009

Derivative financial instruments	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
	€m	€m	€m	€m	€m	€m
Derivatives held with hedging intent						
Gross settled derivative liabilities — outflows	—	7,291	4,180	6,230	466	18,167
Gross settled derivative liabilities — inflows	—	(7,246)	(3,894)	(5,370)	(463)	(16,973)
Gross settled derivative liabilities — net flows	—	45	286	860	3	1,194
Net settled derivative liabilities	—	266	1,046	2,003	241	3,556
Total derivatives held with hedging intent	—	311	1,332	2,863	244	4,750
Derivative liabilities held with trading intent	2,882	—	—	—	—	2,882
Total derivative cash flows	2,882	311	1,332	2,863	244	7,632

1. *The figures above have been restated to align with the enhanced disclosure requirements of IFRS 7 (amended) and are on a consistent basis with those shown for December 31, 2009. As a result, the derivative liabilities held with trading intent are included in the 'demand' time bucket.*

Market Risk

Definition

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

How Market Risk Arises

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

Market risk also arises where variable rate assets and liabilities reprice at different frequencies (monthly, quarterly, semi annually) and where lending reprices with changes in central bank rates but is funded at short dated market

56 RISK MANAGEMENT (continued)

rates. The latter is termed basis risk and, while it has always been a feature of retail and commercial banking, it became more material after mid 2007 as the volatility of spreads between central bank rates and short term market rates increased significantly.

Discretionary market risk

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

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

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

Structural market risk

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

Market Risk Management

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

Market Risk Measurement

Bank of Ireland Global Markets (BoIGM)

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

For the nature of the risks assumed by the Group, VaR remains a relatively reliable basis of risk measurement. Nonetheless, management recognises that VaR is subject to certain inherent limitations. The past will not always be

56 RISK MANAGEMENT (continued)

a reliable guide to the future and the statistical assumptions employed may understate the probability of large moves. In addition, there is no presumption that all positions can be closed within the 1 day horizon used to measure risk. For these reasons, VaR limits are supplemented by a range of controls that include position limits and loss tolerances. In addition, scenario based stress tests and long run historic simulations, which measure the effect of past periods of market stress (going back to the early 1990s) on current positions, are used to assess and manage discretionary market risk.

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

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

Banking book risk

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

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

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

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

56 RISK MANAGEMENT (continued)

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

Financial Assets Available For Sale

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

Derivatives

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

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

Further details can be found in note 21 and the accounting policy is set out on page F-21.

Policy

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

56 RISK MANAGEMENT (continued)

Collateral agreements

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

Structural Market Risk

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

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

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

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

Market Risk in Bank of Ireland Life (BoI Life)

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

	9 Months Ended December 31, 2009	12 Months Ended March 31, 2009
	€m	€m
50 basis points increase	0.3	(0.6)
50 basis points decrease	(0.4)	0.8

56 RISK MANAGEMENT (continued)

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

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

Life Insurance Risk

Definition

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

Life Insurance Risk Management

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

Life Insurance Risk Measurement

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

Life Insurance Risk Mitigation

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

Life Insurance Risk Reporting

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

See also note 53.

57 CAPITAL MANAGEMENT

Capital Management Objectives and Policies

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

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

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

The Group meets its objectives in terms of capital management through the maintenance of capital ratios above the minimum levels set by the Financial Regulator and relative to market expectations for banks with its business profile. Market expectations regarding capital ratios for banks have risen following the rise in loss expectations across the international banking industry, driven by exposures to assets vulnerable to the downturn in residential and commercial real estate prices and the deteriorating economic climate. These increased expectations have led to substantial private and government led recapitalisation schemes internationally.

