Bank of Ireland

Preliminary Statement

for the 9 months ended 31 December 2009

Forward-Looking Statement

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

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Bank of Ireland will host a results presentation at 9am today, 31 March 2010 at Bank of Ireland Head Office, Lower Baggot Street, Dublin 2

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

Performance Summary

	9 months ended 31 December 2009 €m	*Restated 12 months ended 31 March 2009 €m
Group performance on an Underlying ** basis		
Operating profit before impairment charges on financial assets	**1,050**	**1,871**
Impairment charge on loans and advances to customers (incl. loans held for sale to NAMA)	(4,055)	(1,435)
Impairment charge on available for sale financial assets	(2)	(76)
Impairment charge on loans and advances to banks	-	(2)
Share of results of associates and joint ventures (after tax)	35	(42)
Underlying ** (loss) / profit before tax	**(2,972)**	**316**
Non-core items:		
· Gain on repurchase of tier 1 debt securities	1,037	-
· Effective interest rate (EIR) adjustment on subordinated debt	67	-
· Gross-up for policyholder tax in the Life business	64	(76)
· Investment return on treasury stock held for policyholders	(6)	131
· Loss on disposal of business activities	(3)	-
· Impairment of goodwill and other intangible assets	-	(304)
· Cost of restructuring programme	-	(83)
· Hedge ineffectiveness on transition to IFRS	-	(7)
Loss before tax (LBT)	**(1,813)**	**(23)**
Group performance (underlying **)		
Net interest margin	1.59%	1.74%
Cost income ratio	56%	53%
Cost income 'jaws'	(4%)	-
Return on equity	(81%)	5%
Per unit of €0.64 ordinary stock		
Basic (loss) / earnings per share (€ cent)	(168.6)	4.3
Underlying** (loss) / earnings per share (€ cent)	(268.7)	28.6
Divisional performance		
Underlying ** operating profit / (loss) before impairment charges on financial assets (€ million)		
Retail Republic of Ireland	314	798
Bank of Ireland Life	69	(31)
UK Financial Services	231	418
UK Financial Services (Stg £ equivalent)	*205*	*351*
Capital Markets	558	868
Group Centre	(122)	(182)
Underlying ** operating profit before impairment charges on financial assets	**1,050**	**1,871**
Impairment charge – loans & advances to customers (€ million)		
Residential mortgages	237	127
Non-property SME and corporate	659	344
Property and construction	2,993	766
Consumer	166	198
Loan impairment charge on loans & advances to customers	**4,055**	**1,435**
Analysed as follows (€ million)		
Loans held for sale to NAMA	2,231	-
Loans & advances to customers	1,824	1,435
Loan impairment charge on loans & advances to customers	**4,055**	**1,435**

* *The prior year ended 31 March 2009 has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". This restatement has increased operating expenses by €16 million for the 12 month period ended 31 March 2009. Further information on this is shown on page 97.*

** *Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: gain on the repurchase of tier 1 debt securities, effective interest rate (EIR) adjustment relating to certain subordinated debt, gross-up for policyholder tax in the Life Business, investment return on treasury stock held for policyholders, loss on disposal of business activities, impairment of goodwill and other intangible assets, cost of restructuring programme and hedge ineffectiveness on transition to IFRS, see page 12 for further information.*

	31 December 2009	*Restated 31 March 2009
Balance sheet and funding metrics		
Stockholders' equity (€ billion)	6.4	6.9
Total assets (€ billion)	181	194
Total loans and advances to customers (net of impairment provisions) (€ billion)	119	134
Loans held for sale to NAMA (net of impairment provisions) (€ billion)	10	-
Total customer deposits (€ billion)	85	83
Loans and advances to customers (incl. assets held for sale to NAMA) / customer deposits	152%	161%
Loans and advances to customers (excl. assets held for sale to NAMA) / customer deposits	141%	-
Wholesale funding (€ billion)	61	74
Wholesale funding > 1 year (€ billion)	20	20
Wholesale funding > 1 year as a % of total Wholesale funding	32%	27%
Term funding > 1 year, subordinated debt and customer deposits / loans and advances to customers (incl. loans held for sale to NAMA)	86%	83%
Term funding > 1 year, subordinated debt and customer deposits / loans and advances to customers (excl. loans held for sale to NAMA)	93%	-
Capital		
Equity tier 1 ratio (Core tier 1 less preference stock)	5.3%	6.2%
Core tier 1 ratio	8.9%	9.5%
Tier 1 ratio	9.8%	12.0%
Total capital ratio	13.4%	15.2%
Risk weighted assets (€ billion)	98	105

* *Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 97).*

Group Chief Executive's Review

Performance overview

Following the change in financial year-end, Bank of Ireland has released its Preliminary Results for the nine months ended 31 December 2009. This nine month trading period was very difficult for both our customers and our business and this has been reflected in the substantial increase in credit losses. However, it was also a period in which we made progress on a number of strategic priorities designed to strengthen the Group for the future.

The Group's underlying operating profit (before impairment charges on loan assets) was €1,050 million for the nine months to 31 December 2009, down 28% from the comparable nine month period ended 31 December 2008. An impairment charge of €4,055 million on loan assets (of which €2,231 million relates to assets expected to transfer to the National Asset Management Agency (NAMA) and €1,824 million to non-NAMA assets) resulted in the Group recording a loss before tax of €1,813 million and an underlying loss before tax of €2,972 million for the nine months ended 31 December 2009.

The formal process of selling certain loans to NAMA has commenced and we have been able to review our estimates of the likely losses on disposal of NAMA bound loans which will arise from our participation in NAMA. While the ultimate outcome remains uncertain we believe that such losses will be within the guidance provided for our Extraordinary General Court meeting in January 2010.

We have conducted an extensive internal review of our impairment estimates on our non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on our non-NAMA bound loans remains as expected and we confirm our previous guidance of an impairment charge for these loans of €4.7 billion over the 3 years ending 31 March 2011. We believe that the impairment charge on our non-NAMA bound loans and advances to customers has peaked in 2009 and will reduce progressively in each of 2010, 2011 and 2012.

Delivering Group stability

Our operating environment was very difficult in the nine months to 31 December 2009 with a further contraction in the level of economic activity across our core markets in Ireland and the UK and difficult economic conditions globally. Towards the end of the period the economic environment showed some signs of stabilisation with the pace of decline in key metrics beginning to slow.
With hindsight, it is clear that the Bank's growth ambitions in previous years had been framed against an overly optimistic view of the outlook for the Irish economy and it was too exposed to the property sector and too reliant on wholesale funding. Consequently the Group was particularly affected by the severe economic downturn of the last two years in the Irish market compounded by the worst turmoil global financial markets had experienced since the 1930s.

The Irish Government acted decisively in support of the Irish banks during this time to underpin their systemic contribution to economic recovery. The priority was to enhance the availability of liquidity and ensure the continued access to funding for the Irish banking system. In common with initiatives introduced by other governments to protect their financial systems and economies, a number of key initiatives were implemented by the Irish Government. These included: in September 2008 the introduction of the Credit Institutions (Financial Support) Scheme 2008 which guarantees deposits and certain liabilities for participating banks until September 2010; in March 2009 the National Pension Reserve Fund Commission made a €3.5 billion investment in Bank of Ireland via 8% coupon preference stock (with warrants); in December 2009 the introduction of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (the 'ELG Scheme'), which provides participating banks with the option to issue (before September 2010) guaranteed or un-guaranteed debt securities and deposits with a maturity of up to five years; and in December 2009 the establishment of NAMA which is acquiring performing and non-performing land and development and associated loans (primarily investment property loans) from participating banks.

Bank of Ireland also implemented a strategy during this time to stabilise the Group, strengthen our capital position, enhance our funding, reduce our costs, while continuing to support our customers

With respect to capital and funding:

- In November 2008 we cancelled dividends on ordinary stock to preserve capital;
- In January 2009 we announced our withdrawal from the intermediary sourced mortgage market in the UK and we commenced the process of winding down a series of non-core international lending portfolios in Capital Markets which we expect will reduce the size of our balance sheet over time (as at 31 December 2009 loan assets in these activities totalled approximately €34 billion). This reduction of assets, which will be managed for value, will reduce the quantum of wholesale funding we require, will lower our risk-weighted assets and, as a result, will strengthen our capital ratios;

- In June 2009 we completed a debt re-purchase programme of a nominal value of €1.7 billion Euro, Sterling and US Dollar denominated Tier 1 securities. The gain generated from the re-purchase increased Equity tier 1 capital by €1 billion;
- In February 2010 we completed a debt-for-debt exchange whereby we exchanged certain Lower tier 2 securities for a new series of longer dated Lower tier 2 securities. This resulted in a gain to Equity tier 1 capital of €405 million whilst leaving our total capital position unchanged;
- In February 2010 we issued 184 million units of Ordinary Stock to the NPRFC in lieu of the €250 million cash dividend otherwise due on the 2009 Preference Stock;
- Between January 2009 and March 2010 we raised approximately €14 billion of term funding (wholesale funding with a maturity of one year or greater) in total across a series of benchmark deals and private placements.

NAMA

In January 2010 at our Extraordinary General Court, our stockholders voted in favour of Bank of Ireland's application to participate in NAMA, and in February 2010, the Minister for Finance confirmed our designation as a participating member. Performing and non-performing land and development loans, together with associated loans (primarily investment property loans), collectively defined as Eligible Bank Assets, are expected to be acquired by NAMA on a phased basis from early April 2010, with the largest systemic exposures to the Irish banking system being acquired first.

Our original estimates of assets transferring to NAMA were based upon the disclosure made by the Minister for Finance in his speech of 16 September 2009 where the Minister indicated that circa €16 billion of both performing and non-performing assets would transfer to the Agency from Bank of Ireland. Since that date, and taking into account the impact of the EU approval of NAMA on 26 February 2010, we have had ongoing interaction with NAMA and have conducted a comprehensive internal review to identify all loans falling within the eligibility criteria based on the Eligible Asset Regulations formulated by NAMA.

Largely as a result of this review, we expect to retain loans of circa €3 billion from the original estimate of €16 billion on the Bank's balance sheet and transfer loans of circa €12.2 billion to NAMA.

Of the circa €3 billion of loans which we expect to retain, approximately one third are land and development loans and two thirds are associated loans. The estimates of impairment losses on the non-NAMA bound loans and advances to customers of €4.7 billion to 31 March 2011 includes estimates of impairment losses on these assets which are now no longer expected to transfer to NAMA.

The loans we now expect to transfer to NAMA of circa €12.2 billion have impairment provisions of €2.8 billion at 31 December 2009 and, together with related derivatives of €0.2 billion, will give rise to a net transfer of €9.6 billion of Eligible Bank Assets to NAMA. The loans are expected to comprise €8.5 billion of land and development loans and €3.7 billion of associated loans.

The Group expects to complete the transfer of the first tranche of loans of gross €1.9 billion to NAMA in early April 2010 comprising of €0.9 billion of land and development loans and €1.0 billion of associated loans. The consideration for these assets will amount to €1.2 billion.

While the limited number and nature of loans involved in this first tranche may not be representative of the total portfolio, applying this level of discount to the total portfolio would result in a loss of €4.4 billion (before taking account of impairment provisions of €2.8 billion at 31 December 2009). We have developed a model which we believe replicates the NAMA valuation methodology and have put through that model a sample of €6 billion – approximately 50% - of the loans we expect to go to NAMA, including the first tranche. This model indicates that, on this sample, the level of discount would be similar to that pertaining to the first tranche. We believe, therefore, that the value of the discount on the total portfolio transferring to NAMA will be within the guidance we provided at our Extraordinary General Court meeting in January 2010. However the actual loss will be known only on completion of the relevant due diligence and valuation exercises on a loan by loan basis.

Impairment – non-NAMA assets

We have conducted an extensive internal review of our impairment estimates on our non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on our non-NAMA bound loans remains as expected and we confirm our previous guidance of an impairment charge for these loans of €4.7 billion over the 3 years ending 31 March 2011. We believe that the impairment charge on our non-NAMA loans and advances to customers has peaked in 2009 and will reduce progressively in each of 2010, 2011 and 2012.

Bank of Ireland engaged Oliver Wyman, a leading international management consulting firm, to independently review and challenge our non-NAMA impairment estimates. Oliver Wyman has confirmed that, on the basis of the work it has performed, it believes Bank of Ireland's non-NAMA impairment estimates to be reasonable.

