

Bank of Ireland Group



Interim Statement for the 6 months ended 30 September 2008

Contents

Forward Looking Statement	3
Performance Highlights	4
Interim Management Report	5
Risks and Uncertainties	28
Statement of Directors' Responsibilities	30
Consolidated Financial Statements (Unaudited)	31
Independent Review Report to the Governor and Company of the Bank of Ireland	60
Other Information	61

FORWARD LOOKING STATEMENT

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

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Bank of Ireland will host a results presentation at 9am today, 13 November 2008 at the following venues:

Bank of Ireland Head Office, Lower Baggot Street, Dublin 2
UBS Investment Bank, 1 Finsbury Avenue, London EC2M 2PP

This presentation will be simultaneously webcast on our website: www.bankofireland.com/investor

This document constitutes the Interim Management Report required by Regulation 6 of the Transparency (Directive 2004/109/EC) Regulations 2007. It can also be found at our website: www.bankofireland.com/investor

PERFORMANCE HIGHLIGHTS

	6 months ended 30 September 2008	6 months ended 30 September 2007 Restated *	Change %
Group profitability (€million)			
Profit before tax (PBT)	706	1,091	(35)
Non core items:			
Deduct:			
· Investment return on treasury stock held for policyholders	(77)	(105)	
· Profit on disposal of business assets	-	(33)	
Add:			
· Gross-up for policyholder tax in the Life business	18	(9)	
· Hedge ineffectiveness on transition to IFRS	3	3	
· Cost of restructuring programme	-	4	
Underlying profit before tax	<u>650</u>	<u>951</u>	<u>(32)</u>
Per unit of €0.64 ordinary stock (€cent)			
Basic earnings per share	63.5	95.8	(34)
Underlying earnings per share	55.0	80.1	(31)
Dividend	-	24.2	
Divisional PBT performance (underlying)** (€million)			
Retail Republic of Ireland	286	381	(25)
Bank of Ireland Life	3	72	(96)
Capital Markets	283	309	(8)
UK Financial Services	148	240	(38)
Group Centre	(70)	(51)	(37)
Underlying profit before tax	<u>650</u>	<u>951</u>	<u>(32)</u>
Group performance (underlying)**			
Net interest margin	1.71%	1.64%	
Cost / income ratio	52%	51%	
Cost / income jaws	-1%	5%	
Impairment charge – loans and advances to customers (annualised bps)	38bps	12bps	
Impairment charge – available for sale financial assets (annualised bps)	3bps	-	
Return on equity	17%	22%	
Balance sheet			
Stockholders' equity (€billion)	6.4	7.2	(11)
Total assets (€billion)	204	200	2
Total loans and advances to customer (€billion)	144	133	8
Total customer deposits (€billion)	91	76	19
Wholesale funding (€billion)	78	85	(8)
Wholesale funding / total assets (excluding BoI Life policyholder assets)	41%	46%	
Loans and advances to customers / customer deposits	159%	174%	
Term funding > than 1 year and customer deposits / loans and advances to customers	79%	80%	
Term funding > 1 year, subordinated debt and customer deposits / loans and advances to customers	84%	86%	
	30 September 2008	31 March 2008	
	Basel II	Basel II	
Capital			
Core Tier 1 ratio	6.3%	5.7%	
Tier 1 ratio	8.7%	8.1%	
Total capital ratio	12.2%	11.1%	
Risk weighted assets (€billion)	116	117	

* Divisional PBT performance of UK Financial Services (UKFS) and Group Centre are restated to reflect the corporate restructuring of Bristol & West plc undertaken to obtain the optimum capital and funding treatment for the Group under Basel II. For the 6 months ended 30 September 2007, this restatement reduces the UKFS PBT to €164 million (€240 million) from €175 million (€257 million) and it reduces Group Centre's loss to €51 million from €68 million.

** Underlying performance excludes the impact of non-core items above (see page 8)

INTERIM MANAGEMENT REPORT

“Turbulence in financial markets and adverse economic conditions generally, present significant trading challenges as reflected in our earnings for the 6 months ended 30 September 2008. The immediate outlook is more challenging and against this backdrop our priority remains to manage the bank safely and effectively. We believe this focus will deliver tangible financial returns for our shareholders in the medium term.”

Brian J Goggin, Bank of Ireland Group Chief Executive, commented

Introduction

Since the release of our Trading Statement on 17 September 2008, conditions in international financial markets have deteriorated significantly with the collapse, nationalisation or consolidation of a range of long established financial institutions across the world. Arising from this, risk aversion increased, wholesale funding markets practically closed except for overnight access, resulting in severe liquidity constraints for banks globally. This prompted widespread interventions by Governments and financial authorities which have provided a range of guarantees, liquidity and capital supports to financial institutions with the objective of limiting the impact of the financial crisis on the wider economy.

Underlying economic conditions have deteriorated also with global growth slowing sharply and the Eurozone, UK and US all recently acknowledged that they are entering recession. Our customers – both business and consumers alike – as well as governments are having to grapple with the speed and scope of the downturn in economic activity.

Against this deteriorating and challenging environment our focus remains firmly fixed on:

- Strengthening our core Tier 1 and Tier 1 capital ratios
- Improving our key funding ratios
- Actively and prudently managing credit risk
- Rigorously managing costs

Performance overview

Bank of Ireland’s results for the 6 months ended 30 September 2008, and outlook for the remainder of this financial year and into next year, are set against this difficult backdrop. In the 6 months ended 30 September 2008, we delivered a Profit Before Tax (PBT) of €706 million and Earnings Per Share (EPS) of 63.5 cent. Excluding non-core items, Group underlying PBT is €550 million and underlying EPS is 55.0 cent representing a decline of 32% and 31% respectively against the comparable prior period.

Income is marginally lower in the reporting period, largely as a result of volatility in financial markets, reduced levels of new business activity and continuing elevated levels of funding costs. Costs are 1% lower in the 6 months ended 30 September 2008 and this focus on rigorous cost management will continue in the second 6 months as we take further action to align our costs to an environment of lower levels of activity and revenues. The impairment charge on loans and advances to customers is €267 million or 38 basis points (bps) (annualised) when expressed as a percentage of average loans, an increase of €188 million over the comparable prior period when impairment losses were exceptionally low. The increase reflects the impact of the severe economic downturn in our main markets and its impact on the credit environment, particularly on the property sector. The closing weeks of the 6 months ended 30 September 2008 were particularly challenging. Of particular note was the increased volatility in investment markets which resulted in a sharp deterioration in our investment valuation variance in the Life business. Furthermore, the collapse of Washington Mutual and their default on their senior bank debt instruments resulted in an impairment of €40 million in our available for sale financial assets portfolio.

Divisional Performance

- Retail Republic of Ireland:
 - PBT down 25% to €286 million in an increasingly challenging economic environment
 - Strong cost containment – costs lower by 4%
 - Higher impairment loss charge (42bps compared to 23bps) reflecting the slowdown in the economy
- Bank of Ireland Life: PBT down to €3 million from €72 million (operating profit down 20%), primarily due to a steep slowdown in sales in the 6 months ended 30 September 2008 as a result of the impact of weak and volatile equity markets on investor sentiment together with a negative investment valuation variance of €63 million compared to €5 million in the comparable prior period.

- Capital Markets: PBT -8%
 - Corporate Banking PBT up 13% with stronger volumes and improved pricing partly offset by impairment losses (48bps compared to an exceptionally low charge in the comparable prior period of 8bps)
 - Business performance in Global Markets was very strong – however PBT was impacted by the collapse of Washington Mutual (€40 million). Excluding this impact, PBT is up 33% on a weak comparable prior period
 - Losses in Asset Management Services are due to the Lehmans collapse (€32 million) and lower assets under management as a result of global equity market weakness
- UK Financial Services: PBT -29% (Sterling)
 - Business Banking PBT down 36%: strong lending volumes and margins were more than offset by deposit margin attrition, higher funding costs and increased impairment losses resulting from the slowdown in the property sector
 - Mortgage Business PBT down 19% due to higher funding costs, lower early redemption fees together with increased impairment losses (6bps at 30 September 2008 compared to nil at 30 September 2007)
 - Consumer Financial Services performed well with the joint venture, Post Office Financial Services, and ancillary retail services, delivering 4% profit growth

Funding

In the increasingly difficult market conditions over the last 12 months, we have made continued progress in transitioning to a more conservative funding profile and this process will continue in the second 6 months of our financial year and beyond. The strength and scope of our customer franchise has resulted in the achievement of very strong deposit growth across the Group with customer deposits rising by 19% since September 2007. This brought the loan to deposit ratio down from 174% in September 2007 to 159% in September 2008. Despite the continuing dislocation in wholesale funding markets, Bank of Ireland has raised €5.7 billion of term funding with a maturity of greater than one year in the last 6 months. Over the last year, Bank of Ireland has continued to strengthen its contingent liquidity plans. Currently, the Group has circa €47 billion of eligible collateral, of which circa €39 billion would provide immediate access to monetary authorities should liquidity be required.

Since mid September 2008 conditions in wholesale funding markets have been extremely difficult with limited access to liquidity across all markets. Interventions by the Federal Reserve, the Bank of England and the European Central Bank have alleviated some of this pressure. In recent weeks we have seen evidence of an improvement in liquidity conditions.

On 30 September 2008, the Irish Government announced a scheme to guarantee for a 2 year period to 29 September 2010 all deposits and certain liabilities of covered institutions, to safeguard the Irish financial system in the interests of the wider economy. Bank of Ireland, which includes its branches in Ireland, the UK, the US, France and Germany, along with its deposit taking subsidiaries are covered by this guarantee. The expected annual cost of the guarantee is circa €15 million.

Asset quality

In mid September 2008, we estimated that our impairment charge in the year to March 2010 would fall within the range of 60 to 90bps. As an immediate consequence of the increasing severity of the economic slowdown in Ireland and the UK, we are seeing a more rapid acceleration in the rate of deterioration of the credit environment and now expect to incur impairment losses on loans and advances to customers at the lower end of a range of 60 to 75 bps in our current financial year to March 2009. Looking forward to March 2010, while there is uncertainty, we expect loan impairment losses to be within the range of 90 to 110bps.

Capital and Dividends

On 17 September 2008 the Group announced its intention to cut the 2008/9 dividend on ordinary stock by 50%. In light of the significant market turmoil and deteriorating economic environment that has taken place since this announcement, the Directors have concluded that further strengthening the Group's capital ratios is a priority and consequently no dividend on ordinary stock will be paid in 2008/9. The Group does not expect to resume paying cash dividends on ordinary stock until more favourable economic and financial conditions return. We believe that this is the correct course of action at this time and will benefit stockholders in the medium term.

We have increased our core Tier 1 ratio from 5.7% in March 2008 to 6.3% in September 2008 and our Tier 1 ratio from 8.1% in March 2008 to 8.7% in September 2008. Market expectations for capital ratios have been increased in the current uncertain and more volatile environment. Against this background, our strategy is to further strengthen our capital and we will achieve this through use of a range of options including controlling risk weighted asset growth, selective balance sheet deleveraging, some non-core asset disposals and earnings retentions.

Outlook

Looking to 31 March 2009, continuing elevated wholesale funding costs, volatility in financial markets and reduced levels of new business activity will result in reduced revenue generation for the full year. We will rigorously manage our cost base, and will continue to take action to further align our costs to an environment of lower levels of activity and revenues. We expect our impairment charge on loans and advances to customers to be at the lower end of a range of 60 to 75 bps for the year to 31 March 2009. Whilst there is a degree of uncertainty to this outcome, we expect underlying EPS for the second 6 months of our financial year to be marginally better than breakeven.

“As recession impacts our main markets, Bank of Ireland, in common with other financial institutions, faces the inevitable consequences of lower income and increasing loan impairment losses. In this much more challenging environment, we have clear strategies to manage and improve our position in the key areas of capital, funding, asset quality and costs. While stockholders have seen a painful fall in the value of their holdings in Bank of Ireland, and regrettably the necessary elimination of dividends, they can be assured that this institution is being managed in a way that has their interests at heart. Our strategy in managing our way through this difficult time will ensure the future of the Bank and our ability to continue to support our customers and provide a meaningful return to our stockholders in the medium term.”

Richard Burrows, Governor, Bank of Ireland Group, commented

Review of Group Performance

Group Income Statement	6 months ended	6 months ended	Change %
	30 September	30 September	
	2008	2007	
	€m	€m	
Net interest income	1,949	1,532	27
Other income	54	515	(90)
Total operating income (net of insurance claims)	2,003	2,047	(2)
Operating expenses	(1,036)	(1,050)	(1)
Operating profit before impairment losses	967	997	(3)
Impairment losses - loans and advances to customers	(267)	(79)	(238)
Impairment losses - available for sale financial assets	(40)	-	
Share of (loss) / profit from associated undertakings and joint ventures (post tax)	(10)	33	
Underlying profit before tax	650	951	(32)
Non-core items			
Add:			
· Investment return on treasury stock held for policyholders*	77	105	
· Profit on disposal of business assets	-	33	
Deduct:			
· Gross-up for policyholder tax in the Life business	(18)	9	
· Hedge ineffectiveness on transition to IFRS	(3)	(3)	
· Cost of restructuring programme	-	(4)	
Profit before tax	706	1,091	(35)
Taxation	(95)	(164)	(42)
Minority interest	20	(1)	
Dividends to other equity interest	(5)	(7)	(29)
Profit attributable to ordinary stockholders	626	919	(32)

* Under accounting rules, the Group income statement impact of Bank of Ireland stock held by BoI Life policyholders is excluded. The amount above reflects the impact of the stock price movement between 31 March 2008 and 30 September 2008. Units of stock held at 30 September 2008 were 14 million (31 March 2008: 19 million, 30 September 2007: 27 million).

Cost / income ratio 52% 51%

The following commentary is based on the Group's performance excluding the impact of non-core items. A reconciliation of the impact of these non-core items on the income statement line items is shown on pages 26 and 27 of this document.

Income

Total income is down 2% to €2,003 million for the 6 months ended 30 September 2008 compared to €2,047 million for the 6 months ended 30 September 2007.

Total income	6 months ended	6 months ended	Change %
	30 September	30 September	
	2008	2007	
	€m	€m	
Total operating income	2,003	2,047	(2)

Income (continued)

Net interest income and 'other income' are affected by a number of IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at fair value through profit or loss.