Capital Resources

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

	December 31, 2009	March 31, 2009
	€m	€m
Stockholders' funds		
Equity (including other equity reserves)	6,345	6,810
Non-cumulative preference stock	42	42
Minority interests — equity	50	61
Undated loan capital	1,521	3,385
Dated loan capital	4,532	4,557
Total capital resources	12,490	14,855

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

The movement of €465 million in Stockholders' funds was mainly driven by the following:

- an after tax loss of €1,460 million which included the impact of the June 2009 tier 1 buyback (increase in Stockholders' funds of €1,037 million);
- net actuarial loss on pension funds of €74 million; and

57 CAPITAL MANAGEMENT (continued)

- an increase in other reserves (Available for sale reserves of **€924 million, cash flow hedging reserve of €82 million) along with a positive movement in foreign exchange reserves of €117 million primarily due to the strengthening of Sterling against euro. Other items gave a negative movement of €54 million.**

The movement of €1,864 million in undated loan capital primarily relates to the tier 1 buyback in June 2009 together with fair value movements on the remaining securities.
The lower tier 2 subordinated capital exchange which was completed in February 2010 resulted in a reduction of €413 million in dated loan capital. This was offset by an increase of €405 million in Stockholders' funds. This impact is not included in the table above.

As at December 31, 2009, the Group had €1,521 million of undated loan capital and €4,532 million of dated loan capital (including fair value adjustments), a total of €6,053 million of subordinated liabilities. Of the dated loan capital, €3,778 million is repayable in five or more years. The cost and availability of subordinated debt are influenced by credit ratings. A reduction in the ratings assigned to the Group's securities could increase financing costs and reduce market access. The credit ratings of the Group at June 7, 2010 were as follows:

Senior Debt	Ratings	Credit Date	Outlook
Standard & Poors	A-	January 26, 2010	Stable
Moodys	A1	July 7, 2009	Stable
Fitch	A-	April 9, 2009	Stable
DBRS	AA (low)	December 4, 2009	Negative

Depending on the degree of subordination, the ratings assigned to loan capital will be one or more notches below the level for senior debt. Credit ratings are not a recommendation to buy, hold or sell any security and each rating should be evaluated independently of every other rating. These ratings are based on current information furnished to the rating agencies by the Group and information obtained by the rating agencies from other sources. The ratings are accurate only as of June 7, 2010 and may be changed, superceded or withdrawn as a result of changes in, or unavailability of, such information.

58 POST BALANCE SHEET EVENTS

(a) Discretionary Coupon Payments

On January 19, 2010, the Group advised the Stock Exchange that the EU Commission had indicated that, in line with its policy and pending its assessment of the Group's restructuring plan (which is required in compliance with EU State aid rules), that the Group should not make coupon payments on its Tier 1 and Upper Tier 2 capital instruments unless under a binding legal obligation to do so.

Under the terms of BOI Capital Funding (No. 2) LP US$800 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities ('LP2 Securities'), BOI Capital Funding (No. 3) LP US$400 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities ('LP3 Securities') and BOI Capital Funding (No. 1) LP €600 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities which have the benefits of subordinated guarantees from the Bank it was decided that the non-cumulative distribution on these securities, which would otherwise have been paid on February 1, February 4, and March 3, 2010 respectively would not be paid.

58 POST BALANCE SHEET EVENTS (continued)

The effect of this decision by the Group was to trigger the ‘‘Dividend Stopper’’ provisions of the LP 2 Securities and LP 3 Securities. While this “dividend stopper” remains in force, the Group is precluded for a period of one calender year from and including February 1, and February 4, 2010, from declaring and making any distribution or dividend payment on its Ordinary Stock, the outstanding non-cumulative Euro and Sterling Preference Stock), the Bank of Ireland UK Holdings plc €600 million 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities, the Bank of Ireland UK Holdings plc Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities, and the BOI Capital Funding (No. 4) LP £500 million Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities and the Irish Government €3.5 billion preference stock (“the 2009 Preference Stock”) issued to the NPRFC (for further information on the 2009 Preference Stock see (c) below.

The Group revised its estimates of future cash flows on these subordinated liabilities during 2009, resulting in an adjustment in interest expense in the nine month ended December 31, 2009.

(b) Exchange of Lower Tier 2 Securities

On February 11, 2010, the Group announced that it completed an Exchange Offer for outstanding notes relating to five Lower Tier 2 Securities (three Euro securities and one each in Sterling and US Dollars) with a nominal value equivalent of circa €2.9 billion.