Oliver Wyman states that: "*OW's estimate of impairment charges for the retained (non-NAMA) book is in line with Bank of Ireland's previous guidance on forecast impairment charges for the retained portion of the book (€4.7bn for the three years ending March 2011). Based on the output of its forecast, OW expects Bank of Ireland's impairment charges for the retained book to have peaked in 2009, with progressive reductions expected in each of 2010, 2011 and 2012.*"

Funding

We have made good progress in improving our funding profile and our core loan portfolio, which excludes those loans in run-off or transferring to NAMA, is now substantially matched by an equivalent amount of customer deposits. A key focus of the Group is to reduce its reliance on the Government Guarantee Schemes which are currently due to expire on 29 September 2010 and we are positioning ourselves to disengage from these schemes in a prudent and safe manner. We prioritised the gathering of customer deposits in the nine months ended 31 December 2009 which have increased by 2% to €85bn since 31 March 2009. In addition we have reduced the quantum of our wholesale funding to €61bn at 31 December 2009, down from €74bn at 31 March 2009. We also extended the maturity profile of this wholesale funding with 32%, at 31 December 2009, having a maturity profile of one year or greater compared to 27%, at 31 March 2009. Taking account of the deleveraging initiatives outlined above, the Bank is targeting a Group loan / deposit ratio of less than 125% by December 2012

Capital

We continue to supplement the Group's capital which is a key priority for us. Liability management initiatives, outlined above, generated circa €1.4 billion of additional Equity tier 1 capital. However the losses recorded in the period, largely as a result of the sharp increase in impairment charges, resulted in an overall reduction in our capital ratios. On a proforma basis at 31 December 2009, reflecting the February 2010 Lower tier 2 exchange, our Equity tier 1, Core tier 1, Tier 1 and Total capital ratios were 5.8%, 9.3%, 10.2% and 13.4% respectively which compares to 6.2%, 9.5%, 12.0% and 15.2% respectively at March 2009.

On 30 March 2010, the Financial Regulator publicly advised the market of the outcome of the Prudential Capital Assessment Review for Bank of Ireland and he determined that the Group needed to raise an additional €2.7 billion of equity capital by 31 December 2010. This outcome is aligned with our previously held views and the Group's plans to achieve the additional capital are in accordance with the Financial Regulator's requirements. In conjunction with these plans, and to support them, the State will commit to converting part of its €3.5 billion 2009 Preference Stock into ordinary equity.

European Commission

As part of the European Commission's State aid review, we submitted our restructuring plan to the European Commission on 30 September 2009. Over the last number of months, the Department of Finance and Bank of Ireland have been involved in detailed discussions with the European Commission in relation to the terms of our restructuring plan. These discussions are well advanced.

A strengthened platform for sustainable growth

Bank of Ireland is emerging from this crisis a changed and more focused bank. We are now directing our capital and resources to our core business portfolios where we have clear competitive strengths and capabilities, and strong positions in markets with attractive growth opportunities.

Core portfolio

- In Ireland, our objective is to be the number one retail and commercial bank. We believe that Ireland is an attractive banking marketplace with favourable demographics, a pro-business environment, and a changing competitive landscape. We have leading positions in our main business segments holding the number one or two market positions for our principal product and market segments across each of our business units.
- In the UK, we continue to grow our consumer banking franchise through our partnership with the UK Post Office. This franchise has in excess of two million customers accessing our comprehensive range of products through over 11,500 Post Office branches. In addition to our consumer banking activities in England, Scotland and Wales we will maximise the opportunities offered by our network of branches in Northern Ireland and continue to develop our Business Banking, Corporate Banking and Treasury activities focused on specific customer segments in the UK.
- Internationally, we remain fully committed to developing further in the US and continental Europe those activities where we believe

we have clear competitive strengths and capabilities, namely: our corporate banking specialist lending businesses in the areas of global project finance, mid-market leveraged acquisition finance, comprehensive asset based lending, together with our treasury management services.

Non-core portfolio

line with our continuing objective to de-lever our balance sheet we are reducing the assets in our non-core portfolios through a disciplined process of run-off and / or disposals as market opportunities allow. This reduction of assets will continue to be managed for value. For example we will reduce our wholesale funding requirements in tandem with the realisation of proceeds from the run-down of our UK intermediary distributed mortgage portfolio of approximately €30 billion, our international capital markets lending portfolios of approximately €4 billion and the net proceeds from the transfer of circa €12.2 billion property loans to NAMA.

Net interest margin

Interest rates at historically low levels, together with intense competition, have resulted in an unsustainable mismatch in the pricing of our assets and liabilities. In the year ahead, as we position ourselves to achieve the financial stability which would allow us to cease our reliance on the Government guarantees, we plan to extend the maturity profile of our wholesale funding, which will reduce our net interest margin in the short term. Re-pricing of loan assets and deposits is a management priority, and while some progress has been made thus far, further steps are necessary in order for us to achieve a more appropriate net interest margin. We aim to achieve a normalised net interest margin in excess of 175bps in our 2013 financial year.

Costs

Costs remain a key strategic focus for the Group and our objective remains to reduce our cost base to align it better to meet the needs of the Group for the future. In this regard we are targeting to achieve a cost income ratio of below 50% in our 2013 financial year. In the nine months to 31 December 2009 we reduced our costs by 11% compared to the nine months ended 31 December 2008, largely due to a further reduction in staff numbers together with continued rigorous management of all cost categories across the Group. Since March 2008, staff numbers are down by approximately 2,200, representing a reduction of 13%. While our overall costs have reduced, our pension costs have increased. The deficit on the Group's pension schemes at 31 December 2009 was €1.6 billion (as calculated under IAS 19), primarily due to increased longevity of pensioners, lower interest rates, high wage inflation historically, and subdued investment returns. There is recognition between the Bank and all relevant parties that this situation is not sustainable and that we must agree a shared solution to address the issue. We are making good progress in this matter.

Outlook for the Group

Trading conditions in the first quarter of our 2010 financial year remain challenging. Revenues remain under pressure, in particular due to higher funding costs as we continue to extend the maturity profile of our wholesale funding. We believe that the impairment charge on our non-NAMA bound loans and advances to customers has peaked in 2009 and will reduce progressively in each of 2010, 2011 and 2012.

Our immediate priorities for the Group are to reach a conclusion with the European Commission on our restructuring plan, implement our planned capital strengthening and complete the transfer of Eligible Bank Assets to NAMA.

Richie Boucher
Group Chief Executive
30 March 2010

Operating and Financial Review

1.1 Basis of Presentation

The Group has changed its financial year end from 31 March to 31 December. This change brings the Group's financial calendar in line with its peer banks.

As a consequence, the Group's statutory financial statements are reported for the nine month period ended 31 December 2009 compared to the twelve month period ended 31 March 2009.

This Operating and Financial Review is presented on an underlying basis. For explanation of underlying, see page 11. Where it facilitates meaningful comparisons, the Group's performance is also compared to the unaudited non-statutory financial information (proforma) for the nine month period ended 31 December 2008, see page 40.

This Operating and Financial Review should be read in conjunction with the Risk Management Report.

1.2 Overview and Market Environment

Trading conditions for the Group were very difficult in the nine month period ended 31 December 2009 with a reduction in the overall level of economic activity and a further deterioration in the credit environment across our main markets.

Domestic demand in Ireland has been very weak, driven initially by a significant contraction in construction output and a decline in business spending, followed by a substantial fall in consumer spending, which fell by an estimated 7.0% in 2009[1]. The weakness in domestic demand is also reflected in the number of company insolvencies, which doubled in 2009. Irish employment fell by 166,900 or 8.1% in the twelve months to 31 December 2009[2]. The rate of increase in unemployment levels has recently slowed and currently stands at 12.6% in February 2010[3].

The Irish economy has however shown some signs of stabilisation after the unprecedented fall in output from early 2008 – GDP contracted by 7.4% in the six months to 31 March 2009 but by only 0.3% in the six months to 30 September 2009. GDP has contracted by 7.1% for the 2009 calendar year. Expectations for the near-term outlook have improved, with an expected return to growth in the second half of 2010 leading to a fall in GDP of 0.5% for the 2010 calendar year. The consensus expectation for 2011 is for a 3% growth in GDP. The market's perception of Irish sovereign risk has also improved in recent months: the 10-year yield spread over Germany has narrowed to under 1.3% at March 2010 from a recent high of 2.84% in March 2009.

International wholesale funding markets began to stabilise from July 2009, with improved investor sentiment towards Ireland and Irish financial institutions. Since late December 2009 concerns regarding the fiscal stability of some Eurozone countries unsettled investor confidence but Ireland has outperformed those countries on a relative basis during this period.

The Irish property market has yet to show signs of stablisation. House prices fell 18.5% in 2009 and as at 31 December 2009 are 32% below the peak reached in February 2007 according to the permanent-tsb / ESRI index. Commercial property prices have also fallen very significantly, with capital values down over 50% from their peak, according to the IPD index. The pace of decline in the value of commercial property has slowed, however, with a 4.9% decline in the fourth quarter of 2009, against 8.5% in the third quarter of 2009 and 17.7% in the fourth quarter of 2008.

GDP in the UK economy contracted by 5% but returned to growth in the final quarter of 2009, with GDP rising by 0.3%. The consensus view is that the economy will grow at a slow pace, 1.2% in 2010 and 2.3% in 2011, although uncertainty remains on the likely impact on the economy of the pace of fiscal tightening required to reduce the budget deficit.

The UK housing market has not exhibited the excess levels of supply to the extent exhibited in Ireland and as a result prices started to rise in the spring of 2009 as demand stabilised. Prices have risen by an annual 9.2% (Nationwide Index) to February 2010, and lending to the household sector has begun to rise, albeit at a slow pace. The commercial property market also appears to be recovering, having bottomed in mid-2009 according to the IPD Index, with a 45% fall in capital values from peak in the second quarter of 2007 to trough in the second quarter of 2009. Capital values grew strongly in the final quarter of 2009, at 8.1%. Employment has fallen by less than some had predicted, in part reflecting much weaker wage growth than in previous recessions. The unemployment rate has stabilised at just under 8%.

[1] Source: ESRI, *Quarterly Economic Commentary,* Winter 2009.
[2] Source: CSO, *Quarterly National Household Survey,* Q4 2009.
[3] Source: CSO, *Live Register.*

1.2.1 Assets transferring to NAMA

The Minister for Finance established NAMA with the key objective of strengthening the Irish financial sector by transferring land and development loans to NAMA from the balance sheets of banks in return for Government guaranteed bonds that will provide greater liquidity to the system.

The Group estimates that it will transfer circa. €12.2 billion gross, before impairment provisions, of Eligible Bank Assets to NAMA made up of land and development loans of €8.5 billion, representing 75% of the Group's total land and development portfolio and €3.7 billion of associated loans (principally investment loans). In addition the Group estimates that the Group will transfer associated derivatives of net €92 million and accrued interest of €31 million to NAMA.

It is expected that these transfers will happen on a phased basis during 2010 and in accordance with accounting standards, the Eligible Bank Assets, net of impairment provisions of €2.8 billion, have been classified as "Assets held for sale to NAMA" on the Group's balance sheet at 31 December 2009. The assets classified as held for sale to NAMA continued to be measured on the same basis as prior to their classification as assets held for sale.

Following these transfers to NAMA, the Group's portfolio of Property and construction loans of €23.6 billion (before impairment provisions of €1.1 billion) at 31 December 2009 would be made up of land and development loans of €2.8 billion and investment loans of €20.8 billion. The land and development portfolio of €2.8 billion includes those loans with a nominal value of less than €5 million and approximately 50% of these loans are for assets that are outside the Republic of Ireland.

The Group's estimates of impairment charges on non-NAMA loans of €4.7 billion as set out on page 6 includes the impairment losses that are expected to be incurred on the retained Property and construction portfolio of €23.6 billion over the three year period to 31 March 2011.

The Group expects to incur a loss on the transfer of the Eligible Bank Assets to NAMA but it will benefit from the liquidity of the NAMA bonds that are expected to be received as consideration for the transfer of the Eligible Bank Assets. In addition the amount of the Group's risk weighted assets will reduce and there will be clarity on the quantum of impairment charges likely to be incurred on the NAMA related portfolio.

As set out in note 21, it is expected that the Group will complete the transfer of the first tranche of such loans of gross €1.9 billion in early April 2010 comprising land and development loans of €0.9 billion and associated loans of €1 billion. While the Group will incur a loss on transfer of these assets, the Group will benefit from the liquidity arising from the receipt of Irish Government guaranteed bonds and a reduction in risk weighted assets.

Further details on NAMA are set out in note 21.