Where assets or liabilities have been designated at fair value through profit or loss, the total fair value movements on these items, including net interest income, are reported in 'other income'. However, the funding costs of the assets and the interest income on the liabilities are reported in 'net interest income'. In addition, debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is managed using derivative instruments - the interest element on the debt issued impacts 'net interest income' while the fair value moves on the derivative instruments, including net interest income, are reported in 'other income'.

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

Net interest income / Net interest margin	6 months ended	6 months ended	Change %
	30 September	30 September	
	2008	2007	
	€m	€m	
Net interest income	1,949	1,532	27
IFRS income classifications	(431)	(111)	
Net interest income excluding IFRS income classifications	1,518	1,421	7
Average interest earning assets (€billion)	178	173	3
Net interest margin	1.71%	1.64%	7bps

Growth in net interest income was driven by margin growth and volume growth in loans and deposits across the Group. Loans and advances to customers increased by 8% and customer deposits grew by 19%. The lending growth, primarily in the Capital Markets and UK Financial Services Divisions, largely reflects the momentum resulting from a very strong pipeline developed in the second half of our prior financial year. The strong deposit growth reflects our focused deposit gathering drive.

The Group net interest margin increased by 7bps to 1.71% for the 6 months ended 30 September 2008 from 1.64% for the 6 months ended 30 September 2007. The key drivers of margin growth were:

- balance sheet structure where average deposit growth exceeded average lending growth for the 6 month period, and improved asset mix which increased margins by 6bps;
 - the managed step down in balance sheet gearing that took place in the latter part of 2007/08 which improved margins by 4bps;
 - improved lending margins which contributed 3bps;
- Offset by:
- higher funding costs arising from market dislocation that was not as significant a feature in the comparable prior period, decreasing margin by 5bps.
 - increased competition for deposits which reduced margins by 1bp.

Other income	6 months ended	6 months ended	Change %
	30 September	30 September	
	2008	2007	
	€m	€m	
Other income	54	515	(90)
IFRS income classifications	431	111	
Other income excluding IFRS income classifications	485	626	(23)

'Other income' decreased by 23% for the 6 months ended 30 September 2008 compared to the comparable prior period. The drivers of this reduction include lower fees in the Business and Corporate Banking businesses, lower management and performance fees in the Asset Management businesses, a significant negative investment valuation variance (€63 million) in Bank of Ireland Life due to weaker global equity markets together with the cost to unwind customer risk positions following the Lehmans collapse in mid September 2008.

Operating Expenses

Operating expenses decreased by 1% in the 6 months ended 30 September 2008. Efficiency improvements remain a core focus across the Group. Despite the reduction in costs compared to the comparable prior period, the cost / income ratio increased by 1 percentage point from 51% in the 6 months ended 30 September 2007 to 52% in the 6 months ended 30 September 2008 as a result of lower income.

Operating expenses	6 months ended	6 months ended	Change %
	30 September 2008	30 September 2007	
	€bn	€bn	
Staff costs	601	622	(3)
Non-staff costs	435	428	2
Total operating expenses	1,036	1,050	(1)

Staff costs are down 3% due primarily to lower headcount, partly offset by higher pension costs. Despite the impact of inflation, non-staff costs increased by 2% as a result of continuing control of discretionary spend together with a number of initiatives which have focused on driving sustainable cost reduction.

Loans and Advances to Customers

Group loans and advances to customers at 30 September 2008 were €144.3 billion (net of impairment provisions of €0.8 billion) compared to €133.1 billion (net of impairment provisions €0.5 billion) at 30 September 2007, an 8% increase.

Loans and Advances to Customers – book composition

The following table analyses the loan book by portfolio:

Portfolio	Loans and advances to Customers 30 September 2008		
	€bn	€bn	%
Residential mortgages		63.4	44%
Small & Medium Enterprise (SME) / Corporate (non property)		36.4	25%
Property and Construction:			
- Investment	24.9		
- Development	7.7		
- Land bank	5.4	38.0	26%
Consumer – unsecured		5.9	4%
Other		1.4	1%
Total Loans and Advances to Customers		145.1	100%

44% of the Group loan book comprises residential mortgages in Ireland and the UK (43% of which is in Ireland and 57% in the UK).

25% of the Group loan book is non-property related lending to small and medium sized businesses and larger corporates and is well diversified across industries and geographies.

26% of the Group loan book comprises exposure to property lending. Of this, 66% or €24.9 billion is investment property lending with the remaining 34% or €13.1 billion being exposures to the following segments:

- Residential property development lending of €5.1 billion – €2.3 billion in the Republic of Ireland with the balance in the UK.
- Commercial property development lending of €2.6 billion – €1.3 billion in the Republic of Ireland with the balance in the UK.
- Land bank of €5.4 billion – €3.5 billion in the Republic of Ireland with the balance in the UK.

Loans and Advances to Customers (continued)

Loans and Advances to Customers – asset quality

The Group classifies loans as ‘financial assets neither past due nor impaired’, ‘financial assets past due but not impaired’ and ‘impaired financial assets’ in line with the requirements of IFRS7. Loans and advances to customers within ‘financial assets neither past due nor impaired’ are assigned an internal credit grade by the Group based on an assessment of the credit quality of the borrower and these ratings are summarised below:

- High quality - loans and advances to highly rated obligors, strong corporate counterparties and personal borrowers (including residential mortgages) with whom the Group has an excellent repayment experience;
- Satisfactory quality - good quality loans that are performing as expected, including loans and advances to small and medium sized enterprises, leveraged entities and more recently established businesses;
- Acceptable quality - 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;
- Lower quality but not past due nor impaired - those loans that are neither in arrears nor expected to result in loss but where the Group requires a work down / work out of the relationship unless an early reduction in risk is achievable.

‘Past due but not impaired loans’ and ‘impaired loans’ are defined as follows:

- Past due but not impaired loans - loans where repayment of interest and / or principal are overdue by at least one day but for which the Group does not expect to incur a loss;
- Impaired loans - loans with a specific impairment provision attaching to them together with loans (excluding residential mortgages) which are more than 90 days in arrears.

Asset quality – loans and advances to customers	30 September 2008		31 March 2008	
	€m	%	€m	%
High quality	81,553	56.2%	77,952	57.2%
Satisfactory quality	46,076	31.8%	47,091	34.5%
Acceptable quality	9,791	6.7%	6,527	4.8%
Lower quality but not past due nor impaired	1,386	1.0%	683	0.5%
Neither past due nor impaired	138,806	95.7%	132,253	97.0%
Past due but not impaired	4,416	3.0%	3,019	2.2%
Impaired	1,908	1.3%	1,062	0.8%
Total loans and advances to customers	145,130	100.0%	136,334	100.0%

95.7% of loans and advances to customers at 30 September 2008 were classified as ‘neither past due nor impaired’, compared to 97% at 31 March 2008.

Impaired loans	30 September 2008		31 March 2008		30 September 2007	
	€m	bps	€m	bps	€m	bps
Retail Republic of Ireland	988	178	642	119	508	98
Capital Markets	332	115	193	69	151	63
UK Financial Services	588	97	227	40	110	19
Group	1,908	131	1,062	78	769	58

Impaired loans increased from €1,062 million at 31 March 2008 to €1,908 million at 30 September 2008, or from 78bps to 131bps of total loans. The increase in impaired loans reflects a deterioration in general economic conditions, weaker consumer sentiment and a continued slowdown in the property and construction sectors both in Ireland and the UK.

In Retail Republic of Ireland impaired loans increased from €642 million at 31 March 2008 to €988 million at 30 September 2008 or from 119bps to 178bps of total Divisional lending. This trend in credit quality is due to the continued slowdown in the property and construction sectors and the overall deterioration in the level of economic activity. Within the Business Banking portfolio, the sharp slowdown in residential property development activity has created challenges for a number of mid tier participants in this sector.

Loans and Advances to Customers (continued)

In Capital Markets impaired loans increased from €193 million at 31 March 2008 to €332 million at 30 September 2008 representing an increase from 69bps to 115bps of total Divisional lending again reflecting further slowdown in the property and construction sectors and the overall slowdown in the level of economic activity.

In UK Financial Services impaired loans increased from €227 million at 31 March 2008 to €588 million at 30 September 2008 or from 40bps at 31 March 2008 to 97bps of total Divisional lending at 30 September 2008. This increase is due to the impact of the slowing economic environment in the UK and the declining trend in the UK property market.

Balance sheet impairment provisions	30 September 2008	31 March 2008	30 September 2007
Impairment provisions (€millions)	841	596	482
Impaired loans as a % of total loans	131bps	78bps	58bps
Impairment provisions as a % of total loans	58bps	44bps	36bps
<ul style="list-style-type: none"> • <i>Impairment provisions (mortgages) as a % of mortgage loans</i> • <i>Impairment provisions (non-mortgages) as a % of non-mortgage loans</i> 	6bps	3bps	3bps
	98bps	76bps	64bps
Impairment provisions as a % of impaired loans	44%	56%	63%

Total balance sheet provisions against loans and advances to customers were €841 million at 30 September 2008, compared to €596 million at 31 March 2008. Impairment provisions as a percentage of total loans were 58bps, the ratio being 6bps for the Group mortgage book and 98bps for non-mortgage lending. The reduction in impairment provisions as a percentage of impaired loans reflects a higher proportion of impaired collateralised loans at 30 September 2008 compared to prior periods. These loans due, to their collateralised nature, require lower provisioning and impact the coverage ratio accordingly.

	6 months ended 30 September 2008		6 months ended 31 March 2008		6 months ended 30 September 2007	
	€m	bps*	€m	bps*	€m	bps*
Group impairment charge						
Specific impairment (net of provision write backs)	239	34	148	21	67	10
Incurred but not reported (IBNR)	31	4	11	2	19	3
Recoveries	(3)	-	(6)	(1)	(7)	(1)
Total impairment loss charge	267	38	153	22	79	12

* = annualised basis point charge

The split of the Group impairment charge in bps for the 6 months ended 30 September 2008 by portfolio is as follows:

	Loans & advances to customers €bn	Impairment bps *
Residential mortgages	63.4	4bps
Small & Medium Enterprise / Corporate (non property)	36.4	44bps
Property and Construction	38.0	65bps
Consumer	5.9	179bps
Other	1.4	-
	145.1	38bps

* = annualised basis point charge

The Group impairment charge for the 6 months ended 30 September 2008 amounted to €267 million or 38bps annualised, when expressed as a percentage of average loans and advances to customers. The charge was 16bps annualised, higher than the charge for the 6 months ended 31 March 2008. This higher charge reflected the impact of the rapid deterioration in general economic conditions, consequent loan grade degradation and severe weakening in the property and construction sectors, both in the Republic of Ireland and UK.

Loans and Advances to Customers (continued)

	6 months ended 30 September 2008		6 months ended 31 March 2008		6 months ended 30 September 2007	
	€m	bps*	€m	bps*	€m	bps*
Divisional impairment charge						
Retail Republic of Ireland	114	42	89	35	57	23
Capital Markets	66	48	42	34	11	8
UK Financial Services	87	29	22	7	11	4
Group	267	38	153	22	79	12

* = annualised basis point charge

In Retail Republic of Ireland the impairment charge for the 6 months ended 30 September 2008 was 42bps annualised, of average loans compared to 35bps for the 6 months ended 31 March 2008 and 23bps for the 6 months ended 30 September 2007. Mortgage impairment losses are negligible. Of the increased impairment charge, September 2008 over September 2007, 20% relates to Consumer Lending, with the balance across small business, and property and construction loans, driven by the slowdown in the economy and a deterioration in the property sector.

In Capital Markets asset quality deteriorated with an impairment charge for the 6 months ended 30 September 2008 of 48bps annualised, up from 34bps annualised, for the 6 months ended 31 March 2008 and 8bps for the 6 months ended 30 September 2007. Of the increased impairment charge, 70% relates to some specific provisions together with grade degradation in the property lending portfolio.

The impairment charge in UK Financial Services for the 6 months ended 30 September 2008 has increased to 29bps annualised, up from 7bps annualised, for the 6 months ended 31 March 2008 and 4bps for the 6 months ended 30 September 2007. The impairment charge, September 2008 over September 2007, relating to the mortgage portfolio remains modest at 6bps of average residential mortgages or 13% of the increased divisional charge. The balance of the increase arises in the property development lending portfolio.

The Group's approach to management of balances in arrears and identification of impaired loans has always been rigorous, with a focus on early intervention and proactive management of accounts. In the light of slower lending growth, the Group has redeployed significant resources from loan origination into active management of existing loans which has further strengthened its proactive approach to management of past due and impaired loans and is a key risk mitigant for the Group. This intense focus on loan management has also provided the Group with a very comprehensive basis for assessing the adequacy of loan impairment provisions at 30 September 2008 and their potential development looking forward. The deterioration in general economic conditions, weaker consumer sentiment and decline in the property and construction sectors both in Ireland and the UK over recent months have been reflected in the increasing trend in impairment provisions booked to 30 September 2008. However it is clear that since mid to end September 2008, there has been a significant step up in the level of expected deterioration looking forward. In line with this, the Group now expects, in the year to March 2009, to incur impairment losses on loans and advances to customers at the lower end of a range of 60 to 75 bps, reflecting an expectation of loan losses of c.8bps on residential mortgages, c.135 bps on property & construction, c.50bps on SME/Corporate and c.210bps on consumer portfolios. Looking forward to March 2010, while there is uncertainty, the Group expects loan impairment losses to be within the range of 90 to 110bps.

Available for Sale Financial Assets

At 30 September 2008 the Group's portfolio of available for sale (AFS) financial assets amounted to €27.7 billion (31 March 2008: €29.3 billion, 30 September 2007: €33.5 billion). The Liquid Asset Portfolio comprises €25.0 billion of the total AFS financial assets; €1.4 billion in government bonds and €23.6 billion in senior bank debt. The other AFS assets of €2.7 billion are Asset Backed Securities (ABS) comprising Commercial Mortgage Backed Securities (CMBS) of €0.9 billion, Residential Mortgage Backed Securities (RMBS) of €0.7 billion, Student loans, SME loans, Whole business ABS and syndication loans totaling €1.1 billion and Collateralised Debt Obligations (CDOs) of €0.04 billion.

