

BANK OF IRELAND UK HOLDINGS PLC

**ANNUAL REPORT FOR THE
YEAR ENDED 31 MARCH 2009**

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BANK OF IRELAND UK HOLDINGS PLC

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of Bank of Ireland UK Holdings plc and its subsidiaries (the 'Group') for the year ended 31 March 2009. A Statement of Directors' Responsibilities is included on page 9.

Principal activities

The Group provides banking, credit and leasing products to third parties. The Company's principal activity is to act as an intermediate holding and finance company. In this regard, the Company is an issuer of listed debt securities (see note 24 to the financial statements).

As part of this corporate restructure on 1 October 2007, the businesses of Bristol & West plc, Bank of Ireland Home Mortgages Ltd and Brunel Residential Securitisation No.1 plc, concerned with the provision of lending and savings products via various distribution channels, were transferred to other legal entities within the Bank of Ireland Group. Bank of Ireland UK Holdings plc also acquired all of the subsidiaries of Bristol & West plc and Bank of Ireland Home Mortgages Ltd. Bristol & West plc continues to hold interest bearing deposits in order to meet its liabilities, including the payment of future preference share dividends. Further details of this corporate restructure are given in note 9 to the financial statements.

Review of business

The Group's financial performance for the year ended 31 March 2009 is a profit before tax of £47.0m against a profit before tax in the previous financial year of £72.0m.

The component parts of the result are as follows:

	2009	2008
	£m	£m
Profit before tax on continuing operations	47.0	31.1
Profit before tax on discontinued operations	-	40.9
Profit before tax	<u>47.0</u>	<u>72.0</u>

The key elements of the decline in profit before tax of £25.0m were as follows:

Firstly, the results for the year ended 31 March 2008 contain six months of profit in respect of the mortgage businesses transferred as part of the corporate restructure, which accounted for £40.9m of the £72m profit before tax in 2008. No such activity was carried out in the current financial year.

Secondly, the improved results in continuing operations of £15.9m for the current financial year is mainly explained by the Group's focus on deposit-sourcing initiatives and asset based lending. The Group earned increased commissions over the prior year from deposit growth achieved through Post Office Financial Services. This contributed to an increase in profit before taxation of £6.9m. Increased asset based lending activity accounted for an increase in profit before taxation of £8.8m.

Further details can be seen in note 3, Business Segments.

Progress on the overall group strategy is monitored by reference to growth in the asset based lending and finance leasing businesses.

Future developments

The main change to current operating activity envisaged by the Directors for the forthcoming financial year is:

Operating activity in NIIB Group Ltd is being partially downsized as part of the Bank of Ireland Group de-leveraging programme

Results and dividends

As mentioned above a corporate restructure was completed during the first six months of the prior year. The results of the Group have been segregated accordingly to reflect the 'continuing operations' and the 'discontinued operations' of the transferred business.

The Group made a profit before taxation of £47.0m (2008: £72.0m) all of which related to continuing operations (of the £72.0m prior year profit, £31.1m related to continuing operations and £40.9m related to discontinued operations). Further details are given in note 9 to the financial statements. The Income Statement for the year can be seen on page 12.

On 30 March 2009, the Directors proposed and approved an interim dividend for the year ended 31 March 2009 of £215m, which was paid on 31 March 2009 and was deducted from Shareholders' Funds in the financial statements for the year ended 31 March 2009.

On 29 June 2009, the Directors proposed and approved a final dividend for the year ended 31 March 2009 of £190m. The dividend was paid on 30 June 2009 and will be deducted from Shareholders' Funds in the financial statements for the year ended 31 March 2010.

Policy on payment of creditors

The Group's policy is to agree terms of payment with suppliers and these normally provide for payment within thirty days after the invoice date, except where other arrangements have been negotiated. It is Group policy to abide by the agreed terms of payment, provided the supplier performs according to the terms of the contract.

Risk management

The risks associated with the operations of the Group were significantly reduced following the transfer of the business of Bristol & West plc on 1 October 2007. The Group's financial risk management objectives and policies and the principal risk exposures facing the business are set out in notes 29 to 31 to the financial statements.

People

Partnership and teamwork are qualities which are valued by the Group. These are encouraged through regular communication meetings and consultation with Partners' Councils - the elected staff representative body. The Group's profit-related pay scheme, Bank of Ireland share ownership and SAYE share option schemes are available to encourage wider financial involvement in the Group's affairs. Following the corporate restructure these benefits continue to be available to employees within the Bank of Ireland Group and Partner's Council continues to operate.

The Group is committed to equal opportunities for all staff and job applicants. It gives full and fair consideration to applications for employment from disabled people and to the training, development and promotion of disabled employees. The Group has ensured full compliance with the Disability Discrimination Act. If serving employees become disabled, the Group continues employment wherever possible and arranges retraining.

Following the corporate restructure on 1 October 2007, some contracts of employment previously held by the Group were transferred to The Governor and Company of the Bank of Ireland.

BANK OF IRELAND UK HOLDINGS PLC

DIRECTORS' REPORT (continued)

Charitable donations

The Group made charitable donations of £3,200 (2008: £94,890) to a range of beneficiaries as follows:

Purpose	2009	2008
	£	£
Cultural	-	80,000
Social	2,950	14,415
Medical	250	475
Total	3,200	94,890

No political donations were made.

DIRECTORS

Board of Directors who served during the year and up to the date of signing the financial statements:

Executive Directors

Chairman: Desmond E Crowley

Joined Bank of Ireland in 1988. In March 2000 became a member of the Group Executive Committee on being appointed Chief Executive of Retail Banking and Distribution. Appointed Chief Executive Retail Financial Services, Ireland in April 2004. On 1 January 2006, appointed Chief Executive of Bristol & West plc and Bank of Ireland UK Financial Services Division and Executive Director of Bank of Ireland UK Holdings plc on the same date. On 26 May 2009, appointed Chief Executive Retail (Ireland and UK). Appointed chairman of Bank of Ireland UK Holdings plc on 30 July 2009.

Age: 49

Richard M Brown

Joined Bristol & West plc in 1992 and is Managing Director of Personal Lending UK. Appointed Executive Director of Bank of Ireland UK Holdings plc on 28 January 2004. Appointed a Director and Trustee of Bristol & West Pensions Trustees Limited on 16 February 2006.

Age: 45

David McGowan

Joined Bank of Ireland in 1979 and is Managing Director of Business Banking UK. Appointed Executive Director of Bank of Ireland UK Holdings plc on 28 February 2005.

Age: 53

Kieran Coleman

Joined Bank of Ireland in 2007 as Finance Director for the UK Financial Services Division. Previously he was Finance Director, Prudential UK and Europe business and Chief Financial Officer of Egg plc. Appointed Executive Director of Bank of Ireland UK Holdings plc on 14 May 2007.

Age: 40

Peter F Morris

Joined Bank of Ireland Group in 1974. Previously Managing Director of Business Financial Services GB. Appointed Risk Director – UKFS Division in 2004. Appointed Executive Director of Bank of Ireland UK Holdings plc on 21 November 2007. Resigned as Director of the Company on 3 July 2009.

Age: 52

DIRECTORS – (continued)

Board of Directors:

Non-Executive Directors

Brian J Goggin

Former Chief Executive of Bank of Ireland Group. Was appointed Non-Executive Director of Bank of Ireland UK Holdings plc on 21 July 2004 and appointed as Chairman of the Board on 28 February 2005. Resigned as a Director and Chairman with effect from 25 February 2009.

Age: 57

John O'Donovan

Chief Financial Officer of Bank of Ireland Group. Was appointed Non-Executive Director of Bank of Ireland UK Holdings plc on 25 June 2002.

Age: 57

Directors' Interests

There were no Directors with interests in the shares of the Company. The Company is a wholly owned subsidiary of The Governor and Company of the Bank of Ireland, a body corporate incorporated outside the United Kingdom. As such the Directors are not required to disclose their interest in shares in, or debentures of, that or any other body corporate incorporated outside of Great Britain.

Going Concern

Bank of Ireland UK Holdings plc is dependent on the Bank of Ireland Group successfully funding its balance sheet and maintaining sufficient levels of capital. Having reviewed the Bank of Ireland Group's projections of its funding and capital position, and considering the key dependencies as outlined on page 18, the Directors consider it appropriate to continue to adopt the going concern basis in preparing annual accounts.

Provision of information to auditors

All directors at the time of approving this report, confirm the following:

- (a) so far as each director is aware, there is no information of which the Company and the Group's auditors are unaware, and
- (b) each director has taken all the steps they ought to have taken as a director, in order to make themselves aware of any relevant audit information, and to establish that the Company and the Group's auditors are aware of that information.

Independent Auditors

A resolution concerning the reappointment of PricewaterhouseCoopers LLP will be submitted to the Annual General Meeting.

Signed by order of the Board
Kieran Coleman
Director
30 July 2009

Disclosures on internal controls specified by the 2006 Combined Code, which incorporates the recommendations of the Turnbull Committee, are provided below. The Group is not required to make other Combined Code disclosures as it is exempt under the Listing Rules.

Internal control

As a result of the corporate restructure in October 2007 referred to in the Directors' Report and described in more detail in note 9, the principal risks of the Group were substantially reduced and at 31 March 2009 only relate to the assets and liabilities that remain in the Group and its remaining subsidiaries. These remaining risks will continue to be reviewed by management with the appropriate action being taken to ensure their mitigation.

The Directors acknowledge their overall responsibility for the Group's system of internal control. Such systems can provide only reasonable and not absolute assurance against material financial misstatement or fraud which could arise because of the nature of the Group's operations in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The overall control systems operated during the financial year by the Bank of Ireland Group which Bank of Ireland UK Holdings plc and its subsidiaries are subject to, included:

- A clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Court which support the maintenance of a strong control environment;
- A comprehensive set of policies and procedures relating to financial controls, asset and liability management (including interest, equity, liquidity and foreign exchange risk), operational risk management, regulatory risk management and credit risk management.

These controls, which were embedded within the operations of the Group, are subject to periodic review by Bank of Ireland Group Internal Audit. Emphasis is focused on areas of greatest risk as identified by risk analysis.

Prior to the corporate restructure the effectiveness of the Group's internal controls were monitored by the Audit Committee and by the Board. Following the corporate restructure referred to above, the effectiveness of internal controls is assessed on an ongoing basis by the Bank of Ireland Group Audit Committee and is subject to the oversight of the Finance and Risk functions of Bank of Ireland. In addition, the reports of the independent external auditors, PricewaterhouseCoopers LLP, which contain details of any material control issues identified from their work as auditors, were reviewed by the Bank of Ireland Group Audit Committee.

Accordingly, the Directors confirm that they have reviewed, in accordance with the Turnbull guidance, the effectiveness of the Group's system of internal control for the year ended 31 March 2009 and it was deemed to be effective.

Remuneration Committee

The Bank of Ireland Group Remuneration committee makes recommendations to the Court of the Bank of Ireland on the formulation of policy on the remuneration of Executive Directors of Bank of Ireland and approves, on the Court's behalf, specific remuneration packages for the Executive Directors. The remuneration of Non-Executive directors of Bank of Ireland UK Holdings plc is determined by the Court. Directors do not participate in any decisions relating to their own remuneration.

Directors' Indemnities

The Group has put in place Directors and Officers liability insurance in respect of legal actions against its Directors; this insurance cover does not extend to fraudulent or dishonest behaviour.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently, except for the changes arising on the adoption of new accounting standards during the year as described in note 1;
- Make judgements and estimates that are reasonable and prudent;
- State that the financial statements comply with IFRSs as adopted by the European Union;
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements and having reviewed the Bank of Ireland Group's projections of its funding and capital position, and considering the key dependencies as outlined on page 18, the Directors consider it appropriate to continue to adopt the going concern basis in preparing annual accounts;
- the financial statements, prepared in accordance with IFRSs as adopted by the European Union give a true and fair view of the assets, liabilities, financial position of the Group and of the company and of the profit of the Group; and
- the management report contained in the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that they face, which is disclosed in notes 29 to 31 to the financial statements.

Signed by:
Kieran Coleman
Director
30 July 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK OF IRELAND UK HOLDINGS PLC

We have audited the group and parent company financial statements (the "financial statements") of Bank of Ireland UK Holdings PLC for the year ended 31 March 2009 which comprise the Consolidated Income Statement, the Group and Parent Company Balance Sheets, the Group Statement of Recognised Income and Expenses, the Group and Parent Company Cash Flow Statements and the related notes to the financial statements. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 243 of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and as regards the Group financial statements Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

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

BANK OF IRELAND UK HOLDINGS PLC

INDEPENDENT AUDITORS' REPORT (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies (Northern Ireland) Order 1986, of the state of the parent company's affairs as at 31 March 2009 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986 and as regards the Group financial statements Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
30 July 2009

BANK OF IRELAND UK HOLDINGS PLC
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	2009 £m	2008 £m
Continuing operations			
Interest income	4	479.1	361.8
Interest expense	4	(374.9)	(294.0)
Net interest income		<u>104.2</u>	<u>67.8</u>
Fee and commission income		78.7	65.4
Fee and commission expense		(0.5)	0.6
Net fee and commission income		<u>78.2</u>	<u>66.0</u>
Net trading expense	5	(19.3)	(13.6)
Other operating income	6	1.1	3.3
Total operating income		<u>164.2</u>	<u>123.5</u>
Impairment charges on loans and advances	14	(28.4)	(12.5)
Other operating expenses	7	(88.8)	(79.9)
Profit before taxation from continuing operations		<u>47.0</u>	<u>31.1</u>
Taxation	10	(10.3)	3.9
Profit for the year from continuing operations		<u>36.7</u>	<u>35.0</u>
Discontinued operations			
Result for the year from discontinued operations	9	-	24.6
Profit for the year		<u>36.7</u>	<u>59.6</u>
Minority interest		<u>(7.8)</u>	<u>(2.5)</u>
Profit for the year attributable to equity holders of the parent		<u><u>28.9</u></u>	<u><u>57.1</u></u>

The notes on pages 18 to 84 are an integral part of these consolidated financial statements.

The Parent Company's income statement has not been presented in these consolidated financial statements as explained in note 11.

BANK OF IRELAND UK HOLDINGS PLC
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2009

		Group	
		2009	2008
	Note	£m	£m
ASSETS			
Cash at bank	12	-	4.9
Derivative financial instruments	29	367.9	86.0
Loans and advances to banks	13	2,589.7	2,321.6
Available for sale securities	15	29.9	39.9
Loans and advances to customers	14	2,329.1	2,395.7
Investment securities	16	497.4	497.0
Intangible assets	18	103.7	103.9
Property, plant and equipment	19	30.2	43.1
Current tax asset		7.4	22.6
Deferred tax assets	20	8.8	6.2
Other assets	21	98.9	126.7
TOTAL ASSETS		<u>6,063.0</u>	<u>5,647.6</u>
LIABILITIES			
Deposits from banks	22	2,533.7	2,336.4
Derivative financial instruments	29	24.6	122.4
Other liabilities	23	100.2	136.9
Provisions		0.9	0.7
Current tax liabilities		34.3	38.0
Deferred tax liabilities	20	3.6	4.9
Retirement benefit obligations	26	4.1	4.4
Subordinated liabilities	24	2,971.7	2,431.5
Other borrowed funds	25	32.6	32.6
TOTAL LIABILITIES		<u>5,705.7</u>	<u>5,107.8</u>
EQUITY			
Share capital	28	2.5	2.5
Retained earnings	28	323.3	509.2
Other reserves	28	-	4.4
Total shareholders' equity		<u>325.8</u>	<u>516.1</u>
Minority interest		<u>31.5</u>	<u>23.7</u>
TOTAL EQUITY		<u>357.3</u>	<u>539.8</u>
TOTAL EQUITY AND LIABILITIES		<u>6,063.0</u>	<u>5,647.6</u>

The notes on pages 18 to 84 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 30 July 2009 and signed on its behalf by:

Kieran Coleman
 Director

BANK OF IRELAND UK HOLDINGS PLC
COMPANY BALANCE SHEET AT 31 MARCH 2009

		Company	
		2009	2008
	Note	£m	£m
ASSETS			
Loans and advances to banks	13	2,191.0	2,142.0
Derivative financial instruments	29	367.9	86.0
Shares in group undertakings	17	293.3	293.3
Current tax asset		-	5.5
Other assets	21	44.3	2.5
TOTAL ASSETS		<u>2,896.5</u>	<u>2,529.3</u>
LIABILITIES			
Derivative financial instruments	29	24.3	122.4
Deposits from banks	22	134.1	11.3
Current tax liability		3.4	-
Other liabilities	23	39.3	33.0
Subordinated liabilities	24	2,474.3	1,934.5
TOTAL LIABILITIES		<u>2,675.4</u>	<u>2,101.2</u>
EQUITY			
Share capital	27	2.5	2.5
Retained earnings	28	215.6	422.6
Other reserves		3.0	3.0
TOTAL EQUITY		<u>221.1</u>	<u>428.1</u>
TOTAL EQUITY AND LIABILITIES		<u>2,896.5</u>	<u>2,529.3</u>

The notes on pages 18 to 84 are an integral part of these consolidated financial statements

The financial statements were approved by the Board of Directors on 30 July 2009 and signed on its behalf by:

Kieran Coleman
Director

BANK OF IRELAND UK HOLDINGS PLC
GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE
AT 31 MARCH 2009

		Group		
	Note	Profit & Loss Account £m	Other Reserves £m	Total £m
For the year ended 31 March 2009				
Minority interest		(7.8)	-	(7.8)
Actuarial loss on defined benefit pension fund	26	(0.5)	-	(0.5)
Deferred tax on actuarial gains and losses	20	0.2	-	0.2
Revaluation of property, plant and equipment	19	-	(12.6)	(12.6)
Deferred tax on revaluation of property, plant and equipment	20	-	1.5	1.5
Net income / (expense) recognised directly in equity		(8.1)	(11.1)	(19.2)
Profit for the financial year		36.7	-	36.7
Total recognised income / (expense)		28.6	(11.1)	17.5
For the year ended 31 March 2008				
Minority interest		(2.5)	-	(2.5)
Actuarial gain on defined benefit pension fund	26	9.8	-	9.8
Deferred tax on actuarial gains and losses	20	(2.9)	-	(2.9)
Revaluation of property, plant and equipment	19	-	(2.4)	(2.4)
Deferred tax on revaluation of property, plant and equipment	20	-	0.7	0.7
Transfer of reserves following sale of property	28	1.0	(1.0)	-
Net income / (expense) recognised directly in equity		5.4	(2.7)	2.7
Profit for the financial year		59.6	-	59.6
Total recognised income / (expense)		65.0	(2.7)	62.3

There are no movements to be recognised through the Parent Company statement of recognised income and expense 2009 or 2008.

