

BOI CAPITAL FUNDING (NO. 1) LP

**GENERAL PARTNER'S INTERIM MANAGEMENT REPORT AND
FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD ENDED 30 SEPTEMBER 2009**

BOI CAPITAL FUNDING (NO. 1) LP

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BOI CAPITAL FUNDING (NO. 1) LP

GENERAL PARTNERS INTERIM MANAGEMENT REPORT

The General Partner presents its interim management report and the interim financial information for BOI Capital Funding (No. 1) LP (the Partnership) for the six month period to 30 September 2009. The interim financial statements have not been independently audited or reviewed.

Principal activities

The Partnership was formed on 25 February 2005 by BOI G.P. No 1 Limited (the General Partner) and Citivic Nominees Limited (the Initial Limited Partner). The Partnership's principal activity is, and will continue to be, to raise and provide finance and financial support to the Bank of Ireland Group.

Business performance

There was neither a profit nor a loss in the six month period to 30 September 2009. The Partnership continued to receive interest income on the subordinated notes it held. It continues to distribute to the General Partner the remaining income in the Partnership after making payments to the holders of the preferred securities. No material changes are expected to the business in the second half of the year.

Principal risks

The General Partner is responsible for considering the strategic, operational and financial risks related to the Partnership and applies actions to mitigate those risks. The ultimate controlling party is The Governor and Company of the Bank of Ireland. The Partnership is therefore subject to the risks and uncertainties that impact on the Bank of Ireland Group as a whole. The risks and uncertainties of particular importance, as reported by the Bank of Ireland Group (the Group) in its Interim Statement on 4 November 2009, are set out below:

- **National Asset Management Agency (NAMA)**

An overview of the current status of NAMA and its impact on Bank of Ireland is set out on page 35 of the Bank of Ireland Group interim statement. There are risks and uncertainties for the Group if NAMA proceeds as it is currently envisaged and risks and uncertainties for the Group if NAMA does not proceed, is delayed or does not progress in its current expected form.

Under the Listing Rules of the Irish and London Stock Exchanges and the Bye-Laws of the Bank an application by the Bank for designation as a participating institution by NAMA would be subject to the approval of 75% of ordinary stockholders present and voting at an Extraordinary General Court. Significant uncertainties exist as to the specific quantum and timing of loans which may transfer to NAMA, the price that NAMA would pay for those loans (which will not be known until after a decision has been made to participate in NAMA), the fees that the Group would be paid for any work undertaken in relation to such loans and the 'fair value' of the consideration to be received. Therefore there are significant uncertainties as to the final discount which would be applicable to Bank of Ireland.

If NAMA goes ahead as expected, it is likely that the portfolios of loans would be purchased by NAMA at a discount to their carrying value after impairment provisions, which could adversely impact the Group's capital position. Given the uncertainties outlined above, the financial impact of the discount could require the Group to strengthen its current capital structure or to raise additional capital. While the Group's strong preference would be to raise capital from private sources, in such a scenario, ultimately it may be required to seek capital from the Irish Government which would further extend the ownership and influence of the Irish Government on the Group.

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If NAMA does not proceed, is delayed or does not proceed as expected, there is also risk and uncertainty for the Group, particularly in relation to liquidity, funding and impairment. While the Group's funding position has strengthened in recent months, the risk appetite among the international funding markets for Ireland and Irish financial institutions, including Bank of Ireland, could be adversely affected by any uncertainties that could arise if NAMA was not to proceed as expected. This could ultimately lead to a strain on the Group's ability to meet its financial obligations. The level of impaired loans and impairment charges could increase beyond current expectations arising from the resultant uncertainties in the property and construction markets and the wider economy.

• State Aid

The Bank's participation in the various State support initiatives (the Government Guarantee Scheme and its proposed extension, the subscription by the National Pension Reserve Fund Commission for €3.5 billion of preference stock in the Bank and potentially, NAMA) has been and is subject to review by the European Commission under EU State Aid rules.