The Group expects to retain its AFS assets until maturity and, under IFRS, they are marked to market through reserves.

The collapse of Washington Mutual and their default on their senior bank debt instruments resulted in an impairment of €40 million in the AFS portfolio and this has been charged through the income statement in the 6 months ended 30 September 2008.

Available for Sale Financial Assets (continued)

In early October 2008 a number of the Icelandic banks were nationalised. The Group has exposure of €27 million to these banks. Any impairment loss on these exposures will be recognised in the financial statements for the year ended 31 March 2009.

The following table quantifies the exposure to each asset class and the impact of market dislocation on valuations at 30 September 2008.

Portfolio	Volume	Asset Type	Profile	Balance Sheet (AFS Reserve) and Income Statement impact (where applicable)	Fair Value expressed as % of Underlying Nominal
Liquid Asset Portfolio	€25.0 billion (31 March 2008: €26.4 billion)	€1.4 billion government bonds (31 March 2008: €1.8 billion)	> 97% AAA rated	Mark to market negative impact of €4 million on reserves No impairment	102.7% (31 March 2008: 103.2%)
		€23.6 billion - senior bank debt (€17.9 billion), covered bonds (€5.0 billion) and other (€0.7 billion) (31 March 2008: €24.6 billion)	FRNs / CP / CDs / Covered Bonds Average AA-rating	Mark to market negative impact of €568 million on reserves Cumulative €40 million impairment through income statement	96.7% (31 March 2008: 98.4%)
Asset Back Securities (ABS)	€2.7 billion (31 March 2008: €2.9 billion)	€0.7 billion RMBS (31 March 2008: €0.8 billion)	94% AAA/AA rated; All prime; 3.9% US	Mark to market negative impact of €250 million on reserves Cumulative €7 million impairment through income statement	90.0% (31 March 2008: 94.4%)
		€0.9 billion CMBS (31 March 2008: €0.9 billion)	84% AAA/AA rated; 10% US		
		€0.3 billion Student loans / SME loans / Whole business ABS (31 March 2008: €0.4 billion)	98% AAA / AA / A rated		
		€0.1 billion in lease receivables (31 March 2008: €0.1 billion)	96% AAA/AA rated		
		€0.5 billion corporate and syndication loans (31 March 2008: €0.4 billion)	Corporates (not rated)		
		€0.2 billion other categories (31 March 2008: €0.4 billion)	96% AAA / AA rated		
		€40 million CDOs - €30 million relates to the Group's own CDO which is consolidated (31 March 2008: €43 million)	€7 million US subprime		

The Group has no direct exposure to US subprime asset backed securities and a €7 million indirect exposure to this asset class through ABS CDOs.

Trading Securities

The Group holds a portfolio of bonds for trading purposes typically taking positions in financial and corporate risk with ratings between investment grade AAA and BBB (average rating A). The value of the portfolio at 30 September 2008 was €105 million (31 March 2008: €19 million, 30 September 2007: €1,031 million). In the 6 months ended 30 September 2008 this portfolio recorded a profit of €2 million and this is included in the income statement.

Share of Associated undertakings and Joint Ventures

Profit after tax from associated undertakings and joint ventures, which relates primarily to a joint venture with First Rate Exchange Services (FRES) and to the Group's investment in a property unit trust have reduced from a profit of €33 million for the 6 months ended 30 September 2007 to a loss of €10 million for the 6 months ended 30 September 2008.

FRES profit after tax increased to £24 million (€30 million) in the 6 months ended 30 September 2008 from £23 million (€34 million) in the 6 months ended 30 September 2007.

The Group also has a stake, through a joint venture, in a property unit trust that holds an investment in a UK retail property. This interest, while acquired by the Group to sell onto private investors, remains on the Group's balance sheet.

The decline in the property market has led to a fall in the value of this interest, which is reflected in the income statement for the 6 months ended 30 September 2008. The net impact on the profit attributable to stockholders from this transaction is a loss of €18 million which is reflected in the following lines in the income statement:

	6 months ended 30 September 2008 €m
Share of loss of associated undertakings and joint ventures	(40)
Taxation	2
Attributable to minority interests	20
Net impact on profit attributable to ordinary stockholders	<u>(18)</u>

Balance Sheet – Capital and Funding

Total assets increased by 2% from €200 billion at 30 September 2007 to €204 billion at 30 September 2008. Risk weighted assets (RWA) as measured under Basel II reduced to €16 billion at 30 September 2008, compared to €17 billion at 31 March 2008.

New business momentum from the prior financial year continued into the current reporting period with deposit and lending growth of 19% and 8% respectively between 30 September 2007 and 30 September 2008. Strong deposit growth reflects a focused deposit gathering drive and continuing concentration on strengthening key funding metrics in the ongoing challenging financial markets. The key enabler in the deposit strategy is the Group's distribution capability:

- In Ireland the Group has a broad distribution platform with a network of 276 branches;
- In the UK deposits are gathered through teams of relationship driven business bankers across 11 business hubs; and retail deposits are gathered through the joint venture with the UK Post Office where the Group benefits from the significant UK Post Office branch network;
- Through treasury offices in Dublin, Belfast, London and Bristol and branches in Paris, Frankfurt and the US a significant pool of high quality corporate and institutional deposits is accessed – many arising from the Group's broader lending and treasury management relationships.

Balance Sheet – Capital and Funding (continued)

Lending growth, primarily delivered in the Capital Markets and UK Financial Services Divisions, largely reflects the momentum resulting from the very strong pipeline developed in the prior financial year. In the second 3 months of the current reporting period, a selective approach to new business lending against a slowing economic backdrop, and an objective of managing to achieve key capital and funding targets, has resulted in a controlled slowdown in new lending activity in these Divisions. The pace of lending growth is expected to slow further in the 6 months to 31 March 2009.

€billion	Loans & Advances to Customers (net of provisions)			Customer Deposits		
	30	31	30	30	31	30
	September 2008	March 2008	September 2007	September 2008	March 2008	September 2007
Retail Republic of Ireland	55	54	51	33	33	32
Capital Markets	29	27	24	33	32	23
UK Financial Services (euro equivalent)	60	55	58	25	21	21
Group	144	136	133	91	86	76

Risk Weighted Assets	30 September 2008 €billion	31 March 2008 €billion
Retail Republic of Ireland	35	35
Capital Markets	48	45
UK Financial Services (euro equivalent)	33	37
Group	116	117

Capital

The Group's capital ratios have increased in the 6 months ended 30 September 2008; core Tier 1 ratio: 6.3% (31 March 2008: 5.7%), Tier 1 ratio: 8.7% (31 March 2008: 8.1%) and Total capital ratio: 12.2% (31 March 2008: 11.1%).

These increases reflect the benefit of retained earnings, the issue of Stg£450 million lower Tier 2 capital in August 2008 and the transition of more portfolios from standardised to Foundation Internal Ratings Based (FIRB) approach under the Basel II framework, partly offset by increased risk weighted assets due to volume growth.

	30 September 2008 Basel II	31 March 2008 Basel II
Risk weighted assets (€billion)	116	117
Total capital (€billion)	14.2	13.0
Total capital ratio	12.2%	11.1%
Tier 1 ratio	8.7%	8.1%
Core Tier 1 ratio	6.3%	5.7%

During the 6 months ended 30 September 2008 the Group issued Stg£450 million dated callable Step-up fixed / floating rate subordinated notes due September 2020 to increase its lower Tier 2 capital.

Funding

Wholesale funding at 30 September 2008 at €78 billion (41% of the total Group balance sheet excluding Bank of Ireland Life assets held on behalf of policyholders) compares to €75 billion at 31 March 2008 (41% of the total Group balance sheet excluding Bank of Ireland Life assets held on behalf of policyholders) and €85 billion at 30 September 2007 (46% of the total Group balance sheet excluding Bank of Ireland assets held on behalf of policyholders).

Funding (continued)

Balance Sheet Funding	30 September 2008		31 March 2008		30 September 2007	
	€billion	%	€billion	%	€billion	%
Deposits by banks	17	9	14	8	19	10
Commercial Paper / Certificates of Deposit	29	15	27	15	27	15
Securitisations	7	4	8	4	10	5
Senior Debt / Asset Covered Securities	25	13	26	14	29	16
Wholesale Funding	78	41	75	41	85	46
Customer Deposits	91	47	86	47	76	41
Capital / Subordinated Debt	15	8	14	8	15	8
Other	8	4	10	4	10	5
Total	192	100	185	100	186	100

Bank of Ireland's funding position remains strong with significant growth in customer deposits in the 6 months ended 30 September 2008. The Group customer deposits base has grown by 5% since 31 March 2008, supported by the Group's leading Irish customer franchise and a presence in targeted customer segments internationally.

Customer Deposits	30 September 2008	30 September 2008
	€billion	growth over 31 March 2008 %
Retail Republic of Ireland	33	-
Capital Markets	33	1
UK Financial Services (euro equivalent)	25	19
Group	91	5

From 1 April 2008 to mid September 2008, Bank of Ireland had continued good access to the wholesale funding markets for both short and longer term maturities through its comprehensive range of funding programmes across a wide range of investor classes and jurisdictions.

€5.7 billion of term funding with a maturity of one year or greater was raised including a €1.25 billion senior unsecured 2 year floating rate note in June 2008 – the first public benchmark size senior unsecured trade from an Irish issuer since July 2007. The weighted cost of term funding raised during the 6 month period was 52 bps over 3 month Euribor, an increase of 48 bps over the 6 months ended 30 September 2007.

In mid September 2008 conditions in wholesale funding markets globally became extremely difficult with limited access to liquidity across all markets. Interventions by the Federal Reserve, the Bank of England and the European Central Bank have alleviated some of this pressure. More recent weeks have seen evidence of a loosening in liquidity conditions, indicating a marginal improvement in investor confidence and sentiment. Markets are beginning to function more freely at the short end of the maturity spectrum with more limited evidence of this for longer maturities.

At 30 September 2008, wholesale funding as a percentage of the balance sheet (excluding Bank of Ireland Life assets held on behalf of policyholders) at 41% remained at the same level as at 31 March 2008, with term funding (i.e. funding with a maturity greater than one year) accounting for 29% of wholesale funding. The Group continued to finance its customer loan book in a prudent manner with 79% of its loan book funded through customer deposits and wholesale term funding with a maturity greater than one year.

Bank of Ireland operates under the robust 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 over 8 day to one month time horizon. The Group has continued to maintain a liquidity buffer in excess of these requirements.

Bank of Ireland also maintained a strong contingent liquidity strategy during the 6 months ended 30 September 2008 and in this period completed several initiatives to increase its contingent liquidity. The Group has circa €47 billion of eligible collateral of which circa €39 billion would provide immediate access to monetary authorities should liquidity be required.

Stockholder's Equity

	6 months ended 30 September 2008 €m	12 months ended 31 March 2008 €m
Stockholders' equity at beginning of period	6,484	6,724
Movements:		
Profit retained for the period (after dividends)	235	1,074
Reissue of stock / treasury stock	(17)	194
Foreign exchange adjustments (a)	72	(712)
Available for sale (AFS) reserve movements (b)	(403)	(386)
Cash flow hedge reserve movement (c)	(35)	(247)
Pension fund obligations (d)	(38)	(209)
Other movements	84	46
Stockholders' equity at end of period	6,382	6,484

(a) foreign exchange adjustments reflect the impact of any euro related movements on the translation of Sterling and US dollar denominated net investment in foreign subsidiaries.

(b) the AFS reserve movement is driven by the net impact of interest rate changes and the widening of credit spreads on the value of the AFS book of €27.7 billion at 30 September 2008 (€29.3 billion at 31 March 2008). This reserve is expected to reverse as the underlying financial assets mature.

(c) the cash flow hedge reserve movement reflects the impact of changes in interest rates and exchange rates on the mark to market of cash flow hedge accounted derivatives. Over time this balance will flow through the income statement in line with the underlying hedged instruments with no net income statement impact.

(d) movement in pension fund obligations is primarily as a result of changes in key assumptions including discount rate together with the impact of the weakness in global financial markets on the valuation of pension fund assets at the balance sheet reporting date.

Effective Tax Rate

The taxation charge for the Group was €5 million in the 6 months ended 30 September 2008 compared to €164 million in the 6 months ended 30 September 2007. The effective tax rate was 13.5% in the 6 months ended 30 September 2008 compared to 15.1% for the 6 months ended 30 September 2007. The rate has decreased largely as a result of a reduction in the tax charge of BoI Life, together with the effect of the elimination of the investment return on treasury shares held by BoI Life for policyholders. This has been partially offset by an increase in the effective tax rate on profits earned overseas.

Excluding the impact of non-core items, the effective tax rate for the 6 months ended 30 September 2008 was 17.4% (16.0% for the 6 months ended 30 September 2007), due to an increase in the effective tax rate on profits earned overseas.

Dividend

On 17 September 2008 the Group announced its intention to cut the 2008/9 dividend on its ordinary stock by 50%. In light of the significant market turmoil and deteriorating economic environment that has taken place since this announcement, the Directors have concluded that further strengthening the Group's capital ratios is a priority and consequently no dividend on ordinary stock will be paid in 2008/9. The Group does not expect to resume paying cash dividends on ordinary stock until more favourable economic and financial conditions return. We believe that this is the correct course of action at this time and will benefit stockholders in the medium term.

Return on Equity

Return on equity, excluding the impact of non-core items (set out on page 8) was 17% for the 6 months ended 30 September 2008 compared to 22% for the 6 months ended 30 September 2007 and 21% for the year ended 31 March 2008, reflecting reduced profits in the 6 months ended 30 September 2008.

Review of Divisional Performance

Divisional Profit Before Tax	6 months ended	6 months ended	Change %
	30 September 2008	30 September 2007	
	€m	€m	
Retail Republic of Ireland	286	381	(25)
Bank of Ireland Life	3	72	(96)
Capital Markets	283	309	(8)
UK Financial Services	148	240	(38)
Group Centre	(70)	(51)	(37)
Underlying profit before tax	650	951	(32)
Non-core items	56	140	
Profit before tax	706	1,091	(35)

Retail Republic of Ireland

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

The 6 months ended 30 September 2008 were particularly challenging for the Retail businesses which were adversely impacted by the rapid and severe slowdown in the Irish economy, the downturn in residential and commercial property markets, the effect of stock market weakness on the sale of investment products and the continued dislocation in financial markets.