The notes on pages 18 to 84 are an integral part of these consolidated financial statements.

BANK OF IRELAND UK HOLDINGS PLC
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	Group		Company	
		2009 £m	2008 £m	2009 £m	2008 £m
Net cash flow from operating activities					
Profit before tax					
- continuing operations		47.0	31.1	1.5	(37.1)
- discontinued operations		-	40.9	-	-
		<u>47.0</u>	<u>72.0</u>	<u>1.5</u>	<u>(37.1)</u>
Adjusted for					
Transfer of subsidiary undertakings		-	-	-	272.5
Depreciation and amortisation		7.6	9.6	-	-
Impairment losses on loans and advances to customers		28.4	13.1	-	-
Impairment of property		6.8	-	-	-
Profit on disposal of intangible assets and property, plant and equipment		-	(3.7)	-	-
Interest expense on subordinated liabilities		167.2	141.8	61.6	-
Other non-cash movements		6.8	(16.5)	134.9	3.0
Discontinued Operations		-	1.7	-	-
Cash flows from operating activities before changes in operating assets and liabilities		<u>263.8</u>	<u>218.0</u>	<u>198.0</u>	<u>238.4</u>
Changes in operating assets and liabilities					
Loans and advances to banks		370.7	(90.7)	544.9	(2,480.7)
Loans and advances to customers		51.0	(1,502.8)	-	(301.4)
Other assets		15.2	237.0	(41.8)	(1.7)
Deposits from banks		197.3	444.2	122.8	-
Due to customers		-	(162.2)	-	-
Net movement on debt securities held		-	127.7	-	-
Available for sale securities		-	304.7	-	-
Assets held for resale		-	2.9	-	-
Other liabilities		(50.2)	178.6	(28.9)	3.0
Provisions		-	(8.1)	-	-
Discontinued Operations		-	5,088.2	-	-
Effect of Translation		417.7	-	417.5	-
Cash flows from operating assets and liabilities		<u>1,001.7</u>	<u>4,619.5</u>	<u>1,014.5</u>	<u>(2,780.8)</u>
Net cash flow (used in) / from operating activities before taxation		1,265.5	4,837.5	1,212.5	(2,542.4)
Taxes (paid) / received		(0.4)	(6.5)	8.7	12.8
Net cash from operating activities		<u>1,265.1</u>	<u>4,831.0</u>	<u>1,221.2</u>	<u>(2,529.6)</u>
Cash flows from investing activities					
Net investment in intangible assets and property, plant and equipment		(7.2)	(9.3)	-	-
Net change in financial investments		10.0	-	-	-
Net divestment of subsidiary undertakings		-	-	-	164.9
Discontinued Operations		-	43.0	-	-
Net cash from investing activities		<u>2.8</u>	<u>33.7</u>	<u>-</u>	<u>164.9</u>

BANK OF IRELAND UK HOLDINGS PLC
CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	Note	Group 2009 £m	2008 £m	Company 2009 £m	2008 £m
Cash flows from financing activities					
Derivative financial instruments and other trading liabilities		(258.9)	(30.1)	(259.2)	(54.0)
Interest on subordinated liabilities		(160.1)	(141.8)	(160.1)	-
Redemption of preference shares		-	-	-	354.1
Debt securities in issue		-	(346.4)	-	-
Subordinated debt issue		-	243.5	-	197.0
Other borrowed funds		-	(17.8)	-	-
Other reserves		-	(3.2)	-	-
Equity dividends paid		(215.0)	-	(215.0)	-
Equity dividends received		-	-	7.0	-
Discontinued Operations		-	(5,656.9)	-	-
Net cash from financing activities		<u>(634.0)</u>	<u>(5,952.7)</u>	<u>(627.3)</u>	<u>497.1</u>
Net increase /(decrease) in cash and cash equivalents					
		633.9	(1,088.0)	593.9	(1,867.6)
Opening cash and cash equivalents	36	<u>238.8</u>	<u>1,326.8</u>	<u>-</u>	<u>1,867.6</u>
Closing cash and cash equivalents	36	<u>872.7</u>	<u>238.8</u>	<u>593.9</u>	<u>-</u>

The notes on pages 18 to 84 are an integral part of these consolidated financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of presentation

Bank of Ireland UK Holdings plc is a company incorporated and domiciled in the UK.

The principal accounting policies applied in preparation of the financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

These consolidated financial statements of Bank of Ireland UK Holdings plc (the Group) are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union and with those parts of the Companies (Northern Ireland) Order 1986 applicable to companies reporting under IFRS. The consolidated and individual financial statements are prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

The financial statements are presented in GBP millions except where otherwise indicated.

The preparation of the financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out in note 2.

During the year to 31 March 2008 the Transparency (Directive 2004/109/EC) Regulations 2007 (implemented in the UK from 20 January 2007) became effective for the Group. This directive aims to enhance transparency in EU capital markets in order to improve investor protection and market efficiency. It sets out reporting requirements in respect of interim and annual reports and provides time lines for the publication of management statements during the year. This directive did not have a significant impact on the Group financial statements.

Going Concern

Bank of Ireland UK Holdings plc is a direct subsidiary of the Governor and Company of the Bank of Ireland (Gov&Co) and part of the Bank of Ireland Group (BoIG). BoIG has operated in a very challenging environment arising from the unprecedented deterioration in the global economy and the continued global financial crisis, characterised by a significant reduction in liquidity. As a result, central banks have initiated actions to improve liquidity to the interbank market in order to stabilise their banking systems. In Ireland, the Irish Government has introduced an enhanced customer deposit protection scheme, a guarantee scheme for certain bank liabilities, and a recapitalisation programme which invested €3.5 billion in Bank of Ireland preference stock. In addition, the Government also announced its intention to create a National Asset Management Agency (NAMA) to take certain land and development and related property loans off Irish banks' balance sheets, thereby improving liquidity in the system. As a systemically important bank to the Irish economy, as acknowledged by the Irish Government, Bank of Ireland has benefited and will continue to benefit from these initiatives.

The key dependencies on successfully funding the BoIG balance sheet include the continued functioning of wholesale funding markets, the continued access of the BoIG to a range of Monetary Authority liquidity facilities, limited further deterioration in the BoIG credit ratings, and no significant sudden withdrawal of customer deposits.

The BoIG has built up a substantial pool of contingent liquidity to support its funding requirement. The BoIG funding position has been strengthened by the Government guarantee of its liabilities out to 29 September 2010 and the recently announced extension of this guarantee beyond September 2010 for the future issuance of debt securities with a maturity of up to five years. The BoIG funding and capital position has also been strengthened by the €3.5 billion preference stock investment by the Irish Government on 31 March 2009.

Based on projections prepared by management of the parent company which take into account BoIG's ability to fund in the market, the stability of its deposit base, and continued access to Monetary Authority liquidity support schemes, the Directors of Bank of Ireland UK Holdings plc are satisfied that the Group has adequate resources, both capital and funding to continue in business for the foreseeable future. Accordingly, the Directors consider it appropriate to adopt the going concern basis in preparing the annual financial statements.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Adoption of new accounting standards

The following standards / amendments to standards have been adopted by the Group during the year ended 31 March 2009:

Amendments to IAS 39 — Financial instruments: Recognition and measurement and IFRS 7 — Financial Instruments: Disclosures — Reclassification of financial assets. The IAS 39 amendment allows the reclassification of certain financial assets previously classified as ‘held for trading’ or ‘available for sale’ to another category under limited circumstances. The amendment to IFRS 7 requires various disclosures where a reclassification has been made. These did not have any impact on the Group.

Both of the above amendments are effective from 1 July 2008, with reclassifications made on or after 1 November 2008 taking effect prospectively from the date of the reclassification.

Details of those IFRS pronouncements which will be relevant to the Group but which were not effective at 31 March 2009 and which have not yet been adopted by the Group are set out in note 1.25.

1.3 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

1.4 Group accounts

(1) Subsidiaries

Subsidiaries, which are those companies and other entities (including Special Purpose Entities (SPEs)) in which the Group, directly or indirectly, has power to govern the financial and operating policies, generally accompanying a shareholding of more than half of its voting rights, are consolidated.

Assets, liabilities and results of all group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial year.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see ‘Intangible Assets’ for the accounting policy on goodwill).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Upon adoption of IFRS, the Group availed of the exemption not to restate the Group financial statements for any acquisitions or business combinations that took place prior to 1 April 2004.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Group accounts (continued)

(2) Minority Interests

Transactions with minorities where the Group has control over the entity are accounted for using the “Economic entity model”. This accounting model requires that any surplus or deficit that arises on any transaction(s) with minorities to dispose of or to acquire additional interests in the entity are settled through equity.

1.5 Foreign Currency Translation

Foreign currency transactions are translated into sterling at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

1.6 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss.

Fair value gains or losses on derivatives are normally recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is applied to these derivatives provided certain criteria are met. The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item affects profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.6 Derivative financial instruments and hedge accounting (continued)

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

1.7 Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the overall return, transaction costs and all other premiums or discounts.

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

1.8 Fee and commission income

Fees and commissions, which are not an integral part of the effective interest rate, are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan.

1.9 Financial assets

(1) Classification, Recognition and Measurement:

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held to maturity investments; and available for sale financial assets. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss can either be held for trading, if acquired principally for the purpose of selling in the short term, or designated at fair value through profit or loss at inception.

A financial asset may be designated as at fair value through profit or loss only when:

- (i) it eliminates or significantly reduces a measurement or recognition inconsistency, “an accounting mismatch”, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
- (iii) a contract contains one or more embedded derivatives that significantly change the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 Financial assets (continued)

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Thereafter they are carried on the balance sheet at fair value, with all changes in fair value included in the income statement.

(b) Loans and receivables

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

Loans are recorded at fair value plus transaction costs when cash is advanced to the borrowers. They are subsequently accounted for at amortised cost using the effective interest method.

(c) Held to maturity

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and would need to be reclassified as available for sale.

Purchases and sales of held to maturity investments are recorded on trade date. They are initially recognised at fair value plus transaction costs and are subsequently accounted for at amortised cost using the effective interest method.

(d) Available for sale

Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of available for sale financial assets are recognised on trade date. They are initially recognised at fair value plus transaction costs and subsequently accounted for at fair value with all measurement gains or losses recognised in equity. Interest is calculated using the effective interest method and is recognised in the income statement.

If an available for sale financial asset is derecognised or impaired the cumulative gain or loss previously recognised in equity is removed from equity and included in profit or loss.

Dividends on available for sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

(2) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

(3) Shares in Group Entities

The Company's investments in its subsidiaries are stated at cost less any impairment.

1.10 Financial liabilities

The Group has two categories of financial liabilities — those that are carried at cost and those that are carried at fair value through profit or loss. Financial liabilities are initially recognised at fair value, (normally the issue proceeds, i.e. fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For liabilities carried at amortised cost, any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement using the effective interest method.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 Financial liabilities (continued)

Preference shares, which carry a mandatory coupon, are classified as financial liabilities. The dividends on these preference shares are recognised in the income statement as interest expense using the effective interest method.

A liability may be designated as at fair value through profit or loss only when:

- (i) it eliminates or significantly reduces a measurement or recognition inconsistency, “an accounting mismatch”, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or
- (ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy; or
- (iii) a contract contains one or more embedded derivatives that significantly change the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expires.

1.11 Valuation of financial instruments

The Group recognises certain financial instruments at fair value in the balance sheet. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm’s length transaction.

The fair values of financial assets and liabilities traded in active markets are based on unadjusted bid and offer prices respectively. If an active market does not exist, the Group establishes fair value using valuation techniques. These include the use of recent arm’s length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where possible, the inputs to these models are based on observable market data. Where observable data does not exist, the Group uses estimates based on the best information available.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which primarily uses observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price.

1.12 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the lender would not otherwise consider;

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 Impairment of financial assets (continued)

- (iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - adverse changes in the payment status of borrowers in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or held to maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 Impairment of financial assets (continued)

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

Available for sale financial assets

The Group assesses at each balance sheet date whether there is objective evidence that an available for sale financial asset is impaired. In addition to the factors set out above, a significant or prolonged decline in the fair value of an investment in an available for sale equity instrument below its cost is considered in determining whether an impairment loss has been incurred. If an impairment loss has been incurred, the cumulative loss measured as the difference between the original cost and the current fair value, less any impairment loss on that asset previously recognised, is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

1.13 Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any impairment losses.

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by an individual statutory entity.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally 5 years.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, which is normally five years.

Computer software is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its value in use.

(c) Other intangible assets

Details of the method of valuation of other intangibles are detailed in Note 18 to the accounts.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.13 Intangible assets (continued)

Other intangible assets are amortised on a straight line basis over the life of the agreement and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The estimated recoverable amount is the higher of the asset's fair value less costs to sell or its value in use

1.14 Property, plant and equipment

Freehold land and buildings are initially recognised at cost, and subsequently are revalued annually at open market value by independent external valuers. Revaluations are to be made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the balance sheet date.

All other property, plant and equipment, including freehold and leasehold adaptations, is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and buildings are credited to the revaluation reserve in shareholders' equity, unless the increase represents a reversal of a previous revaluation decrease of the same asset which was recognised as an expense, in which case the increase can be recognised in the income statement to the extent of the previously recognised decrease. Decreases that offset previous increases on the same asset are charged against property revaluation reserve; all other decreases are charged to the income statement.

Depreciation is calculated on the straight line method to write down the carrying value of assets to their residual values over their estimated useful lives as follows:

Adaptations	15 years, or the remaining period of the lease
Equipment	Maximum of 10 years

The Directors consider that residual values of freehold and long leasehold based on prices at the balance sheet date are such that depreciation is not material.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. If the asset being disposed of had previously been revalued any amount in the revaluation reserve relating to that asset is transferred to retained earnings on disposal.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.15 Leases

(1) When a Group Company is the lessee:

The total payments and receipts made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property, plant and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in long term payables. The interest element of the finance costs is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(2) When a Group Company is the lessor:

When assets are held under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is included within net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

1.16 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, balances with central banks and post office banks which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

1.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless the probability of their occurrence is remote.

1.18 Employee benefits

(a) *Pension obligations*

The Group companies operate various pension schemes as described in note 26. The schemes are funded and the assets of the schemes are held in separate trustee administered funds. The Group has both defined contribution and defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations relating to employee service in the current and prior periods.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.18 Employee benefits (continued)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognised past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

The Group's income statement includes the current service cost of providing pension benefits, the expected return on the schemes' assets, net of administration costs, and the interest cost on the schemes' liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to reserves through the Statement of Recognised Income and Expense. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

For defined contribution plans, once the contributions have been paid, the company has no further payment obligations. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Group also participates in multi employer plans which are defined benefit plans but are accounted for as defined contribution plans on the basis that it is unable to identify its share of the underlying assets and liabilities in the scheme (see note 26 for further detail).

(b) Equity compensation benefits

The Bank of Ireland Group has a number of share based payment schemes. The fair value at the date of grant of the employee services received in exchange for the grant of options or shares is recognised as an expense and recharged from the Bank of Ireland Group to the Bank of Ireland UK Holdings plc Group. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted at grant date, excluding the impact of any non-market vesting conditions (for example, growth in EPS). Non-market vesting conditions are included in assumptions about the number of options or shares that are expected to vest. At each balance sheet date, the Bank of Ireland Group revises its estimate of the number of options or shares that are expected to vest. It recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the share price over the life of the option and other relevant factors.

Upon transition to IFRS, the Group availed of the exemption only to apply IFRS 2 to share based payments which were granted on or after 7 November 2002 that had not yet vested by 1 January 2005.

(c) Short term employee benefits

Short term employee benefits, such as salaries and other benefits, are accounted for on an accruals basis over the period in which the employees' service is rendered. Bonuses are recognised where the Group has a legal or constructive obligation to employees that can be reliably measured.