The actual securities exchanged had a nominal value equivalent of €1.62 billion. These securities were exchanged at a discount into the following new securities

- €978 million, 10% coupon, maturity February 12, 2020
- £197 million, 10% coupon, maturity February 12, 2020

The gain from the Exchange Offer was approximately €405 million after tax.

Further information on the Group’s subordinated liabilities is outlined in note 39.

(c) Issue of Ordinary Stock to the NPRFC

Following (a) above, on February 22, 2010, the Bank issued the NPRFC 184,394,378 units of Ordinary Stock being the number of units equal to the aggregate cash amount of the dividend due, on the 2009 preference stock, of €250.4 million divided by 100% of the average price per unit of ordinary stock in the 30 trading days prior to and including February 19, 2010. This equated to a share price of €1.3582 per unit of Ordinary Stock.

This increased the units of Ordinary Stock of Bank of Ireland in issue to 1,186,611,367. As a result the ownership by the NPRFC increased to 15.73% of the issued Ordinary Stock (excluding the NPRFC Warrant Instrument) at that date. See (i) below for further developments.

(d) Credit Institutions (Eligible Liabilities Guarantee) Scheme — (ELG)

On December 9, 2009 the Credit Institutions (Eligible Liabilities Guarantee) Scheme (the “ELG Scheme”) was introduced. The purpose of the ELG scheme was to update and revise the current bank guarantee under the Credit Institutions (Financial Support) Scheme 2008 (the “2008 Scheme”).

On January 11, 2010, the Group became a participating institution under the ELG Scheme. For further information on the scheme see note 55.

(e) National Asset Management Agency (NAMA)

Please refer to note 26 for details on NAMA.

58 POST BALANCE SHEET EVENTS (continued)

(f) National Asset Management Agency Investment Limited (NAMAIL)

Please refer to note 50 for details on NAMAIL.

(g) Pensions Review

The deficit (on an IAS 19 basis) across all of the Group's defined benefit pension schemes was €1.6 billion at December 31, 2009. In January 2010, the Group launched a pension review to address this deficit. On April 7, 2010, the Group announced that it is proposing to make a number of changes affecting pension benefits. The proposed changes affecting the Group's pension schemes and the benefits available to members of the schemes require engagement with the trustees and members of these schemes. Extensive discussions have taken place with staff representative bodies and the Group's proposed approach has been agreed (following its recommendation by an independent third party chairman) with the main bank union, the IBOA, in relation to the main scheme (which accounts for approximately 85% of the total deficit). Full implementation of the amendments to the Group's pension schemes would eliminate approximately 50% of the December 31, 2009 IAS 19 deficit. If such proposals are implemented, the Group will increase its cash contributions to the schemes so as to eliminate the remaining approximate 50% of the December 31, 2009 IAS 19 deficit over approximately 6 years. The proposed changes would lower the underlying pension costs and would therefore have a positive affect on the income statement of the Group.

(h) EU Restructuring Plan

The Group has been involved in detailed negotiations through the Department of Finance with the European Commission in relation to the terms of the EU Restructuring Plan which is required in the context of a review by the European Commission resulting from the State aid which has been received by the Group.

On April 16, 2010 the Group provided an update on these negotiations, noting that it was expected that the decision regarding the approval of the proposed measures, including the final terms of the EU Restructuring Plan, would be taken by the European Commission by mid-2010. While the process had not concluded, the Directors believe, based on the status of negotiations with the European Commission, that the final EU Restructuring Plan is likely to include, amongst other actions, the disposal of New Ireland Assurance Company plc, Bank of Ireland Asset Management Limited, ICS Building Society (Irish intermediary sourced mortgage business), Foreign Currency Exchange Corporation (US foreign exchange business), and the Group's stakes in Paul Capital Top Tier Investments LLC (a US asset management business) and in the Irish Credit Bureau Limited, and the wind-down or disposal of, the Group's UK intermediary sourced mortgage business and certain discontinued international corporate lending portfolios. It will also include certain behavioural measures, including commitments relating to the non-payment of discretionary coupons and the non-exercise of voluntary call options on hybrid capital securities for a specified period, a commitment relating to the non-payment of dividends on Ordinary Stock for a specified period, a commitment not to make any material acquisitions and measures to facilitate competition in the Irish banking market. The Directors do not expect that the proposed EU Restructuring Plan would be materially detrimental to the long term interests of the Group.