Retail Republic of Ireland delivered profit before tax of €286 million in the 6 months ended 30 September 2008, down 25% on the comparable prior period. Operating profit of €440 million before impairment losses is up 1% on the comparable prior period. Total operating income was 2% lower and total operating expenses were down by 4%, giving a positive cost / income jaws of 2%.

Retail Republic of Ireland: Income Statement	6 months ended	6 months ended	Change %
	30 September 2008	30 September 2007	
	€m	€m	
Net interest income	737	708	4
Other income	181	226	(20)
Total operating income	918	934	(2)
Total operating expenses	(478)	(496)	(4)
Operating profit before impairment losses	440	438	1
Impairment losses on loans and advances	(114)	(57)	
Share of associated undertakings and joint ventures	(40)	-	
Profit before tax	286	381	(25)

Cost / income ratio 54% 53%

	30 September	30 September	Change %
	2008	2007	
	€m	€m	
Loans and advances to customers	55	51	7
Customer deposits (deposits and current account balances)	33	32	2

Retail Republic of Ireland (continued)

Net interest income increased by 4% reflecting higher volumes offset by a reduction in net interest margin. In line with overall market trends, book growth for both mortgages and other lending of 7% and 8% respectively, giving total loan book growth of 7%, was significantly lower than the comparable prior period. Through product innovation, distribution capability and strength of brand, Retail increased its market share of the deposit market but strong deposit growth was partly offset by a decline in credit balances on current accounts.

Higher funding costs associated with market dislocation, higher lending growth compared with deposits and some narrowing of product margins contributed to net interest margin attrition of 11 bps.

The weakness in global equity and property markets resulted in substantially reduced inflows into investment products with a significant impact on the income of the private banking business. Fee income in general insurance, credit cards and branch banking were adversely impacted by the economic downturn. The impact of these factors was partly offset by the distribution by Visa International following its Initial Public Offering (IPO) resulting in an overall 20% decrease in 'other income'.

Operating expenses are down 4% in the 6 months ended 30 September 2008. Very tight management of costs has resulted in a reduction in staffing levels as well as significant savings in non-staff costs.

The impairment loss charge for the 6 months ended 30 September 2008 was 42bps annualised, of average loans compared to 35bps for the 6 months ended 31 March 2008 and 23bps for the 6 months ended 30 September 2007. Mortgage impairment losses are negligible - 3 month arrears in the mortgage book were 91bps at 30 September 2008 (31 March 2008: 70bps, 30 September 2007: 59bps). Of the increased impairment charge, September 2008 over September 2007, 20% relates to Consumer Lending with the balance across small business, and property and construction loans driven by the slowdown in the economy and a deterioration in the property and construction sector.

Share of associated undertakings and joint ventures represents the Group's stake in a property unit trust which holds an investment in a UK retail property. This is dealt with in more detail in the section "Share of associated undertakings and joint ventures" (see page 15).

Bank of Ireland Life

Operating profit has fallen by 20% to €66 million for the 6 months ended 30 September 2008. Continued volatility in global equity markets has contributed to lower sales, particularly in the single premium market. Funds under management have fallen due to weakness in investment markets, and higher policy redemptions as retail investors are increasingly seeking the safe haven of cash. Against a more uncertain backdrop, Bank of Ireland Life has maintained a tight focus on costs with overall costs flat compared to the comparable prior period.

Profit before tax was further impacted by a negative investment valuation variance of €63 million arising from the significant weakness in global equity markets.

Bank of Ireland Life: Income Statement (IFRS performance)	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Change %
Operating income	120	137	(12)
Operating costs	(54)	(54)	-
Operating profit	66	83	(20)
Investment valuation variance	(63)	(5)	
Discount and other rate changes	-	(6)	
Profit before tax	3	72	(96)

Consistent with long term bond yields, the discount rate applied to future cashflows was 8.0% in the 6 months ended 30 September 2008 (the prior year includes the impact of an increase in the discount rate to 8.0% from 7.5%).

Embedded Value Performance

The alternative method of presenting the performance of the Life business is on an Embedded Value basis. This method is widely used in the life assurance industry. Under this approach, Bank of Ireland Life shows operating profit of €52 million for the 6 months ended 30 September 2008 (30 September 2007: €100 million). New business profits were €29 million for the 6 months ended 30 September 2008 compared to €56 million for the comparable prior period reflecting lower sales on the back of the significant weakness and volatility of global equity markets. Existing business profits (net of intercompany payments) were €23 million for the 6 months ended 30 September 2008 compared to €44 million for the 6 months ended 30 September 2007 principally reflecting poorer product persistency.

On an embedded value basis, Bank of Ireland Life made a loss before tax of €44 million for the 6 months ended 30 September 2008 (30 September 2007: Profit before tax €81 million) as a result of a negative investment valuation variance of €96 million (30 September 2007: €18 million negative).

Capital Markets

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

Capital Markets: Income Statement	6 months ended 30 September 2008	6 months ended 30 September 2007	Change %	Excluding impact of IFRS classifications %
	€m	€m		
Net interest income	841	419		46
Other income	(256)	100		(36)
Total operating income	585	519	13	13
Total operating expenses	(196)	(199)	(2)	(2)
Operating profit before impairment losses	389	320	22	22
Impairment losses on loans and advances	(66)	(11)		
Impairment losses on AFS financial assets	(40)	-		
Profit before tax	283	309	(8)	(8)
Cost / income ratio	34%	38%		

	30 September 2008	30 September 2007	Change %
	€m	€m	
Loans and advances to customers	29	24	22
Customer deposits	33	23	44

Capital Markets' profit before tax of €283 million reduced by 8% over the comparable prior period while operating profit before impairment losses was 22% higher at €389 million. Operating income at €585 million was up 13% due to strong performances in both Corporate Banking and Global Markets. The focus on cost management resulted in costs of €196 million which were 2% lower than the comparable prior period with a cost / income ratio of 34% against 38% for the comparable prior period.

Lending growth largely reflects the momentum resulting from the very strong pipeline developed in the second half of the prior financial year. In the second 3 months of the current reporting period, a selective approach to new business lending together with the impact of slower economic growth have resulted in a slowdown in new lending activity in the division. The pace of lending growth is expected to slow further in the 6 months to 31 March 2009. The focus on deposit gathering delivered very strong results with deposits increasing by 44% over the past twelve months. Through the Group's treasury offices in Dublin, London, Belfast and Bristol together with branches in Paris, Frankfurt and the US a significant pool of high quality corporate and institutional deposits was accessed, many arising from the Group's broader lending and treasury management relationships.

Asset quality deteriorated with an impairment charge for the 6 months ended 30 September 2008 of 48bps annualised, up from 34bps annualised, for the 6 months ended 31 March 2008 and 8bps for 6 months ended 30 September 2007. Of the increased impairment charge, September 2008 over September 2007, 70% relates to some specific provisions together with grade degradation in the property lending portfolio. In addition, within the AFS financial assets portfolio an impairment loss was incurred in relation to an investment in senior bank paper of Washington Mutual which collapsed in September 2008. This impairment amounted to €40 million.

Capital Markets (continued)

Capital Markets: Business Unit Profit Before Tax	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Change %
Corporate Banking	211	187	13
Global Markets	84	93	(10)
Asset Management Services	(10)	33	-
Division Centre	(2)	(4)	-
Profit before tax	283	309	(8)

Corporate Banking delivered a strong performance with profit before tax of €211 million for the 6 months ended 30 September 2008, up 13% over the comparable prior period. Strong volume growth and improved margins, and a tight cost focus have driven this performance, partly offset by the increased impairment charge.

Global Markets delivers a comprehensive range of risk management products to the Group's customer base and acts as Treasurer for the Group. Profit before tax for the 6 months ended 30 September 2008 was negatively impacted by an AFS financial asset impairment of €40 million relating to senior debt issued by Washington Mutual together with €7 million costs associated with the collapse of Lehmans partly offset by a gain of €7 million arising from the widening in the credit spread of the Group's structured liabilities. The performance of the markets / trading teams has been very strong in volatile market conditions and the customer business has delivered a satisfactory performance in the slowing economic environment.

Asset Management Services reported a loss of €10 million compared to a profit of €33 million for the comparable prior period. Lower income due to reduced assets under management caused by weaknesses in global investment markets, together with a cost of €32 million to unwind customer risk positions following the Lehmans collapse in September 2008, contributed to the reduction.

Division Centre includes central management costs and IBI Corporate Finance.

UK Financial Services (Sterling)

Profits in the UK Financial Services (UKFS) Division, which incorporates Business Banking, a residential mortgage business and joint ventures with the UK Post Office decreased by 29% to £117 million.

UK Financial Services: Income Statement	6 months ended 30 September 2008	6 months ended 30 September 2007	Change %
	£m	Restated * £m	
Net interest income	308	276	12
Other income	59	54	9
Total operating income	367	330	11
Total operating expenses	(205)	(181)	13
Operating profit before impairment losses	162	149	9
Impairment losses on loans and advances	(69)	(8)	
Share of associated undertakings and joint ventures	24	23	
Profit before tax	117	164	(29)
Profit before tax (euro equivalent)	148	240	(38)

* Divisional PBT performance of UK Financial Services (UKFS) and Group Centre are restated to reflect the corporate restructuring of Bristol & West plc undertaken to obtain the optimum capital and funding treatment for the Group under Basel II. For the 6 months ended 30 September 2007, this restatement reduces the UKFS PBT to £164 million from £175 million and it reduces Group Centre's loss by an equivalent amount.

Cost / income ratio 52% 51%

	30 September 2008	30 September 2007	Change %
	£bn	£bn	
Loans and advances to customers	48	40	19
Customer deposits	20	15	34

Total operating income grew by 11% to £367 million for the 6 months ended 30 September 2008. Net interest income grew by 12% due to improved pricing and volume growth in the lending businesses partially offset by higher funding costs. Loans and advances to customers increased by 19% from £40 billion at 30 September 2007 to £48 billion at 30 September 2008 - this growth was driven by mortgage book growth of 16% and business banking book growth of 22%. Lending growth largely reflects the momentum resulting from the very strong pipeline developed in the second half of the prior financial year and carried into the first 3 months of the current financial year. In the second 3 months of the current reporting period lending growth slowed significantly reflecting slower economic growth in the UK. Strong deposit growth in Post Office Financial Services together with deposit gathering initiatives in Business Banking resulted in year on year deposit growth of 34%.

Growth in 'other income' of 9% was primarily driven by strong performance in the joint ventures with the UK Post Office.

Operating expenses increased by 13% to £205 million for the 6 months ended 30 September 2008 driven by the continued growth in the joint ventures with the UK Post Office, together with the cost of extensive deposit gathering initiatives.

The impairment charge increased to 29bps annualised for the 6 months ended 30 September 2008 from 7bps annualised in the 6 months ended 31 March 2008 and 4bps annualised for the 6 months ended 30 September 2007. The impairment charge, September 2008 over September 2007, relating to the mortgage portfolio remains modest at 6bps of average residential mortgages. The balance of the increase arises primarily in the property development lending portfolio.

UK Financial Services (Sterling) (continued)

UKFS: Business Unit Profit Before Tax	6 months ended 30 September 2008	6 months ended 30 September 2007 Restated *	Change %
	£m	£m	
Business Banking	57	89	(36)
Mortgages	52	64	(19)
Consumer Financial Services	25	24	4
Division Centre	(17)	(13)	(31)
Profit before tax	117	164	(29)

* Divisional PBT performance of UK Financial Services (UKFS) and Group Centre are restated to reflect the corporate restructuring of Bristol & West plc undertaken to obtain the optimum capital and funding treatment for the Group under Basel II. For the 6 months ended 30 September 2007, this restatement reduces the UKFS PBT to £164 million from £175 million and it reduces Group Centre's loss by an equivalent amount.

Profit before tax in Business Banking at £57 million is 36% lower than the comparable prior period largely as a result of a £45 million increase in the level of impairment losses. Operating profit before impairment losses grew by 14%. This performance is driven by strong lending volumes and margins partly offset by deposit margin attrition and higher funding costs.

The Mortgage business delivered profit before tax of £52 million, a reduction of 19% on the comparable prior period, driven by lower early redemption charge income, higher loan losses and increased funding costs – partly offset by volume growth and enhanced margins on new business. At 30 September 2008, the 3 month arrears across standard mortgages were 50bps (31 March 2008: 49bps, 30 September 2007: 51bps). The 3 month arrears in relation to buy to let (BTL) mortgages were 80bps (31 March 2008: 57bps, 30 September 2007: 50bps) while the 3 month arrears in relation to self certified mortgages were 164 bps (March 2008: 139bps, September 2007: 99bps).

Consumer Financial Services which is comprised of joint ventures with the UK Post Office and ancillary retail businesses delivered a profit of £25 million, up 4% on the comparable prior period. Post Office Financial Services grew its deposit base from £2.5 billion at 30 September 2007 to £6.1 billion at 30 September 2008.

Group Centre

Group Centre, which comprises earnings on surplus capital, unallocated support costs and some smaller business units, had a net loss of €70 million in the 6 months ended 30 September 2008, compared to €51 million* in the 6 months ended 30 September 2007. The key drivers behind the higher net loss were higher funding costs, accelerated software depreciation and the increased cost of additional subordinated debt capital.

* Divisional PBT performance of UK Financial Services (UKFS) and Group Centre are restated to reflect the corporate restructuring of Bristol & West plc undertaken to obtain the optimum capital and funding treatment for the Group under Basel II. For the 6 months ended 30 September 2007, this restatement reduces the UKFS PBT to £164 million from £175 million and it reduces Group Centre's loss to €51 million from €68 million.