1.3 Group Income Statement - on an Underlying ** basis

1.3.1 Summary Consolidated Income Statement

	9 months ended 31 December 2009 €m	*Restated 12 months ended 31 March 2009 €m
Net interest income	2,121	3,670
Net other income	316	239
Total income (net of insurance claims)	**2,437**	**3,909**
Operating expenses	(1,381)	(2,038)
Impairment of intangible assets	(6)	-
Operating profit before impairment charges on financial assets	**1,050**	**1,871**
Impairment charge on loans and advances to customers (incl. loans held for sale to NAMA)	(4,055)	(1,435)
Impairment charge on available for sale financial assets	(2)	(76)
Impairment charge on loans and advances to banks	-	(2)
Share of results of associates and joint ventures (after tax)	35	(42)
Underlying ** (loss) / profit before tax	**(2,972)**	**316**
Non-core items:		
- Gain on the repurchase of tier 1 debt securities[1]	1,037	-
- Effective interest rate (EIR) adjustment on subordinated debt[2]	67	-
- Gross up for policyholder tax in the Life business[3]	64	(76)
- Investment return on treasury stock held for policyholders[4]	(6)	131
- Loss on disposal of business activities	(3)	-
- Impairment of goodwill and other intangible assets	-	(304)
- Cost of restructuring programme	-	(83)
- Hedge ineffectiveness on transition to IFRS	-	(7)
Loss before tax	**(1,813)**	**(23)**
Tax credit	344	41
(Loss) / profit for the period	**(1,469)**	**18**
Loss attributable to minority interests	(9)	(35)
(Loss) / profit attributable to stockholders	(1,460)	53
(Loss) / profit for the period	**(1,469)**	**18**
Cost / income ratio	**56%**	**53%**

* *The prior year ended 31 March 2009 has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations". This restatement has increased operating expenses by €16 million for the 12 month period ended 31 March 2009. Further information on this is shown on page 97 .*

** *Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: gain on the repurchase of tier 1 debt securities, effective interest rate adjustment relating to certain subordinated debt, gross-up for policyholder tax in the Life Business, investment return on treasury stock held for policyholders, loss on disposal of business activities, impairment of goodwill and other intangible assets, cost of restructuring programme and hedge ineffectiveness on transition to IFRS, see page 11 for further information.*

1 *The gain on the repurchase of tier 1 debt securities completed during the nine month period ended 31 December 2009 is not considered to be part of underlying loss before tax.*
2 *Interest expense on subordinated liabilities is recognised using the effective interest rate (EIR) method leading to a gain of €67 million as a result of the restriction imposed by the EU Commission on the Group's ability to make coupon payments on certain subordinated liabilities unless under a binding legal obligation to do so. See Section 1.3.6.*
3 *IFRS requires that the income statement be grossed up based on total tax payable by Bank of Ireland Life, comprising both policyholder and stockholder tax. The tax gross-up relating to policyholder tax is included within non-core items.*
4 *Under IFRS accounting rules, the Group income statement impact of Bank of Ireland stock held by Bank of Ireland Life policyholders is excluded. The amount above reflects the impact of the stock price movement between 31 March 2009 and 31 December 2009. Units of stock held at 31 December 2009 were 11 million (31 March 2009: 10 million).*

1.3.2 Underlying loss before tax for the nine month period ended 31 December 2009 (excluding impact of non-core items)

The Group's underlying loss before tax for the nine month period ended 31 December 2009 of €2,972 million compares to an underlying profit before tax of €316 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period, this significant reduction is driven primarily by a reduction in total income (net of insurance claims) and a substantial increase in the impairment charge on loans and advances to customers, partly offset by a material reduction in total operating expenses.

Total income (net of insurance claims) of €2,437 million for the nine month period ended 31 December 2009 is lower than the total income (net of insurance claims) of €3,909 million for the twelve month period ended 31 March 2009. The increased cost of deposits in highly competitive markets, higher cost of term funding in wholesale markets, lower fees and other income as a result of reduced business activities and asset disposals, the higher cost of the Government Guarantee Scheme and impairment on investment properties are the principal factors underlying the reduction in total income.

Operating expenses of €1,381 million for the nine month period ended 31 December 2009 are €657 million lower than the operating expenses of €2,038 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period the costs are lower due to reductions in staff numbers and rigorous management of all costs.

The impairment charge on loans and advances to customers including loans held for sale to NAMA for the nine month period ended 31 December 2009 of €4,055 million is a substantial increase over the impairment charge of €1,435 million for the twelve month period ended 31 March 2009. This increase reflects the very challenging economic conditions, higher unemployment, weaker consumer sentiment and, in particular, a dramatic slowdown in the property and construction sector in Ireland and, to a lesser extent, in the UK.

Of the €4,055 million impairment charge for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA and €1,824 million or 45% relates to loans and advances to customers.

The Group's share of results from associates and joint ventures of €35 million for the nine month period ended 31 December 2009 compares to a loss of €42 million for the twelve month period ended 31 March 2009. The profit after tax of €35 million is primarily attributable to the Group's share of First Rate Exchange Services (FRES), a joint venture with the UK Post Office, reporting a profit after tax of €27 million (Stg£23 million) for the nine month period ended 31 December 2009. The loss of €42 million for the twelve month period ended 31 March 2009 was significantly impacted by an impairment charge of €63 million arising from the Group's stake in a property unit trust that holds an investment in a UK retail property.

1.3.3 Total income

The period on period changes in 'net interest income' and 'net other income' are affected by IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss'. Where assets or liabilities have been designated at 'fair value through profit or loss', the total fair value movements on these items, including interest income / expense, are reported in 'net other income'. However, the cost of funding the assets and the interest income on investment of the related liabilities are reported in 'net interest income'. In addition, debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is managed using derivative instruments – the cost of which is reported in 'net other income'.

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

Net interest income / net interest margin	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Net interest income	2,121	3,670
IFRS income classifications	(71)	(578)
Net interest income after IFRS income classification	**2,050**	**3,092**
Average interest earning assets (€ billion)	172	177
Net interest margin (annualised)	**1.59%**	**1.74%**

Net interest income, after IFRS income classifications, for the nine month period ended 31 December 2009 has reduced to €2,050 million from €3,092 million for the twelve month period ended 31 March 2009.

The Group net interest margin (annualised) for the nine month period ended 31 December 2009 declined by 15 basis points to 1.59% as compared to a net interest margin of 1.74% for the twelve month period ended 31 March 2009.

The key drivers of the margin decrease of 15 basis points (annualised) were as follows:
- 26 basis points reduction due to margin attrition on deposits as a result of intense competition and the low interest rate environment,
- 7 basis points lower due to higher costs of funding in the wholesale markets, and
- 3 basis points lower due to lower treasury income.

Partly offset by:
- 11 basis points due to higher asset pricing, particularly in Corporate Banking, UK Business Banking and the UK Residential Mortgage Business,
- 5 basis points increase due to lower cost of market dislocation,
- 4 basis points higher due to earnings on the proceeds from the issue of the €3.5 billion 2009 Preference stock before taking account of the 8% coupon payable on the investment, and
- 1 basis point higher due to lower interest costs following the repurchase of tier 1 debt securities in June 2009.

Net other income

Net other income	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m	Change €m
Net other income	316	239	77
IFRS income classifications	71	578	(507)
Net other income after IFRS income classifications	**387**	**817**	**(430)**

The following table gives an analysis of the principal movements in Net other income after IFRS income classifications.

Net other income after IFRS income classifications	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m	Change €m
Other income from Banking and Capital Markets businesses	509	775	(266)
Other income from Bank of Ireland Life	130	201	(71)
Other Items:			
Irish Government Guarantee charge	(105)	(66)	(39)
Investment valuation variance - Bank of Ireland Life	23	(117)	140
Impairment of investment properties	(62)	(37)	(25)
Guggenheim / Iridian (disposed during 2009)	12	45	(33)
Movement in credit spreads on own debt	(6)	64	(70)
Legal settlement	(74)	-	(74)
Charge from Lehmans collapse	-	(39)	39
Gain on VISA Initial Public Offering	-	24	(24)
Other items	(40)	(33)	(7)
Total other items	**(252)**	**(159)**	**(93)**
Net other income after IFRS income classifications	**387**	**817**	**(430)**

Net other income, after adjusting for IFRS income classifications, decreased by €430 million for the nine month period ended 31 December 2009 compared to the twelve month period ended 31 March 2009. This reduction reflects:

- the shorter reporting period,
- lower fee and other income of €266 million in the Banking and Capital Markets businesses as a result of lower levels of new business activity, and
- reduced income of €71 million in the Life business primarily due to lower volumes of new business as a result of affordability issues for policyholders arising from lower levels of disposable income.

The principal other items within Net other income, after IFRS income classifications, which amount to a charge of €252 million for the nine month period ended 31 December 2009 were €93 million higher than the charge for the twelve month period ended 31 March 2009, due primarily to the following:

- additional charges associated with the Irish Government Guarantee of certain liabilities of €39 million (the twelve month period ended 31 March 2009 includes a charge for six months from 29 September 2008 compared to a nine month charge to 31 December 2009).
- a positive movement on the investment valuation variance of €140 million in Bank of Ireland Life due to improved valuations as world equity and investment markets have shown some recovery from last year's sharp falls,
- increased impairment of €25 million on the value of some investment properties arising from continuing low levels of transactions in the commercial property markets,
- lower fees arising from the disposal of Guggenheim Alternative Asset Management LLC (Guggenheim) in June 2009 and Iridian Asset Management LLC (Iridian) in August 2009 of €33 million,
- a movement of €70 million arising from the change in credit spreads on the Group's issued notes and subordinated debt designated at 'fair value through profit or loss'. This is a partial reversal of gains recognised in prior periods,
- a charge in the nine month period ended 31 December 2009 of €74 million arising from an unfavourable court ruling in connection with a European property investment,
- a charge of €39 million in the twelve month period ended 31 March 2009 arising from the collapse of Lehmans in September 2008, and
- a gain of €24 million reflecting a distribution by Visa International following its initial public offering, included in the results for the twelve month period ended 31 March 2009.

1.3.4 Operating expenses

Operating expenses of €1,381 million decreased by €657 million for the nine month period ended 31 December 2009 compared to operating expenses of €2,038 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period, costs are lower due to lower staff numbers and rigorous cost management across all costs.

Operating expenses	**9 months ended 31 December 2009 €m**	*Restated 12 months ended 31 March 2009 €m
Staff costs (excl. pension costs)	640	976
Pension costs	149	180
Other costs	592	882
Total Operating expenses	**1,381**	**2,038**

*Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 97).

Staff costs (excluding pension costs) of €640 million for the nine month period ended 31 December 2009 were €336 million lower compared to €976 million for the twelve month period ended 31 March 2009. The staff costs are lower as a result of the Group's continuing pay and recruitment freeze and the non-replacement of departing staff. In addition, staff costs are lower due to reduced staff numbers arising from the Group's actions to close to new business and put into run-down our intermediary sourced mortgage business in the UK and some of our international lending businesses in Corporate Banking as well as from the sale and downsizing of our asset management businesses. Staff numbers (including contract and agency staff) of 14,647 full time equivalents at 31 December 2009 were 7% lower compared to 15,786 full time equivalents at 31 March 2009.

Pension costs of €149 million for the nine month period ended 31 December 2009 were €31 million lower when compared to the pension costs for the twelve month period ended 31 March 2009. After adjusting for the shorter reporting period, pension costs have increased as a result of the escalating costs to the Group of providing the pension scheme benefits together with the reduction in returns on scheme assets following their fall in values over the last two years in particular.

In the nine month period ended 31 December 2009, continued tight control of all other costs remained a key focus.

1.3.5 Impairment Charge (including loans held for sale to NAMA)

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes, the table and commentary below, presents the impairment charge on loans and advances to customers and loans held for sale to NAMA together as Total loans.

Total loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Residential mortgages	237	127
Non-property SME and corporate	659	344
Property and construction	2,993	766
Consumer	166	198
Total impairment charge on Total loans	**4,055**	**1,435**
Analysed as follows		
Loans held for sale to NAMA	2,231	-
Loans & advances to customers	1,824	1,435
Loan impairment charge on Total loans	**4,055**	**1,435**

The impairment charge on Total loans of €4,055 million (3.96% annualised) for the nine month period ended 31 December 2009 is substantially higher than the charge of €1,435 million (1.02% annualised) for the twelve month period ended 31 March 2009.
The sharp contraction in economic activity, with continuing low levels of transactions in the commercial and residential property markets in Ireland and the UK has impacted credit quality and resulted in a substantial increase in the loan impairment charge.

Of the €4,055 million impairment charge on Total loans for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA and €1,824 million or 45% relates to loans and advances to customers.

The impairment charge on Residential mortgages was €237 million for the nine month period ended 31 December 2009 compared to €127 million for the twelve month period ended 31 March 2009. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income, together with further declining property prices.

The impairment charge on the Non-property SME and corporate loans was €659 million for the nine month period ended 31 December 2009 compared to €344 million for the twelve month period ended 31 March 2009. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment, together with the level of business insolvencies.