(d) Termination payments

Termination payments are recognised as an expense when the Group is demonstrably committed to a formal plan to terminate employment before the normal retirement date. Termination payments for voluntary redundancies are recognised where an offer has been made by the Group, it is probable that the offer will be accepted and the number of acceptances can be reliably estimated.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.19 Taxation

(a) Current income tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses are utilised.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates / joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax related to fair value remeasurement of available for sale investments and cash flow hedges, or related to the revaluation of land and buildings, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

1.20 Assets classified as held for sale

An asset or a disposal group is classified as held for sale if the following conditions are met:

- Its carrying amount will be recovered principally through sale rather than continuing use.
- It is available for immediate sale.
- The sale is highly probable within the next twelve months.

When an asset (or disposal group) is initially classified as held for sale, it is measured at the lower of its carrying amount or fair value less costs to sell at the date of reclassification. Prior period amount are not reclassified.

Impairment losses subsequent to classification of assets held for sale are recognised in the income statement. Increases in fair value less costs to sell of property that has been classified as held for sale are recognised in the income statement to the extent that the increase is not in excess of any cumulative impairment loss previously recognised in respect of the asset.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.21 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right of set off and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.22 Dividends

Dividends on ordinary shares are recognised in equity in the period in which they are paid.

1.23 Issued debt and equity instruments

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The coupons on these instruments are recognised in the income statement as interest expense. Where the Group has discretion in relation to the payment of coupons and repayment of principal, the instrument is classified as equity and the payments are classified as preference dividends.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in net trading income.

1.24 Segmental reporting

The segmental analysis of the Group's results and financial position is set out in note 3 by business class and by geographic segment. The Group has three business classes that reflect the internal financial and management reporting structure. 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.

1.25 Impact of New Accounting Standards

The following standards, interpretations and amendments to standards will be relevant to the Group but were not effective at 31 March 2009 and have not been applied in preparing these financial statements. The full impact of these accounting changes is being assessed by the Group, however, the initial view is that none of these pronouncements are expected to cause any material adjustments to reported numbers in the financial statements.

Pronouncement	Nature of change	Effective date	Impact
IFRIC 13 — Customer Loyalty Programme	This interpretation deals with accounting for customer loyalty award schemes, hence it is not expected to have a material impact on the Group.	Annual periods beginning on or after 1 July 2008.	Not significant
Amendments to IFRIC 9 and IAS 39 Embedded Derivatives*	The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.	Annual periods beginning on or after 1 July 2008.	None expected
IFRIC 16 — Hedge of a net investment in a foreign operation*	Provides guidance on accounting for hedges of net investments in foreign operations	Annual periods beginning on or after 1 October 2008.	None expected

* Awaiting EU endorsement

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.25 Impact of New Accounting Standards (continued)

Pronouncement	Nature of change	Effective date	Impact
IFRS 8 — Operating Segments	This standard replaces IAS 14 — Segmental Reporting and requires an entity to base their segmental reporting on the information that is reported internally to management.	Annual periods beginning on or after 1 January 2009.	Not significant
IFRIC 14 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	This interpretation details with accounting for refunds in contributions and minimum funding requirements.	Annual periods beginning on or after 1 January 2009.	Not significant
Amendments to IAS 1 — Presentation of Financial Statements	This amendment revises the requirements for the presentation, structure and content of financial statements.	Annual periods beginning on or after 1 January 2009.	Not significant
Amendment to IFRS 2 — Share-based payments: Vesting Conditions and Cancellations	This amendment clarifies the accounting treatment of cancellation and vesting conditions.	Annual periods beginning on or after 1 January 2009.	Not significant
Amendment to IAS 32 — Borrowing Costs	This amendment requires an entity to capitalise borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.	Annual periods beginning on or after 1 January 2009.	Not significant
Amendment to IAS 32 — Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations arising on Liquidation	The amendment changes the classification from liabilities to equity of (a) some puttable financial instruments and (b) some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of net assets of the entity only on liquidation to be classified as equity.	Annual periods beginning on or after 1 January 2009.	None expected
Amendment to IFRS 7 — Improving Disclosures about Financial Instruments*	The amendment increases the disclosure requirements about fair value measurement, introducing a three-level hierarchy for fair value measurement disclosure, with some specific quantitative disclosures required for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk.	Annual periods beginning on or after 1 January 2009, with no comparatives required for the first year application.	The Group will be required to provide the additional disclosures prescribed by this amendment
IFRIC 15 — Agreements for construction of real estates*	This deals with the recognition of revenue in relation to the construction of real estate and hence is not expected to impact on the Group.	Annual periods beginning on or after 1 January 2009.	None expected

* Awaiting EU endorsement

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.25 Impact of New Accounting Standards (continued)

Pronouncement	Nature of change	Effective date	Impact
Amendment to IFRS 1 First time adoption of IFRS and IAS 27 — Consolidated and separate financial statements on the Cost of an investment in a subsidiary, jointly controlled entity or associate	This amendment allows first time adopters of IFRS to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements on transition to IFRS. The amendment also removes the definition of the cost method from IAS 27 and has replaced it with requirement to present dividends as income in separate financial statements of the investor.	Annual periods beginning on or after 1 January 2009.	None expected
IFRS 3 Revised — Business Combinations*	The standard deals with how an acquirer recognizes, measures and discloses in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The significant changes from existing practice as a result of this revised standard are in relation to acquisitions that are achieved in stages and acquisitions where less than 100% of the equity acquired. All transaction costs on acquisition will also be expensed.	Annual periods beginning on or after 1 July 2009.	The impact on the Group will be dependent on the nature of any future acquisition
Amendment to IAS 27 — Consolidation and Separate Financial Statements*	The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. The statement also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss.	Annual periods beginning on or after 1 July 2009.	Not significant
Amendment to IAS 39 — Financial Instruments: Recognition and measurement on eligible hedged items*	The amendment prohibits designating inflation as a hedgeable component of fixed rate debt and prohibits including time value in the one sided hedge risk when designating options as hedges.	Annual periods beginning on or after 1 July 2009.	None expected
IFRIC 17 — Distributions of non-cash assets to owners*	This clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. It is not expected to impact on the Group.	Annual periods beginning on or after 1 July 2009.	None expected
IFRIC 18 — Transfer of assets from customers*	Clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide ongoing service.	Annual periods beginning on or after 1 July 2009.	None expected

* Awaiting EU endorsement

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Impairment charges on financial assets

The Group reviews its loan portfolios at least on a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The use of historical loss experience is supplemented with significant management judgment to assess whether current economic and credit conditions are such that the actual level of inherent losses is likely to differ from that suggested by historical experience. In normal circumstances, historical experience provides objective and relevant information from which to assess inherent loss within each portfolio. In other circumstances, historical loss experience provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, where there have been changes in economic conditions such that the most recent trends in risk factors are not fully reflected in the historical information. In these circumstances, such risk factors are taken into account when calculating the appropriate levels of impairment allowances, by adjusting the impairment loss derived solely from historical loss experience.

The estimation of impairment losses is subject to uncertainty and is highly sensitive to factors such as the level of economic activity, unemployment rates, bankruptcy trends, property price trends, and interest rates. The assumptions underlying this judgement are highly subjective. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. See note 30 for more information.

Fair value of financial instruments

The Group measures certain of its financial instruments at fair value in the balance sheet. This includes trading securities, other financial assets and liabilities at fair value through profit or loss, all derivatives and available for sale financial assets. The fair values of financial instruments are determined by reference to observable market prices where available and an active market exists. Where market prices are not available or are unreliable, fair values are determined using valuation techniques including discounted cash flow models which, to the extent possible, use observable market inputs.

Where valuation techniques are used they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparable market prices. Using valuation techniques may necessitate the estimation of certain pricing inputs, assumptions or model characteristics such as credit risk, volatilities and correlations and changes in these assumptions could affect reported fair values.

The fair value movement on assets and liabilities held at fair value through profit or loss, including those held for trading, are included in net trading income/expense. Fair values in respect of financial assets and liabilities are disclosed in note 29. None of the Group's financial assets or liabilities are valued using a valuation technique which includes significant unobservable inputs.

Provisions

When it is probable that a liability has been incurred, judgements and estimates are required to make a reasonable estimate of the amount of the loss. Such liabilities are often resolved over long time periods. Estimating probable losses requires analysis of multiple forecasts that often depend on judgments about potential actions by third parties.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Retirement Benefits

The Group operates a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial values of the liabilities of the schemes are calculated. This involves modelling their future growth and requires management to make assumptions as to price inflation, dividend growth, salary and pensions increases, return on investments and employee mortality. There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used. See note 26 on retirement benefit obligations for more information.

Taxes

Significant judgement is required in determining the Group's tax liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain and where calculations have been based on management's assessment of legal and professional advice, case law and other relevant guidance. In these situations, the various risks are categorised and approximate weightings applied in arriving at the assessment of the expected liability. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax amounts in the period in which such determination is made.

Intangible assets

The Group reviews the carrying value of intangible assets for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. The impairment review is performed by projecting future cash flows, excluding finance and tax, based on budgets and plans and making appropriate assumptions about rates of growth and discounting these using a rate that takes into account prevailing market interest rates and the risks inherent in the business. If the present value of the projected cash flows is less than the carrying value of the asset an impairment charge would be required in the income statement. The calculation requires the exercise of significant judgement by management; if the estimates made prove to be incorrect or changes in the performance of the related business affect the amount and timing of future cash flows, intangible assets may become impaired in future periods.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 BUSINESS SEGMENTS

The Group has two principal business segments, Lending and Consumer together with a central function within which the Group's finance and holding activities are performed.

Group	Lending	Consumer	Divisional Centre	Eliminations	Total
	£m	£m	£m	£m	£m
At 31 March 2009					
Continuing operations					
Revenue	45.8	116.5	1.9	-	164.2
Segment result	9.0	39.2	(1.2)	-	47.0
Profit/(loss) before tax	9.0	39.2	(1.2)	-	47.0
Taxation	(5.6)	(4.4)	(0.3)	-	(10.3)
Profit/(loss) for the year	3.4	34.8	(1.5)	-	36.7
External assets	1,960.1	890.4	3,212.5	-	6,063.0
Inter segment assets	3.7	0.2	56.0	(59.9)	-
Segment assets	1,963.8	890.6	3,268.5	(59.9)	6,063.0
External liabilities	1,743.7	763.2	3,198.8	-	5,705.7
Inter segment liabilities	21.7	-	38.2	(59.9)	-
Segment liabilities	1,765.4	763.2	3,237.0	(59.9)	5,705.7
Other segment items					
Capital expenditure	0.3	-	-	-	0.3
Depreciation	0.5	-	-	-	0.5
Amortisation	-	4.2	2.9	-	7.1

There were no discontinued operations in the year ended 31 March 2009.

Revenue comprises the net income from interest, fees, commissions, net trading expense and other operating income and is generated from lending and deposit-sourcing businesses with external retail customers and the related financial assets and liabilities.

Recharges from Divisional Centre to other business segments are made on a consistent basis from year to year.

Group	Lending	Consumer	Divisional Centre	Eliminations	Total
	£m	£m	£m	£m	£m
At 31 March 2008					
Continuing operations					
Revenue	70.1	86.6	(33.2)	-	123.5
Segment result	39.0	23.3	(31.2)	-	31.1
Profit/(loss) before tax	39.0	23.3	(31.2)	-	31.1
Taxation	0.2	(5.8)	9.5	-	3.9
Profit/(loss) for the year	39.2	17.5	(21.7)	-	35.0

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

3 BUSINESS SEGMENTS (CONTINUED)

Group	Lending	Consumer	Divisional Centre	Eliminations	Total
At 31 March 2008	£m	£m	£m	£m	£m
Discontinued Operations					
Revenue	85.0	-	-	-	85.0
Segment result	40.9	-	-	-	40.9
Profit/(loss) before tax	40.9	-	-	-	40.9
Taxation	(16.3)	-	-	-	(16.3)
Profit/(loss) for the year	24.6	-	-	-	24.6
External assets	2,110.6	660.5	2,876.5	-	5,647.6
Inter segment assets	4.7	-	43.0	(47.7)	-
Segment assets	2,115.3	660.5	2,919.5	(47.7)	5,647.6
External liabilities	1,888.7	567.7	2,651.4	-	5,107.8
Inter segment liabilities	20.5	-	27.2	(47.7)	-
Segment liabilities	1,909.2	567.7	2,678.6	(47.7)	5,107.8
Other segment items					
Capital expenditure	0.3	-	-	-	0.3
Depreciation	0.5	-	-	-	0.5
Amortisation	-	4.2	2.9	-	7.1

Gross revenue by business segments

Group	Lending	Consumer	Divisional Centre	Eliminations	Total
At 31 March 2009	£m	£m	£m	£m	£m
External customers	137.1	135.5	263.9	-	536.5
Inter-segment revenue	2.5	0.2	0.5	(3.2)	-
Total Gross Revenue	139.6	135.7	264.4	(3.2)	536.5

Group	Lending	Consumer	Divisional Centre	Eliminations	Total
At 31 March 2008	£m	£m	£m	£m	£m
Continuing operations					
External Customers	161.9	107.9	147.1	-	416.9
Inter-segment revenue	3.2	0.4	1.0	(4.6)	-
Total Gross Revenue	165.1	108.3	148.1	(4.6)	416.9
Discontinued Operations					
External Customers	924.3	-	-	-	924.3
Inter-segment revenue	341.9	-	-	(341.9)	-
Total Gross Revenue	1,266.2	-	-	(341.9)	924.3

The Group and Company only has one geographic segment as all companies are incorporated and operate in the United Kingdom.

4 NET INTEREST INCOME

	2009	2008
	£m	£m
Interest income		
On loans and advances to customers	186.4	173.5
On available for sale securities	0.1	6.3
On amounts due from parent company and fellow group undertakings	292.0	182.0
Other interest income	0.6	-
	<u>479.1</u>	<u>361.8</u>
Interest expense		
On amounts due to customers	-	11.4
On amounts due to parent company and fellow group undertakings	205.0	136.3
Subordinated liabilities	167.2	141.8
Preference stock	2.7	3.4
Other	-	1.1
	<u>374.9</u>	<u>294.0</u>

Included within interest income is £3.9m (2008: £0.4m) in respect of impaired loans and advances to customers.

5 NET TRADING EXPENSE

	2009	2008
	£m	£m
Foreign currency translation (loss)/gain	(234.9)	8.6
Related derivatives held for trading gain/(loss)	211.4	(22.0)
Net fair value hedge ineffectiveness	4.2	(0.2)
Net Trading Expense	<u>(19.3)</u>	<u>(13.6)</u>

Net trading expense of £19.3 million (31 March 2008: £13.6 million) includes gains and losses on financial instruments held for trading. These are derivative instruments which are economic hedges of the interest rate or foreign exchange risks in financial liabilities held at amortised cost, to which hedge accounting is not applied. It includes the interest income receivable and expense payable and the fair value movements on these derivative instruments.

All of the foreign currency translation losses of £234.9m (31 March 2008: £8.6 million) relate to financial liabilities denominated in foreign currencies.

Net fair value hedge ineffectiveness comprises a net gain from hedging instruments of £145.1m (31 March 2008: net gain of £64.6 million) offsetting a net loss from hedged items of £140.9 (31 March 2008: net loss of £64.8 million).

Other than the foreign currency translation losses and fair value hedge accounting adjustments described above, there were no other gains or losses relating to financial liabilities held at amortised cost, available for sale assets, held to maturity investments or loans and receivables included within net trading income (31 March 2008: nil).

There were no assets or liabilities designated at fair value through profit or loss upon initial recognition within continuing operations during the years ended 31 March 2008 or 31 March 2009.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

6 OTHER OPERATING INCOME

	2009 £m	2008 £m
Rental income from operating lease rentals	-	1.2
Other income	1.1	2.1
	<u>1.1</u>	<u>3.3</u>

7 OTHER OPERATING EXPENSES

	2009 £m	2008 £m
Staff costs (note 8)	20.4	29.6
Depreciation	0.6	0.6
Amortisation of intangible assets	7.2	5.8
Other administrative expenses	60.6	43.9
	<u>88.8</u>	<u>79.9</u>

The amount of staff costs in the prior year relates solely to continuing operations and excludes staff costs relating to discontinued operations (see Note 8).

Auditors' remuneration in respect of the audit of the Company and the Group was £35,688 (2008: £28,000) and £183,346 (2008: £324,000) respectively.

Other assurance services costs incurred in respect of the Company and the Group were nil (2008: £15,000) and £25,529 (2008: £70,000) respectively.

There were no taxation services costs or additional non-audit fees incurred in respect of the Company and the Group in 2008 or 2009.

The Bank of Ireland Group Audit Committee has reviewed the nature of fees for non-audit services, and is satisfied that it has not affected the independence of the auditors.

8 STAFF COSTS

	2009 £m	2008 £m
Wages and salaries	13.9	44.1
Social security costs	1.7	4.5
Pension costs:		
- defined contribution plans	1.2	1.0
- defined benefit plans (note 26)	0.4	2.7
Share based payment schemes	-	1.3
Other staff costs	3.2	5.3
	<u>20.4</u>	<u>58.9</u>
Attributable to:		
Continuing operations	20.4	29.6
Discontinued operations	-	29.3
	<u>20.4</u>	<u>58.9</u>

The Company had no employees during the year (2008: Nil).