As part of this review, the Group submitted a plan to the Department of Finance of the Irish Government which was then submitted by the Department of Finance to the European Commission on 30 September 2009. The relevant European Commission guidelines provide that such plans for State-aided banks are to be assessed by reference to fundamental principles including:

- Viability: Banks must be viable in the long term, without further state support;
- Burden sharing: Banks and their owners must carry a fair burden of the restructuring costs; and
- Competition: Measures must be taken to limit distortions of competition in the Single Market.

The review of the plan by the European Commission is currently at a preliminary stage and the ultimate outcome is uncertain. Based on the process that some other European banks have undergone, the plan may ultimately involve the imposition of measures by the European Commission that may be adverse to the Group's interests including, for example, burden sharing, structural and/or behavioural remedies and other measures (such as divestments and/or balance sheet constraints).

• Liquidity and funding

The Group participates in the guarantee scheme for deposits and specified liabilities implemented by the Irish Government pursuant to the Credit Institutions (Financial Support) Act 2008 ("CIFS"). In addition, on 16 September 2009 the Irish Government outlined the draft Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 ("ELG") which is subject to the approval of the Houses of the Oireachtas and to EU State Aid approval. The ELG scheme is intended to facilitate credit institutions in Ireland to issue debt securities and take deposits with a maturity beyond September 2010 on either a guaranteed or unguaranteed basis.

The funding position of the Group could be impacted by the termination, amendment or cancellation of the CIFS Scheme, or removal of the Group from the scheme prior to its termination. Any amendment, delay or failure in enactment of the ELG Scheme could similarly negatively affect the Group. The potential impacts for the Group could include limited or insufficient access to funding alternatives, or higher costs associated therewith.

The Group's borrowing costs and its access to wholesale funding markets depend significantly on its own credit rating and on the credit rating of Ireland. Any future reductions in the credit ratings of the Group or of Ireland could increase the Group's borrowing costs, limit the Group's access to the wholesale funding markets or trigger additional collateral requirements.

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GENERAL PARTNERS INTERIM MANAGEMENT REPORT

- **Economic conditions**

While economic conditions vary in our key markets of the Republic of Ireland and the United Kingdom, common themes such as lower disposable income and reduced personal expenditure, reduced corporate profitability, higher insolvency rates and unemployment prevail across each market.

These uncertain conditions have affected and continue to affect the Group's customers, and by extension the demand for the Group's products and services, the level of impaired loans and the quantum of impairment charges that will ultimately be incurred.

Partners

The Partner during the period was BOI G.P. No 1 Limited (the General Partner).

Related Party Transactions

In June 2009 a related party, BOI Capital Holdings Ltd purchased €250 million of BOI Capital Funding (No. 1) LP's €600 million fixed rate/variable rate guaranteed non voting non cumulative perpetual preferred securities. Other than the interest payable to external bondholders (58.3% of interest payable), all transactions in the financial statements are with subsidiary undertakings of the Governor and Company of Bank of Ireland, which is also the ultimate parent company of BOI Capital Funding (No. 1) LP.

Going concern

After analysis performed at 30 September 2009 for the purpose of the interim statement of the Bank of Ireland Group, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. For this reason, the General Partner continues to adopt the going concern basis in preparing the accounts.

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CONDENSED PROFIT AND LOSS ACCOUNT

RESULTS FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2009

| | Unaudited 6 month period to 30 September 2009 € | Unaudited 6 month period to 30 September 2008 € | Audited Year to 31 March 2009 € |
|--------------------------------------|--|--|--|
| Interest receivable | 10,700,236 | 13,735,529 | 26,914,997 |
| Amortisation of discount | 210,865 | 210,865 | 421,729 |
| Distribution to Limited Partners | (10,700,236) | (13,735,529) | (26,914,997) |
| Amortisation of issue cost | (210,865) | (210,865) | (421,729) |
| | <hr/> - | <hr/> - | <hr/> - |
| Other operating income | 244,632 | 243,850 | 447,260 |
| Distribution to General Partner | (244,632) | (243,850) | (447,260) |
| Results for the period / year | <hr/> <hr/> - | <hr/> <hr/> - | <hr/> <hr/> - |

There were no other recognised gains or losses during the period other than those shown in the profit and loss account above.