The impairment charge on Property and construction loans was €2,993 million for the nine month period ended 31 December 2009 compared to €766 million for the twelve month period ended 31 March 2009. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp decline in the level of economic activity, leading to falling asset values, exacerbated by the over supply of residential and commercial property in Ireland and to a lesser extent in the UK.

The impairment charge on the Consumer portfolio was €166 million for the nine month period ended 31 December 2009 compared to €198 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period, the impairment charge on Consumer loans remains significant principally due to higher unemployment, high levels of personal indebtedness and lower disposable income.

The Group has conducted an extensive internal review of its impairment estimates on the non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on the Group's non-NAMA bound loans remains as expected and therefore can confirm the previous guidance of an impairment charge of €4.7 billion over the 3 years ending 31 March 2011 (see page 6).

The Group engaged Oliver Wyman, a leading international management consulting firm, to independently review and challenge our non-NAMA impairment estimates. Oliver Wyman has confirmed that, on the basis of the work it has performed, it believes the Group's non-NAMA impairment estimates to be reasonable (see page 6).

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

The principal determinant of the expected loss on disposal is the difference between the discount method used by NAMA (commonly referred to as the "haircut") applied to the original gross eligible bank asset value in arriving at NAMA's valuation and the existing impairment provisions recorded against the Eligible Bank Assets prepared in accordance with accounting standards. This discount or haircut to the original eligible bank asset value is calculated on a different basis and using a different methodology to the determination of impairment provisions under accounting standards.

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

An impairment charge of €2 million was incurred on the Available for sale financial assets portfolio for the nine month period ended 31 December 2009, compared to a €76 million charge for the twelve month period ended 31 March 2009. This charge of €76 million includes €36 million on the receivership of Washington Mutual, €25 million on the nationalisation and subsequent receivership of some Icelandic banks together with a €15 million charge relating to a leveraged exposure to a fund of rated financial institution debt securities.

A detailed analysis and commentary on asset quality and impairment is set out in the Risk Management Report.

1.3.6 Non-core items

Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. In addition to the recurring non-core items (principally the Bank of Ireland Life gross up for policyholder tax and investment returns on treasury stock held for policyholders) the Group has treated the following items as non-core in the nine month period ended 31 December 2009:

- the gain of €1,037 million on the repurchase of tier 1 debt securities completed in June 2009,
- the gain of €67 million as a result of the restriction imposed by the EU Commission on the Group's ability to make coupon payments on certain subordinated liabilities unless under a binding legal obligation to do so (interest expense on subordinated liabilities is recognised using the effective interest rate (EIR) method), and
- during the nine month period ended 31 December 2009, the Group disposed of its interest in Guggenheim Alternative Asset Management LLC (Guggenheim) and Iridian Asset Management LLC (Iridian) resulting in a net loss of €3 million.

In the twelve month period ended 31 March 2009, the Group incurred a non-core charge of €304 million on the impairment of goodwill and other intangible assets in Guggenheim and Iridian. In addition the Group had commenced a number of downsizing initiatives, with an associated cost of €83 million, relating to a cost restructuring programme. The Group had a charge of €7 million relating to hedge ineffectiveness on transition to IFRS. The equivalent charge of €3 million in the nine month period ended 31 December 2009 is no longer material enough to obscure underlying trends in the Group's performance and therefore will no longer be classified as non-core. In addition the impairment of intangible assets of €6 million in the nine month period ended 31 December 2009 is considered not material enough to obscure underlying trends in the Group's performance and therefore is not classified as non-core.

1.3.7 Taxation

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

The effective taxation rate for the nine month period ended 31 December 2009 is a credit of 19%. The effective taxation rate for the twelve month period ended 31 March 2009 was a credit of 178%*.

Excluding the impact of non-core items the underlying effective taxation rate was 16.1% for the nine month period ended 31 December 2009 compared to a rate of 17.7%* for the twelve month period ended 31 March 2009.

**The effective taxation rate for the twelve month period ended 31 March 2009 has been restated for the impact of the amendment to IFRS 2 'Share based payments. See page 97.*

1.4 Group Balance Sheet

1.4.1 Summary Consolidated Balance Sheet

Summary Consolidated Balance Sheet	**31 December 2009 €bn**	31 March 2009 €bn	Change %
Loans and advances to customers (net of impairment provisions)	119	134	-
Assets held for sale to NAMA (net of impairment provisions)	10	-	-
Total loans (net of impairment provisions)	129	134	(4%)
Liquid assets	31	38	(20%)
Other assets	21	22	(2%)
Total assets	**181**	**194**	**(7%)**
Customer deposits	85	83	2%
Wholesale funding	61	74	(17%)
Subordinated liabilities	6	8	(24%)
Other liabilities	23	22	2%
Total liabilities	175	187	(7%)
Stockholders' equity	6	7	-
Total liabilities and stockholders' equity	**181**	**194**	**(7%)**
Key Balance Sheet metrics			
Loans and advances to customers - incl. assets held for sale to NAMA / customer deposits	152%	161%	
Loans and advances to customers - excl. assets held for sale to NAMA / customer deposits	141%	-	
Equity tier 1 ratio (core tier 1 less preference stock)	5.3%	6.2%	
Core tier 1 ratio	8.9%	9.5%	
Tier 1 ratio	9.8%	12.0%	
Total capital ratio	13.4%	15.2%	
Total Risk Weighted Assets	€98bn	€105bn	

1.4.2 Total loans – including loans held for sale to NAMA

Total loans, net of impairment provisions, at 31 December 2009 of €129 billion reflects a decrease of 4% from €134 billion at 31 March 2009. This reduction is due to lower levels of economic activity and a consequent reduced demand for loans and other credit facilities, together with higher impairment provisions at 31 December 2009.

In January 2009 the Group announced its withdrawal from the intermediary sourced mortgage market in the UK and commenced the process of winding down a series of non-core international lending portfolios in Capital Markets. At 31 December 2009 loan assets in these activities totalled approximately €34 billion or 25% of the Total loans (before impairment provisions). Over time this will reduce the size of the Group's balance sheet which will have the benefit of reducing the Group's wholesale funding requirements, will lower the Group's risk weighted assets and will strenghten the Group's capital ratios. The de-leveraging of the UK residential mortgage portfolio is progressing, albeit at a slower pace than originally expected. This is due to lower levels of re-mortgage activity in the UK market.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as assets held for sale to NAMA. For ease of comparative purposes, the tables and commentary below, presents the loans and advances to customers, net of impairment provisions, of €119 billion and assets held for sale to NAMA, net of impairment provisions, of €10 billion together as Total loans.

The composition of the Group's Total loan book by division and by portfolio at 31 December 2009 was broadly consistent with the composition of the loan book by divison and by portfolio at 31 March 2009 as set out in the tables below.

Composition by division	31 December 2009 €bn	31 December 2009 %	31 March 2009 €bn	31 March 2009 %
Retail Republic of Ireland	54	40%	55	41%
UK Financial Services	53	39%	52	38%
UK Financial Services (Stg£ equivalent)	*47*		*48*	
Capital Markets	28	21%	29	21%
Total loans	**135**	**100%**	**136**	**100%**
Impairment provisions	(6)		(2)	
Total loans	**129**		**134**	

Composition by portfolio	31 December 2009 €bn	31 December 2009 %	31 March 2009 €bn	31 March 2009 %
Residential mortgages	61	45%	59	44%
Non-property SME and corporate	34	25%	37	27%
Property and construction	36	27%	34	25%
- Investment	*25*	-	*22*	-
- Land and development	*11*	-	*12*	-
Consumer	4	3%	6	4%
Total loans (before impairment provisions)	**135**	**100%**	**136**	**100%**
Impairment provisions	(6)		(2)	
Total loans	**129**		**134**	

Residential mortgages comprise 45% of the Group's loan book at 31 December 2009, up from 44% at 31 March 2009 due predominantly to new lending to first time buyers in Ireland and new lending originating through the joint venture with the UK Post Office. At 31 December 2009, 47% of residential mortgages were in Ireland and 53% of residential mortgages were in the UK.

Non-property SME and corporate loans account for 25% of the Group's loan book at 31 December 2009 compared to 27% of the Group's loan book at 31 March 2009. This decrease in the loan book is primarily as a result of repayments and a slow down in demand for loans and other credit facilities. This portfolio is well diversified across industries and geographies.

The Property and construction loan book accounts for 27% of the Group's loan book at 31 December 2009 compared to 25% of the Group's loan book at 31 March 2009. This book includes both investment loans and land and development loans. This increase since 31 March 2009 is due to additional loan drawdowns of committed facilities and the impact of movements in exchange rates.

Consumer loans amount to €4 billion at 31 December 2009 which is €2 billion lower than at 31 March 2009. This decrease is primarily as a result of repayments as customers seek to reduce their levels of indebtedness and a slowdown in demand for loans and other credit facilities.

The stock of impairment provisions of €5.8 billion at 31 December 2009 has increased by €4.0 billion compared to €1.8 billion at 31 March 2009. This reflects the substantial impairment charges in the nine month period ended 31 December 2009 as a result of the very significant and challenging economic conditions, higher unemployment, weaker consumer sentiment and in particular a sharp decline in the property and construction sectors in Ireland and to a lesser extent in the UK.

The following table analyses the loans and advances to customers and associated impairment provisions between those loans expected to transfer to NAMA and those assets expected to be retained by the Group.

Analysis at 31 December 2009	**Total loans €m**	**Impairment provisions €m**	**Carrying value €m**
Loans and advances to customers			
Mortgages	60,402	359	60,043
Non-property SME & Corporate	34,140	1,134	33,006
Property & Construction	23,554	1,124	22,430
- Investment	*20,758*	*362*	*20,396*
- Landbank / Development	*2,796*	*762*	*2,034*
Consumer	4,340	380	3,960
Total loans and advances to customers	**122,436**	**2,997**	**119,439**
Loans held for sale to NAMA			
Landbank & Development	8,522	2,552	5,970
Associated	3,713	226	3,487
Total loans held for sale to NAMA	**12,235**	**2,778**	**9,457**
Total loans	**134,671**	**5,775**	**128,896**

Loans held for sale to NAMA **Composition by division**	**Total loans €m**	**Impairment provisions €m**	**Carrying value €m**
Retail Republic of Ireland	3,525	1,063	2,462
UK Financial Services	3,573	817	2,756
Capital Markets	5,137	898	4,239
Total loans held for sale to NAMA	**12,235**	**2,778**	**9,457**

The impairment provision on loans held for sale to NAMA of €2,778 million at 31 December 2009 is made up of €1,063 million or 38% from Retail Republic of Ireland, €817 million or 29% from UK Financial Services and €898 million or 33% from the Capital Markets division. The ratio of impairment provisions to loans held for sale to NAMA is 23%. This ratio differs across the divisions. Retail Republic of Ireland has a ratio of 30% reflecting the impact of the sharp deterioration in the property and construction sector in Ireland. The ratio in UK Financial Services is 23% and the ratio in Capital Markets is 17% reflecting the diversification of property assets across different geographic and less stressed areas with Capital Markets having a higher proportion of assets in the investment element of property assets.

A detailed analysis and commentary on asset quality and impairment is set out in the Risk Management Report.

1.4.3 Liquid Assets

Liquid assets comprise loans to banks and monetary authorities, available for sale financial assets and trading securities. The Group's holding of liquid assets at 31 December 2009 of €31 billion is €7 billion lower than the Group's holding of liquid assets at 31 March 2009. This decrease in liquid assets is due to a reduction in the overall level of wholesale funding together with an extension of the maturity profile of this lower level of wholesale funding. This has led to a reduction in the Group's requirement for liquid assets. Throughout the nine months ended 31 December 2009, the Group maintained a buffer in excess of its regulatory liquidity requirements.

1.4.4 Customer Deposits

Customer deposits comprise demand, notice and term deposits as well as credit balances on current accounts.

Despite intense market competition for retail deposits in Ireland and the UK and pressure on international deposits caused by rating downgrades earlier in 2009, the Group's deposit base at 31 December 2009 of €85 billion is €2 billion or 2% higher than at 31 March 2009. This increase is principally due to the increase in deposits in Retail Republic of Ireland and through the Group's joint venture with the UK Post Office.

Customer deposits	**31 December 2009 €bn**	31 March 2009 €bn	Change %
Retail Republic of Ireland	35	33	4%
- Deposits	24	23	4%
- Current account credit balances	11	10	6%
UK Financial Services	21	21	3%
UK Financial Services (Stg£ equivalent)	*19*	*19*	*(2%)*
- POFS	*9*	*8*	*9%*
- Business Banking	*10*	*11*	*(9%)*
Capital Markets	29	29	(1%)
Total customer deposits	**85**	**83**	**2%**

The Loans to Deposits ratio, based on Total loans and advances to customers - including loans held for sale to NAMA, of 152% at 31 December 2009 has improved from 161% at 31 March 2009. This improvement is due to both the increase in the level of customer deposits and the reduction in loans and advances to customers since 31 March 2009. The Loans to Deposits ratio excluding loans held for sale to NAMA was 141% at 31 December 2009.