Income Statement 30 September 2008 – Business Segments

6 months ended 30 September 2008

	Net interest income	Net insurance premium income	Other income	Total income	Insurance contract liabilities and claims paid	Total income, net of insurance claims	Operating expenses	Impairment losses	Share of (loss)/profit of associated undertakings and joint ventures (after-tax)	Profit before taxation
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Retail Republic of Ireland	737	-	181	918	-	918	(478)	(114)	(40)	286
Bank of Ireland Life	(10)	632	(279)	343	(286)	57	(54)	-	-	3
Capital Markets	841	-	(256)	585	-	585	(196)	(106)	-	283
UK Financial Services	388	-	76	464	-	464	(259)	(87)	30	148
Group Centre	(7)	13	(19)	(13)	(8)	(21)	(49)	-	-	(70)
Group – underlying	1,949	645	(297)	2,297	(294)	2,003	(1,036)	(307)	(10)	650
Gross-up of policyholder tax in the Life business	-	-	(18)	(18)	-	(18)	-	-	-	(18)
Investment return on treasury shares held for policyholders	-	-	77	77	-	77	-	-	-	77
Hedge ineffectiveness on transition to IFRS	-	-	(3)	(3)	-	(3)	-	-	-	(3)
Group – total	1,949	645	(241)	2,353	(294)	2,059	(1,036)	(307)	(10)	706

The reconciliation shows the Group and Divisional underlying income statements with a reconciliation of the impact of the non-core items in arriving at the Group total income statement.

Income Statement 30 September 2007 – Business Segments

6 months ended 30 September 2007 (Restated *)

	Net interest income	Net insurance premium income	Other income	Total income	Insurance contract liabilities and claims paid	Total income, net of insurance claims	Operating expenses	Impairment losses	Share of (loss)/profit of associated undertakings and joint ventures (after-tax)	Profit before taxation
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Retail Republic of Ireland	708	-	226	934	-	934	(496)	(57)	-	381
Bank of Ireland Life	(3)	1053	(10)	1,040	(914)	126	(54)	-	-	72
Capital Markets	419	-	100	519	-	519	(199)	(11)	-	309
UK Financial Services	403	-	80	483	-	483	(265)	(11)	33	240
Group Centre	5	26	(38)	(7)	(8)	(15)	(36)	-	-	(51)
Group – underlying	1,532	1,079	358	2,969	(922)	2,047	(1,050)	(79)	33	951
Profit on disposal of business assets	-	-	33	33	-	33	-	-	-	33
Gross-up of policyholder tax in the Life business	-	-	9	9	-	9	-	-	-	9
Investment return on treasury shares held for policyholders	-	-	105	105	-	105	-	-	-	105
Hedge ineffectiveness on transition to IFRS	-	-	(3)	(3)	-	(3)	-	-	-	(3)
Cost of restructuring programme	-	-	-	-	-	-	(4)	-	-	(4)
Group – total	1,532	1,079	502	3,113	(922)	2,191	(1,054)	(79)	33	1,091

* Divisional PBT performance of UK Financial Services (UKFS) and Group Centre are restated to reflect the corporate restructuring of Bristol & West plc undertaken to obtain the optimum capital and funding treatment for the Group under Basel II. For the 6 months ended 30 September 2007, this restatement reduces the UKFS PBT to £164 million (€240 million) from £175 million (€257 million) and it reduces Group Centre's loss to €51 million from €68 million.

RISKS AND UNCERTAINTIES

The Transparency (Directive 2004/109/EC) Regulations 2007 requires the Interim Management Report to include a description of the principal risks and uncertainties for the remaining 6 months of the financial year – this description is set out below.

The overall risks and uncertainties associated with the economic slowdown and the global financial turmoil set out below could impact the Group's performance. Against this deteriorating and challenging environment, in addition to the Group's rigorous management of costs, the Group remains firmly fixed on:

- Strengthening its core Tier 1 and Tier 1 capital ratios
- Improving its key funding ratios
- Actively and prudently managing credit risk

Slowdown in economic activity

As the majority of the Group's earnings are generated in Ireland and the UK, they are affected by the economic conditions that exist in these markets. Underlying economic conditions in these markets have deteriorated with global growth slowing sharply with the Euro zone, UK and US all recently acknowledging that they are entering recession.

Potential higher unemployment levels, deteriorating household finances and sharp falls in residential and commercial property prices are adversely impacting the Group's customers' ability to service their debts. While the Group principally assesses customers on the strength of their household or business cash flows rather than the value of underlying collateral, a failure of these borrowers to operate through the economic cycle combined with falls in collateral values would lead to increased impairment losses. The Interim Management Report provides an indication of expected future levels of impairment losses on page 6.

Another impact of weaker global economic conditions has been the increased volatility and poor performance of investment markets. This uncertainty has a negative effect on investor confidence and impacts the sales of new products. The weakened global investment markets similarly impacts the Group's defined benefit pension schemes.

Finally a prolonged slowdown in economic activity and negative investor sentiment would require the Group to review downwards the forecasts, growth rates and assumptions used in the impairment testing of its goodwill and other intangible assets which would result in a charge to the Group's income statement in certain circumstances.

Global Financial Turmoil

The operating environment for financial institutions globally has experienced a sustained period of turbulence and stress since the onset of the credit crisis in August 2007. The nature and extent of the associated impacts increased significantly in mid September 2008 following the collapse of Lehmans. The pace, nature and extent of the global financial turmoil continues to be very dynamic and this presents a number of risks and uncertainties for the Group:

- A deterioration in the Group's current ability to maintain its core retail and commercial deposit base and to access the wholesale funding markets at reasonable cost would have an adverse impact on its operations.

The Group's strategy is to diversify its funding profile by geography, product, currency and counterparty type. Its core funding is sourced from its retail and commercial deposit base as well as its access to long term capital markets funding. Together these account for 79% of the Group's customer lending at 30 September 2008. The Group operates under the robust Liquidity Regime introduced by the Irish Financial Regulator in July 2007 and the Group continues to maintain a significant liquidity buffer in excess of these requirements. In addition the Group has developed a comprehensive liquidity contingency plan.

The Group participated in the Guarantee Scheme announced by the Irish Government on 30 September 2008. Under this scheme the Irish Government has guaranteed the relevant deposits and debt securities issued by the Group until 29 September 2010. By reducing the uncertainty for depositors and investors this scheme has reduced the risk of material outflows of funding from the Group.

Central Banks globally have taken extensive action to inject additional liquidity into the financial markets. These interventions help to mitigate the liquidity risks facing the Group.

RISKS AND UNCERTAINTIES (CONTINUED)

- Through its available for sale financial assets portfolio, the Group continues to have exposure to financial institutions and corporate entities. Valuations in the future, reflecting the prevailing market conditions at that time, could result in significant changes in the fair values of these instruments which would impact on stockholders' equity but not the level of regulatory capital. Any defaults by these financial institutions or corporate entities could lead to impairment losses on this portfolio. The recent intervention by a number of governments to guarantee the deposits and debt securities issued by their financial institutions has helped to reduce these uncertainties for the period of the relevant guarantees.
- Increased regulation, at either an operational and / or strategic level, could impact the future performance of the Group.

Market risk

Market risk is the risk of loss in the Group's income or net worth arising from potential adverse changes in interest rates, exchange rates, credit spreads, equity, bond and other market prices.

Changes in interest rate levels and spreads could affect the net interest rate margin realised from the Group's borrowing and lending activities with its customers. Changes in currency exchange rates, particularly in the euro / sterling exchange rate, affect, when translated to euros, the value of the Group's assets and liabilities denominated in foreign currencies. Changes in currency exchange rates also impact on the translation of earnings reported by the Group's non euro denominated businesses.

Risk Management

Group risks and risk management processes are set out in detail in the Risk Management section of the Annual Report and Accounts for the year ended 31 March 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Interim Statement in accordance with International Accounting Standard 34 on Interim Financial Reporting (IAS 34) and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

The Directors confirm that the condensed set of financial statements have been prepared in accordance with IAS 34 and that they give a true and fair view of the assets, liabilities, financial position and profit of the Group and that as required by the Transparency (Directive 2004/109/EC) Regulations 2007, the Interim Statement includes a fair review of:

- important events that have occurred during the first 6 months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year (see pages 28 and 29); and
- details of any related party transactions that have materially affected the Group's financial position or performance in the 6 months ended 30 September 2008 (see note 34 to the financial statements).

Richard Burrows
Governor

George Magan
Deputy Governor

Brian J Goggin
Group Chief Executive

John B Clifford
Secretary

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Interest income	2	5,271	5,022	10,397
Interest expense	3	(3,322)	(3,490)	(7,134)
Net interest income		1,949	1,532	3,263
Net insurance premium income	4	645	1,079	1,940
Fees and commissions income	5	376	439	816
Fees and commissions expense		(69)	(89)	(150)
Net trading expense	6	(402)	(94)	(246)
Life assurance investment income and (losses) / gains	7	(250)	36	(826)
Other operating income	8	104	171	238
Total operating income		2,353	3,074	5,035
Insurance contract liabilities and claims paid	9	(294)	(922)	(798)
Total operating income, net of insurance claims		2,059	2,152	4,237
Total operating expenses	10	(1,036)	(1,054)	(2,157)
Operating profit before impairment losses		1,023	1,098	2,080
Impairment losses	20	(307)	(79)	(232)
Operating profit		716	1,019	1,848
Share of (loss) / profit of associated undertakings and joint ventures (after tax)	11	(10)	33	46
Profit on disposal of property		-	39	39
Profit before taxation		706	1,091	1,933
Taxation	12	(95)	(164)	(229)
Profit for the period		611	927	1,704
Attributable to minority interests	33	(20)	1	5
Attributable to stockholders		631	926	1,699
Profit for the period		611	927	1,704
Earnings per unit of €0.64 ordinary stock (cent)	13	63.5c	95.8c	174.6c
Diluted earnings per unit of €0.64 ordinary stock (cent)	13	63.5c	95.4c	173.9c

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
ASSETS				
Cash and balances at central banks		1,652	416	484
Items in the course of collection from other banks		683	792	683
Central government and other eligible bills		10	11	10
Trading securities	15	105	1,031	119
Derivative financial instruments		4,412	3,713	4,568
Other financial assets at fair value through profit or loss	16	10,545	12,904	10,909
Loans and advances to banks	17	8,416	8,556	9,409
Available for sale financial assets	18	27,693	33,453	29,307
Loans and advances to customers	19	144,289	133,078	135,738
Interest in associated undertakings		28	29	28
Interest in joint ventures	21	211	103	70
Intangible assets - goodwill		319	328	293
Intangible assets - other		565	581	570
Investment property	22	1,546	1,393	1,511
Property, plant & equipment		597	655	593
Deferred tax asset		232	30	145
Other assets		2,697	2,782	2,754
Retirement benefit asset	25	17	21	11
Assets classified as held for sale	27	262	45	232
Total assets		204,279	199,921	197,434
EQUITY AND LIABILITIES				
Deposits by banks	23	16,920	18,856	14,130
Customer accounts	24	90,665	76,348	86,234
Items in the course of transmission to other banks		244	274	254
Derivative financial instruments		3,383	3,757	4,322
Liabilities to customers under investment contracts		5,440	6,602	5,662
Debt securities in issue		60,740	66,018	60,842
Insurance contract liabilities		6,849	7,684	7,140
Other liabilities		3,864	4,346	3,535
Provisions		38	59	47
Deferred tax liabilities		101	266	131
Retirement benefit obligations	25	892	372	807
Subordinated liabilities	26	8,476	8,116	7,808
Liabilities classified as held for sale	27	234	-	-
Total liabilities		197,846	192,698	190,912
Equity				
Capital stock	29	664	663	664
Stock premium account	30	775	775	775
Retained earnings	31	5,852	5,456	5,670
Other reserves	32	(760)	588	(400)
Own shares held for the benefit of life assurance policyholders		(149)	(293)	(225)
Stockholders' equity		6,382	7,189	6,484
Minority interests	33	51	34	38
Total equity		6,433	7,223	6,522
Total equity and liabilities		204,279	199,921	197,434

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (UNAUDITED)

	Notes	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Net change in property revaluation reserve	32	1	1	(29)
Net change in cash flow hedge reserve	32	(35)	(57)	(247)
Net change in available for sale reserve	32	(403)	(142)	(386)
Net actuarial (loss) / gain on defined benefit pension funds	31	(38)	167	(209)
Foreign exchange translations gains / (losses)	32	72	(135)	(712)
Net expense recognised in equity		(403)	(166)	(1,583)
Profit for the period		611	927	1,704
Total recognised income for the period		208	761	121
Attributable to:				
Equity holders of the parent		228	760	116
Minority interests	33	(20)	1	5
		208	761	121

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (UNAUDITED)

	Notes	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Cash flows from operating activities				
Profit before taxation		706	1,091	1,933
Share of results of associated undertakings and joint ventures	21	10	(33)	(46)
Profit on disposal of property		-	(39)	(39)
Depreciation and amortisation	10	69	69	137
Provisions for impairment	20	307	79	232
Interest expense on subordinated liabilities and other capital instruments		229	227	450
Charge for share based payments	32	4	6	13
Other non cash items		116	147	112
Cash flows from operating activities before changes in operating assets and liabilities		1,441	1,547	2,792
Net cash flows from operating assets and liabilities		(2,220)	1,506	239
Net cash flow from operating activities before tax and dividends		(779)	3,053	3,031
Taxation paid		(81)	(48)	(276)
Net cash flow from operating activities		(860)	3,005	2,755
Investing activities:				
Net decrease / (increase) in financial investments		1,483	(582)	2,006
Purchase of property, plant and equipment, investment property and intangible assets		(121)	(297)	(892)
Proceeds from disposals of property, plant and equipment, investment property and intangible assets		1	128	134
Dividends received from joint venture	21	24	-	34
Net change in interests in associated undertakings		-	(3)	(3)
Cash flows from investing activities		1,387	(754)	1,279
Financing activities:				
Reissue of treasury stock and issue of ordinary stock		19	100	194
Issue of new subordinated liabilities	26	565	422	439
Reduction in subordinated liabilities	26	-	-	(22)
Interest paid on subordinated liabilities and other capital instruments		(124)	(120)	(450)
Equity dividends paid	31	(387)	(377)	(611)
Dividends on other equity interests	31	(5)	(7)	(14)
Dividends paid to minority interests	33	(3)	(1)	(2)
Cash flows from financing activities		65	17	(466)
Net change in cash and cash equivalents		592	2,268	3,568
Cash and cash equivalents at start of period		7,647	4,297	4,297
Exchange movements		16	(39)	(218)
Closing cash and cash equivalents		8,255	6,526	7,647

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Accounting policies and basis of presentation

The interim financial statements for the 6 months ended 30 September 2008 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as published by the International Accounting Standards Board ('IASB') and adopted by the European Union ('EU'). They should be read in conjunction with the Group's financial statements for the year ended 31 March 2008, which are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 1963 to 2006 applicable to companies reporting under IFRS with the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with the Asset Covered Securities Act, 2001 to 2007. The EU adopted version of IAS 39 currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments – Recognition and Measurement'. The Group has not availed of this, hence the financial statements for the year ended 31 March 2008 comply both with IFRS as adopted by the EU and IFRS as issued by the IASB.