The notes on pages 7 to 9 form an integral part of this interim financial information.

BOI CAPITAL FUNDING (NO. 1) LP

CONDENSED BALANCE SHEET

AS AT 30 SEPTEMBER 2009

| | Notes | Unaudited 30 September 2009 € | Unaudited 30 September 2008 € | Audited 31 March 2009 € |
|--|-------|--|--|----------------------------------|
| Assets | | | | |
| Cash at bank and in hand | | 10,000 | 10,000 | 10,000 |
| Debtors: | | | | |
| Amounts falling due within one year | 3 | 14,581,395 | 15,474,055 | 28,856,932 |
| Amounts falling due after more than one year | 3 | 589,281,044 | 588,859,314 | 589,070,179 |
| <hr/> | | | | |
| Total assets | | 603,872,439 | 604,343,369 | 617,937,111 |
| Creditors: Amounts falling due within one year | | | | |
| | | (14,581,394) | (15,474,054) | (28,856,931) |
| <hr/> | | | | |
| | | 589,291,045 | 588,869,315 | 589,080,180 |
| Creditors: Amounts falling due after more than one year | | | | |
| Preferred securities | 4 | (589,281,044) | (588,859,314) | (589,070,179) |
| <hr/> | | | | |
| Net assets | | <u>10,001</u> | <u>10,001</u> | <u>10,001</u> |
| | | | | |
| Represented by | | | | |
| Partners' interests | 5 | 10,001 | 10,001 | 10,001 |
| <hr/> | | | | |
| | | <u>10,001</u> | <u>10,001</u> | <u>10,001</u> |

The notes on pages 7 to 9 form part of this interim financial information.

This interim financial information was approved by the General Partner on 27 November 2009 and signed on its behalf by:

Adrian Bird
Director
27 November 2009

BOI CAPITAL FUNDING (NO. 1) LP

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2009

1. General information and basis of preparation of this interim financial information

BOI Capital Funding (No. 1) LP is a Limited Partnership registered in the United Kingdom under the Limited Partnerships Act 1907. The address of its registered office is One Temple Back East, Temple Quay, Bristol BS1 6DX.

This interim financial information does not comprise statutory accounts within the meaning of the Partnerships and Unlimited Companies (Accounts) Regulations 1993. Statutory accounts for the year ended 31 March 2009 were approved by the General Partner on 28 July 2009 and the report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph.

This interim financial information for the six month period to 30 September 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and with pronouncements on interim reporting issued by the Accounting Standards Board. This interim financial information should be read in conjunction with the Annual Financial Statements for the year ended 31 March 2009, as they provide an update of previously reported information.

This interim financial information has not been reviewed or audited by an independent auditor.

2. Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2009 as described in those annual financial statements.

There are no prospective accounting changes setting out accounting standards / amendments to standards that apply to future accounting periods that are expected to materially impact on the Partnership.

3. Debtors

| | Unaudited 30 September 2009 € | Unaudited 30 September 2008 € | Audited 31 March 2009 € |
|--|--|--|----------------------------------|
| Amounts falling due within one year: | | | |
| Accrued interest receivable on subordinated notes from Bank of Ireland UK Holdings plc | 12,395,901 | 13,735,529 | 26,914,997 |
| Amortised issue cost receivable from BOI G.P. No 1 Limited | 1,932,927 | 1,511,197 | 1,722,061 |
| Amounts due from Bank of Ireland UK Holdings plc | 252,566 | 227,328 | 219,873 |
| Amounts due from the Partners under the Terms of the Limited Partnership Agreement | 1 | 1 | 1 |
| | <hr/> 14,581,395 | <hr/> 15,474,055 | <hr/> 28,856,932 |
| Amounts falling due after more than one year: | | | |
| Amounts due on subordinated notes issued by Bank of Ireland UK Holdings plc (*) | 600,000,000 | 600,000,000 | 600,000,000 |
| Unamortised discount on issue | (10,718,956) | (11,140,686) | (10,929,821) |
| | <hr/> 589,281,044 | <hr/> 588,859,314 | <hr/> 589,070,179 |