In January 2010, the Group's long term and short term credit ratings were downgraded by Standard & Poors to A- / A-2 with a stable outlook. This downgrade has led to an outflow of some ratings sensitive international deposits.

1.4.5 Wholesale Funding

The Group's wholesale funding programmes are well diversified across geographies, investor types and maturities. In addition, the Group has invested in recent years to build a strong technical capability which has allowed it to maximise the funding capability of its balance sheet in terms of contingent liquidity collateral.

Wholesale funding sources	**31 December 2009 €bn**	**31 December 2009 %**	31 March 2009 €bn	31 March 2009 %
Senior Debt / Asset Covered Securities	27	44%	25	34%
Deposits from banks	18	30%	29	39%
Commercial Paper / Certificates of deposits	10	16%	14	18%
Securitisations	6	10%	6	9%
Total wholesale funding	**61**	**100%**	**74**	**100%**
Wholesale funding > 1 year to maturity	**20**	**32%**	**20**	**27%**

Wholesale funding reduced to €61 billion at 31 December 2009 as compared to €74 billion at 31 March 2009. This was principally due to an increase in customer deposits of €2 billion and a reduction of €7 billion in the level of liquid assets. At 31 December 2009, 32% of wholesale funding had a term to maturity of greater than one year compared to 27% at 31 March 2009.

International wholesale funding markets have stabilised in recent months, with improved investor sentiment towards Ireland and Irish financial institutions. This is evidenced by the reduction in the market cost of credit default protection in respect of such institutions. This has resulted in enhanced access to funding markets, facilitating debt issuance at lower prices and long maturities.

In late December 2009, international funding markets became increasingly concerned about the fiscal position of some Eurozone countries whose credit spreads widened. Irish sovereign debt outperformed those countries during this time, as investors differentiated between Ireland and some Eurozone countries based on the timely actions taken by the Irish Government to tackle its budgetary and fiscal position.

In the nine month period ended 31 December 2009 the Group issued €9.1 billion of term funding (funding with a maturity of 1 year or greater at time of issue). The average maturity of this funding was 2.4 years with an average spread of 1.8% over 3 month Euribor.

The Group continues to benefit from a robust and diversified contingent liquidity strategy. At 31 December 2009, the Group had a pool of contingent liquidity collateral with a funding value of €42 billion. Drawings from Monetary Authorities at 31 December 2009 were €8 billion net, down from €17 billion net at 31 March 2009.

On 11 January 2010, the Group was accepted as a participating institution in the Irish Governments Eligible Liabilities Guarantee Scheme (the ELG Scheme). This scheme provides flexibility to issue some deposits and debt securities in both un-guaranteed and guaranteed form (up to a maximum maturity of 5 years). The Group is further increasing the percentage of wholesale funding with a maturity of greater than 1 year. To this end, since January 2010, the Group has, under the ELG scheme, issued a €2.5 billion 5 year senior unsecured Government Guaranteed fixed rate security at mid swaps +145 basis points and a US$1 billion 2 year senior unsecured Government Guaranteed security at US dollar mid swaps +175 basis points (both before the cost of the ELG scheme).

A key focus of the Group is to reduce its reliance on the Government Guarantee Schemes, which are currently due to expire on 29 September 2010.

An analysis of the Group's funding position and key metrics is set out in the Risk Management Report.

1.4.6 Subordinated Liabilities

At 31 December 2009, the Group's subordinated liabilities amounted to €6.1 billion compared to €7.9 billion at 31 March 2009.

In June 2009, the Group successfully completed a debt re-purchase programme of a nominal value of €1.7 billion euro, sterling and US dollar denominated tier 1 securities. The debt repurchase involved a cash tender offer for six tier 1 securities at an average discount of 59% to their nominal value. The gain generated from the repurchase increased equity tier 1 capital by €1,037 million, see note 9 on page 111 of the Consolidated Financial Statements.

On 11 February 2010 the Group successfully completed the exchange of certain lower tier 2 securities for a new series of longer dated lower tier 2 securities. Approximately €1.6 billion in nominal value of lower tier 2 securities were exchanged at an average discount of 26% for €1.2 billion nominal value of higher coupon lower tier 2 securities. This yielded a gain to equity tier 1 capital of €405 million, whilst leaving the total capital position unchanged.

1.4.7 Stockholders' Equity

Movements in Stockholders' Equity	9 months ended 31 December 2009 €m	*Restated 12 months ended 31 March 2009 €m
Stockholders' equity at beginning of period	**6,852**	**6,484**
Movements:		
(Loss) / profit attributable to stockholders (a)	(1,460)	53
Equity dividends	-	(387)
Preference stock and warrants	-	3,462
Reissue of stock / treasury stock	(7)	(83)
Foreign exchange adjustments (b)	117	(528)
Available for sale (AFS) reserve movements (c)	924	(1,113)
Cash flow hedge reserve movement (d)	82	(540)
Pension fund obligations (e)	(74)	(544)
Other movements	(47)	48
Stockholders' equity at end of period	**6,387**	**6,852**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 97).

Stockholders equity decreased from €6,852 million at 31 March 2009 to €6,387 million at 31 December 2009 primarily due to:

(a) The loss attributable to stockholders of €1,460 million for the nine month period ended 31 December 2009 shows a significant decrease compared to the profit attributable to stockholders of €53 million for the twelve month period ended 31 March 2009. This is primarily due to the substantial increase in the impairment charge on Total loans.

(b) Foreign exchange adjustments reflect the impact of any euro related movements on the translation of sterling and US dollar denominated net investments in foreign operations.

(c) The AFS reserve movement in the nine month period ended 31 December 2009 is driven by tighter credit spreads and interest rate changes on the value of the AFS book. The AFS reserve is expected to continue to reverse as the underlying financial assets mature.

(d) The cash flow hedge reserve movement reflects the impact of changes in interest rates on the mark to market value of cash flow hedge accounted derivatives. Over time, the reserve will flow through the income statement in line with the underlying hedged instruments, with no net income statement impact.

(e) The movement in pension fund obligations is primarily as a result of changes in key assumptions, including the inflation rate and the discount rate used in the calculation of the schemes' liabilities, together with the positive impact of the recovery in global equity and bond markets on the valuation of pension fund assets at 31 December 2009.

In the twelve month period ended 31 March 2009, the Group paid an equity dividend of €387 million which related to the payment of the final dividend for the fiscal year ended 31 March 2008. On 31 March 2009 the National Pensions Reserve Fund Commission (NPRFC) invested €3.5 billion in 8% redeemable preference stock and warrants to subscribe for up to 25% of the enlarged ordinary stock in the Group.

1.4.8 Capital

Risk Weighted Assets (RWA) – Basel II	31 December 2009 €m	31 March 2009 €m
Credit risk	89,785	96,395
Market risk	2,133	2,509
Operational risk	6,415	6,473
Total risk weighted assets	**98,333**	**105,377**

Key Capital Ratios	31 December 2009 €bn	31 December 2009 % of RWA	31 March 2009 €bn	31 March 2009 % of RWA
Equity tier 1 (Core tier 1 less preference stock)	5.3	5.3%	6.5	6.2%
Core tier 1	8.8	8.9%	10.0	9.5%
Tier 1	9.7	9.8%	12.6	12.0%
Total capital	13.2	13.4%	16.0	15.2%

Risk Weighted Assets at 31 December 2009 of €98 billion are €7 billion lower than at 31 March 2009. This decrease was mainly due to the higher level of impaired loans and increased impairment provisions.

At 31 December 2009, the equity tier 1 ratio of 5.3% and the core tier 1 ratio of 8.9% are lower than at 31 March 2009 as a result of operating losses partly offset by the gain of €1 billion arising on the repurchase of tier 1 securities. The tier 1 ratio reduced to 9.8% at 31 December 2009 from 12.0% at 31 March 2009 and the total capital ratio reduced to 13.4% at 31 December 2009 from 15.2% at 31 March 2009. These reductions are primarily due to the impact of operating losses and the cash cost of the tier 1 securities repurchased.

In January 2010, following indications from the European Commision that the Group should not make coupon payments on its tier 1 and upper tier 2 capital instruments unless under a binding legal obligation to do so, the Group announced that the non-cumulative distribution on certain upper tier 2 Capital instruments, which would otherwise have been payable on 1 February and 4 February 2010, would not be paid. The effect of this decision by the Group was to trigger the “dividend stopper” provisions of these instruments. While these “dividend stoppers” remain in force, the Group is precluded, for a period of one calendar year from and including 1 February 2010 from declaring and making any distribution or dividend payments on its Ordinary Stock, non-cumulative euro and sterling Preference Stock, the 2009 Preference Stock and preferred securities.

As a consequence of this, the Group issued 184,394,378 units of Ordinary Stock to the NPRFC on 22 February 2010 in lieu of the cash dividend otherwise due under the conditions of the 2009 Preference Stock. This increases the units of ordinary stock of the Group in issue to 1,188,611,367. Further details are set in note 30 of the Consolidated Financial Statements.

As set out in section 1.4.6 the Group completed an exchange offer for lower tier 2 securities in February 2010, the outcome of which has added €405 million to the Group’s equity capital base.

The Financial Regulator has completed a Prudential Capital Assessment Review (“PCAR”) for Bank of Ireland in order to assess its capital requirements. This review has taken into account both expected base and potential stressed loan losses, together with other financial developments, over a 3 year time horizon to 31 December 2012.

The PCAR has been undertaken with reference to:

- a target core tier 1 ratio level of 8% in the base case. As a further prudent requirement, the capital to meet the base case target must be principally in the form of equity to meet a targeted equity tier 1 ratio of 7%.
- a target level of 4% core tier 1 capital should be maintained in a stress scenario.

As announced on 30 March 2010, the outcome of this review is that the Financial Regulator has determined that the Group needs to raise an additional €2.7 billion of equity capital by 31 December 2010 to comply with the PCAR.

This outcome is aligned with the Group’s previously held views. The Group’s plans to raise additional capital are in accordance with the Financial Regulator’s requirements. In conjunction with these plans and to support them, the State will commit to converting part of its €3.5 billion Preference Stock into ordinary equity.

Further analysis of the Group’s capital position and key metrics are set out in the Risk Management Report.

1.5. Divisional Performance - on an Underlying ** basis

Underlying ** (loss) / profit before tax	9 months ended 31 December 2009 €m	*Restated 12 months ended 31 March 2009 €m
Retail Republic of Ireland	(1,514)	20
Bank of Ireland Life	69	(31)
UK Financial Services	(805)	35
UK Financial Services (Stg£ equivalent)	*(720)*	*10*
Capital Markets	(600)	474
Group Centre	(122)	(182)
Underlying ** (loss) / profit before tax	**(2,972)**	**316**
Non-core items	1,159	(339)
Loss before tax	**(1,813)**	**(23)**

* Restated for the impact of the amendment to IFRS 2 to 'Share-based Payment' (see page 97).

** Underlying excludes the impact of non-core items (see page 11).

1.5.1. Retail Republic of Ireland

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

The nine month period ended 31 December 2009 was particularly difficult for the Retail businesses in Ireland which continued to be adversely impacted by the significant contraction in the Irish economy. The sharp decline in the property and construction sectors led to substantially higher impairment charges. Intense competition for deposits and the low interest rate environment resulted in significant reductions in deposit margins. The economic outlook together with poor consumer sentiment has resulted in subdued demand for financial services products.

Retail Republic of Ireland: Income statement	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Net interest income	888	1,452
Net other income	112	277
Operating income	**1,000**	**1,729**
Operating expenses	(680)	(931)
Impairment of intangible assets	(6)	-
Operating profit before impairment charges on financial assets	**314**	**798**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(1,836)	(708)
Share of results of associates and joint ventures (after tax)	8	(70)
Underlying ** (loss) / profit before tax	**(1,514)**	**20**
Cost / income ratio	**68%**	**56%**

** Underlying excludes the impact of non-core items (see page 11).

Retail Republic of Ireland reported an underlying loss before tax of €1,514 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of €20 million for the twelve month period ended 31 March 2009.

The operating profit of €314 million before impairment charges on financial assets for the nine month period ended 31 December 2009 reduced by €484 million compared to the operating profit of €798 million before impairment charges on financial assets for the twelve month period ended 31 March 2009.