The average number of persons including directors employed by the Group during the year was 251 (2008: 1,102).

9 DISCONTINUED OPERATIONS

There were no discontinued operations during 2009.

In the year to 31 March 2008 discontinued operations contributed £40.9m to pre-tax profit, comprising £85.0m to revenue, impairment provision credit of £0.5m and expenses of £44.6m. The taxation relating to discontinued trading operations was £16.3m.

On 1 October 2007, with the exception of a limited number of non-operational assets and liabilities, the entire businesses of Bristol & West plc, Bank of Ireland Home Mortgages Ltd and Brunel Residential Mortgage Securitisation No.1 plc, referred to within these financial statements as “Discontinued Operations”, were transferred to other statutory entities within the Bank of Ireland Group.

The detail of this corporate restructure is as follows:

- a) The businesses of Bristol & West plc, Bank of Ireland Home Mortgages Ltd and Brunel Residential Mortgage Securitisation No.1 plc were transferred to The Governor and Company of the Bank of Ireland on 1 October 2007 at book value. In addition all of the subsidiaries of Bristol & West plc and Bank of Ireland Home Mortgages Ltd were transferred to Bank of Ireland UK Holdings plc, at their historic cost value, generating nil profit or loss for the Group.
- b) In accordance with Section 135 of the Companies Act 1985, Bristol & West plc reduced its issued ordinary share capital from £306.6m to £50,000 and cancelled its share premium of £18.5m and repaid these to Bank of Ireland UK Holdings plc.
- c) Amounts not required to be retained by the continuing business were distributed by way of dividends totalling £325.2m to Bank of Ireland UK Holdings plc.

Additional Cash Flow information

The assets and liabilities of the disposal group were as follows at the date of disposal:

	Total transfer as at 1 October 2007 £m
Derivative financial instruments	130.3
Loans and advances to banks	7,139.8
Loans and advances to customers	24,727.9
Investments in group undertakings	-
Intangible assets	36.9
Property, plant and equipment	6.1
Retirement benefit asset	13.6
Other assets	131.6
Deposits from other banks	(22,382.7)
Derivative financial instruments	(119.6)
Due to customers	(3,929.7)
Debt securities in issue	(5,180.6)
Other liabilities	(560.8)
Provisions	(15.9)
Deferred tax liabilities	(21.4)
Subordinated liabilities	(487.0)
Total value of assets / (liabilities) disposed	(511.5)
Less: cash and cash equivalents of disposal group	-
Total value of assets / (liabilities) disposed, net of cash and cash equivalents	(511.5)
Loss / (profit) on disposal	-
Cash flow from disposal group	(511.5)

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

10 TAXATION

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Current tax				
- Continuing operations	12.5	(4.4)	0.4	(9.5)
- Discontinued operations	-	5.8	-	-
	<u>12.5</u>	<u>1.4</u>	<u>0.4</u>	<u>(9.5)</u>
Deferred tax (Note 20)				
- Continuing operations	(2.2)	0.5	-	-
- Discontinued operations	-	10.5	-	-
	<u>(2.2)</u>	<u>11.0</u>	<u>-</u>	<u>-</u>
	<u>10.3</u>	<u>12.4</u>	<u>0.4</u>	<u>(9.5)</u>

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Taxes on continuing operations				
Current tax	12.5	(4.4)	0.4	(9.5)
Deferred tax	(2.2)	0.5	-	-
	<u>10.3</u>	<u>(3.9)</u>	<u>0.4</u>	<u>(9.5)</u>

	Group	Group
	2009	2008
	£m	£m
Current tax:		
UK Corporation tax at 28% (2008: 28%)	15.6	1.3
Corporation tax adjustments in respect of prior periods	(3.1)	0.1
Deferred tax:		
Current year	(5.7)	13.4
Adjustments in respect of prior periods	3.5	(2.4)
	<u>10.3</u>	<u>12.4</u>

Further information about deferred tax is presented in note 20. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the parent as follows:

	2009	2008
	£m	£m
Profit before tax	47.0	72.0
Tax calculated at a rate of 28% (2008: 28%)	13.2	21.6
Income not subject to tax	-	(5.4)
Expenses not deductible for tax purposes	3.8	2.3
Adjustments to tax charge in respect of previous year	0.5	(2.4)
Other	(7.2)	(3.7)
Taxation	<u>10.3</u>	<u>12.4</u>

11 COMPANY INCOME STATEMENT

As permitted by the Companies (Northern Ireland) Order 1986, the company's income statement has not been included in these consolidated financial statements.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

12 CASH AT BANK

Group	2009 £m	2008 £m
Cash at bank (note 36)	-	4.9

Cash at bank was non-interest-bearing.

13 LOANS AND ADVANCES TO BANKS

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Placements with banks	4.0	8.6	-	-
Due from parent company and fellow group undertakings:				
Balances with less than 3 months maturity included in cash equivalents	868.7	225.3	593.9	-
	<u>872.7</u>	<u>233.9</u>	<u>593.9</u>	<u>-</u>
Balances with 3 -12 months maturity	1,717.0	2,087.7	1,597.1	2,142.0
	<u>2,589.7</u>	<u>2,321.6</u>	<u>2,191.0</u>	<u>2,142.0</u>

All loans and advances to banks had a remaining period to contractual maturity of less than 12 months.

14 LOANS AND ADVANCES TO CUSTOMERS

	Group	
	2009 £m	2008 £m
Loans and advances to customers	1,070.2	934.8
Finance lease and hire purchase receivables	1,295.4	1,481.8
Gross loans and advances	<u>2,365.6</u>	<u>2,416.6</u>
Less: allowance for losses on loans and advances	(36.5)	(20.9)
	<u>2,329.1</u>	<u>2,395.7</u>

14 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Finance lease and hire purchase receivables

The loans and advances to customers include finance lease receivables (including hire purchase agreements), which may be analysed as follows:

	Group	
	2009	2008
	£m	£m
Gross investment in finance leases:		
Not later than 1 year	549.4	596.2
Later than 1 year and not later than 5 years	870.3	1,029.5
Later than 5 years	9.4	15.5
	<u>1,429.1</u>	<u>1,641.2</u>
Unearned future finance income on finance leases	(133.7)	(159.4)
Net investment in finance leases	<u>1,295.4</u>	<u>1,481.8</u>

The net investment in finance leases may be analysed as follows:

Not later than 1 year	497.6	537.8
Later than 1 year and not later than 5 years	789.1	929.7
Later than 5 years	8.7	14.3
	<u>1,295.4</u>	<u>1,481.8</u>

Allowance for losses on loans and advances

	Group	
	2009	2008
	£m	£m
Balance at 1 April	20.9	20.9
Provision for loan impairment	28.4	12.5
Attributable to discontinued operations	-	(0.5)
Loans written off	(16.9)	(6.7)
Transfer to other group companies	-	(1.7)
Other movements	4.1	(3.6)
As at 31 March	<u>36.5</u>	<u>20.9</u>

Loans and advances to customers with a remaining period to contractual maturity of less than 12 months as at the balance sheet date is £741.3m (31 March 2008: £710.8m).

15 AVAILABLE FOR SALE SECURITIES

	Group	
	2009	2008
	£m	£m
Available for sale securities - unlisted	<u>29.9</u>	<u>39.9</u>

16 INVESTMENT SECURITIES

	Group	
	2009	2008
	£m	£m
Held to maturity	497.4	497.0

Held to maturity securities represent the placing of funds raised through BOI Capital Funding (No 4) LP (note 24).

All held to maturity securities have a contractual maturity date greater than 12 months from the balance sheet date.

17 SHARES IN GROUP UNDERTAKINGS

	Company	
	2009	2008
	£m	£m
Opening balance	293.3	812.3
Transfer of subsidiary undertakings	-	591.9
Decrease in the carrying value of subsidiaries	-	(757.9)
Capital reduction and repayment of share capital & share premium	-	(325.0)
Redemption of preference shares	-	(28.0)
Closing balance	293.3	293.3

Principal subsidiary undertakings

There were no changes in shares in Group undertakings in the year to 31 March 2009.

As part of the corporate restructure on 1 October 2007, all of the subsidiary undertakings of Bristol & West plc and Bank of Ireland Home Mortgages Ltd were transferred to the Company at their historic cost value and subsequently written down to net asset value. In addition, a capital reduction programme at Bristol & West plc resulted in the repayment of share capital, share premium and preference shares.

Following the restructuring in the prior year the principal subsidiary undertakings are all incorporated and operate in England and Wales except for NIIB Group Limited and BOI Corporate and International (NI) Limited which are incorporated and operate in Northern Ireland. Information is only given for those subsidiaries that in the Directors' opinion principally affect the figures shown in the financial statements.

The Company owns the total issued share capital in all its subsidiary undertakings with the exception of Midasgrange Limited where it has a 50.01% shareholding.

17 SHARES IN GROUP UNDERTAKINGS (CONTINUED)

The principal subsidiary undertakings at 31 March 2009 and 31 March 2008 are: **Nature of business**

Bank of Ireland Home Mortgages Limited	Holding Company
One Temple Quay Limited	Property Management
B&W Services Number 1 Limited	Investment
B&W Services Number 2 Limited	Investment
NIIB Group Limited	Instalment Credit
Bank of Ireland Britain Holdings Limited	Holding Company
BoI Corporate and International (NI) Limited	Management Services
BoI Business Finance Limited	Leasing
BoI Mortgage Services Limited	Mortgage Servicing
Bristol & West plc	Holding Company
Midasgrange Limited (trading as Post Office Financial Services)	Financial Services
Burdale Financial Holdings Limited	Asset Backed Lender

Burdale Financial Holdings Limited has a 31 December financial year end but interim financial statements to 31 March are prepared for the purpose of Group financial statements.

In July 2007 the securitisation notes of the special purpose entity Shipshape were redeemed and it was subsequently dissolved.

BOI Capital Funding (No 1) LP, BOI Capital Funding (No 2) LP, BOI Capital Funding (No 3) LP and BOI Capital Funding (No 4) LP, which are funding vehicles for the Bank of Ireland Group, have been included in the results of the Group using acquisition accounting on the basis that the Company controls these entities. The general partner of these companies is BOI G P No.1 Ltd, a wholly owned subsidiary of Bank of Ireland UK Holdings plc.

The Group avails of the exemption provided under Regulation 7 of the The Partnerships and Unlimited Companies (Accounts) Regulations 1993. Under this exemption, the accounts of the Limited Partnerships which BOI G P No.1 Limited manages are not required to be filed as appended to the annual accounts of BOI G P No. 1 Limited as the Limited Partnerships are consolidated within the group accounts of Bank of Ireland UK Holdings plc.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

18 INTANGIBLE ASSETS

Group 2009	Brand Licence £m	Other Intangible £m	Goodwill £m	Software £m	Total £m
Cost or valuation					
At 1 April 2008	-	54.7	37.8	37.0	129.5
Additions	-	3.5	-	3.5	4.5
At 31 March 2009	-	58.2	37.8	40.5	136.5
Amortisation					
At 1 April 2008	-	(19.5)	-	(6.1)	(25.6)
Charge for year	-	(3.0)	-	(4.2)	(7.2)
At 31 March 2009	-	(22.5)	-	(10.3)	(32.8)
Net book value					
At 31 March 2009	-	35.7	37.8	27.7	103.7
At 31 March 2008	-	35.2	37.8	30.9	103.9
Group 2008					
	Brand Licence £m	Other Intangible £m	Goodwill £m	Software £m	Total £m
Cost or valuation					
At 1 April 2007	29.4	54.7	37.8	70.0	191.9
Additions	-	-	-	8.2	8.2
Transfer of business (Note 9)	(29.4)	-	-	(37.4)	(66.8)
Disposals	-	-	-	(3.8)	(3.8)
At 31 March 2008	-	54.7	37.8	37.0	129.5
Amortisation					
At 1 April 2007	(8.9)	(16.6)	-	(25.7)	(51.2)
Transfer of business (Note 9)	9.7	-	-	20.2	29.9
Charge for year	(0.8)	(2.9)	-	(4.4)	(8.1)
Disposals	-	-	-	3.8	3.8
At 31 March 2008	-	(19.5)	-	(6.1)	(25.6)
Net book value					
At 31 March 2008	-	35.2	37.8	30.9	103.9
At 31 March 2007	20.5	38.1	37.8	44.3	140.7

During the year ended 31 March 2004, the Bank of Ireland Group, through the entity Midasgrange Limited, entered into an agreement with the Post Office to sell a range of financial products through its branch network. 50.01% of Midasgrange Limited is owned by Bank of Ireland UK Holdings plc with the remaining 49.99% being owned by Post Office Limited. Midasgrange is consolidated into the Group results giving rise to an intangible asset of £54.7m, which has been capitalised and is being written off to the income statement over its contractual life. Under the terms of legal agreements entered into in 2007/08, the contractual life has been extended by 8 years to 2020.

18 INTANGIBLE ASSETS (CONTINUED)

As part of the corporate restructure referred to in note 9, the value of the brand and the value of software related to Bristol & West plc, was transferred to other entities within the Bank of Ireland Group.

Impairment Review - Goodwill

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

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

Impairment testing of goodwill

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

Goodwill of £37.8m (31 March 2008: £37.8m) relates to Burdale while Other Intangibles of £35.7m (31 March 2008: £35.2m) relate to the agreement with Midasgrange Ltd. as described above.

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

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

Cash flow forecasts

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

Growth rates

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

Discount rate

The discount rate applied in all cases is the pre-tax weighted average cost of capital for the Group. This is then increased to include a risk premium to reflect the specific risk profile of the cash generating unit to the extent that such risk is not already reflected in the forecast cash flows. A rate of 12% has been used in the model.

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

No impairment was identified in the years ended 31 March 2009 or 31 March 2008.

19 PROPERTY, PLANT AND EQUIPMENT

Following the corporate restructure referred to in note 9, properties and finance lease assets related to Bristol & West plc were transferred to other entities within the Bank of Ireland Group.

Group 2009	Land and buildings	Adaptations	Equipment	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2008	40.6	2.4	1.9	44.9
Additions	-	-	0.2	0.2
Disposals	-	-	(0.2)	(0.2)
Revaluation	(12.6)	-	-	(12.6)
At 31 March 2009	<u>28.0</u>	<u>2.4</u>	<u>1.9</u>	<u>32.3</u>
Depreciation				
At 1 April 2008	-	(0.9)	(0.9)	(1.8)
Charge for year	-	(0.1)	(0.3)	(0.4)
Disposals	-	-	0.1	0.1
At 31 March 2009	<u>-</u>	<u>(1.0)</u>	<u>(1.1)</u>	<u>(2.1)</u>
Net book value				
At 31 March 2009	<u>28.0</u>	<u>1.4</u>	<u>0.8</u>	<u>30.2</u>
At 31 March 2008	<u>40.6</u>	<u>1.5</u>	<u>1.0</u>	<u>43.1</u>
Group 2008				
	Land and buildings	Adaptations	Equipment	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2007	43.1	2.8	33.8	79.7
Additions	-	-	1.0	1.0
Reclassification to available for sale	-	-	(4.2)	(4.2)
Revaluation	(2.4)	-	-	(2.4)
Transfer of business (note 9)	(0.1)	(0.4)	(28.7)	(29.2)
At 31 March 2008	<u>40.6</u>	<u>2.4</u>	<u>1.9</u>	<u>44.9</u>
Depreciation				
At 1 April 2007	-	(0.9)	(26.3)	(27.2)
Charge for year	-	(0.2)	(1.3)	(1.5)
Disposals	-	-	3.7	3.7
Transfer of business (note 9)	-	0.2	23.0	23.2
At 31 March 2008	<u>-</u>	<u>(0.9)</u>	<u>(0.9)</u>	<u>(1.8)</u>
Net book value				
At 31 March 2008	<u>40.6</u>	<u>1.5</u>	<u>1.0</u>	<u>43.1</u>
At 31 March 2007	<u>43.1</u>	<u>1.9</u>	<u>7.5</u>	<u>52.5</u>

As at 31 March 2009, the Group's properties, valued at £28m (2008: £40.6m), would have been included at £26.4m (2008: £27.4m) had they been carried at historic cost less depreciation.

Following a revaluation of all of the Group's freehold properties and long leasehold properties as at 31 March 2009, properties were valued at market value. Adaptation works were accounted for on the basis of depreciated historic cost. The properties were valued by qualified external surveyors in accordance with the Appraisal and Valuation Standards of The Royal Institution of Chartered Surveyors.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

20 DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2008: 28%).

The movement on the deferred income tax account is as follows:

	Group	
	2009	2008
	£m	£m
At 1 April 2008	1.3	(8.4)
Income statement charge / (credit)	2.2	(11.0)
Deferred tax impact charged / (credited) direct to reserves of:		
Actuarial gains / (losses) relating to pensions	0.2	(2.9)
Revaluation of property	1.5	0.7
Other	-	1.5
Transfer of business (note 9)	-	21.4
At 31 March 2009	<u>5.2</u>	<u>1.3</u>
Deferred income tax assets		
Accelerated depreciation	1.2	(0.2)
Pensions and other post retirement benefits	0.3	1.4
Other temporary timing differences	7.3	5.0
	<u>8.8</u>	<u>6.2</u>
Deferred income tax liabilities		
Accelerated tax depreciation	(3.6)	(3.5)
Other temporary differences	-	(1.4)
	<u>(3.6)</u>	<u>(4.9)</u>
Net deferred tax asset	<u>5.2</u>	<u>1.3</u>

The deferred income tax assets disclosed above are expected to be recovered within 12 months.