58 POST BALANCE SHEET EVENTS (continued)

(i) Placing of Ordinary Stock, debt for equity offers and rights issue

In April 2010, the Bank announced Proposals to increase its Equity Tier 1 Capital by not less than €2.8 billion by way of an Institutional Placing[1], a NPRFC Placing[1], a Rights Issue[1] and Debt for Equity Offers. The proceeds of the Institutional Placing[1] and the Rights Issue[1] were underwritten by Underwriters pursuant to the Underwriting Agreement[1]. In addition, the Warrants held by the NPRFC were cancelled in return for the payment of €491 million in cash under the Warrant Cancellation[1]. The Proposals which were approved by Stockholders on May 19, 2010 consisted of:

- **Placing:** The Placing, comprising the Institutional Placing[1] and the NPRFC Placing[1], raised €1,536 million in Equity Tier 1 Capital. The proceeds of the Institutional Placing[1] were underwritten pursuant to the Underwriting Agreement[1] subject to conditions (which were subsequently satisfied), including Admission of the Placing Stock[1] and the approval of the Resolutions at the EGC. This involved the placing of 326,797,386 units of Placing Stock[1] at a price of €1.53 per unit of Placing Stock[1] issued in the Institutional Placing[1] pursuant to the Underwriting Agreement[1] The price at which the Placing Stock[1] was issued to Placees represented a 15% discount to the Closing Price of €1.80 of the Existing Stock[1] on April 23, 2010 (being the last practicable date prior to announcement of the Proposals). Placees were considered Qualifying Stockholders[1] for the purposes of the Rights Issue[1] in respect of their Placing Stock[1] Pursuant to the NPRFC Placing[1] the NPRFC agreed to subscribe for 575,555,556 units of Ordinary Stock at a price of €1.80 per unit of Ordinary Stock (being the Closing Price on April 23, 2010). The consideration for the NPRFC's subscription was the conversion of 1,036,000,000 units of 2009 Preference Stock (at their subscription price of €1.00 per unit of 2009 Preference Stock) to units of Ordinary Stock. The Ordinary Stock to be issued pursuant to the NPRFC Placing[1] was eligible for participation in the Rights Issue[1] as if such Ordinary Stock was held on the Record Date;

- **Rights Issue:** A Rights Issue[1] which raised €1,725 million in Equity Tier 1 Capital (a portion of the cash proceeds of which was paid directly to noteholders electing for Ordinary Stock allotted in the Rights Issue[1] on their behalf pursuant to the Debt for Equity Offers). The proceeds of the Rights Issue[1] of up to €1.2 billion were underwritten pursuant to the Underwriting Agreement[1] subject to conditions (which were subsequently satisfied), including Admission of the Rights Issue Stock[1] (nil paid) and the approval of the Resolutions at an Extraordinary General Court ('EGC'). The Rights Issue[1] size and Rights Issue Price at which Qualifying Stockholders[1] were invited to subscribe for Rights Issue Stock[1] were determined by the Bank and the Joint Bookrunners[1] in advance of the EGC. Pursuant to the NPRFC Rights Issue Undertaking, the NPRFC agreed, subject to certain terms and conditions, to take up its entitlement of Rights Issue Stock[1] in the Rights Issue[1] in respect of its holding of the NPRFC Coupon Ordinary Stock and its holding of Ordinary Stock issued as a result of the NPRFC Placing[1] (but excluding its other investment holdings in the Bank). The consideration for the take up of its Rights in respect of the NPRFC Coupon Ordinary Stock[1] and its holding of Ordinary Stock as a result of the NPRFC Placing[1] was the conversion of units of 2009 Preference Stock at their subscription price of €1.00 each to Ordinary Stock at the Rights Issue Price;