Net interest income of €888 million for the nine month period ended 31 December 2009 was €564 million lower than the net interest income of €1,452 million for the twelve month period ended 31 March 2009. This reduction is a result of the shorter reporting period together with significant narrowing of liability spreads due to intense competition for customer deposits and the low interest rate environment.

Apart from the €17 billion of tracker mortgages (where the rates are contractually linked to interest rates set by the European Central Bank) Retail Republic of Ireland is making progress in re-pricing the remaining €34 billion of assets after impairment provisions. The pace of this progress is expected to accelerate as the economy returns to growth and demand for new lending recovers.

Net other income of €112 million for the nine month period ended 31 December 2009 was €165 million lower than Net other income of €277 million for the twelve month period ended 31 March 2009. This reduction arises primarily as a result of the shorter reporting period, a charge of €74 million arising from an unfavourable court ruling in connection with a European property investment, further impairment of €15 million on the value of some investment properties arising from continuing low levels of transactions in the commercial property market and lower fees and other income in Business Banking, Private Banking and Credit Cards due to lower levels of new business activity. Net other income for the 12 month period ended 31 March 2009 included a €24 million gain from a distribution by VISA International following its initial public offering.

Operating expenses of €680 million for the nine month period ended 31 December 2009 have decreased compared to €931 million for the twelve month period ended 31 March 2009. This is largely due to the shorter reporting period, reduced staff numbers and tight control of costs.

Share of results of associates and joint ventures of €8 million for the nine month period ended 31 December 2009 compares to a loss of €70 million for the twelve month period ended 31 March 2009. The loss of €70 million for the twelve month period ended 31 March 2009 is primarily attributable to an impairment charge of €63 million relating to the Group's investment in a property unit trust that holds an investment in a UK retail property.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes, the following tables and commentary presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Residential mortgages	165	60
Non-property SME and corporate	343	157
Property and construction	1,187	330
Consumer	141	161
Total impairment charge on Total loans	**1,836**	**708**

The impairment charge on Total loans of €1,836 million for the nine month period ended 31 December 2009 was a substantial increase on the impairment charge of €708 million for the twelve month period ended 31 March 2009 due principally to the significant contraction in economic activity, with continuing low levels of transactions in both the commercial and residential property markets.

The impairment charge on the Residential mortgages was €165 million for the nine month period ended 31 December 2009 compared to €60 million for the twelve month period ended 31 March 2009. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income, together with the further decline in property prices. At 31 December 2009, 3 month arrears in the Residential mortgage portfolio were 3.46% compared to 1.92% at 31 March 2009.

The impairment charge on Non-property SME and corporate loans was €343 million for the nine month period ended 31 December 2009 compared to €157 million for the twelve month period ended 31 March 2009. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment, together with the level of business insolvencies.

The impairment charge on Property and construction loans was €1,187 million for the nine month period ended 31 December 2009 compared to €330 million for the twelve month period ended 31 March 2009. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp contraction in the level of economic activity, leading to falling asset values, exacerbated by the over supply of residential and commercial property in Ireland.

The impairment charge on Consumer loans was €141 million for the nine month period ended 31 December 2009 compared to €161 million for the twelve month period ended 31 March 2009. The charge on Consumer loans remains significant, due to higher unemployment, high levels of personal indebtedness and lower disposable income.

Resources and Advances Analysis	**31 December 2009 €bn**	31 March 2009 €bn	Change %
Customer Deposits			
Deposits	24	23	4%
Current account credit balances	11	10	6%
Total Customer Deposits	**35**	**33**	**4%**
Advances			
Total loans	54	55	(1%)
Impairment provisions	(3)	(1)	181%
Total loans	**51**	**54**	**(4%)**
Risk Weighted Assets	**32**	**33**	

At 31 December 2009 total customer deposits were €35 billion, an increase of 4% over 31 March 2009. Deposits have increased from €23 billion at 31 March 2009 to €24 billion at 31 December 2009, an increase of 4%. Current account credit balances have increased from €10 billion at 31 March 2009 to €11 billion at 31 December 2009, an increase of 6%. The strength of our distribution platform particularly through our Branch Network and Business Banking relationships, the increase in the savings ratio and the development of products that are attractive to retail customers have been the key enablers of the strong deposit inflows from both new and existing customers.

The Group remains fully committed to supporting our personal, business and corporate customers through this period of significant challenge. The Group has particularly dedicated its resources and funds in support of mortgages for first time buyers (FTB) and the corporate and small and medium size enterprise (SME) sector.

As a consequence of the weak economic environment, demand for new loans and other credit facilities in the nine month period ended 31 December 2009 was considerably lower than previous periods. Total loans, before impairment provisions, were €54 billion at 31 December 2009 compared to €55 billion at 31 March 2009, a reduction of 1% (a decline of 4% net of impairment provisions) reflecting the impact of customers reducing personal indebtedness and businesses not taking on new financial commitments in the current difficult economic environment.

The Residential mortgage book at 31 December 2009 grew 2% compared to the Residential mortgage book at 31 March 2009 reflecting the Group's focus on the FTB segment. This growth in the mortgage book is more than offset by a decline in other retail loan books. In particular, the Consumer loan book has declined by 14% due to scheduled repayments and redemptions as customers have sought to reduce levels of personal indebtedness.

1.5.2 Bank of Ireland Life

Bank of Ireland Life is one of Ireland's leading life assurance companies. The company offers protection, investment and pension products to the Irish market through the Group's branch network, independent brokers and its direct sales force.

Bank of Ireland Life: Income Statement (IFRS performance)	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Operating income	125	210
Operating expenses	(82)	(108)
Operating profit	**43**	**102**
Investment valuation variance	23	(117)
Discount and other rate changes	3	(16)
Underlying ** profit / (loss) before tax	**69**	**(31)**
Cost / income ratio	**66%**	**51%**

** Underlying performance excludes the impact of non-core items (see page 11).

Underlying profit before tax of €69 million for the nine month period ended 31 December 2009, was significantly higher than the underlying loss before tax of €31 million for the twelve month period ended 31 March 2009. This increase is due primarily to the movement in the investment valuation variance partly offset by lower operating profit.

Annual Premium Equivalent (APE) sales for the nine month period ended 31 December 2009 were 23% lower (on an annualised basis) than the twelve month period ended 31 March 2009.

Operating profit of €43 million for the nine month period ended 31 December 2009 is lower than the twelve month period ended 31 March 2009, even allowing for the shorter reporting period, due to the following factors:

- lower volumes of new business, notably of savings and regular premium pensions,
- policy lapses due to lower disposable income, and
- lower average funds under management, reflecting the sharp fall in investment markets in the second half of the twelve month period ended 31 March 2009.

Operating expenses of €82 million for the nine month period ended 31 December 2009 is lower by €26 million compared to the twelve month period ended 31 March 2009. This reduction is due to the shorter reporting period and the continued focus on cost reduction by Bank of Ireland Life. Included in operating expenses of €82 million for the nine month period ended 31 December 2009 is an impairment charge of €3 million relating to the revaluation of Bank of Ireland Life owned properties.

In the nine month period ended 31 December 2009, consistent with long term bond yields, the discount rate applied to future cashflows decreased from 9.0% to 8.25%, and the unit growth assumption was reduced from 7.25% to 6.5%, resulting in a profit of €3 millon compared to a loss of €16 million in the twelve month period ended 31 March 2009. The performance of investment markets in excess of this growth assumption since April 2009 has resulted in a positive investment valuation variance of €23 million. This compares to an underperformance of investment markets in the twelve month period ended 31 March 2009, which gave rise to a negative investment valuation variance of €117 million.

Bank of Ireland Life has maintained a strong financial position and continues to be significantly in excess of the statutory solvency margin, required by the Financial Regulator.

Embedded Value Performance

Bank of Ireland Life: Income Statement (Embedded value performance)	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
New business profits	9	36
Existing business profits	20	26
• *Expected return*	*55*	*82*
• *Experience variance*	*(29)*	*(41)*
• *Assumption changes*	*(6)*	*(15)*
Inter company payments	(9)	(14)
Operating profit	**20**	**48**
Investment variance	62	(210)
Discount and other rate changes	-	(17)
Underlying ** profit / (loss) before tax	**82**	**(179)**

** Underlying excludes the impact of non-core items. (see page 11).

The alternative method of presenting the performance of the Life business is on an Embedded Value basis. This method is widely used in the life assurance industry. Under this approach, underlying profit before tax for the nine month period ended 31 December 2009 of €82 million is significantly higher than the underlying loss before tax of €179 million for the twelve month period ended 31 March 2009. This increase is due primarily to a substantial positive investment valuation variance resulting from the recovery in investment markets since April 2009.

Operating profit of €20 million for the nine month period ended 31 December 2009 compares to an operating profit of €48 million for the twelve month period ended 31 March 2009. New business profits were €9 million for the nine month period ended 31 December 2009 compared to €36 million for the twelve month period ended 31 March 2009. Allowing for the shorter reporting period, the reduction is primarily due to lower sales volumes notably of savings and regular pension products. Existing business profits were €20 million for the nine month period ended 31 December 2009 compared to €26 million for the twelve month period ended 31 March 2009. Whilst retention rates were lower, in the existing business book, than long term assumptions, the retention rates improved in the latter part of the nine month period ended 31 December 2009.

The key assumptions used in the Embedded Value methodology are consistent with those used under the IFRS methodology, being a discount rate of 8.25% (31 March 2009: 9%), future growth rate on unit linked assets of 6.5% (31 March 2009: 7.25%) and the rate of tax to be levied on shareholders profits of 12.5% (31 March 2009: 12.5%).

1.5.3 UK Financial Services (Sterling)

The UK Financial Services (UKFS) Division incorporates Business Banking in Great Britain and Northern Ireland, the branch network in Northern Ireland, the UK Residential mortgage business and the joint ventures with the UK Post Office, namely Post Office Financial and Travel Services (POFTS).

UK Financial Services: Income Statement	**9 months ended 31 December 2009 £m**	12 months ended 31 March 2009 £m
Net interest income	411	627
Net other income	61	115
Operating income	472	742
Operating expenses	(267)	(391)
Operating profit before impairment charges	**205**	**351**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(948)	(372)
Share of results of associates and joint ventures (after tax)	23	31
Underlying ** (loss) / profit before tax	**(720)**	**10**
Underlying ** (loss) / profit before tax (€m equivalent)	**(805)**	**35**
Cost / income ratio	**54%**	**51%**

** Underlying performance excludes the impact of non-core items (see page 11).

UK Financial Services reported an underlying loss before tax of £720 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of £10 million for the twelve month period ended 31 March 2009. The operating profit of £205 million before impairment charges on financial assets for the nine month period ended 31 December 2009 was £146 million lower, than the twelve month period ended 31 March 2009.

Net interest income of £411 million for the nine month period ended 31 December 2009 is £216 million lower than the twelve month period ended 31 March 2009 due to the shorter reporting period, intense competition impacting liability spreads together with the low interest rate environment. The negative impacts were partly offset by higher pricing on both the Residential mortgage and Business Banking loan books.

In January 2009, the Group announced its withdrawal from the intermediary sourced mortgage market in the UK and the wind down of a range of international lending portfolios in Capital Markets (together the “Non-core loan portfolios”). At 31 December 2009 the Non-core loan portfolios amounted to €34 billion.

Up to 30 September 2009, the Group allocated its total cost of funds (which includes the cost over libor / euribor on wholesale funding, customer deposits and securitisations) based on the net asset or liability position of each division. With effect from 1 October 2009, the Group has decided to change the basis of allocation of its cost of funds. From this date, the Group has allocated the marginal cost of wholesale funding to the Non-core loan portfolios. For the remaining loan portfolios (together the “Core loan portfolios”) the Group’s residual cost of funds is allocated based on the net asset or liability position of each division.

The impact of this decision, made on 1 October 2009, on UK Financial Services was to decrease its Net interest income in the nine month period ended 31 December 2009 by €17 million (Stg£15 million). As a consequence, the impact of this decision was to increase the Net interest income in Retail Republic of Ireland by €9 million and to increase the Net interest income in Capital Markets by €8 million.

It is estimated that the impact of this decision, on an annualised basis, would be to decrease the Net interest income in UK Financial Services by €68 million (Stg£60 million), to increase the Net interest income in Retail Republic of Ireland by €36 million and to increase the Net interest income in Capital Markets by €32 million.

Net other income of £61 million for the nine month period ended 31 December 2009 reduced by £54 million when compared to the twelve month period ended 31 March 2009. This reduction reflects the shorter reporting period, reduced fee income as a result of lower new business lending activity and seasonality in the Consumer Financial Services businesses, together with the impact of interest rate changes on the fair value of economic hedging instruments.