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

	Group	
	2009	2008
	£m	£m
Accelerated tax depreciation	(0.2)	(0.1)
Pensions and other post retirement benefits	0.3	(12.3)
Other provisions	2.1	(1.5)
Other temporary differences	-	2.9
	<u>2.2</u>	<u>(11.0)</u>
	Group	
	2009	2008
	£m	£m
Attributable to:		
- Continuing operations	2.2	(0.5)
- Discontinued operations	-	(10.5)
	<u>2.2</u>	<u>(11.0)</u>

Deferred income tax assets are recognised for tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes related to the same fiscal authority.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

21 OTHER ASSETS

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Amounts due from parent company and fellow group undertakings	40.7	64.3	41.9	-
Prepayments and accrued income	25.2	37.8	-	-
Sundry debtors and other	33.0	24.6	2.4	2.5
	<u>98.9</u>	<u>126.7</u>	<u>44.3</u>	<u>2.5</u>

Other assets with a remaining period to contractual maturity of less than 12 months as at the balance sheet date is £85.1m (2008: £126.7m).

22 DEPOSITS FROM BANKS

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Deposits from other banks	0.1	1.6	-	-
Due to parent company and fellow group undertakings	2,533.6	2,334.8	134.1	11.3
	<u>2,533.7</u>	<u>2,336.4</u>	<u>134.1</u>	<u>11.3</u>

All deposits from banks have variable interest rates.

Deposits from other banks with a remaining period to contractual maturity of less than 12 months as at the balance sheet date amount to £2,227.1m (2008: £685.8m).

23 OTHER LIABILITIES

	Group		Company	
	2009 £m	2008 £m	2009 £m	2008 £m
Amounts due to parent company and fellow group undertakings	6.7	49.2	-	27.5
Amounts due to subsidiaries	-	-	3.9	5.5
Accruals and deferred income	50.8	37.3	35.2	-
Other	42.7	50.4	0.2	-
	<u>100.2</u>	<u>136.9</u>	<u>39.3</u>	<u>33.0</u>

Other liabilities with a remaining period to contractual maturity of less than 12 months as at the balance sheet date amount to £100.2m (2008: £136.9m).

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

24 SUBORDINATED LIABILITIES

	Note	Group		Company	
		2009	2008	2009	2008
		£m	£m	£m	£m
Undated Loan Capital					
Bank of Ireland UK Holdings plc					
Euro 600m 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities	a, b	595.2	491.5	595.2	491.5
Stg£350m 6.25% Guaranteed Callable Perpetual Preferred Securities	b, c	373.0	333.7	373.0	333.7
Less: unamortised issue costs		(3.6)	(4.2)	(3.6)	(4.2)
		<u>964.6</u>	<u>821.0</u>	<u>964.6</u>	<u>821.0</u>
BOI Capital Funding (No 1) LP					
Euro 600m 6.25% non-voting non-cumulative Perpetual Preferred Securities	d, e	558.5	477.5	-	-
Less: unamortised issue costs		(7.5)	(7.8)	-	-
		<u>551.0</u>	<u>469.7</u>	<u>-</u>	<u>-</u>
BOI Capital Funding (No 2) LP					
USD 800m 5.571% Guaranteed Callable Perpetual Preferred Securities	e, f	640.6	431.6	-	-
Less: unamortised issue costs		(3.3)	(3.8)	-	-
		<u>637.3</u>	<u>427.8</u>	<u>-</u>	<u>-</u>
BOI Capital Funding (No 3) LP					
USD 400m 6.107% Guaranteed Callable Perpetual Preferred Securities	e, g	323.0	217.8	-	-
Less: unamortised issue costs		(1.6)	(1.8)	-	-
		<u>321.4</u>	<u>216.0</u>	<u>-</u>	<u>-</u>
BOI Capital Funding (No 4) LP					
£500m 6.4295% Guaranteed Callable Perpetual Preferred Securities	e, h	500.0	500.0	-	-
Less: unamortised issue costs		(2.6)	(3.0)	-	-
		<u>497.4</u>	<u>497.0</u>	<u>-</u>	<u>-</u>
		<u><u>2,971.7</u></u>	<u><u>2,431.5</u></u>	<u><u>964.6</u></u>	<u><u>821.0</u></u>
Dated Loan Capital					
Bank of Ireland UK Holdings plc					
Euro 600m 6.25% Fixed rate / variable rate Subordinated Notes 2035		-	-	558.5	477.5
USD 800m 5.571% Fixed rate Subordinated Notes		-	-	640.6	431.6
USD 400m 6.107% Fixed rate Subordinated Notes		-	-	323.0	217.8
Unamortised issue costs		-	-	(12.4)	(13.4)
		<u>-</u>	<u>-</u>	<u>1,509.7</u>	<u>1,113.5</u>
		<u><u>2,971.7</u></u>	<u><u>2,431.5</u></u>	<u><u>2,474.3</u></u>	<u><u>1,934.5</u></u>

24 SUBORDINATED LIABILITIES (CONTINUED)

Undated Loan Capital

The undated load capital is comprised of the following securities:

- a) The securities are redeemable in whole or in part at the option of the Issuer, subject to the prior consent of the Financial Regulator and of the Bank, at their principal amount together with any outstanding payments on 7 March 2011, or any coupon payment date thereafter. They bear interest at a rate of 7.40% per annum to 7 March 2011, and thereafter at a rate of 3 month Euribor plus 3.26% per annum, reset quarterly.
- b) The rights and claims of the holder of the Preferred Securities are subordinated to the claims of the senior creditors of the Issuer or of the Bank (as the case may be) in that no payment in respect of the Preferred Securities or the guarantee in respect of them shall be due and payable except to the extent that the Issuer or the Bank (as applicable) is solvent and could make such payment and still be solvent immediately thereafter. Upon any winding up of the Issuer or the Bank (in respect of claims under the guarantee), the holders of the Preferred Securities will rank *pari passu* with the holders of the most senior class or classes of preference shares or stock (if any) of the Issuer or of the Bank then in issue and in priority to all other shareholders of the Issuer and of the Bank.
- c) The securities are redeemable in whole but not in part at the option of the Issuer, subject to the prior consent of the Financial Regulator and of the Bank, at their principal amount together with any outstanding payments on 7 March 2023, or any coupon date thereafter. They bear interest at a rate of 6.25% per annum to 7 March 2023, and thereafter at a rate of 6 month STG£ Libor plus 1.70% per annum, reset semi annually.
- d) The securities are redeemable, subject to the prior approval of the Financial Regulator, on 3 March 2010, or any distribution payment date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at their principal amount plus any outstanding payments due. They bear interest at a rate of 6.25% per annum to 3 March 2007, and thereafter at a variable rate of interest per annum which is the lesser of (i) the aggregate of 0.10% per annum and the annual spot 10 year EUR fixed versus 6 month Euribor swap rate and (ii) 8% per annum.
- e) The issuer will not pay any distributions and the guarantor will not make any payment in respect of distributions under the subordinated guarantee to the extent that such payment would exceed adjusted distributable reserves or even if adjusted distributable reserves are sufficient to the extent that such payment would breach or cause a breach of Capital Adequacy Regulations then applicable to the Group as determined by the Guarantor's Court of Directors; or to the extent that the guarantor is not meeting its minimum capital requirements or is not meeting its solvency ratios; or provided a Deemed Declaration Notice has not been delivered, if the Guarantor's Court of Directors has resolved no distributions should be made; or if the Regulator has instructed the General Partner or the Guarantor not to make such payment.

The Preferred Securities, together with the subordinated guarantee, are intended to provide holders with rights on liquidation equivalent to non-cumulative £1 and €1.27 preference stock of the Guarantor. Claims under the Preferred Securities in respect of any liquidation distributions will rank senior to the rights of the General Partner in respect of other partnership interests issued by the Issuer and *pari passu* with claims of the holders of all other preferred securities issued by the Issuer which rank *pari passu* with the Preferred Securities.

24 SUBORDINATED LIABILITIES (CONTINUED)

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

- f) The securities are redeemable, subject to the prior approval of the Financial Regulator, on 1 February 2016, or any distribution payment date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 5.571% per annum up to but excluding 1 February 2016, and thereafter at a floating rate of interest of 1.68% per annum above the rate for US\$ Libor 3 month US dollar deposits.
- g) The securities are redeemable, subject to the prior approval of the Financial Regulator, on 4 February 2016, or on every subsequent tenth anniversary date of 4 February 2016, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 6.107% per annum up to but excluding 4 February 2016 and thereafter at a floating rate of interest of 1.06% per annum above the rate for US\$ Libor 3 month US dollar deposits.
- h) The securities are redeemable, subject to the prior approval of the Financial Regulator, on 3 April 2017, or any distribution date thereafter, in whole but not in part, at the option of BoI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due. They bear interest at a rate of 6.4295% per annum to but excluding 3 April 2017 and thereafter at a floating rate of interest of 1.50% per annum above the rate for STG£ Libor 3 month sterling deposits.

Dated Loan Capital

Dated loan capital, which includes bonds and notes, constitute unsecured obligations of the Company, subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Company and rank pari passu without any preference among themselves. Interest rates on the floating rate and fixed rate subordinated liabilities (accommodated through swaps) are determined by reference to the relevant currency reference rate.

As a result of the corporate restructure on 1 October 2007 (see note 9), the subordinated bonds and subordinated loans related to Bristol & West plc were transferred to The Governor & Company of the Bank of Ireland at their book value.

Interest payable for the year in respect of the subordinated liabilities was £167.2m (2008: £141.8m). Issue expenses incurred in connection with the issue of subordinated debt are deducted from the proceeds of the issue and amortised to the profit and loss account.

25 OTHER BORROWED FUNDS

	Rate	Group	2008
	%	2009	2008
		£m	£m
Preference shares	8.125	32.6	32.6

Other borrowed funds represent the interest of third parties in the preference shares of Bristol & West plc.

26 RETIREMENT BENEFIT OBLIGATIONS

The majority of the company's employees participate in a pension scheme. These pension schemes fall within one of the two types (defined benefit or defined contribution) as described below.

Defined benefit scheme

The NIIB defined benefit pension scheme is based on final pensionable pay and operated for eligible employees of certain Bank of Ireland Group companies. Contributions by the company and the employees are invested in a trustee-administered fund.

As the schemes underlying assets and liabilities are identifiable as those of the Group the scheme has been accounted for as a defined benefit scheme (as set out in the accounting policy for pension obligations) and the disclosures set out in the remainder of this note relate to this scheme. While the overall pension charge in respect of the scheme is £0.7m, only £0.4m is borne by the BoI UK Holdings Group, the remaining charge being borne by other units within Bank of Ireland Group.

The prior year income statement charge includes an element related to the Bristol & West and BIHM schemes which were accounted for as defined benefit schemes in the 6 months to 30 September 2007, from which date the pension deficit on these schemes transferred out of the Group together with the related employees.

Defined contribution schemes (including defined benefit schemes accounted for as defined contribution schemes)

The total cost of defined contribution schemes was £1.2m (2008: £1.0m). Included within this is the cost of one hybrid pension scheme which includes elements of both a defined benefit scheme and a defined contribution scheme.

This scheme has been accounted for as a defined contribution scheme in the Group accounts as the Group is unable to identify its share of the underlying assets and liabilities of the scheme as, despite encompassing several employers (all of whom are members of the Bank of Ireland Group), the scheme is essentially run as one scheme rather than independent, separately identifiable units. The manner in which the scheme is run assists in the mobility of staff across the Bank of Ireland Group and therefore no sub-unitisation of the scheme takes place either in terms of differential contribution levels or sharing of underlying assets and liabilities. Consequently, the scheme has been accounted for as a defined contribution scheme in these financial statements and full disclosures for defined benefit schemes under IAS 19 "Retirement Benefits" have not been given.

The overall deficit of this scheme under IAS 19 amounts to £14.5m (2008: surplus £13.5m). The impact of this position on the future contribution rates of the company has not been determined as at the balance sheet date.

The following disclosures relate to the schemes which are described in the above section entitled 'defined benefit schemes':

Financial Assumptions	Weighted Average of Schemes in Place at:	
	31 March 2009	31 March 2008
	%pa	%pa
Inflation rate	2.75%	3.50%
Discount rate	6.50%	6.50%
Rate of general increase in salaries	3.75%	4.50%
Rate of increase in pensions in payment	2.75%	3.50%
Rate of increase to deferred pensions	2.75%	3.50%

26 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Mortality assumptions

The mortality assumptions used in estimating the actuarial value of the liabilities below are based on the PMA92/PFA92 (c=2020) tables for actives and deferred and PMA92/PFA92 (C=2000) for pensioners. The table below sets out the revised assumptions.

	2009	2008
	years	years
Longevity at age 70 for current pensioners		
Male	17.5	17.5
Female	20.4	20.4
Longevity at age 60 for active members currently aged 60 years		
Male	26.9	26.9
Female	29.9	29.9
Longevity at age 60 for active members currently aged 40 years		
Male	28.2	28.2
Female	31.2	31.2

The expected long term rates of return and fair value of assets of the defined benefit plans on a combined basis as at 31 March 2009 and 31 March 2008 were as follows:

	2009		2008	
	Expected long	Market Value	Expected long	Market Value
	term rate of	£m	term rate of	£m
	return %		return %	
Assets				
Equities	8.50	6.3	8.50	8.3
Bonds	5.60	2.7	6.10	1.8
Property, cash and other	3.50 – 6.20	1.0	4.50 – 6.20	0.5
Total fair value of schemes assets		10.0		10.6
Liabilities	Discount rate		Discount rate	
	%		%	
Actuarial value of liabilities of funded schemes	6.50	(14.1)	6.50	(15.0)
Actuarial value of liabilities of unfunded schemes		-		-
		(14.1)		(15.0)
Net pension deficit		(4.1)		(4.4)

The following table sets out the components of the defined benefit cost for the years ended 31 March 2009 and 31 March 2008.

	2009	2008
	£m	£m
Components of pension expenses:		
Current service cost	0.6	3.4
Expected return on pension scheme assets	(1.0)	(11.2)
Interest on pension scheme liabilities	1.1	9.4
Cost of providing defined retirement benefits	0.7	1.6

26 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Actual return on scheme assets

	2009	2008
	£m	£m
Expected return on scheme assets	1.0	11.2
Actuarial loss	(2.9)	(5.8)
Actual return on scheme assets	<u>(1.9)</u>	<u>5.4</u>

Reconciliation of defined benefit obligations during the year

	2009	2008
	£m	£m
Defined benefit obligation at beginning of year	15.0	298.3
Current service cost	0.6	3.4
Actual member contributions	0.1	0.7
Interest cost	1.0	9.4
Actuarial losses / (gain) on scheme liabilities	0.6	(14.4)
Benefits paid	(0.2)	(5.0)
Changes in Assumptions Underlying PV of scheme obligations	(3.0)	(277.4)
Defined benefit obligation at end of year	<u>14.1</u>	<u>15.0</u>

Reconciliation of the fair value of scheme assets during the year

	2009	2008
	£m	£m
Fair value of scheme assets at beginning of year	10.6	258.1
Expected return on assets	0.9	11.2
Actual member contributions	0.1	0.7
Experience loss	(2.9)	(5.8)
Contributions by employer		
Planned at start of the year	1.5	10.2
Additional to remove deficit	-	32.6
As benefits	-	0.1
Benefits paid	(0.2)	(5.0)
Transfer of scheme assets to Bank of Ireland Group	-	(291.5)
Fair value of scheme assets at end of year	<u>10.0</u>	<u>10.6</u>

Analysis of the amount recognised in Statement of Recognised Income and Expense (SORIE)

	2009	2008
	£m	£m
Experience loss on scheme assets	(2.9)	(5.8)
Experience loss on scheme liabilities	(0.6)	(0.8)
Gain on change of assumptions (financial and demographic)	3.0	15.2
Other gains	-	1.2
Total (loss)/gain recognised in the SORIE during the year	<u>(0.5)</u>	<u>9.8</u>
Cumulative amount of gains recognised in SORIE to end of year	<u>1.3</u>	<u>1.8</u>

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

26 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

History of experience gains and losses	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Experience loss on scheme assets:					
Amount	(2.9)	(5.8)	(1.7)	25.8	6.9
Percentage of scheme assets	29.21%	11.62%	0.66%	10.98%	3.66%
Experience losses on scheme liabilities:					
Amount	(0.6)	(0.8)	-	2.9	(3.2)
Percentage of scheme liabilities	4.27%	0.72%	-	0.99%	1.09%
Total actuarial gain recognised in SORIE:					
Amount	(0.5)	9.8	(1.7)	28.7	3.7
Percentage of scheme liabilities	3.29%	0.47%	0.58%	9.76%	1.26%
	2009	2008	2007	2006	2005
	£m	£m	£m	£m	£m
Defined benefit pension plans					
Scheme assets	10.0	10.6	258.1	234.9	258.1
Defined benefit obligations	(14.1)	(15.0)	(298.3)	(294.0)	(298.3)
Deficit within schemes	<u>(4.1)</u>	<u>(4.4)</u>	<u>(40.2)</u>	<u>(59.1)</u>	<u>(40.2)</u>

For the year ended 31 March 2010, the expected employer and employee contributions are £1,744,000 (2009: £544,000) and £47,000 (2009: £41,000) respectively.