The average number of units of ordinary stock in issue in the current period and prior years used for the Group's EPS calculations will be required to be retrospectively adjusted in the Group's financial statements for the year ended December 31, 2010 by an adjustment factor of 1.586176 arising from the Rights Issue outlined above. The adjusted EPS for the period ended December 31, 2009 and years ended March 31, 2009 and March 31, 2008 will be as follows:

	31 December 2009	31 March 2009	31 March 2008
Average number of units of ordinary stock in issue (millions)	1,575	1,567	1,531
- Basic earnings per share (cent)	(106.3)	2.7	109.9
- Diluted earnings per share (cent)	(106.3)	2.7	109.4

[1] See defined terms on pages F-182 and F-183.

58 POST BALANCE SHEET EVENTS (continued)

- **Debt for Equity Offers:** Under the Debt for Equity Offers, holders of certain of the Group's Tier 1 Securities and Upper Tier 2 Securities were given the opportunity to exchange these securities for (a) Allotment Instruments (which automatically convert into Conversion Ordinary Stock on the Conversion Date); or (b) through a settlement procedure, cash proceeds from the allotment of Ordinary Stock in the Rights Issue[1] on behalf of such holders; or (c) a combination thereof. The tender prices represented a discount of up to 42% to the nominal value of the existing Tier 1 Securities and Upper Tier 2 Securities exchanged by these security holders and resulted in a capital gain, which increased the Group's Equity Tier 1 Capital. The increase in Equity Tier 1 Capital resulting from the combination of the Rights Issue and the Debt for Equity Offers amounted to €2,020 million, the actual size of the Rights Issue[1] (including the NPRFC Rights Issue Undertaking) having been reduced by the capital gain arising on the Debt for Equity Offers;
- **Warrant Cancellation:** The Warrants held by the NPRFC were, simultaneously with the NPRFC Placing, cancelled in return for the payment of €491 million in cash by the Bank to the NPRFC. This reflected the market value of the Warrants, being the difference between the exercise price of the Warrants and the Closing Price of the Ordinary Stock on April 23, 2010, plus a fee of €12 million. Following approval of the Proposals, the NPRFC ceased to hold the Warrants and the subscription rights for Ordinary Stock pursuant to the Warrants; and
- **Renominalisation of Ordinary Stock:** Because the Bye-Laws of the Bank precluded the issue units of Ordinary Stock at a discount to their nominal value, the Bank's ordinary stock was renominalised by Stockholders at the Extraordinary General Court held on May 19, 2010. This resulted in the nominal value of each unit of ordinary stock being reduced from €0.64 per unit to €0.10 per unit. Each existing unit of ordinary stock in existence at the date of renominalisation was subdivided into one unit of Ordinary Stock of €0.10 ("€0.10 Ordinary Stock") and one unit of deferred stock of €0.54 in the capital of Bank of Ireland ("Deferred Stock"). The purpose of the issue of Deferred Stock is to ensure that the reduction in the nominal value of the Ordinary Stock does not result in a reduction in the capital of Bank of Ireland.

Each Ordinary Stockholder's proportionate interest in the issued Ordinary Stock of Bank of Ireland remained unchanged as a result of the Renominalisation. Aside from the change in nominal value, the rights attaching to €0.10 Ordinary Stock (including voting and dividend rights and rights on a return of capital) are identical in all respects to those of the previous Ordinary Stock.