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out in the Annual Report & Accounts for the year ended 31 March 2008.

During the period the Group adopted 'Reclassification of Financial Assets (Amendments to IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 - Financial Instruments: Disclosures). These amendments permit entities to reclassify some financial instruments between the various categories of financial assets defined in IAS 39, in particular circumstances or where certain conditions are met. The amendments have no impact on the Group's interim financial statements for the 6 months ended 30 September 2008, as the Group has not chosen to make any such reclassifications.

There have been no significant changes to the Group's critical accounting estimates and judgements for the 6 months ended 30 September 2008 compared to those set out on pages 94 and 95 of the Annual Report and Accounts for the year ended 31 March 2008.

These interim financial statements do not comprise statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The statutory accounts for the financial year ended 31 March 2008 were approved by the Court of Directors on 20 May 2008 and contained an unqualified audit report and have been filed with the Companies Registration Office on 15 August 2008.

Index to the notes to the consolidated financial statements (unaudited)	Page
1 Segmental analysis	37
2 Interest income	41
3 Interest expense	41
4 Net insurance premium income	41
5 Fees and commissions income	41
6 Net trading expense	42
7 Life assurance investment income and (losses) / gains	42
8 Other operating income	43
9 Insurance contract liabilities and claims paid	43
10 Total operating expenses	44
11 Share of (loss) / profit of associated undertakings and joint ventures (after tax)	44
12 Taxation	45
13 Earnings per share	46
14 Acquisitions and disposals of business activities	47
15 Trading securities	47
16 Other financial assets at fair value through profit or loss	47
17 Loans and advances to banks	47
18 Available for sale financial assets	48
19 Loans and advances to customers	48
20 Credit risk exposures	49
21 Interest in joint ventures	53
22 Investment property	53
23 Deposits by banks	53
24 Customer accounts	53
25 Retirement benefit obligations	54
26 Subordinated liabilities	54
27 Assets and liabilities classified as held for sale	54
28 Contingent liabilities and commitments	55
29 Capital stock	55
30 Stock premium account	56
31 Retained earnings	56
32 Other reserves	56
33 Minority interests	58
34 Related party transactions	58
35 Post balance sheet events	58
36 Approval of Interim Statement	59

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

1 Segmental Analysis

Business Segments

6 months ended 30 September 2008	Retail Republic of Ireland €m	BoI Life €m	Capital Markets €m	UK Financial Services €m	Group Centre €m	Eliminations €m	Total €m
Interest income	4,095	10	4,612	2,676	(1,401)	(4,721)	5,271
Interest expense	(3,358)	(20)	(3,771)	(2,288)	1,394	4,721	(3,322)
Net interest income	737	(10)	841	388	(7)	-	1,949
Net insurance premium income	-	632	-	-	13	-	645
Other income	181	(297)	(256)	76	55	-	(241)
Total operating income	918	325	585	464	61	-	2,353
Insurance contract liabilities and claims paid	-	(286)	-	-	(8)	-	(294)
Total operating income, net of insurance claims	918	39	585	464	53	-	2,059
Operating expenses	(442)	(51)	(190)	(242)	(42)	-	(967)
Depreciation and amortisation	(36)	(3)	(6)	(17)	(7)	-	(69)
Impairment losses	(114)	-	(106)	(87)	-	-	(307)
Share of (loss)/profit of associated undertakings and joint ventures	(40)	-	-	30	-	-	(10)
Profit before taxation	286	(15)	283	148	4	-	706
Gross-up of policyholder tax in the Life business	-	18	-	-	-	-	18
Investment return on treasury stock held for policyholders	-	-	-	-	(77)	-	(77)
Hedge ineffectiveness on transition to IFRS	-	-	-	-	3	-	3
Group profit before tax excluding the impact of above items	286	3	283	148	(70)	-	650
Capital expenditure	37	3	5	26	14	-	85
External assets	59,321	12,813	70,259	60,998	888	-	204,279
Inter segment assets	64,089	1,296	125,349	14,835	42,656	(248,225)	-
Total assets	123,410	14,109	195,608	75,833	43,544	(248,225)	204,279
External liabilities	46,070	12,735	97,917	31,307	9,817	-	197,846
Inter segment liabilities	75,163	533	97,282	47,477	27,770	(248,225)	-
Total liabilities	121,233	13,268	195,199	78,784	37,587	(248,225)	197,846

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

1 Segmental Analysis (continued)

6 months ended 30 September 2007	Retail Republic of Ireland €m	BoI Life €m	Capital Markets €m	UK Financial Services €m	Group Centre €m	Eliminations €m	Total €m
Interest income	3,526	7	4,128	2,775	(1,365)	(4,049)	5,022
Interest expense	(2,818)	(10)	(3,709)	(2,355)	1,353	4,049	(3,490)
Net interest income	708	(3)	419	420	(12)	-	1,532
Net insurance premium income	-	1,053	-	-	26	-	1,079
Other income	226	(1)	99	75	64	-	463
Total operating income	934	1,049	518	495	78	-	3,074
Insurance contract liabilities and claims paid	-	(914)	-	-	(8)	-	(922)
Total operating income, net of insurance claims	934	135	518	495	70	-	2,152
Operating expenses	(460)	(52)	(193)	(246)	(34)	-	(985)
Depreciation and amortisation	(36)	(2)	(6)	(19)	(6)	-	(69)
Impairment losses	(57)	-	(11)	(11)	-	-	(79)
Share of profit of associated undertakings and joint ventures	-	-	-	33	-	-	33
Profit on disposal of property	33	-	1	5	-	-	39
Profit before taxation	414	81	309	257	30	-	1,091
Profit on disposal of property	(33)	-	-	-	-	-	(33)
Gross-up of policyholder tax in the Life business	-	(9)	-	-	-	-	(9)
Investment return on treasury stock held for policyholders	-	-	-	-	(105)	-	(105)
Hedge ineffectiveness on transition to IFRS	-	-	-	-	3	-	3
Cost of restructuring programme	-	-	-	-	4	-	4
Group profit before tax excluding the impact of above items	381	72	309	257	(68)	-	951
Capital expenditure	22	7	6	23	3	-	61
External assets	55,405	15,686	68,946	58,309	1,575	-	199,921
Inter segment assets	55,403	495	109,075	17,740	36,783	(219,496)	-
Total assets	110,808	16,181	178,021	76,049	38,358	(219,496)	199,921
External liabilities	43,876	14,793	94,441	32,016	7,572	-	192,698
Inter segment liabilities	65,117	390	82,390	41,767	29,832	(219,496)	-
Total liabilities	108,993	15,183	176,831	73,783	37,404	(219,496)	192,698

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

1 Segmental Analysis (continued)

Year ended	Retail Republic of Ireland	BoI Life	Capital Markets	UK Financial Services	Group Centre	Eliminations	Total
31 March 2008	€m	€m	€m	€m	€m	€m	€m
Interest income	7,452	14	8,612	5,484	(2,792)	(8,373)	10,397
Interest expense	(6,023)	(21)	(7,582)	(4,638)	2,757	8,373	(7,134)
Net interest income	1,429	(7)	1,030	846	(35)	-	3,263
Net insurance premium income	-	1,900	-	-	40	-	1,940
Other income	417	(959)	89	163	122	-	(168)
Total operating income	1,846	934	1,119	1,009	127	-	5,035
Insurance contract liabilities and claims paid	-	(776)	-	-	(22)	-	(798)
Total operating income, net of insurance claims	1,846	158	1,119	1,009	105	-	4,237
Operating expenses	(909)	(106)	(405)	(497)	(103)	-	(2,020)
Depreciation and amortisation	(74)	(4)	(11)	(36)	(12)	-	(137)
Impairment losses	(146)	-	(53)	(33)	-	-	(232)
Share of profit of associated undertakings and joint ventures	(1)	-	-	47	-	-	46
Profit on disposal of property	33	-	1	5	-	-	39
Profit before taxation	749	48	651	495	(10)	-	1,933
Profit on disposal of property	(33)	-	-	-	-	-	(33)
Gross-up of 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 programme	-	-	-	-	17	-	17
Group profit before tax excluding the impact of above items	716	108	651	495	(176)	-	1,794
Capital expenditure	56	15	14	57	10	-	152
External assets	59,555	13,678	66,888	56,690	623	-	197,434
Inter segment assets	58,295	907	114,889	13,973	40,747	(228,811)	-
Total assets	117,850	14,585	181,777	70,663	41,370	(228,811)	197,434
External liabilities	43,237	13,307	97,336	28,587	8,445	-	190,912
Inter segment liabilities	72,065	368	83,404	40,761	32,213	(228,811)	-
Total liabilities	115,302	13,675	180,740	69,348	40,658	(228,811)	190,912

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

1 Segmental Analysis (continued)

Gross revenue by business segments

6 months ended 30 September 2008	Retail Republic of Ireland €m	BoI Life €m	Capital Markets €m	UK Financial Services €m	Group Centre €m	Eliminations €m	Total €m
External customers	1,788	84	1,436	2,007	125	-	5,440
Inter-segment revenue	2,468	4	2,937	787	(1,467)	(4,729)	-
Total gross revenue	4,256	88	4,373	2,794	(1,342)	(4,729)	5,440

6 months ended 30 September 2007	Retail Republic of Ireland €m	BoI Life €m	Capital Markets €m	UK Financial Services €m	Group Centre €m	Eliminations €m	Total €m
External customers	1,599	227	1,822	1,941	175	-	5,764
Inter-segment revenue	2,179	(47)	2,435	950	(1,458)	(4,059)	-
Total gross revenue	3,778	180	4,257	2,891	(1,283)	(4,059)	5,764

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

The segmental analysis of the Group's results and financial position is set out above by business segment. Gross revenue comprises interest income, net insurance premium income, fees and commissions income, net trading income / expense, life assurance investment income and losses / gains, other operating income, net of insurance contract liabilities and claims paid and income from associated undertakings and joint ventures. The Group has five business segments detailed in the table above. These segments reflect the internal financial and management reporting structure. The analysis of results by business segment is based on management accounts information. 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.

Eliminations represent inter-segment transactions which are eliminated upon consolidation.

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

2 Interest income	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Loans and advances to customers	4,328	3,987	8,213
Available for sale financial assets	698	737	1,604
Finance leases	125	116	251
Loans and advances to banks	120	179	323
Other	-	3	6
Interest income	5,271	5,022	10,397
3 Interest expense	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Customer accounts	1,486	1,313	2,808
Debt securities in issue	1,310	1,516	3,041
Deposits by banks	302	440	840
Subordinated liabilities	224	221	445
Interest expense	3,322	3,490	7,134
4 Net insurance premium income	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Gross premiums written	708	1,091	2,101
Ceded reinsurance premiums	(61)	(21)	(173)
Net premiums written	647	1,070	1,928
Change in provision for unearned premiums	(2)	9	12
Net insurance premium income	645	1,079	1,940
BoI Life completed a transaction to reinsure a significant part of the annuity book during the year ended 31 March 2008.			
5 Fees and commissions income	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Retail banking customer fees	207	209	401
Asset management fees	77	100	189
Credit related fees	32	44	81
Insurance commissions	24	24	42
Brokerage fees	10	12	23
Trust and other fiduciary fees	2	3	6
Other	24	47	74
Fees and commissions income	376	439	816

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

5 Fees and commissions income (continued)

IFRS 7 requires the separate disclosure of trust and other fiduciary fees. The other fees category includes trading fees and commissions not captured by the headings above, and other wholesale fees and commissions.

6 Net trading expense	6 months ended	Year ended
	30 September 2008 €m	31 March 2008 €m
Financial assets designated at fair value	(6)	(6)
Related derivatives held for trading	8	12
	<u>2</u>	<u>6</u>
Financial liabilities designated at fair value	87	107
Related derivatives held for trading	(166)	(272)
	<u>(79)</u>	<u>(165)</u>
Other financial instruments held for trading	(316)	(79)
Net fair value hedge ineffectiveness	(9)	(6)
Cash flow hedge ineffectiveness	-	(2)
Net trading expense	<u>(402)</u>	<u>(246)</u>

Net trading expense of €402 million (31 March 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.

Net trading expense includes the fair value movement (including interest receivable and payable) on derivatives which act as economic hedges of the interest rate and foreign exchange risk inherent in some cash instruments (including financial assets and liabilities designated at fair value through profit or loss above). The offsetting net interest receivable of €31 million (31 March 2008: €346 million) on the cash instruments is reported in net interest income.

Net fair value hedge ineffectiveness comprises a net loss from hedging instruments of €87 million (31 March 2008: net gain of €168 million) offsetting a net gain from hedged items of €78 million (31 March 2008: net loss of €174 million).

The net gain from the change in credit spreads relating to the Group's issued notes designated at fair value through profit or loss was €10 million (31 March 2008: €32 million).

Net trading expense includes a loss of €39 million arising from the Lehmans collapse in mid September 2008.

7 Life assurance investment income and (losses) / gains	6 months ended	6 months ended	Year ended
	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Gross life assurance investment losses	(293)	(17)	(924)
Elimination of investment return on treasury stock held for the benefit of policyholders	43	53	98
Life assurance investment income and (losses) / gains	<u>(250)</u>	<u>36</u>	<u>(826)</u>

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

7 Life assurance investment income and (losses) / gains (continued)

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

The impact on the Group income statement of accounting for the stock held by BoI Life for the benefit of policyholders is that life assurance investment income and (losses) / gains of (€293) million (31 March 2008: (€24) million) has been reduced by €43 million (31 March 2008: €98 million), which relates to the investment return on stock held under insurance contracts. Other operating income (see note 8) has been increased by €34 million, (31 March 2008: €1 million) which relates to the investment return on stock held under investment contracts. The effect of the combined adjustment of €77 million (31 March 2008: €189 million) (increasing the Group's income) can be seen in note 1.