All retirement benefit obligations at the balance sheet date have a contractual maturity date greater than 12 months.

27 SHARE CAPITAL

Company	2009	2008
	£m	£m
Authorised		
100,000,000 units of ordinary shares of £1.00 each	<u>100.0</u>	<u>100.0</u>
Allotted and fully paid		
2,477,841 units of ordinary shares of £1.00 each	<u>2.5</u>	<u>2.5</u>

All units of ordinary shares in issue carry the same voting rights.

28 EQUITY RECONCILIATION

Group	Share Capital £m	Revaluation reserve £m	Retained earnings £m	Total £m
Balance as at 1 April 2007	2.5	7.6	462.9	473.0
Profit for the year	-	-	57.1	57.1
Actuarial valuation of pension fund	-	-	9.8	9.8
Deferred tax on valuation of pension fund	-	-	(2.9)	(2.9)
Revaluation of property	-	(2.4)	-	(2.4)
Deferred tax on revaluation of property	-	0.7	-	0.7
Transfer of reserve following sale of property	-	(1.0)	1.0	-
Amounts transferred to other BoI Group units	-	(0.5)	(18.7)	(19.2)
At 31 March 2008	2.5	4.4	509.2	516.1
Profit for the year	-	-	28.9	28.9
Actuarial valuation of pension fund	-	-	(0.5)	(0.6)
Deferred tax on valuation of pension fund	-	-	0.2	0.2
Revaluation of property	-	(5.9)	0.5	(5.2)
Deferred tax on revaluation of property	-	1.5	-	1.5
Dividends paid	-	-	(215.0)	(215.0)
At 31 March 2009	2.5	-	323.3	325.8

Company	Share Capital £m	Other reserves £m	Retained earnings £m	Total £m
Balance as at 1 April 2007	2.5	-	177.7	180.2
Profit for the year	-	-	244.9	244.9
Goodwill on acquisitions	-	3.0	-	3.0
At 31 March 2008	2.5	3.0	422.6	428.1
Profit for the year	-	-	1.0	1.0
Dividend paid	-	-	(215.0)	(215.0)
Dividend received	-	-	7.0	7.0
At 31 March 2009	2.5	3.0	215.6	221.1

Revaluation reserve

This arises on the revaluation of property to market value.

Retained earnings

The retained earnings comprises accumulated retained profits.

29 FINANCIAL RISK MANAGEMENT

As a consequence of the corporate restructure referred to in the Directors' Report and in more detail in note 9, financial risk associated with the Group significantly reduced following the transfer of the businesses of Bristol and West plc, Bank of Ireland Home Mortgages Ltd and Brunel Residential Mortgage Securitisation No. 1 plc on 1 October 2007 to The Governor and Company of the Bank of Ireland and other Bank of Ireland Group entities.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Group

At 31 March 2009

	At fair value through profit or loss			At fair value through equity		Loans and receivables / held at amortised cost £m	Total £m
	Derivatives designated as fair value hedging instruments £m	Held for trading £m	Designated upon initial recognition £m	Available for sale £m	Cash flow hedge derivatives £m		
Financial assets							
Held to maturity securities	-	-	-	-	-	497.4	497.4
Derivative financial instruments	196.2	171.7	-	-	-	-	367.9
Loans and advances to banks	-	-	-	-	-	2,589.7	2,589.7
Available for sale financial assets	-	-	-	29.9	-	-	29.9
Loans and advances to customers	-	-	-	-	-	2,329.1	2,329.1
Total financial assets	196.2	171.7	-	29.9	-	5,416.2	5,814.0
Financial liabilities							
Deposits by banks	-	-	-	-	-	2,533.7	2,533.7
Derivative financial instruments	-	24.6	-	-	-	-	24.6
Subordinated liabilities	-	-	-	-	-	2,971.7	2,971.7
Other borrowed funds	-	-	-	-	-	32.6	32.6
Total financial liabilities	-	24.6	-	-	-	5,538.0	5,562.6

At 31 March 2008

	At fair value through profit or loss			At fair value through equity		Loans and receivables / held at amortised cost £m	Total £m
	Derivatives designated as fair value hedging instruments £m	Held for trading £m	Designated upon initial recognition £m	Available for sale £m	Cash flow hedge derivatives £m		
Financial assets							
Cash at bank	-	-	-	-	-	4.9	4.9
Held to maturity securities	-	-	-	-	-	497.0	497.0
Derivative financial instruments	59.7	26.3	-	-	-	-	86.0
Loans and advances to banks	-	-	-	-	-	2,321.6	2,321.6
Available for sale financial assets	-	-	-	39.9	-	-	39.9
Loans and advances to customers	-	-	-	-	-	2,395.7	2,395.7
Total financial assets	59.7	26.3	-	39.9	-	5,219.2	5,345.1
Financial liabilities							
Deposits by banks	-	-	-	-	-	2,336.4	2,336.4
Derivative financial instruments	15.9	106.5	-	-	-	-	122.4
Subordinated liabilities	-	-	-	-	-	2,431.5	2,431.5
Other borrowed funds	-	-	-	-	-	32.6	32.6
Total financial liabilities	15.9	106.5	-	-	-	4,800.5	4,922.9

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Company

At 31 March 2009

	At fair value through profit or loss			At fair value through equity		Loans and receivables / held at amortised cost £m	Total £m
	Derivatives designated as fair value hedging instruments £m	Held for trading £m	Designated upon initial recognition £m	Available for sale £m	Cash flow hedge derivatives £m		
	£m	£m	£m	£m	£m		
Financial assets							
Derivative financial instruments	196.2	171.7	-	-	-	-	367.9
Loans and advances to banks	-	-	-	-	-	2,191.0	2,191.0
Total financial assets	196.2	171.7	-	-	-	2,191.0	2,558.9
Financial liabilities							
Deposits by banks	-	-	-	-	-	134.1	134.1
Derivative financial instruments	-	24.3	-	-	-	-	24.3
Subordinated liabilities	-	-	-	-	-	2,474.3	2,474.3
Total financial liabilities	-	24.3	-	-	-	2,608.4	2,632.7

At 31 March 2008

	At fair value through profit or loss			At fair value through equity		Loans and receivables / held at amortised cost £m	Total £m
	Derivatives designated as fair value hedging instruments £m	Held for trading £m	Designated upon initial recognition £m	Available for sale £m	Cash flow hedge derivatives £m		
	£m	£m	£m	£m	£m		
Financial assets							
Derivative financial instruments	59.7	26.3	-	-	-	-	86.0
Loans and advances to banks	-	-	-	-	-	2,142.0	2,142.0
Total financial assets	59.7	26.3	-	-	-	2,142.0	2,228.0
Financial liabilities							
Deposits by banks	-	-	-	-	-	11.3	11.3
Derivative financial instruments	15.9	106.5	-	-	-	-	122.4
Subordinated liabilities	-	-	-	-	-	1,934.5	1,934.5
Total financial liabilities	15.9	106.5	-	-	-	1,945.8	2,068.2

There are no financial liabilities designated at fair value upon initial recognition in the Group and Company.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair Values of financial assets and liabilities

The table below analyses the fair values of the financial assets and liabilities by balance sheet heading:

Group	2009		2008	
	Carrying Amount £m	Fair Values £m	Carrying Amount £m	Fair Values £m
Assets				
Cash at bank	-	-	4.9	4.9
Derivative financial instruments	367.9	367.9	86.0	86.0
Loans and advances to banks	2,589.7	2,589.7	2,321.6	2,328.8
Loans and advances to customers	2,329.1	2,329.1	2,328.8	2,321.6
Available for sale securities - unlisted	29.9	29.9	39.9	39.9
Held to maturity securities	497.4	87.5	497.0	386.2
Total Assets	5,814.0	5,404.1	5,278.2	5,167.4
Liabilities				
Deposits by banks	2,533.7	2,533.7	2,336.4	2,336.4
Derivative financial instruments	24.6	24.6	122.4	122.4
Subordinated liabilities	2,971.7	584.0	2,431.5	1,827.8
Other borrowed funds	32.6	14.1	32.6	34.7
Total Liabilities	5,562.6	3,156.4	4,922.9	4,321.3
Company				
	2009		2008	
	Carrying Amount £m	Fair Values £m	Carrying Amount £m	Fair Values £m
Assets				
Loans and advances to banks	2,191.0	2,191.0	2,142.0	2,142.0
Derivative financial instruments	367.9	367.9	86.0	86.0
Total Assets	2,558.9	2,558.9	2,228.0	2,228.0
Liabilities				
Deposits by banks	134.1	134.1	11.3	11.3
Derivative financial instruments	24.3	24.3	122.4	122.4
Subordinated liabilities	2,474.3	496.5	1,934.5	1,441.6
Total liabilities	2,632.7	654.9	2,068.2	1,575.3

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Derivative instruments: fair value

The table below analyses the fair values of derivative financial instruments:

Group	Fair Values		
	Contract / Notional Amount £m	Assets £m	Liabilities £m
31 March 2009			
Derivatives held for trading			
Foreign exchange derivatives			
Currency swaps	160.4	146.9	-
Currency forwards	5.2	-	0.3
Total foreign exchange derivatives held for trading	165.6	146.9	0.3
Interest rate derivatives			
Interest rate swaps	558.5	24.8	24.3
Total interest rate derivatives held for trading	558.5	24.8	24.3
Total derivative assets / liabilities held for trading	724.1	171.7	24.6
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	1,747.8	196.2	-
Total designated as fair value hedges	1,747.8	196.2	-
Total derivative assets / liabilities held for hedging	1,747.8	196.2	-
Total derivative assets / liabilities	2,471.9	367.9	24.6
Group			
			Fair Values
	Contract / Notional Amount £m	Assets £m	Liabilities £m
31 March 2008			
Derivatives held for trading			
Foreign exchange derivatives			
Currency swaps	649.4		80.2
Total foreign exchange derivatives held for trading	649.4	-	80.2
Interest rate derivatives			
Interest rate swaps	477.5	26.3	26.3
Total interest rate derivatives held for trading	477.5	26.3	26.3
Total derivative assets / liabilities held for trading	1,126.9	26.3	106.5
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	1,476.9	59.7	15.9
Total designated as fair value hedges	1,476.9	59.7	15.9
Total derivative assets / liabilities held for hedging	1,476.9	59.7	15.9
Total derivative assets / liabilities	2,603.8	86.0	122.4

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Company	Contract / Notional Amount £m	Fair Values	
		Assets £m	Liabilities £m
31 March 2009			
Derivatives held for trading			
Foreign exchange derivatives			
Currency swaps	160.4	146.9	-
Currency forwards	-	-	-
Total foreign exchange derivatives held for trading	160.4	146.9	-
Interest rate derivatives			
Interest rate swaps	558.5	24.8	24.3
Total interest rate derivatives held for trading	558.5	24.8	24.3
Total derivative assets / liabilities held for trading	718.9	171.7	24.3
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	1,747.8	196.2	-
Total designated as fair value hedges	1,747.8	196.2	-
Total derivative assets / liabilities held for hedging	1,747.8	196.2	-
Total derivative assets / liabilities	2,466.7	367.9	24.3

Company	Contract / Notional Amount £m	Fair Values	
		Assets £m	Liabilities £m
31 March 2008			
Derivatives held for trading			
Foreign exchange derivatives			
Currency swaps	649.4	-	80.2
Total foreign exchange derivatives held for trading	649.4	-	80.2
Interest rate derivatives			
Interest rate swaps	477.5	26.3	26.3
Total interest rate derivatives held for trading	477.5	26.3	26.3
Total derivative assets / liabilities held for trading	1,126.9	26.3	106.5
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	1,476.9	59.7	15.9
Total designated as fair value hedges	1,476.9	59.7	15.9
Total derivative assets / liabilities held for hedging	1,476.9	59.7	15.9
Total derivative assets / liabilities	2,603.8	86.0	122.4

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group's financial instruments comprise lending and savings products that arose in the course of the Group's ordinary activities, supported by wholesale financial instruments for funding, investment and regulatory purposes; these instruments included deposits, corporate bonds, reverse repurchase agreements, plus other debt and capital instruments. In addition, derivative financial instruments were held for non-trading activities to manage market and credit risks.

The principal risks and uncertainties arising from the Group's operations were credit risk (note 30), liquidity risk (note 31), market risk, regulatory and operational risk. The Group had minimal residual foreign currency exposure.

Market Risk

Market risk is the potential adverse change in Group income or the value of the Group's net worth resulting from movements in interest rates or other market prices and arises from the structure of the balance sheet. Following the corporate restructure on 1 October 2007 the Group's exposure to market risk is not material. .

The Group recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of shareholder value and the achievement of the Group's corporate objectives.

The Group considers that the three most significant aspects of market risk for the Group are interest rate risk, foreign currency risk and, up until the corporate restructuring on 1 October 2007, equity risk. These are discussed in detail below.

The Group's exposure to market risk is governed by policy approved by the Bank of Ireland Group Risk Policy Committee. This policy sets out the nature of risk that may be taken, the types of financial instrument that may be used to manage risk and the way in which risk is controlled.

The limit structure for controlling market risk is assigned by the Bank of Ireland Group Risk Policy Committee. Compliance with this structure is monitored by the Group Asset and Liability Committee.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Up until the corporate restructure on 1 October 2007, interest rate risk arose primarily from the Group's exposure to interest rate fluctuations whilst offering customer products (both mortgages and savings) which were at a fixed or capped rate of interest. Exposure was managed using fixed rate deposits and loans, interest rate swaps, swaptions and caps.

Interest rate risk arising from the Group's funding activities is managed using fixed rate loans and interest rate swaps.

The limit structure within which interest rate risk is managed is based upon the expected loss in fair value arising from a 1% shift in interest rates and option volatility. The effect on the Group's net worth at 31 March 2009 and 31 March 2008 that such an interest rate shift would produce was not significant.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Equity risk

Up until the corporate restructure on 1 October 2007, the Group retained a portfolio of investment products where customers' principal was guaranteed and their return was dependent on the performance of an index, or combination of indices, based on major world stock markets. The Group's policy was to eliminate such risks by means of an equity swap arrangement, save for a very small limit on unmatched exposures.

This policy also applied to a small number of products where an element of the return is linked to a house price index.

As a result of the measures in place to eliminate this risk the sensitivity of the results of the Group to performance of stock market indices was not material.

Currency risk

Board Policy requires that all foreign currency exposure was hedged to *de-minimis* levels as it arose.

The Group has issued subordinated liabilities denominated in US dollars and Euros that are hedged with cross currency swaps and foreign currency loans to Bank of Ireland. £958.7m of subordinated liabilities denominated in US dollars (31 March 2008: £649.4m) and £1,145.2m of subordinated liabilities denominated in Euros (31 March 2008: £969.0m) were in issue as at 31 March 2009.

As a result of the hedging relationships put in place the sensitivity of the results of the Group to exchange rate fluctuations is not significant.

Regulatory Risk

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

The Group manages regulatory risk under an overall framework which is implemented by accountable executives monitored by the Bank of Ireland Group Risk Policy Committee (GRPC), the Bank of Ireland Group Audit Committee (GAC) and the Bank of Ireland Group Regulatory and Operational Risk Committee (GRORC), supported by the Bank of Ireland Group Regulatory and Operational Risk (GROR) function. The effective management of regulatory compliance is primarily the responsibility of business management.

The Bank of Ireland Group's regulatory compliance is governed by policy formulated by the GRORC and approved by the GRPC, on behalf of the Court of Directors of the Bank of Ireland. This requires the conduct of business in accordance with applicable regulations and with an awareness of regulatory risk by all employees. The Bank of Ireland Group has established a formal approach to the management of regulatory risk and the objective is the identification, assessment, monitoring and management of regulatory risks. Business units, Divisional compliance and GROR undertake risk based compliance monitoring, and annual compliance monitoring plans are reviewed to reflect changes or emerging regulatory risks. Regulatory compliance reports from business units are analysed and reviewed by GROR and by the GRORC.

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk is the risk that human error, systems failure, and inadequate controls and procedures will result in unexpected loss. The Group's exposure to operational risk is governed by the Bank of Ireland Group Operational Risk Committee. The Group operates measures of risk identification, assessment and monitoring as are necessary to ensure that Operational Risk management is consistent with the approach, aims and strategic goals of the Group and the Bank of Ireland Group.

The Group manages operational risk under an overall strategy which was implemented by accountable executives monitored by the Compliance and Operational Risk Unit and the Bank of Ireland Group Audit Committee. In addition, the strategy is monitored by the Bank of Ireland Group Operational Risk Committee and supported by the Group Operational Risk function. Potential risk exposures are assessed and appropriate controls are put in place.

Recognising that operational risk cannot be entirely eliminated, the Group implemented risk mitigation controls including fraud prevention, contingency planning and incident management. This strategy is further supported by risk transfer mechanisms such as insurance, where appropriate.