Operating expenses for the nine month period ended 31 December 2009 of £267 million were £124 million lower than the twelve month period ended 31 March 2009. This reduction is driven by the shorter reporting period together with savings from the restructuring of both the UK Residential mortgage and Business Banking operations. Investment has continued in the joint ventures with the UK Post Office.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the following tables and commentary presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 £m**	12 months ended 31 March 2009 £m
Residential mortgages	64	58
Non-property SME and corporate	43	48
Property and construction	820	245
Consumer	21	21
Total impairment charge on Total loans	**948**	**372**

The impairment charge on Total loans of £948 million for the nine month period ended 31 December 2009 was a substantial increase on the impairment charge of £372 million for the twelve month period ended 31 March 2009. The increased impairment charge arises primarily in the land and development element of the Property and construction portfolio, which has been most significantly impacted by sharp declines in asset values, higher unemployment and lower levels of economic activity. The increase in the Residential mortgage impairment charge is driven by higher unemployment, house price deflation and the weak economy, which have led to higher arrears and repossessions.

The Share of results of associates and joint ventures relates to the Group's share of First Rate Exchange Services (FRES), a joint venture with the UK Post Office, which generated profit after tax of £23 million for the nine month period ended 31 December 2009, compared to £31 million for the twelve month period ended 31 March 2009. This reduction is primarily due to the shorter reporting period and lower fee income due to the contraction in the overseas travel market.

Business Unit : Underlying ** (loss) / profit before tax	**9 months ended 31 December 2009 £m**	12 months ended 31 March 2009 £m
Residential mortgages	39	92
Business Banking	(729)	(81)
Consumer Financial Services	20	48
Division Centre	(50)	(49)
Underlying ** (loss) / profit before tax	**(720)**	**10**

** Underlying performance excludes the impact of non-core items (see page 11).

As outlined on page 30 above, the impact of the Group's decision to change the basis of allocation of its cost of funds with effect from 1 October 2009 was to decrease the Net interest income in UK Financial Services by €17 million (Stg£15 million). Within UK Financial Services, the impact of this decision was to decrease the Net interest income for Residential mortgages by €26 million (Stg£23 million) and to increase the Net interest income for Business Banking by €9 million (Stg£8 million).

It is estimated that the impact of this decision on an annualised basis would be to decrease the Net interest income for Residential mortgages by €103 million (Stg£91 million) and to increase the Net interest income in Business Banking by €35 million (Stg£31 million).

The underlying profit before tax in the **Residential Mortgage Business** for the nine month period ended 31 December 2009 of £39 million has decreased from a profit of £92 million for the twelve month period ended 31 March 2009. Operating profit of £108 million before impairment charges for the nine month period ended 31 December 2009 has decreased by £49 million when compared to the operating profit before impairment charges for the twelve month period ended 31 March 2009. This decrease is due to the shorter reporting period, the change in the basis of allocation of the cost of funds, as previously outlined, partly offset by improved product margins and a reduction in the operating costs resulting from the closure of the intermediary channel to new business in January 2009. Residential mortgage impairment charges for the nine month period ended 31 December 2009 of £64 million increased from £58 million for the twelve month period ended 31 March 2009 driven by higher unemployment, house price deflation and the weak economy which have led to higher arrears and repossessions.

Mortgage Arrears – greater than 3 months in arrears (basis points annualised)	**31 December 2009**	31 March 2009
Bank of Ireland - Total book	171	148
CML*	238	239
Bank of Ireland - Standard book	97	80
Bank of Ireland - Self Cert book	454	366
Bank of Ireland - Buy to Let book	185	173
CML*	200	309

* Council of Mortgage Lenders, UK

While arrears have risen sharply from a low base, the residential mortgage portfolio continues to outperform industry averages. At 31 December 2009, overall residential mortgage portfolio arrears greater than three months were 171 basis points compared to average industry arrears of 238 basis points as per CML data.

The **Business Banking** loss before tax for the nine month period ended 31 December 2009 of £729 million shows a significant deterioration when compared to the loss before tax for the twelve month period ended 31 March 2009 of £81 million. This deterioration reflects a substantial increase in impairment charges to £860 million for the nine month period ended 31 December 2009 compared to £292 million for the twelve month period ended 31 March 2009. This increase in the impairment charge arises substantially in the land and development element of the Property and construction portfolio and is driven primarily by a sharp decline in asset values, higher unemployment and lower levels of economic activity.

Operating profit before impairment charges of £131 million for the nine month period ended 31 December 2009 decreased by £80 million compared to the twelve month period ended 31 March 2009 of £211 million. This is due to the shorter reporting period, lower net interest income due to intense competition for deposits, a lower interest rate environment and reduced deposit volumes, higher wholesale funding costs partly offset by asset re-pricing and the impact of the change in the basis of allocation of the cost of funds as outlined above.

Consumer Financial Services which is comprised of a number of business activities with the UK Post Office (POFTS, Credit Cards and ATMs) delivered an underlying operating profit before tax of £20 million for the nine month period ended 31 December 2009 which is £28 million lower than the twelve month period ended 31 March 2009. This reduction is primarily attributable to the shorter reporting period, seasonality in the Consumer Financial Services businesses and lower fee income due to the contraction in the overseas travel market together with deposit margin attrition.

The loss in **Division Centre** increased to £50 million for the nine month period ended 31 December 2009 from £49 million for the twelve month period ended 31 March 2009 due mainly to the continued investment in deposit gathering initiatives and the impact of interest rate changes on fair value of economic hedging instruments.

Resources and Advances Analysis	31 December 2009 £bn	31 March 2009 £bn	Change %
Customer Deposits			
Business Banking	10	11	(9%)
POFS	9	8	9%
Total Customer Deposits	**19**	**19**	**(1%)**
Advances			
Total loans	47	48	(2%)
Impairment provisions	(1)	-	-
Total loans	**46**	**48**	**(4%)**
Risk Weighted Assets	23	25	
Risk Weighted Assets (€bn equivalent)	26	27	

Business Banking deposits declined by 9% in the nine month period ended 31 December 2009 reflecting continued intense competition. Deposits sourced through the Group's joint venture with the UK Post Office have grown by 9% since 31 March 2009 to £8.5 billion at 31 December 2009, reflecting the Group's investment in this important source of customer deposits.

Total loans, before impairment provisions of £47 billion is a reduction of 2% (a decline of 4% net of impairment provisions) at 31 December 2009 compared to £48 billion at 31 March 2009.

The de-leverage of the UK residential mortgage book has been slower than originally expected as a result of lower re-mortgage activity in the UK market. This, coupled with mortgage lending through the UK Post Office channel, has resulted in the UK mortgage book being 2% lower at 31 December 2009 compared to 31 March 2009.

The Business Banking loan book at 31 December 2009 is lower by 3% since 31 March 2009 reflecting weakened demand for loans and other credit facilities.

1.5.4 Capital Markets

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

Capital Markets: Income Statement	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Net interest income	705	1,482
Net other income	83	(237)
Operating income	788	1,245
Operating expenses	(230)	(377)
Operating profit before impairment charges	**558**	**868**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(1,157)	(305)
Impairment charges on AFS assets	(2)	(76)
Impairment charges on loans and advances to banks	-	(2)
Share of results of associates and joint ventures (after tax)	1	(11)
Underlying ** (loss) / profit before tax	**(600)**	**474**
Cost / income ratio	**29%**	**31%**

** Underlying performance excludes the impact of non-core items (see page 11).

Capital Markets reported an underlying loss before tax of €600 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of €474 million for the twelve month period ended 31 March 2009.

Operating profit of €558 million before impairment charges on financial assets for the nine month period ended 31 December 2009 compares to an operating profit of €868 million for the twelve month period ended 31 March 2009.

The year on year change in net interest income and 'Net other income' is impacted by IFRS income classifications, as explained on page 12.

Net interest income	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Net interest income	705	1,482
IFRS income classifications	(67)	(521)
Net interest income after IFRS income classifications	**638**	**961**

After the impact of the IFRS income classifications, 'Net interest income' decreased by €323 million in the nine month period ended 31 December 2009, compared to the twelve month period ended 31 March 2009 primarily reflecting the shorter reporting period and the higher cost of funding.

Net other income	9 months ended 31 December 2009 €m	12 months ended 31 March 2009 €m
Net other income / (expense)	83	(237)
IFRS income classifications	67	521
Net other income after IFRS income classifications	**150**	**284**

After the impact of IFRS classifications, 'Net other income' for the nine month period ended 31 December 2009 reduced by €134 million when compared to the twelve month period ended 31 March 2009, this decrease primarily reflects:

- the shorter reporting period,
- reduced fees in the asset management businesses of €67 million arising from the disposal of Iridian Asset Management LLC (Iridian) in June 2009 and Guggenheim Alternative Asset Management LLC (Guggenheim) in August 2009, together with lower fee income in Bank of Ireland Asset Management and Bank of Ireland Securities Services,
- lower other income in Corporate Banking of €39 million primarily due to reduced fee income driven by a lack of demand for credit facilities and the recognition of impairment charges on investment properties (€10 million),
- lower levels of other income in Global Markets of €64 million primarily as a result of decreased levels of third party customer business, partly offset by;
- a charge of €39 million in the twelve month period ended 31 March 2009 related to the collapse of Lehmans in the twelve month period ended 31 March 2009.

Operating expenses of €230 million for the nine month period ended 31 December 2009 are €147 million lower than the twelve month period ended 31 March 2009. This reduction is primarily due to the shorter reporting period, the disposal of Iridian and Guggenheim together with tight management of all costs.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the following tables and commentary presents loans and advances to customers and loans held for sale together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Non-property SME and corporate	270	137
Property and construction	887	168
Total impairment charge on Total loans	**1,157**	**305**

The impairment charge on Total loans of €1,157 million for the nine month period ended 31 December 2009 increased from €305 million for the twelve month period ended 31 March 2009. This increase was largely attributable to the Property and construction portfolio and in particular the land and development element which is substantially expected to transfer to NAMA.

The impairment charge on the Non property SME and corporate portfolio was €270 million for the nine month period ended 31 December 2009 compared to €137 million for the twelve month period ended 31 March 2009 which reflects the challenging conditions for certain mid-tier Irish corporate customers and some specific debt restructuring activity in the leveraged acquisition finance business.

The impairment charge on the Property and construction portfolio of €887 million for the nine month period ended 31 December 2009 compared to €168 million for the twelve month period ended 31 March 2009. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp decline in the level of economic activity leading to falling asset values exacerbated by the over supply of residential and commercial property in Ireland.

An impairment charge on Available for sale financial assets of €2 million (€1 million each in Corporate Banking and Global Markets) was incurred in the nine month period ended 31 December 2009, compared to a €76 million charge for the twelve month period ended 31 March 2009. This charge of €76 million included €36 million on the receivership of Washington Mutual, €25 million on the nationalisation and subsequent receivership of some Icelandic banks together with a €15 million charge relating to a leveraged exposure to a fund of rated financial institution debt securities.

Business Unit: Underlying ** (loss) / profit before tax	**9 months ended 31 December 2009 €m**	12 months ended 31 March 2009 €m
Corporate Banking	(749)	247
Global Markets	128	246
Asset Management Services	23	(14)
Division Centre	(2)	(5)
Underlying ** (loss) / profit before tax	**(600)**	**474**

** Underlying performance excludes the impact of non-core items (see page 11).

The underlying loss before tax of €749 million in **Corporate Banking** for the nine month period ended 31 December 2009 compares to a profit before tax of €247 million for the twelve month period ended 31 March 2009. Even allowing for the shorter reporting period, this sharp deterioration in profit was due to a substantial increase in the impairment charge to €1,157 million for the nine month period ended 31 December 2009 compared to €305 million for the twelve month period ended 31 March 2009. Total operating income was lower by €195 million in the nine month period ended 31 December 2009 compared to the twelve month period ended 31 March 2009 driven by the shorter reporting period, the higher funding costs, recognition of impairment on investment properties (€10 million) and lower fee income due to lower levels of new business activity.

Global Markets underlying profit before tax of €128 million for the nine month period ended 31 December 2009 compares to €246 million for the twelve month period ended 31 March 2009. Total income for the nine month period ended 31 December 2009 is lower by €207 million compared to the twelve month period ended 31 March 2009. This reduction is primarily due to the shorter reporting period, the higher cost of funding, gains in the twelve month period ended 31 March 2009 as a result of good positioning in a falling interest rate environment and lower levels of third party customer business in the current reporting period as a result of the reduced level of economic activity. An impairment charge of €1 million has been incurred in the nine month period ended 31 December 2009, compared to €63 million for the twelve month period ended 31 March 2009 due primarily to the impairment charges incurred in the prior period on the receivership of Washington Mutual and on the nationalisation and subsequent receivership of some Icelandic banks.