8 Other operating income

	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Elimination of investment return on treasury shares held for the benefit of policyholders (see note 7)	34	53	91
Other insurance income	30	102	91
Transfer from available for sale reserve on asset disposal (see note 32)	3	11	34
Other income	37	5	22
Other operating income	104	171	238

Other income includes €25 million, representing the Group's distribution from the Visa Initial Public Offering (IPO) of shares.

9 Insurance contract liabilities and claims paid

	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Gross claims	542	394	1,013
Reinsurance	(20)	(14)	(27)
	522	380	986
Change in liabilities:			
Gross	(288)	499	(41)
Reinsurance	60	43	(147)
	(228)	542	(188)
Insurance contract liabilities and claims paid	294	922	798

Gross claims are analysed as follows:

Surrenders	451	318	851
Death and critical illness	66	58	113
Annuities	16	14	32
Maturities	3	1	3
Other	6	3	14
	542	394	1,013

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

10 Total operating expenses	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Administrative expenses			
- Staff costs	601	622	1,235
- Other administrative expenses	366	363	785
Depreciation			
- Intangible assets	47	44	87
- Property, plant and equipment	22	25	50
Total operating expenses	1,036	1,054	2,157

Staff costs, including performance reward are further analysed as follows:

Wages and salaries	450	478	963
Social security costs	47	48	93
Retirement benefit costs – defined benefit plans	84	66	130
Retirement benefit costs – defined contribution plans	3	2	4
Share based payment schemes (note 32)	4	6	13
Other	13	22	32
	601	622	1,235

Staff numbers

Staff numbers at 30 September 2008 were 15,962 down from 16,310 at 31 March 2008 and 16,076 at 30 September 2007.

11 Share of (loss) / profit of associated undertakings and joint ventures (after tax)

The Group's share of profit after tax from First Rate Exchange Services amounted to £24 million (€30 million) in the 6 months ended 30 September 2008 (30 September 2007: £23 million (€34 million)).

In addition, the Group has a stake, through a joint venture, in a property unit trust that holds an investment in a UK retail property. This interest, while acquired by the Group to sell onto private investors, remains on the Group's balance sheet at 30 September 2008. The decline in the property market has led to a fall in the value of this interest, which is included in the income statement. The net impact on the profit attributable to stockholders from this transaction is a loss of €18 million which is reflected in the following lines in the income statement:

	6 months ended 30 September 2008 €m
Share of loss of associated undertakings and joint ventures	(40)
Taxation	2
Attributable to minority interests	20
Net impact on profit attributable to ordinary stockholders	(18)

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

12 Taxation	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Current Tax			
Irish Corporation Tax			
- Current year	99	143	236
- Prior year	6	(1)	(2)
Double taxation relief	(26)	(22)	(62)
Foreign tax			
- Current year	60	49	140
- Prior year	-	-	1
	<u>139</u>	<u>169</u>	<u>313</u>
Deferred Tax			
Origination and reversal of temporary differences	(44)	(5)	(84)
Taxation	<u>95</u>	<u>164</u>	<u>229</u>
Effective Tax Rate	13.5%	15.1%	11.8%

The taxation charge for the Group was €5 million in the 6 months ended 30 September 2008 compared to €64 million in the 6 months ended 30 September 2007. The effective tax rate was 13.5% in the 6 months ended 30 September 2008 compared to 15.1% for the 6 months ended 30 September 2007. The rate has decreased largely as a result of a reduction in the tax charge of BoI Life, together with the effect of the elimination of the investment return on treasury shares held by BoI Life for policyholders. This has been partially offset by an increase in the effective tax rate on profits earned overseas.

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

13 Earnings per share

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

	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Basic			
Profit attributable to Stockholders	631	926	1,699
Dividends to other equity interests (note 31)	(5)	(7)	(14)
Profit attributable to ordinary stockholders	<u>626</u>	<u>919</u>	<u>1,685</u>
Weighted average number of shares in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	<u>985m</u>	<u>959m</u>	<u>965m</u>
Basic earnings per share (cent)	<u>63.5c</u>	<u>95.8c</u>	<u>174.6c</u>

Diluted

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

	6 months ended 30 September 2008 €m	6 months ended 30 September 2007 €m	Year ended 31 March 2008 €m
Profit attributable to stockholders	631	926	1,699
Dividends to other equity interests (note 31)	(5)	(7)	(14)
Profit attributable to ordinary stockholders	<u>626</u>	<u>919</u>	<u>1,685</u>
Weighted average number of shares in issue excluding Treasury stock and own stock held for the benefit of life assurance policyholders	<u>985m</u>	<u>959m</u>	<u>965m</u>
Effect of all dilutive potential ordinary stock	<u>-</u>	<u>4m</u>	<u>4m</u>
	<u>985m</u>	<u>963m</u>	<u>969m</u>
Diluted earnings per share (cent)	<u>63.5c</u>	<u>95.4c</u>	<u>173.9c</u>

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

14 Acquisitions and disposals of business activities

The Group has acquired controlling interests in a number of companies which hold investments in various properties for the purpose of selling on to private investors. These companies have been consolidated in the Group's financial statements for the 6 months ended 30 September 2008.

The impact of this has been to increase the Group's investment properties, interest in joint ventures and assets held for sale, with related liabilities also being brought onto the Group's balance sheet.

There were no acquisitions or disposals of business activities in the year ended 31 March 2008.

15 Trading securities	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Debt securities – listed	105	1,031	119
Trading securities	105	1,031	119

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

16 Other financial assets at fair value through profit or loss	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Equity securities	6,772	9,928	7,484
Government bonds	1,821	2,079	2,142
Unit trusts	1,083	292	868
Debt securities	812	605	356
Loans to customers	57	-	59
Other financial assets at fair value through profit or loss	10,545	12,904	10,909

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 are 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 30 September 2008, such assets amounted to €10,078 million (30 September 2007: €12,599 million; 31 March 2008: €10,460 million) while the remaining €67 million (30 September 2007: €305 million; 31 March 2008: €449 million) relates to other Group businesses. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet.

17 Loans and advances to banks	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Placements with other banks	4,124	3,986	3,275
Funds placed with central banks	2,451	989	2,218
Mandatory deposits with central banks	1,833	2,862	3,748
Securities purchased with agreement to resell	8	719	168
Loans and advances to banks	8,416	8,556	9,409

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

18 Available for sale financial assets	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Government bonds	1,359	5,101	1,755
Other debt securities			
– listed	23,475	26,894	21,059
– unlisted	2,792	1,419	6,450
Equity securities			
– listed	35	22	20
– unlisted	32	17	23
Available for sale financial assets	27,693	33,453	29,307

At 30 September 2008, available for sale financial assets at fair value of €1,161 million (30 September 2007: €5,613 million; 31 March 2008: €582 million) had been pledged to third parties in sale and repurchase agreements for periods not exceeding six months.

19 Loans and advances to customers	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Loans and advances to customers	141,378	129,685	132,575
Finance leases and hire purchase receivables	3,752	3,875	3,759
	145,130	133,560	136,334
Less allowance for impairment losses on loans and advances to customers (note 20)	(841)	(482)	(596)
Loans and advances to customers	144,289	133,078	135,738

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

20 Credit risk exposures

The table below represents the maximum exposure to credit risk for financial assets with material credit risk at 30 September 2008 and 31 March 2008 before 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. Equity securities are included for completeness purposes. Interest receivable is also included in this table. Available for sale financial assets have been stated net of impairment.

Maximum exposure to credit risk (before collateral or other credit enhancements)	30 September 2008 €m	31 March 2008 €m
Loans and receivables		
- Loans and advances to banks	8,416	9,409
- Loans and advances to customers		
- Mortgages	63,397	60,028
- Personal	7,297	7,189
- Commercial	74,436	69,117
Gross loans and advances to customers	145,130	136,334
Less allowance for losses on loans and advances	(841)	(596)
Loans and advances to customers	144,289	135,738
Financial assets at fair value through profit or loss		
- Trading securities	105	119
- Designated at initial recognition		
- Unit trusts	1,083	868
- Government bonds	1,821	2,142
- Equity securities	6,772	7,484
- Debt securities	812	356
- Loans and advances to customers	57	59
Derivative financial instruments	4,412	4,568
Available for sale financial assets		
- Government bonds	1,359	1,755
- Treasury bills and other bills eligible for refinancing with central banks	10	10
- Equity securities	67	43
- Debt securities	26,267	27,509
Other assets		
- Reinsurance asset	424	484
- Interest receivable	909	900
Total	196,803	191,444
Off balance sheet (note 28)		
Contingent liabilities	2,625	2,915
Commitments	33,831	36,881
Total off balance sheet	36,456	39,796
Total maximum exposure	233,259	231,240

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

20 Credit risk exposures (continued)

The tables below summarise the Group's financial assets over the following categories: neither past due nor impaired, past due but not impaired and impaired. Other financial instruments also include the Group's reinsurance asset. Exposures are based on the gross amount, before provisions for impairment and do not include interest receivable.

30 September 2008	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Financial assets neither past due nor impaired	61,088	6,661	71,057	51,583	190,389
Financial assets past due but not impaired	2,244	348	1,824	-	4,416
Impaired financial assets	65	288	1,555	69	1,977
Total	63,397	7,297	74,436	51,652	196,782

31 March 2008	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Financial assets neither past due nor impaired	58,320	6,696	67,237	54,803	187,056
Financial assets past due but not impaired	1,693	262	1,064	-	3,019
Impaired financial assets	15	231	816	8	1,070
Total	60,028	7,189	69,117	54,811	191,145

Financial assets neither past due nor impaired

The Group uses internal ratings as part of its credit risk management system. These have been mapped to the summary ratings below. Mortgage, personal and commercial loans are assigned an internal credit grade based on an assessment of the credit quality of the borrower. A thirteen point grade scale is used for more complex, individually managed exposures, including wholesale, corporate and business lending. A seven point grade scale is used for standardised products (including mortgages, personal and small business loans).

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

High quality ratings apply to highly rated financial obligors, strong corporate counterparties and personal borrowers (including residential mortgages) with whom the Group has an excellent repayment experience. High quality 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 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 also includes some element of the Group's retail portfolios. Satisfactory 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- 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 that are neither past due nor impaired within the seven point scale and external ratings equivalent to BB, BB- and B+.

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

20 Credit risk exposures (continued)

The lower quality but not past due nor impaired rating applies to risks that are neither in arrears nor expected to result in loss 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 that are neither past due nor impaired within ratings 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.

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.

30 September 2008	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
High quality	60,624	5,139	15,790	42,478	124,031
Satisfactory quality	441	1,298	44,337	9,033	55,109
Acceptable quality	20	205	9,566	58	9,849
Lower quality but not past due nor impaired	3	19	1,364	14	1,400
Total	61,088	6,661	71,057	51,583	190,389

31 March 2008	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
High quality	57,754	5,123	15,075	45,748	123,700
Satisfactory quality	545	1,394	45,152	8,977	56,068
Acceptable quality	21	170	6,336	65	6,592
Lower quality but not past due nor impaired	-	9	674	13	696
Total	58,320	6,696	67,237	54,803	187,056

Financial assets past due but not impaired

Where possible, the tables will generally exclude amounts arising from operational / timing issues that are outside the control of customers.

30 September 2008	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Past due up to 30 days	1,051	206	1,286	-	2,543
Past due 31 – 60 days	444	97	339	-	880
Past due 61 – 90 days	215	33	165	-	413
Past due more than 90 days	534	12	34	-	580
Total	2,244	348	1,824	-	4,416

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

20 Credit risk exposures (continued)

31 March 2008	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Past due up to 30 days	849	200	744	-	1,793
Past due 31 – 60 days	318	44	165	-	527
Past due 61 – 90 days	134	16	100	-	250
Past due more than 90 days	392	2	55	-	449
Total	1,693	262	1,064	-	3,019

Impaired financial assets

Allowances include specific and 'incurred but not reported' (IBNR) allowances. IBNR allowances can be recognised on all categories of loans for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. Loans with a specific impairment provision attaching to them together with loans (excluding residential mortgages) which are more than 90 days in arrears are classified as impaired. All other loans are classified as 'neither past due nor impaired' or 'past due but not impaired'.

The allowance below includes write downs against available for sale financial assets which are taken directly against the relevant asset rather than being separately held as a provision. Within the other financial instruments, an impairment loss of €40 million was incurred in relation to an investment in senior bank paper of Washington Mutual Inc, which collapsed in September 2008.

30 September 2008	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Impaired financial assets	65	288	1,555	69	1,977
Allowance at the beginning of the period	21	187	388	5	601
Exchange adjustments	6	-	7	2	15
Amounts written off	(2)	(21)	(15)	-	(38)
Recoveries	-	-	3	-	3
Charge against income statement	15	60	192	40	307
Allowance at the end of the period	40	226	575	47	888

31 March 2008	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Impaired financial assets	15	231	816	8	1,070
Allowance at the beginning of the year	19	121	288	-	428
Exchange adjustments	(2)	(4)	(23)	-	(29)
Amounts written off	(3)	(15)	(25)	-	(43)
Recoveries	2	6	5	-	13
Charge against income statement	5	79	143	5	232
Allowance at the end of the year	21	187	388	5	601

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

21 Interest in joint ventures	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	70	73	73
Acquisitions	173	-	-
Share of results after tax	(10)	33	47
Exchange adjustments	2	(3)	(16)
Dividends received	(24)	-	(34)
Interest in joint ventures	211	103	70

See note 14 for details of acquisitions.

22 Investment property	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	1,511	1,142	1,142
Revaluation	(138)	59	(149)
Additions	173	203	529
Disposals	-	(11)	(11)
Investment property	1,546	1,393	1,511

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. Investment properties are mainly held by BoI Life on behalf of policyholders.

23 Deposits by banks	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Deposits by banks	12,005	12,634	12,099
Securities sold under agreement to repurchase	4,703	5,732	1,749
Other bank borrowings	212	490	282
Deposits by banks	16,920	18,856	14,130

24 Customer accounts	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Term deposits and other products	38,107	30,650	31,514
Demand deposits	35,841	24,909	36,788
Current accounts	15,288	18,035	16,327
Other short-term borrowings	1,429	2,754	1,605
Customer accounts	90,665	76,348	86,234

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

25 Retirement benefit obligations

There was a net increase of €80 million in the deficit of the Group's defined benefit pension schemes from €75 million at 31 March 2008 to €875 million at 30 September 2008.