30 CREDIT RISK

Credit risk reflects the risk that a counter-party will be unable to meet its contractual obligations to the Group in respect of loans or other financial transactions thereby causing the Group to incur a loss. Due to the corporate restructure the methods of process, control and measurement have varied. The Group's exposure to credit risk is governed by the Bank of Ireland policy approved by the Bank of Ireland Court of Directors, on the recommendation of the Bank of Ireland Group Risk Policy Committee (GRPC) with the Group's own Credit Committee ratifying changes prior to 1 October 2007.

Credit Risk Management

Credit Policy

The core values governing the provision of credit are contained in the Bank of Ireland Group and Unit Credit Policies which were approved and reviewed by the Group's Credit Committee prior to the corporate restructure on 1 October 2007 and for all periods by the GRPC/Head of Bank of Ireland Group Credit and, where appropriate, the Bank of Ireland Court of Directors. The Unit Credit Policies define in greater detail the credit approach appropriate to the units concerned, taking account of the markets in which they operate and the products they provide. Procedures for the approval and monitoring of exceptions to policy are clearly set out in each document. In a number of cases these unit policies are supplemented by Sectoral Credit Policies.

Lending caps are put in place when it is considered appropriate to limit exposure to certain sectors. An independent function (within Bank of Ireland Group Credit), Group Credit Review, reviews the quality and management of risk assets across the Group and reports to the GPRC on a quarterly basis.

Lending Authorities

The Group has a credit risk management system that operates through a hierarchy of authorities that are related to internal loan ratings. All exposures above certain levels require approval by the Bank of Ireland Group Credit Committee. Exposures below the Credit Committee's authority are approved according to a system of tiered authorities. Individuals are allocated lending limits according to credit competence, proven judgment, experience and the nature and scale of lending in their business unit.

30 CREDIT RISK (CONTINUED)

Lending proposals above the relevant limits are referred to a divisional credit department or to Bank of Ireland Group Credit for independent assessment, formulation of a recommendation and subsequent adjudication by the appropriate authorities, which include the Heads of Divisions, Senior Executives and the Bank of Ireland Group Credit Committee. Existing credit risk is reviewed periodically with lower quality exposures subject to greater intensity of supervision and management.

Rating Methodologies

The use of credit rating models, which measures the degree of risk inherent in lending to specific counterparties, is central to Credit Risk Management within the Group.

The primary measures by which credits are assessed are probability of default (PD), exposure at default (EAD) and loss given default (LGD) metrics. These measures reflect the Bank of Ireland Group's expected loss (EL) model. The EL model combines an assessment of the probability that the borrower will default on their contractual obligations in a one-year time horizon (PD), with the amount of exposure the Group expects to be owed at default (EAD) and the likely recovery ratio on the defaulted obligations (LGD) to generate an EL outcome, as required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee). These measurements are fully embedded in the Group's daily operational credit risk management and contrasted with impairment allowances required under IAS39, which are based on losses that have been incurred at the balance sheet date (the incurred loss model) rather than expected losses.

For debt securities and other bills, external ratings, such as Standard & Poor's (S&P) rating and their equivalents are used, together with expert judgment, to rate credit risk exposures. Statistical scoring techniques are used to assess the quality of consumer loans, both at the application stage and for ongoing portfolio management.

The scoring system is continuously refined and validated to ensure that all new and existing lending meets predefined criteria, which ensures that the level of risk incurred is acceptable to the Group. Risk modeling is also applied at portfolio level in the Group's credit businesses to guide economic capital allocation and strategic portfolio management.

In addition to providing a solid basis for Basel II compliance, a key objective of these initiatives is to allow the Group to further integrate the advances in credit risk measurement into pricing for credit risk and advanced portfolio management.

An Independent Control Unit validates risk rating models to ensure that they are compliant with Basel II requirements. This unit reports to the Risk Measurement Committee, a sub-committee of the GRPC responsible for governing the measurement of credit risk and the implementation of risk measurement models across the Group.

Settlement risk

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

30 CREDIT RISK (CONTINUED)

Credit related commitments

Guarantees and standby letters of credit: Irrevocable commitments by the Group to make payments at a future date in specified circumstances. These instruments carry the same credit risk as loans and are assessed on the same basis.

Documentary and commercial letters of credit: Written undertakings by the Group on behalf of a customer authorising a third party to draw drafts or payment instruments on the Group to a stipulated amount under specific terms and conditions and collateralised by the underlying shipment of goods to which they relate. These instruments carry less risk than a direct loan.

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

Letters of Offer: Where the Group had made an irrevocable offer to extend credit to a customer and the customer may or may not have confirmed acceptance of the offer on the terms outlined, the potential credit risk is assessed and recorded. The likely amount of loss is considerably less than the face value of offer letters, as not all offers are accepted. In some businesses, the value of offer letters expected to result in loan drawdowns is assessed statistically.

Collateral

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

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

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

The Bank of Ireland Group's requirements around completion, valuation and management requirements for collateral are set out in the appropriate Group or business unit policies and procedures.

As it is operationally impracticable, Bank of Ireland UK Holdings has availed of the option under IFRS 7 not to disclose the fair value of collateral held against past due or impaired financial assets.

Credit Risk Mitigation

The Group mitigates credit risk through the adoption of both positive measures, (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks, should these materialise (e.g. loan loss provisioning, collateralisation). An assessment of the borrower's ability to service and repay the proposed level of debt is undertaken for all credit requests.

30 CREDIT RISK (CONTINUED)

Limits

The Group imposes risk control limits and guide-points to mitigate significant concentration risk. These limits and guide-points are informed by the Bank of Ireland Group's loss tolerance guide-points (LTG's).

Derivatives

In managing its credit risk, the Group makes use of a bilateral agreement called a credit default swap that transferred risk to a third party. Under this agreement the Group makes payments to the third party during the life of the swap in exchange for an undertaking from the seller to make a payment to the Group following a specified credit event.

Securitisations

Up until the date of the corporate restructure referred to in note 9, the Group made some use of securitisation vehicles for its residential mortgages.

Credit risk avoidance

The Group chooses not to assume certain types of credit risk exposure by not operating in particular markets, avoiding particular business activities and/or not selling particular products and services.

Risk Concentrations

Undue concentrations could lead to increased volatility in the Group's expected outcomes. The avoidance of risk concentrations is therefore a fundamental cornerstone of the Group's approach to risk management. It is the policy of the Group to avoid undue concentrations of counter-party, industry, sector, product, geographical or other forms of significant connected risk in its credit books. Monetary risk limits and guide-points are set by GRPC or its sub-committees and, as necessary, approved by the Bank of Ireland Court of Directors to avoid risk concentrations.

Impairment Criteria

Impairment is defined as "exposures which have a specific provision attaching to them and loans that are 90 days or more past due."

Impairment Provisions

For further information on the Groups policy on impairment provisions see 1.12 on pages 23 to 25 in the summary of significant accounting policies.

Loans and Advances Renegotiated that would otherwise be past due or impaired

Financial assets may be renegotiated at the request of the Group or the customer for commercial purposes, where there is evidence of the continuing ability of the customer to meet renegotiated payment obligations. Where facilities that are past due or impaired are renegotiated, it is the Group's standard practice to retain these facilities in the past due or impaired classifications until the customer has demonstrated the ability to meet present and future commitments. The balance of facilities that have been renegotiated that would otherwise be past due or impaired as at 31 March 2009 was £11.3m (31 March 2008: nil).

30 CREDIT RISK (CONTINUED)

Maximum exposure to credit risk (before collateral or other credit enhancements)

The table below represents the maximum exposure to credit risk for financial assets with material credit risk at 31 March 2009 and 31 March 2008 taking no 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. Interest receivable has been excluded from the table. The following tables should be read in conjunction with the credit risk information outlined above.

Group	2009	2008
Maximum exposure to credit risk (before collateral or other credit enhancements)	£m	£m
Loans and receivables		
- Loans and advances to banks	2,589.7	2,321.6
- Loans and advances to customers		
Personal	1,300.6	1,121.6
Commercial	1,065.0	1,295.0
Gross loans and advances to customers	2,365.6	2,416.6
Less allowance for losses on loans and advances	(36.5)	(20.9)
Loans and advances to customers	2,329.1	2,395.7
Held to Maturity Securities		
- Debt securities		
Unlisted	497.4	497.0
Derivative financial instruments	367.9	86.0
Available for sale financial assets		
- Debt securities		
Unlisted	29.9	39.9
Total	5,814.0	5,340.2
Off balance sheet		
Contingent liabilities	80.7	63.2
Commitments	785.1	782.8
Total off balance sheet	865.8	846.0
Total maximum exposure	6,679.8	6,186.2

The Group's primary market is the UK and all exposures are originated and managed in the UK.

Industry analysis	2009	2008
	£m	£m
Personal	1,300.6	1,121.6
Construction and property	54.3	148.2
Business and other services	197.7	310.7
Manufacturing	458.9	388.9
Distribution	186.1	221.7
Transport	146.1	166.6
Financial	16.6	4.6
Agriculture	1.5	43.4
Energy	3.8	10.9
Gross loans and advances to customers	2,365.6	2,416.6

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30 CREDIT RISK (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. Exposures are based on the gross amount, before provisions for impairment.

31 March 2009	Personal £m	Commercial £m	Other financial instruments £m	Total £m
Financial assets neither past due nor impaired	1,225.6	1,027.8	3,484.9	5,738.3
Financial assets past due but not impaired	26.2	12.2	-	38.4
Impaired financial assets	48.8	25.0	-	73.8
Total	1,300.6	1,065.0	3,484.9	5,850.5

31 March 2008	Personal £m	Commercial £m	Other financial instruments £m	Total £m
Financial assets neither past due nor impaired	1,094.2	1,265.6	2,944.5	5,304.3
Financial assets past due but not impaired	9.5	12.5	-	22.0
Impaired financial assets	17.9	16.9	-	34.8
Total	1,121.6	1,295.0	2,944.5	5,361.1

Financial assets neither past due nor impaired

31 March 2009	Personal £m	Commercial £m	Other financial instruments £m	Total £m
High quality	1,225.6	449.7	3,484.9	5,160.2
Satisfactory quality	-	337.5	-	337.5
Acceptable quality	-	226.0	-	226.0
Lower quality but not past due nor impaired	-	14.6	-	14.6
Total	1,225.6	1,027.8	3,484.9	5,738.3

31 March 2008	Personal £m	Commercial £m	Other financial instruments £m	Total £m
High quality	1,094.2	1,265.6	2,944.5	5,304.3
Satisfactory quality	-	-	-	-
Acceptable quality	-	-	-	-
Lower quality but not past due nor impaired	-	-	-	-
Total	1,094.2	1,265.6	2,944.5	5,304.3

30 CREDIT RISK (CONTINUED)

Financial assets past due but not impaired

31 March 2009	Personal £m	Commercial £m	Other financial instruments £m	Total £m
Past due up to 30 days	19.3	12.2	-	31.5
Past due 31 – 60 days	6.9	-	-	6.9
Past due 61 – 90 days	-	-	-	-
Past due more than 90 days	-	-	-	-
Total	26.2	12.2	-	38.4

31 March 2008	Personal £m	Commercial £m	Other financial instruments £m	Total £m
Past due up to 30 days	5.6	11.8	-	17.4
Past due 31 – 60 days	2.7	0.5	-	3.2
Past due 61 – 90 days	1.2	0.2	-	1.4
Past due more than 90 days	-	-	-	-
Total	9.5	12.5	-	22.0

Impaired financial assets

31 March 2009	Personal £m	Commercial £m	Other financial instruments £m	Total £m
Impaired financial assets	48.8	25.0	-	73.8
Allowance at the beginning of the year	10.0	10.9	-	20.9
Amounts written off	(4.4)	(10.5)	-	(14.9)
Charge against income statement	14.3	14.1	-	28.4
Transfer to other Group Units	-	-	-	-
Unwind of Discount	1.6	0.5	-	2.1
Allowance at the end of the year	21.5	15.0	-	36.5

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.

30 CREDIT RISK (CONTINUED)

31 March 2008	Mortgages	Personal	Commercial	Other financial instruments	Total
	£m	£m	£m	£m	£m
Impaired financial assets	-	17.9	16.9	-	34.8
Allowance at the beginning of the year	7.1	10.2	3.6	-	20.9
Amounts written off	(1.4)	(3.6)	(1.7)	-	(6.7)
Charge against income statement	0.7	4.2	8.2	-	13.1
Transfer to other Group Units	(6.4)	(0.8)	0.8	-	(6.4)
Allowance at the end of the year	-	10.0	10.9	-	20.9

Repossessed collateral

During the year ended 31 March 2009, the Group took possession of collateral held as security, as follows:

	2009	2008
	£m	£m
Residential properties	-	27.1

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

Company

Maximum exposure to credit risk (before collateral or other credit enhancements)	2009	2008
	£m	£m
Loans and receivables		
- Loans and advances to banks	2,191.0	2,142.0
Derivative financial instruments	367.9	86.0
Total	2,558.9	2,228.0

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

31 March 2009	Other financial instruments	Total
	£m	£m
Financial assets neither past due nor impaired	2,558.9	2,558.9
Financial assets past due but not impaired	-	-
Impaired financial assets	-	-
Total	2,558.9	2,558.9

30 CREDIT RISK (CONTINUED)

31 March 2008	Other financial instruments	Total
	£m	£m
Financial assets neither past due nor impaired	2,228.0	2,228.0
Financial assets past due but not impaired	-	-
Impaired financial assets	-	-
Total	2,228.0	2,228.0

Financial assets neither past due nor impaired

31 March 2009	Other financial instruments	Total
	£m	£m
High quality	2,558.9	2,558.9
Satisfactory quality	-	-
Acceptable quality	-	-
Lower quality but not past due nor impaired	-	-
Total	2,558.9	2,558.9

31 March 2008	Other financial instruments	Total
	£m	£m
High quality	2,228.0	2,228.0
Satisfactory quality	-	-
Acceptable quality	-	-
Lower quality but not past due nor impaired	-	-
Total	2,228.0	2,228.0

31 LIQUIDITY RISK

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptable cost.

Liquidity distress is almost invariably associated with a severe deterioration in financial performance, but it can also result from unexpected adverse events or systemic difficulties. The Group has in place a risk management framework to manage liquidity risk.

The Group's contractual financial liabilities are reported below as required by IFRS 7.

The Group's exposure to liquidity risk is governed by policy approved by the Court of Directors of the Bank of Ireland and the GRPC. The operation of this policy is delegated to the Bank of Ireland Group Asset and Liability Committee (ALCO). The Bank of Ireland Group Asset and Liability Management, on behalf of ALCO, is responsible for monitoring liquidity risk and for the development and monitoring of liquidity policy.

In addition to its internal liquidity risk management processes, the Group complies with the requirements of the Financial Services Authority in respect of liquidity management.

The table below summarises the maturity profile of the Group's financial instrument liabilities at 31 March 2009 and 31 March 2008 based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The balances will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

31 LIQUIDITY RISK (CONTINUED)

Group

As at 31 March 2009	Demand	Up to 3	3-12	1-5	Over 5	Total
	£m	months	months	years	years	£m
Deposits by banks	1,887.7	356.9	60.9	233.3	19.9	2,558.7
Subordinated liabilities and other capital instruments	-	16.1	147.4	635.1	3,757.3	4,555.9
Total	1,887.7	373.0	208.3	868.4	3,777.2	7,114.6
Derivative financial instruments						
	Demand	Up to 3	3-12	1-5	Over 5	Total
	£m	months	months	years	years	£m
Net settled derivatives	-	0.1	0.7	3.8	20.0	24.6
Total	-	0.1	0.7	3.8	20.0	24.6
As at 31 March 2008						
	Demand	Up to 3	3-12	1-5	Over 5	Total
	£m	months	months	years	years	£m
Deposits by banks	597.2	293.4	482.9	951.8	11.1	2,336.4
Subordinated liabilities and other capital instruments	-	33.6	70.3	-	2,441.5	2,545.4
Total	597.2	327.0	553.2	951.8	2,452.6	4,881.8
Derivative financial instruments						
	Demand	Up to 3	3-12	1-5	Over 5	Total
	£m	months	months	years	years	£m
Gross settled derivative liabilities – outflows	-	10.8	33.8	153.4	796.1	994.1
Net settled derivatives	-	12.8	(4.8)	(7.6)	46.1	46.5
Total	-	23.6	29.0	145.8	842.2	1,040.6

Company

As at 31 March 2009	Demand	Up to 3	3-12	1-5	Over 5	Total
	£m	months	months	years	years	£m
Deposits by banks	0.2	135.3	-	-	-	135.5
Subordinated liabilities and other capital instruments	-	-	131.3	506.6	3,341.5	3,979.4
Total	0.2	135.5	131.3	506.6	3,341.5	4,114.7
Derivative financial instruments						
	Demand	Up to 3	3-12	1-5	Over 5	Total
	£m	months	months	years	years	£m
Net settled derivatives	-	(0.2)	0.7	3.8	20.0	24.3
Total	-	(0.2)	0.7	3.8	20.0	24.3
As at 31 March 2008						
	Demand	Up to 3	3-12	1-5	Over 5	Total
	£m	months	months	years	years	£m
Deposits by banks	-	11.3	-	-	-	11.3
Subordinated liabilities and other capital instruments	-	-	63.0	-	1,954.4	2,017.4
Total	-	11.3	63.0	-	1,954.4	2,028.7

31 LIQUIDITY RISK (CONTINUED)

	Demand	Up to 3	3-12	1-5	Over 5	Total
	£m	months	months	years	years	£m
		£m	£m	£m	£m	£m
Derivative financial instruments						
Gross settled derivative liabilities – outflows	-	10.8	33.8	153.4	796.1	994.1
Net settled derivatives	-	12.8	(4.8)	(7.6)	46.1	46.5
Total	-	23.6	29.0	145.8	842.2	1,040.6

32 CAPITAL MANAGEMENT

Capital management objectives and policies

Capital Management for Bank of Ireland UK Holdings plc as for all Bank of Ireland Group companies is carried out in the context of the Group's capital management policy.