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2009

3. Debtors (continued)

(*) The subordinated notes relate to the issue of euro 600,000,000 fixed rate/variable rate subordinated notes by Bank of Ireland UK Holdings plc to BOI Capital Funding (No. 1) LP on 3 March 2005.

4. Preferred securities

| | Unaudited 30 September 2009 € | Unaudited 30 September 2008 € | Audited 31 March 2009 € |
|---|--|--|--|
| Preferred securities issued | 600,000,000 | 600,000,000 | 600,000,000 |
| Unamortised issue costs (receivable from BOI G.P. No 1 Limited) | (10,718,956) | (11,140,686) | (10,929,821) |
| | <u>589,281,044</u> | <u>588,859,314</u> | <u>589,070,179</u> |

The securities issued relate to €600,000,000 of fixed rate/variable rate guaranteed non-voting, non-cumulative perpetual preferred securities, comprising limited partnership interests in BOI Capital Funding (No. 1) LP, issued on 2 March 2005. The rights attached to these securities are:

- A distribution of 6.25% annually in arrears on 3 March 2006 and 3 March 2007 and a variable rate thereafter equal to the lesser of (i) the aggregate of 0.10% and the annual spot 10 year EUR fixed versus 6 month EURIBOR swap rate and (ii) 8 %.
- The preferred securities are not subject to any mandatory redemption provisions. The preferred securities will be redeemable however, subject to satisfaction of the redemption conditions and the prior consent of the Irish Financial Regulator, on 3 March 2010 or on any distribution payment date thereafter in whole, but not in part, at the option of BOI G.P. No 1 Limited.
- In the event of dissolution of the Partnership claims of the holders of the securities will rank as if the securities were non-cumulative preference shares issued by The Governor and Company of the Bank of Ireland (the Guarantor). All obligations of the Partnership to make payments in respect of the securities will be guaranteed on a limited and subordinated basis by the Guarantor.

5. Partners' interests

| | Partners' capital € | Total € |
|----------------------------------|------------------------------------|--------------------|
| At 1 April 2009 (audited) | 10,001 | 10,001 |
| Introduced by the Partners | - | - |
| At 30 September 2009 (unaudited) | <u>10,001</u> | <u>10,001</u> |

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NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2009

Cash Flow Statement

The Limited Partnership has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 “Cash flow statements (revised 1996)”. A separate cash flow statement has not been prepared as the ultimate parent, the Bank of Ireland Group, is established under the laws of a member state of the European Union and publishes consolidated financial statements which include a consolidated cash flow statement in accordance with FRS 1 (Revised) – “Cash Flow Statements”.

Review by Auditors

The interim management report and financial information for the six months ended 30 September 2009 have not been audited or reviewed by auditors.

BOI CAPITAL FUNDING (NO. 1) LP

STATEMENT OF THE GENERAL PARTNER'S RESPONSIBILITIES FOR THE SIX MONTH PERIOD TO 30 SEPTEMBER 2009

Statement of the General Partner's responsibilities

The General Partner is responsible for preparing this condensed interim financial information in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority and with pronouncements on interim reporting issued by the Accounting Standards Board.

The General Partner confirms that this condensed financial information has been prepared in accordance with United Kingdom Generally Accepted Accounting Standards (UK GAAP), gives a true and fair view of the assets, liabilities, financial position, profit or loss and the information required by DTR 4.2.7, namely:

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed set of interim financial information; and
- a description of the principal risks and uncertainties for the remaining six months of the financial year.

Signed by order of the General Partner

Adrian Bird
Director
27 November 2009