The Deferred Stock created on the Renominalisation has no voting or dividend rights and, on a return of capital on a winding up of Bank of Ireland, will have the right to receive the amount paid up thereon only after Stockholders have received, in aggregate, any amounts paid up thereon plus €10 million per unit of Ordinary Stock, the purpose of which is to ensure that the units of Deferred Stock have no economic value. No stock certificates or documents of title will be issued in respect of the Deferred Stock, nor will CREST accounts of Stockholders be credited in respect of any entitlement to Deferred Stock, nor will they be admitted to the Official Lists or to trading on the Irish Stock Exchange, the London Stock Exchange or any other investment exchange. The Deferred Stock shall not be transferable at any time, other than with the prior written consent of the Directors. At the appropriate time, the Bank may redeem or repurchase the Deferred Stock, make an application to the High Court of Ireland for the Deferred Stock to be cancelled, or acquire or cancel or seek the surrender of the Deferred Stock (in each case for no consideration) using such other lawful means as the Directors may determine.

These capital Proposals completed on June 8, 2010, and settled on June 14, 2010.

---

[1] See defined terms on pages F-182 and F-183.

58 POST BALANCE SHEET EVENTS (continued)

The net impact of the above Proposals is to increase the Group's equity tier 1 capital by €2.9 billion, as follows:

	€ m
Placing*	1,536
Rights Issue	1,725
Debt for Equity	295
	3,556
Warrant Cancellation	(491)
Costs and Fees	(130)
Total Raised	2,935

* *Institutional placing and NPRFC Placing.*

Defined terms[1]

Allotment Instruments

Each instrument delivered to holders thereof pursuant to the Debt for Equity Offers and issued with the benefit of the Allotment Instrument Deed Poll convertible into Conversion Ordinary Stock, the nominal value of which will not exceed €200,000,000;

Closing Price

The closing middle-market quotation of a unit of Ordinary Stock as derived from the Daily Official List;

Existing Stock

The units of Ordinary Stock in issue as at April 26, 2010;

Institutional Placing

The placing of Ordinary Stock with institutional investors (but excluding the NPRFC);

Joint Bookrunners

Citi, Credit Suisse, Davy, Deutsche Bank and UBS;

NPRFC Coupon Ordinary Stock

184,394,378 units of Ordinary Stock issued to the NPRFC on Monday 22 February 2010 in lieu of the cash dividend otherwise due on the 2009 Preference Stock;

NPRFC Placing

The proposed conversion by the NPRFC of units of 2009 Preference Stock to units of Ordinary Stock as part of the Placing;

Placing Stock

The 326,797,386 units of Ordinary Stock to be issued by the Bank pursuant to the Institutional Placing;

Rights Issue

The offer by way of rights to Qualifying Stockholders to acquire Rights Issue Stock and also includes, where the context so requires, the NPRFC Rights Issue Undertaking;

58 POST BALANCE SHEET EVENTS (continued)

Rights Issue Stock

Up to 18,851,465,603 units of new Ordinary Stock to be allotted and issued by the Bank pursuant to the Rights Issue;

Qualifying Stockholders

Holders of Ordinary Stock on the Stockholder register of the Bank at the 5pm May 17, 2010 and Placees (excluding the NPRFC in respect of the NPRFC Coupon Ordinary Stock);

Underwriting Agreement

The underwriting and sponsors' agreement dated April 26, 2010 between the Bank and the Underwriters relating to the Institutional Placing and the Rights Issue;

Warrant Cancellation

The cancellation of the Warrants in return for the payment of €491 million by the Bank to the NPRFC;

59 SELECTED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 31 DECEMBER 2008 (UNAUDITED)

The figures below for the nine month period ended December 31, 2008, have not been audited and are presented for comparative purposes only.

	9 Months ended December 31, 2009	9 Months ended December 31, 2008
	€m	€m
Total operating income (net of insurance claims)	3,599	3,079
Impairment losses on loans and advances to customers	(4,055)	(747)
Impairment of goodwill and other intangible assets	(6)	(304)
(Loss)/Profit before tax	(1,813)	372
Taxation credit/(charge)	344	(62)
(Loss)/Profit for the period	(1,469)	310
Earnings per share (cent)	(168.6c)	32.7c

The cumulative effect of a change in accounting principles would have been a charge of €12 million for the nine months ended December 31, 2008.

60 APPROVAL OF 20-F

The Court of Directors approved the financial statements for inclusion in Form 20-F on June 14, 2010