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

- Align capital management to the Bank of Ireland Group's strategy;
- Meet the requirements of equity and debt investors;
- Achieve the optimal mix of capital to meet the Bank of Ireland Group's regulatory requirements and rating ambitions; and
- Manage capital in aggregate and at business level, ensuring that capital is only invested in businesses which deliver adequate returns.

It is the Bank of Ireland Group's policy to maintain a strong capital base, to seek to expand this where appropriate and to utilise it efficiently in the Bank of Ireland Group's management. Long term debt, undated capital notes, preferred securities and preference stock are raised in various currencies in order to align the composition of capital and risk weighted assets. The Bank of Ireland Group's capital includes the Bank of Ireland Group's equity stockholders' funds together with perpetual and dated subordinated securities. with appropriate regulatory adjustments and deductions applied.

The Bank of Ireland Group in managing its capital uses as the basis for its capital management the capital adequacy requirements set by the Financial Regulator in Ireland which reflect the requirements as set out in the EU Capital Requirements Directive and its preceding directives. These requirements set a floor under which capital levels must not fall. The Bank of Ireland Group seeks to maintain sufficient capital to ensure that even under stressed conditions these requirements are not breached.

The Bank of Ireland Group also looks at other methodologies of capital measurement including the capital definitions set out by rating agencies. It also calculates economic capital based on its own internal models.

The following table sets out Bank of Ireland UK Holdings plc's capital resources (stockholders' equity and subordinated liabilities):

Stockholders' funds	2009	2008
	£m	£m
Total stockholders' equity	325.8	516.1
Minority interests' equity	31.5	23.7
Undated loan capital	2,971.7	2,431.5
Total capital resources	3,329.0	2,971.3

In the year ended 31 March 2009 total capital resources increased to £3,329.0m. The upward revaluation of foreign currency undated loan capital was offset somewhat by the £215m dividend paid on 31 March 2009.

32 CAPITAL MANAGEMENT (CONTINUED)

How the capital management objectives are met

The Bank of Ireland Group meets its objectives in terms of capital management through the holding of capital ratios above the minimum levels set by the Financial Regulator. The Bank of Ireland Group stress tests the capital held to ensure that under stressed conditions that it continues to comply with regulatory minima ratios. It also seeks to minimise refinancing risk by managing the maturity profile of non-equity capital. In addition the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised.

Capital strategy is integrated into the overall strategy of the Bank of Ireland Group reflecting its importance as a key enabler.

The Bank of Ireland Group has a portfolio approach to its businesses to ensure that optimum returns are targeted and earned with a focus on ensuring growth in value enhancing activities. New lending activity and transactions are subject to RAROC return criteria.

Capital Adequacy Requirements

The Bank of Ireland Group's capital management policy has been developed within the supervisory requirements of the Irish Financial Regulator.

The EU Capital Requirements Directive (CRD) which came into force from 1 January 2007 introduced significant amendments to the existing capital adequacy framework. The implementation of the CRD results in a more risk sensitive approach to the derivation of a bank's capital requirements.

The CRD is divided into three sections commonly referred to as Pillars. Pillar 1 introduced the Internal Ratings Based Approach (IRBA) which permits banks to use their own internal rating systems to calculate their capital requirements for credit risk. Use of the IRBA is subject to regulatory approval. Where credit portfolios are not subject to IRBA the calculation of the minimum capital requirements is subject to the Standardised Approach is a more granular approach to the calculation of risk weightings.

Under Pillar 2 of the CRD (Supervisory Review) banks undertake an Internal Capital Adequacy Assessment Process (ICAAP) which is then subject to supervisory review.

Pillar 3 of the CRD (Market Discipline) involves the disclosure of a range of qualitative and quantitative information relating to capital and risk. The Bank of Ireland Group will be disclosing this information in due course.

The CRD also introduced a requirement to calculate capital requirements, and to set capital aside, with respect to operational risk. The Bank of Ireland Group is also required to set capital aside for market risk.

Bank of Ireland UK Holdings plc is not a regulated entity in its own right and does not have its own capital requirements.

33 DIVIDENDS

	2009	2008
	£m	£m
Dividend paid	<u>215</u>	<u>-</u>

On 30 March 2009, the Directors proposed and approved an interim dividend for the year ended 31 March 2009 of £215m, which was paid on 31 March 2009 and was deducted from Shareholders' Funds in the financial statements for the year ended 31 March 2009.

34 CONTINGENT LIABILITIES AND COMMITMENTS

Contingent Liabilities		
	2009	2008
	£m	£m
Guarantees and irrevocable letters of credit	80.7	63.2
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
- Revocable or irrevocable with original maturity of one year or less	-	1.2
- Irrevocable with an original maturity of over 1 year	785.1	781.6
	<u>865.8</u>	<u>846.0</u>

Subsidiaries

The company has undertaken to provide certain subsidiaries with financial support to enable them to meet their future obligations as they fall due.

Commissions

During the prior year, the Group entered into agreements lasting until 2020 which allow for the payment of commissions to product distributors if the challenging and revenue enhancing targets prescribed in the agreements were achieved. The achievement of these targets would give rise to an uplift in the Group's revenue over the period significantly in excess of the commissions payable. The maximum potential commissions outstanding under these agreements amounted to £86m at 31 March 2009.

35 RELATED-PARTY TRANSACTIONS

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group - being the Directors of Bank of Ireland UK Holdings plc.

The table below details, on an aggregated basis, key management personnel compensation:

	Group & Company Directors and key management personnel	
	2009	2008
	£m	£m
Staff costs		
Salaries and other short-term benefits	-	1.0
Total	<u>-</u>	<u>1.0</u>

The tables below detail, on an aggregated basis, balances outstanding at the end of the year and related income and expense, together with information relating to other transactions between the Group and its key management personnel.

BANK OF IRELAND UK HOLDINGS PLC
NOTES TO THE FINANCIAL STATEMENTS (continued)

35 RELATED-PARTY TRANSACTIONS (CONTINUED)

Group	Directors and key management personnel		Parent		Fellow group undertakings	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Assets						
At the beginning of the year	0.4	0.7	2,289.8	10,593.5	3.2	370.2
Net amount advanced/(repaid)	-	(0.3)	649.5	(8,303.7)	4.8	(367.0)
At the end of the year	<u>0.4</u>	<u>0.4</u>	<u>2,939.3</u>	<u>2,289.8</u>	<u>8.0</u>	<u>3.2</u>
Interest income	<u>-</u>	<u>-</u>	<u>292.0</u>	<u>378.2</u>	<u>-</u>	<u>5.3</u>

Loans comprise loans and advances to banks (Note 13), other assets (Note 21) and derivatives (Note 29).

Company	Directors and key management personnel	
	2009 £m	2008 £m
Assets		
At the beginning of the year	-	-
Net amount (repaid)/advanced	-	-
At the end of the year	<u>-</u>	<u>-</u>
Interest income	<u>-</u>	<u>-</u>

Company	Parent		Fellow Group Undertakings		Subsidiaries	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Assets						
At the beginning of the year	2,052.5	1,867.6	-	-	19.7	19.7
Net amount advanced	<u>477.7</u>	<u>184.9</u>	<u>-</u>	<u>-</u>	<u>1.8</u>	<u>-</u>
At the end of the year	<u>2,530.2</u>	<u>2,052.5</u>	<u>-</u>	<u>-</u>	<u>21.5</u>	<u>19.7</u>
Interest income	<u>236.7</u>	<u>142.8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.0</u>

Group	Directors and key management personnel		Parent		Fellow Group Undertakings	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Liabilities						
At the beginning of the year	-	-	2,362.6	24,893.1	0.2	120.9
Net amount advanced/repaid	-	-	<u>177.6</u>	<u>(22,530.5)</u>	<u>-</u>	<u>(120.7)</u>
At the end of the year	<u>-</u>	<u>-</u>	<u>2,540.2</u>	<u>2,362.6</u>	<u>0.2</u>	<u>0.2</u>
Interest expense	<u>-</u>	<u>-</u>	<u>205.0</u>	<u>706</u>	<u>-</u>	<u>1.1</u>

35 RELATED-PARTY TRANSACTIONS (CONTINUED)

Company	Directors and key management personnel	
	2009	2008
Liabilities	£m	£m
At the beginning of the year	-	-
Net amount (repaid)/advanced	-	-
At the end of the year	-	-
Interest income	-	-
Net trading income receivable from parent or ultimate parent company	-	-

Company	Parent		Fellow group undertakings		Subsidiaries	
	2009	2008	2009	2008	2009	2008
Liabilities	£m	£m	£m	£m	£m	£m
At the beginning of the year	0.1	779.5	0.2	2.5	4.1	6
Net amount advanced	134.0	(779.4)	-	(2.3)	(0.2)	(1.9)
At the end of the year	134.1	0.1	0.2	0.2	3.9	4.1
Interest expense	57.5	20.3	-	-	-	-

The loans are on both a secured and unsecured basis and are expected to be settled in cash.

These loans are made on substantially the same criteria and terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavourable features.

No provisions have been recognised in respect of loans given to key management personnel (2008: nil).

Directors' emoluments are set out in Note 37.

36 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition:

	Group		Company	
	2009	2008	2009	2008
	£m	£m	£m	£m
Cash at bank (note 12)	-	4.9	-	-
Loans and advances to banks (note 13)	872.7	233.9	593.9	-
	872.7	238.8	593.9	-

37 DIRECTORS' EMOLUMENTS

The aggregate amount of emoluments paid to the Directors for the year ended 31 March 2009 was:

	2009	2008
	£000	£000
Aggregate emoluments	-	<u>832</u>

There were no Directors' emoluments in the year to 31 March 2009.

Directors' emoluments in the year to 31 March 2008 were as follows:

- The aggregate amount of consideration paid to or receivable by third parties for making available the services of a person as a Director included above £382,062.
- The total remuneration of the highest paid Director was £422,880.
- The amount of the highest paid Director's accrued pension at 31 March 2008 was £186,515 per annum and shares in Bank of Ireland were also received under a long-term incentive scheme.

No Directors exercised share options during the year to 31 March 2009 (3 Directors, including the highest paid Director, in the year to 31 March 2008).

A total of 2 Directors (2008: 3) received Bank of Ireland shares under a long-term incentive scheme.

There were no retirement benefits accruing to Directors under defined benefit schemes at the year-end (accruing to 4 Directors at the year ended 31 March 2008).

No compensation for loss of office in respect of former Directors was paid by the Company and no excess retirement benefits in respect of Directors and former Directors were paid during the year 2009 or 2008.

38 SHARE BASED PAYMENTS

Use of Ordinary Stock in employee schemes

The Group participates in the following Bank of Ireland Group employee stock schemes, and the related credits/charges can be seen in note 8 Staff Costs.

(a) Employee Stock Issue Scheme

At the 2006 Bank of Ireland Annual General Court the stockholders approved the establishment of a new Employee Stock Issue Scheme to replace the scheme originally approved by the stockholders in 1997.

Under this scheme, which has an Irish and a UK version in order to conform with the relevant revenue legislation in both jurisdictions, all employees in Ireland and the UK are eligible to participate provided that they have been employed by the Group in one of the schemes' participating companies for the previous financial year and are still employed by the Group on the date the annual results are announced.

Each year the Court may set aside an element of Group profit before taxation for allocation to the trustees of the scheme to enable them to acquire units of ordinary stock on behalf of the scheme participants.

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

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

38 SHARE BASED PAYMENTS (CONTINUED)

(b) Sharesave Scheme (SAYE Scheme)

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

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

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

As at 31 March 2009, there are outstanding options under the scheme over 5,031,735 units of ordinary stock of the issued ordinary capital. These options are ordinarily exercisable, provided the participant's savings contracts are complete between February 2009 and August 2011.

	RoI			UK			Total
	2003 5 yr	2006 3 yr	2007 3 yr	2003 5 yr	2006 3 yr	2007 3 yr	
2009							
Outstanding at beginning of period	2,030,540	2,032,877	3,950,984	343,844	436,755	801,947	9,596,947
Granted	—	—	—	—	—	—	—
Exercised*	(2,682)	—	—	(5,625)	(68)	(54)	(8,429)
Lapsed	(384,756)	(1,397,820)	(1,989,510)	(55,032)	(282,388)	(447,277)	(4,556,783)
Outstanding at end of period	<u>1,643,102</u>	<u>635,057</u>	<u>1,961,474</u>	<u>283,187</u>	<u>154,299</u>	<u>354,616</u>	<u>5,031,735</u>
Weighted average exercise price	<u>€7.84</u>	<u>€12.28</u>	<u>€6.96</u>	<u>€8.37</u>	<u>€13.09</u>	<u>€7.43</u>	<u>€8.22</u>

*The weighted average market price on the date the options were exercised was €8.16 (2008 €15.75).

(c) Stock Option Scheme

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

38 SHARE BASED PAYMENTS (CONTINUED)

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

	March 2009		March 2008	
	<u>Number of options</u>	<u>Weighted average exercise price (€)</u>	<u>Number of options</u>	<u>Weighted average exercise price (€)</u>
Outstanding at beginning of period	7,575,585	12.26	7,016,309	11.55
Granted during period	2,642,600	7.01	1,151,782	15.20
Exercised during period	—	—	(378,386)	7.88
Expired during period	(850,218)	11.48	(214,120)	11.63
Outstanding at end of period	9,367,967	10.85	7,575,585	12.26
Exercisable at end of period	4,714,080	10.94	3,980,149	10.58

No options were exercised in the year to 31 March 2009. (The weighted average market price on the date the options were exercised for the year to 31 March 2008 was €13.64)

<u>Exercise Price Range (€)</u>	<u>Number of options</u>
1.22 - 9.75	3,045,782
10.54 - 10.77	2,266,999
11.05 - 13.68	1,918,431
14.00 - 17.16	2,136,755
Total	9,367,967

Outstanding options under the Stock Option Scheme are exercisable at the price ranges set out above. The weighted average remaining contractual life of the outstanding options under the Stock Option Scheme is 2 years.

(d) Long Term Incentive Plan

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

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

Provided the Group's Return on Equity (ROE) over the three year performance period is, on average, at least 20%, then the proportion of these units which actually vest in the executive on the third anniversary of the date of the original award is based on the Group's TSR growth relative to a comparator group of financial services companies, as follows:

38 SHARE BASED PAYMENTS (CONTINUED)

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

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

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

	<u>March 2009</u>		<u>March 2008</u>	
	<u>Number of conditional units</u>	<u>Weighted average grant price (€)</u>	<u>Number of conditional units</u>	<u>Weighted average grant price (€)</u>
Outstanding at beginning of period	1,989,005	13.96	2,104,333	12.73
Granted during period	1,616,200	6.57	602,226	14.87
Vested during period	—	—	(247,373)	10.88
Expired during period	(1,117,043)	12.40	(470,181)	11.22
Outstanding at end of period	2,488,162	9.86	1,989,005	13.96

Outstanding conditional units of stock under the LTIP were awarded at prices ranging between €1.215 to €7.16.

The weighted average remaining contractual life of the outstanding options under the LTIP Scheme is 2 years (the potential matching awards of 30% on the previous LTPSP schemes are excluded from this calculation).

(e) Options Pricing Model

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

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

38 SHARE BASED PAYMENTS (CONTINUED)

	SAYE (ROI) 3 Year		SAYE (UK) 3 Year	
	2007	2006	2007	2006
Volatility	20%	20%	20%	20%
Dividend Yield	4.2%	3.3%	4.2%	3.3%
Risk free rate	4.1%	3.8%	4.1%	3.8%
Implied term	3 years	3 years	3 years	3 years
Fair value	€2.94	€1.10	€2.62	€4.55
Exercise price	€6.96	€12.28	€7.43	€13.09
No. of options (000's)	3,967.8	2,311.0	811.3	513.6
Vesting period	3 years	3 years	3 years	3 years

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

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

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

39 POST BALANCE SHEET EVENT

BoI Capital Holdings Ltd, a related party of BOI UK Holdings plc (as both entities are under the common control of The Governor and Company of the Bank of Ireland) purchased Euro, Sterling and US Dollar denominated Tier 1 securities (original face value of circa £1.5bn) from six separate issuances of BOI UK Holdings plc for between 38% and 50% of the face value of the securities on separate dates in June 2009.

40 ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of The Governor and Company of the Bank of Ireland (which is also the ultimate parent company), a company incorporated by charter in the Republic of Ireland. These financial statements are included in the consolidated accounts of The Governor and Company of the Bank of Ireland. A copy of Bank of Ireland Group financial statements may be obtained from Bank of Ireland, Lower Baggot Street, Dublin 2.

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