This was due primarily to a fall in the market value of the scheme assets over the period offset by a reduction in the actuarial value of the schemes' liabilities.

With the exception of the discount rates, which have been updated to reflect changes in the interest rate environment, all other assumptions remain consistent with those used at 31 March 2008. The discount rates have been updated to 6.25% (from 5.85%) for the RoI schemes and 6.9% (from 6.5%) in the case of the UK schemes.

26 Subordinated liabilities	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	7,808	7,808	7,808
Exchange adjustments	164	(121)	(487)
Redeemed during the period	-	-	(22)
Issued during the period	567	422	379
Fair value movements and impact of hedge accounting adjustments	(65)	4	125
Amortisation	2	3	5
Subordinated liabilities	8,476	8,116	7,808

On 7 August 2008 the Group issued Stg£450 million dated callable Step-up fixed / floating rate subordinated notes due September 2020. Full details of the Group's other subordinated liabilities can be found on pages 135 to 139 of the Annual Report and Accounts for the year ended 31 March 2008.

27 Assets and liabilities classified as held for sale	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Assets			
Retail branches	11	3	11
Other properties	251	42	221
Assets classified as held for sale	262	45	232
Liabilities			
Other liabilities held for sale	234	-	-

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

28 Contingent liabilities and commitments

The table below gives the contractual 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.

	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Contingent Liabilities			
Acceptances and endorsements	29	31	47
Guarantees and irrevocable letters of credit	1,935	2,206	2,199
Other contingent liabilities	661	796	669
	<u>2,625</u>	<u>3,033</u>	<u>2,915</u>
Commitments			
Other commitments			
- Documentary credits and short-term trade-related transactions	338	292	312
- Undrawn note issuance and revolving underwriting facilities	286	776	175
- Undrawn formal standby facilities, credit lines and other commitments to lend			
- irrevocable with original maturity of over 1 year	11,595	10,994	10,232
- revocable or irrevocable with original maturity of 1 year or less	21,612	27,541	26,162
	<u>33,831</u>	<u>39,603</u>	<u>36,881</u>

29 Capital stock

	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Allotted and fully paid			
990.3 million units of €0.64 of ordinary stock	634	617	628
36.0 million units of €0.64 of treasury stock	23	39	29
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4	4
	<u>664</u>	<u>663</u>	<u>664</u>

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

30 Stock premium account	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	775	771	771
Premium on issue of stock	-	4	4
Stock premium account	775	775	775

31 Retained earnings	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	5,670	4,672	4,672
Profit for period attributable to stockholders	631	926	1,699
Equity dividends	(387)	(377)	(611)
Dividends on other equity interests	(5)	(7)	(14)
Transfer to capital reserves	(4)	(66)	(101)
Profit retained	235	476	973
Treasury stock movement	(20)	96	189
Transfer from revaluation reserve	-	43	41
Transfer from share based payments reserve	3	2	4
Net actuarial (loss) / gain on defined benefit pension funds	(38)	167	(209)
Other movements	2	-	-
Closing balance	5,852	5,456	5,670

32 Other reserves	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Capital reserve	533	495	530
Share based payments reserve	34	28	33
Foreign exchange reserve	(716)	(211)	(788)
Revaluation reserve	184	210	182
Available for sale reserve	(822)	(186)	(419)
Cash flow hedge reserve	(87)	138	(52)
Other equity reserve	114	114	114
Closing balance	(760)	588	(400)

Other reserves are analysed as follows:

Capital reserve	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	530	429	429
Transfer from retained earnings	4	66	101
Transfer to revaluation reserve	(1)	-	-
Closing balance	533	495	530

The capital reserve represents transfers from retained earnings and other reserves in accordance with relevant legislation. The reserves are not distributable.

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

32 Other reserves (continued)

Share based payments reserve	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	33	24	24
Charge to the income statement	4	6	13
Transfer to retained profit	(3)	(2)	(4)
Closing balance	<u>34</u>	<u>28</u>	<u>33</u>

Foreign exchange reserve	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	(788)	(76)	(76)
Exchange adjustments during the period	72	(135)	(712)
Closing balance	<u>(716)</u>	<u>(211)</u>	<u>(788)</u>

The foreign exchange reserve represents the cumulative gains and losses on the translation of the Group's net investment in its foreign operations since 1 April 2004.

Revaluation reserve	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	182	252	252
Transfer to retained earnings	-	(43)	(41)
Transfer from capital reserve	1	-	-
Revaluation of property	1	(1)	(37)
Deferred tax on revaluation of property	-	2	8
Closing balance	<u>184</u>	<u>210</u>	<u>182</u>

The revaluation reserve represents the cumulative gains on the revaluation of property occupied by Group businesses included within property, plant and equipment and assets classified as held for sale.

Available for sale reserve	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	(419)	(33)	(33)
Net changes in fair value	(459)	(164)	(406)
Deferred tax on changes in fair value	59	22	54
Transfer to income statement on asset disposals	(3)	(11)	(34)
Closing balance	<u>(822)</u>	<u>(186)</u>	<u>(419)</u>

The available for sale reserve represents the cumulative change in fair value of available for sale financial assets together with the impact of any fair value hedge accounting adjustments.

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

32 Other reserves (continued)

Cash flow hedge reserve	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	(52)	195	195
Changes in fair value net of transfer to income statement	(41)	(72)	(315)
Deferred tax on reserve movements	6	15	68
Closing balance	<u>(87)</u>	<u>138</u>	<u>(52)</u>

The cash flow hedge reserve represents the cumulative change in fair value, excluding any ineffectiveness, of cash flow hedging instruments. This will be transferred to the income statement when the hedged transactions impact the Group's profit or loss.

Other equity reserve	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening and closing balance	<u>114</u>	<u>114</u>	<u>114</u>

Other equity reserves comprises a US\$150 million undated floating rate primary capital note which was reclassified from subordinated liabilities in accordance with IAS 32 on transition to IFRS.

33 Minority interests	30 September 2008 €m	30 September 2007 €m	31 March 2008 €m
Opening balance	38	34	34
Acquisition of minority interest	36	-	-
Share of results (see note 11)	(20)	1	5
Dividends paid to minority interests	(3)	(1)	(2)
Other movements	-	-	1
Minority interests	<u>51</u>	<u>34</u>	<u>38</u>

34 Related party transactions

There are no material changes to the related party transactions described in the Annual Report and Accounts for the year ended 31 March 2008. There are also no transactions with related parties that have materially affected the Group's financial position or performance during the 6 months ended 30 September 2008.

35 Post balance sheet events

On 24 October 2008, four of the Group's entities elected to participate in the Guarantee Scheme announced by the Irish Government. Under the scheme the Irish government has guaranteed relevant deposits and debt securities raised by certain banks and financial institutions operating in Ireland until 29 September 2010. The entities concerned were the Governor and Company of the Bank of Ireland, Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland (IOM) Limited. For further information on the Irish Government Guarantee Scheme, please refer to www.finance.gov.ie.

In early October 2008, a number of Icelandic banks were nationalised. The Group has exposures amounting to €27 million to these banks. Impairment losses on these exposures will be recognised in the financial statements for the year to 31 March 2009.

CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED (CONTINUED)

36 Approval of Interim Statement

The Interim Statement was approved by the Court of Directors on 12 November 2008.

INDEPENDENT REVIEW REPORT TO THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

Introduction

We have been engaged by the Governor and Company of the Bank of Ireland (the "Bank") to review the condensed set of financial statements in the Interim Statement for the six months ended 30 September 2008, which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Recognised Income and Expense, Consolidated Condensed Cash Flow Statement and related notes 1 to 36. We have read the other information contained in the Interim Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The Interim Statement is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Statement in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

As disclosed on page 35, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The condensed set of financial statements included in this Interim Statement has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and in accordance with International Accounting Standard 34 as issued by the International Accounting Standards Board.

Our responsibility

Our responsibility is to express to the Bank a conclusion on the condensed set of financial statements in the Interim Statement based on our review. This report, including the conclusion, has been prepared for and only for the Bank for the purpose of the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board, for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Statement for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, International Accounting Standard 34 as issued by the International Accounting Standards Board, and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

PricewaterhouseCoopers
Chartered Accountants
Dublin
12 November 2008

OTHER INFORMATION

1 Capital adequacy – Basel II

	30 September 2008 €m	31 March 2008 €m
Share capital and reserves	6,433	6,522
Final dividend	-	(387)
Regulatory retirement benefit obligation adjustments	875	807
Available for sale revaluation reserve and cash flow hedge reserve	909	471
Goodwill & other intangibles	(863)	(827)
Other items	(67)	50
Core Tier 1 capital	7,287	6,636
Preferred securities	3,090	2,995
Supervisory deductions	(259)	(207)
Total tier 1 capital	10,118	9,424
Tier 2		
Undated loan capital	240	229
Dated loan capital	4,599	4,115
IBNR provisions	121	114
Revaluation reserves	177	173
Supervisory deductions	(259)	(208)
Total tier 2 capital	4,878	4,423
Tier 1 and Tier 2 capital	14,996	13,847
Supervisory deductions		
Life and pensions business	(791)	(816)
Total capital	14,205	13,031
	30 September 2008 €m	31 March 2008 €m
Risk weighted assets		
Credit risk	107,316	107,930
Market and counterparty risk	2,779	2,908
Operational risk	6,084	6,123
Total risk weighted assets	116,179	116,961
	30 September 2008 €m	31 March 2008 €m
Capital ratios		
Core Tier 1	6.3%	5.7%
Tier 1	8.7%	8.1%
Total capital	12.2%	11.1%

2 Average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for each of the 6 months ended 30 September 2008 and 2007 and the year ended 31 March 2008. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. Rates for the 6 month periods are annualised.

	30 September 2008			30 September 2007			31 March 2008		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
ASSETS									
Loans and advances to banks									
Domestic offices	5,111	92	3.6	7,374	148	4.0	5,936	230	3.9
Foreign offices	1,200	28	4.7	1,087	31	5.7	1,360	93	6.8
Loans and advances to customers ¹									
Domestic offices	80,964	2,530	6.2	72,755	2,266	6.2	75,090	4,668	6.2
Foreign offices	61,259	1,923	6.3	59,201	1,837	6.2	59,179	3,796	6.4
Central government and other eligible bills									
Domestic offices	-	-	-	11	-	-	10	-	3.9
Foreign offices	-	-	-	-	-	-	-	-	-
Available for sale financial assets									
Domestic offices	28,593	694	4.9	31,497	723	4.6	32,932	1,579	4.8
Foreign offices	153	4	5.2	476	14	5.9	424	25	5.9
Other financial assets at fair value through profit or loss									
Domestic	116	-	-	31	-	-	24	-	-
Foreign	150	-	-	272	-	-	228	-	-
Other	-	-	-	-	3	-	-	6	-
Total interest earning assets									
	177,546	5,271	5.9	172,704	5,022	5.8	175,183	10,397	5.9
Domestic offices	114,784	3,316	5.8	111,668	3,137	5.6	113,992	6,477	5.7
Foreign offices	62,762	1,955	6.2	61,036	1,882	6.2	61,191	3,914	6.4
Other	-	-	-	-	3	-	-	6	-
	177,546	5,271	5.9	172,704	5,022	5.8	175,183	10,397	5.9
Allowance for impairment losses									
	(720)	-	-	(457)	-	-	(498)	-	-
Non interest earning assets ³									
	23,335	-	-	24,189	-	-	24,726	-	-
Total assets	200,161	5,271	5.3	196,436	5,022	5.1	199,411	10,397	5.2

2 Average balance sheet and interest rates (continued)

	30 September 2008			30 September 2007			31 March 2008		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits by banks ²									
Domestic offices	805	16	4.0	8,670	179	4.1	7,995	263	3.3
Foreign offices	12,872	286	4.4	11,155	261	4.7	10,761	577	5.4
Customer accounts									
Domestic offices	39,871	700	3.5	32,866	559	3.4	33,601	1,229	3.7
Foreign offices	32,900	786	4.8	27,832	754	5.4	30,287	1,579	5.2
Debt securities in issue									
Domestic offices	52,464	1,027	3.9	48,896	1,128	4.6	49,627	2,351	4.7
Foreign offices	9,714	283	5.8	13,225	388	5.9	11,586	697	6.0
Subordinated liabilities									
Domestic offices	4,656	121	5.2	4,396	109	5.0	4,472	226	5.1
Foreign offices	3,326	108	6.5	3,587	118	6.6	3,515	229	6.5
Other	-	(5)	-	-	(6)	-	-	(17)	-
Total interest bearing liabilities	156,608	3,322	4.2	150,627	3,490	4.6	151,844	7,134	4.7
Domestic offices	97,796	1,864	3.8	94,828	1,975	4.2	95,695	4,069	4.3
Foreign offices	58,812	1,463	5.0	55,799	1,521	5.5	56,149	3,082	5.5
Other	-	(5)	-	-	(6)	-	-	(17)	-
	156,608	3,322	4.2	150,627	3,490	4.6	151,844	7,134	4.7
Current accounts	11,588	-	-	12,761	-	-	12,533	-	-
Other non interest bearing liabilities ³	25,206	-	-	25,850	-	-	28,084	-	-
Stockholders' equity	6,759	-	-	7,198	-	-	6,950	-	-
Total liabilities and stockholders' equity	200,161	3,322	3.3	196,436	3,490	3.6	199,411	7,134	3.6

¹ Loans to customers include non-accrual loans and loans classified as impaired loans. The Group applies hedge accounting on a macro cash flow basis to the total balance sheet. The outcome of this activity has been allocated between domestic and foreign loans and advances to customers as appropriate.

² The deposits by banks domestic and foreign balance and interest lines above have been adjusted to correct for inter-jurisdictional funding items that arise through normal business activities, to give a more meaningful picture of the Group's domestic and foreign activities.

³ The balance sheets of the life assurance companies have been consolidated and are reflected under 'non interest earning assets' and 'other non interest bearing liabilities'.

3 Rates of exchange

Principal rates of exchange used in the preparation of the accounts are as follows:

	30 September 2008		30 September 2007		31 March 2008	
	Closing	Average	Closing	Average	Closing	Average
€/ US\$	1.4303	1.5244	1.4179	1.3692	1.5812	1.4328
€/ Stg£	0.7903	0.7921	0.6968	0.6809	0.7958	0.7116