The underlying profit before tax of €23 million in **Asset Management Services** for the nine month period ended 31 December 2009 compared to an underlying loss before tax of €14 million for the twelve month period ended 31 March 2009. The twelve month period ended 31 March 2009 included a loss of €32 million associated with the collapse of Lehmans in September 2008. Bank of Ireland Asset Management and Bank of Ireland Securities Services reported lower levels of income in the nine month period ended 31 December 2009 compared to the twelve month period ended 31 March 2009 due to the shorter reporting period, lower assets under management and lower fee income. Iridian and Guggenheim, the US asset management businesses, were disposed of during the nine month period ended 31 December 2009.

Division Centre includes central management costs and IBI Corporate Finance.

Resources and Advances Analysis	31 December 2009 €bn	31 March 2009 €bn	Change %
Customer deposits	**29**	**29**	**(1%)**
Advances			
Total loans	28	29	(6%)
Impairment provisions	(2)	-	-
Total loans	**26**	**29**	**(10%)**
Risk Weighted Assets	**40**	**45**	

Capital Markets customer deposits at 31 December 2009 were €29 billion, broadly in line with that reported at 31 March 2009 in an intensely competitive environment for deposits in Ireland and internationally.

In January 2010, the Group's long term and short term credit ratings were downgraded by Standard & Poors to A- / A-2 with a stable outlook. This downgrade has led to an outflow of some ratings sensitive international deposits.

Loans and advances to customers, before impairment provisions, were €28 billion at 31 December 2009 as compared to €29 billion at 31 March 2009, a reduction of 6% (a decline of 10% net of impairment provisions) reflecting lower lending demand due to reduced levels of economic activity.

1.5.5 Group Centre

Group Centre comprises capital management activities and unallocated support costs.

Group Centre: Income Statement	9 months ended 31 December 2009 €m	* Restated 12 months ended 31 March 2009 €m
Net interest income / (expense)	65	(8)
Net other expense	(102)	(24)
Operating loss	(37)	(32)
Operating expenses	(85)	(150)
Underlying ** loss before tax	**(122)**	**(182)**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 97).

** Underlying performance excludes the impact of non-core items (see page 11).

Group Centre reported an underlying loss before tax of €122 million for the nine month period ended 31 December 2009, compared to an underlying loss before tax of €182 million for the twelve month period ended 31 March 2009.

Net interest income of €65 million for the nine month period ended 31 December 2009 includes the interest earned on cash received as consideration for the issuance of €3.5 billion of preference stock on 31 March 2009 and reflects lower funding costs following the repurchase of tier 1 debt securities in June 2009.

Net other expense for the nine month period ended 31 December 2009 includes the impact of the cost of the Government liability guarantee of €105 million. This is an increase of €39 million as the twelve month period ended 31 March 2009 included a charge of €66 million for the six month period from 29 September 2008 compared to the nine month period ended 31 December 2009 which includes the charge for nine months.

In addition, the movement in net other expense includes a movement of €70 million arising from the change in credit spreads on the Group's issued notes and subordinated debt designated at 'fair value through profit or loss'. This is a partial reversal of gains recognised in prior periods.

Operating expenses of €85 million for the nine month period ended 31 December 2009 compares to €150 million for the twelve month period ended 31 March 2009. This reduction is due principally to the shorter reporting period and lower staff and other costs partly offset by higher costs in relation to the NAMA Scheme. The twelve month period ended 31 March 2009 included accelerated software depreciation and the restatement under IFRS 2 for share based payments.

Income Statement – Operating Segments

9 month period ended 31 December 2009	Net interest income €m	Insurance net premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	Operating expenses €m	Impairment of intangible assets €m	**Operating profit before impairment charge on financial assets €m**	Impairment charge on financial assets €m	Share of results of associates and joint ventures (after tax) €m	Disposal of business activities €m	**Profit / (loss) before taxation €m**
Retail Republic of Ireland	888	-	112	**1,000**	-	**1,000**	(680)	(6)	**314**	(1,836)	8	-	**(1,514)**
Bank of Ireland Life	(2)	643	952	**1,593**	(1,442)	**151**	(82)	-	**69**	-	-	-	**69**
UK Financial Services	465	-	70	**535**	-	**535**	(304)	-	**231**	(1,062)	26	-	**(805)**
Capital Markets	705	-	83	**788**	-	**788**	(230)	-	**558**	(1,159)	1	-	**(600)**
Group Centre	65	22	(104)	**(17)**	(20)	**(37)**	(85)	-	**(122)**	-	-	-	**(122)**
Group – underlying**	**2,121**	**665**	**1,113**	**3,899**	**(1,462)**	**2,437**	**(1,381)**	**(6)**	**1,050**	**(4,057)**	**35**	**-**	**(2,972)**
- Gain on the repurchase of tier 1 debt securities	-	-	1,037	**1,037**	-	**1,037**	-	-	**1,037**	-	-	-	**1,037**
- Effective interest rate (EIR) adjustment on subordinated debt	58	-	9	**67**	-	**67**	-	-	**67**	-	-	-	**67**
- Gross-up of policyholder tax in the Life business	-	-	64	**64**	-	**64**	-	-	**64**	-	-	-	**64**
- Investment return on treasury stock held for policyholders	-	-	(6)	**(6)**	-	**(6)**	-	-	**(6)**	-	-	-	**(6)**
- Loss on disposal of business activities	-	-	-	**-**	-	**-**	-	-	**-**	-	-	(3)	**(3)**
Group total	**2,179**	**665**	**2,217**	**5,061**	**(1,462)**	**3,599**	**(1,381)**	**(6)**	**2,212**	**(4,057)**	**35**	**(3)**	**(1,813)**

** Underlying performance excludes the impact of non-core items (see page 11).

Income Statement – Operating Segments

12 month period ended 31 March 2009	Net interest income €m	Insurance net premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	*Operating expenses €m	**Operating profit before impairment charge on financial assets €m**	Impairment of goodwill and other intangible assets €m	Impairment charge on financial assets €m	Share of results of associates and joint ventures (after tax) €m	**Profit / (loss) before taxation €m**
Retail Republic of Ireland	1,452	-	275	**1,727**	2	**1,729**	(931)	**798**	-	(708)	(70)	**20**
Bank of Ireland Life	(7)	1,049	(1,525)	**(483)**	560	**77**	(108)	**(31)**	-	-	-	**(31)**
UK Financial Services	751	-	139	**890**	-	**890**	(472)	**418**	-	(422)	39	**35**
Capital Markets	1,482	-	(237)	**1,245**	-	**1,245**	(377)	**868**	-	(383)	(11)	**474**
Group Centre	(8)	20	(19)	**(7)**	(25)	**(32)**	(150)	**(182)**	-	-	-	**(182)**
Group – underlying**	**3,670**	**1,069**	**(1,367)**	**3,372**	**537**	**3,909**	**(2,038)**	**1,871**	-	**(1,513)**	**(42)**	**316**
- Gross-up of policyholder tax in the Life business	-	-	(76)	**(76)**	-	**(76)**	-	**(76)**	-	-	-	**(76)**
- Investment return on treasury stock held for policyholders	-	-	131	**131**	-	**131**	-	**131**	-	-	-	**131**
- Hedge ineffectiveness on transition to IFRS	-	-	(7)	**(7)**	-	**(7)**	-	**(7)**	-	-	-	**(7)**
- Cost of restructuring programme	-	-	-	**-**	-	**-**	(83)	**(83)**	-	-	-	**(83)**
- Impairment of goodwill and other intangible assets	-	-	-	**-**	-	**-**	-	**-**	(304)	-	-	**(304)**
Group total	**3,670**	**1,069**	**(1,319)**	**3,420**	**537**	**3,957**	**(2,121)**	**1,836**	**(304)**	**(1,513)**	**(42)**	**(23)**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payment' (see page 97).
** Underlying performance excludes the impact of non-core items (see page 11).

Supplementary Information

The Group has changed its financial year end from 31 March to 31 December. This change brings the Group's financial calendar in line with its peer banks.

To facilitate more meaningful comparisons the following section reports the Group's performance for the nine month period ended 31 December 2009 compared to unaudited non-statutory financial information (proforma) for the nine month period ended 31 December 2008. The basis of preparation of the proforma results is in accordance with IFRS. The accounting policies are consistent with those adopted for the December 2009 financial statements. The results are presented on an underlying basis.

1.6 Group Income Statement - on an Underlying ** basis

1.6.1 Summary Consolidated Income Statement

	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	2,121	2,870	(26%)
Net other income	316	128	147%
Total operating income (net of insurance claims)	**2,437**	**2,998**	**(19%)**
Operating expenses	(1,381)	(1,545)	(11%)
Impairment of intangible assets	(6)	-	-
Operating profit before impairment charges on financial assets	**1,050**	**1,453**	**(28%)**
Impairment charge on loans and advances to customers (incl. loans held for sale to NAMA)	(4,055)	(747)	443%
Impairment charge on available for sale financial assets	(2)	(76)	-
Share of results of associates and joint ventures (after tax)	35	(35)	-
Underlying * (loss) / profit before tax	**(2,972)**	**595**	**(599%)**
Non-core items:			
- Gain on the repurchase of tier 1 debt securities[1]	1,037	-	-
- Effective interest rate (EIR) adjustment on subordinated debt[2]	67	-	-
- Gross up for policyholder tax in the Life business[3]	64	(41)	-
- Investment return on treasury stock held for policyholders[4]	(6)	128	-
- Loss on disposal of business activities	(3)	-	-
- Impairment of goodwill and other intangible assets	-	(304)	-
- Hedge ineffectiveness on transition to IFRS	-	(6)	-
(Loss) / profit before tax	**(1,813)**	**372**	**(587%)**
Tax credit / (charge)	344	(62)	-
(Loss) / profit for the period	**(1,469)**	**310**	**(574%)**
Loss attributable to minority interests	(9)	(31)	-
(Loss) / profit attributable to stockholders	(1,460)	341	-
(Loss) / profit for the period	**(1,469)**	**310**	**(574%)**
Cost / income ratio	**56%**	**52%**	

* *Underlying excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. The Group has treated the following items as non-core: gain on the repurchase of tier 1 debt securities, effective interest rate adjustment relating to certain subordinated debt, gross-up for policyholder tax in the Life Business, investment return on treasury stock held for policyholders, loss on disposal of business activities, impairment of goodwill and other intangible assets and hedge ineffectiveness on transition to IFRS, see page 97 for further information.*

1 *The gain on the repurchase of tier 1 debt securities completed during the nine months ended 31 December 2009 is not considered to be part of underlying loss before tax.*
2 *Interest expense on subordinated liabilities is recognised using the effective interest rate (EIR) method leading to a gain of €67 million as a result of the restriction imposed by the EU Commission on the Group's ability to make certain discretionary payments on certain subordinated liabilities unless under a binding legal obligation to do so.*
3 *IFRS requires that the income statement be grossed up based on total tax payable by Bank of Ireland Life, comprising both policyholder and stockholder tax.The tax gross-up relating to policyholder tax is included within non-core items.*
4 *Under IFRS accounting rules, the Group income statement impact of Bank of Ireland stock held by Bank of Ireland Life policyholders is excluded. The amount above reflects the impact of the stock price movement between 31 March 2009 and 31 December 2009. Units of stock held at 31 December 2009 were 11 million.*

1.6.2 Underlying loss before tax for the nine month period ended 31 December 2009 (excluding impact of non-core items)

The Group's underlying loss before tax for the nine month period ended 31 December 2009 of €2,972 million compares to an underlying profit before tax of €595 million for the comparable nine month period ended 31 December 2008. This significant reduction is driven primarily by a reduction in total income (net of insurance claims), a substantial increase in the impairment charge on loans and advances to customers, partly offset by a material reduction in total operating expenses.

Total income (net of insurance claims) is 19% or €561 million lower for the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008. The increased cost of deposits in highly competitive markets and higher cost of term funding in wholesale markets together with lower fees and other income as a result of reduced business activities and asset disposals, the higher cost of the government guarantee scheme and impairment on investment properties are the principal factors underlying the reduction in total income.

Operating expenses are 11% lower in the nine month period ended 31 December 2009 due to reductions in staff numbers and rigorous management of all costs.

The impairment charge on loans and advances to customers including loans held for sale to NAMA for the nine month period ended 31 December 2009 of €4,055 million is a substantial increase over the impairment charge of €747 million for the comparable nine month period ended 31 December 2008. This increase reflects the very challenging economic conditions, higher unemployment, weaker consumer sentiment and in particular a dramatic slowdown in the property and construction sectors in Ireland and to a lesser extent in the UK.

Of the €4,055 million impairment charge for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA and €1,824 million or 45% relates to loans and advances to customers.

The Group's share of results of associates and joint ventures of €35 million for the nine month period ended 31 December 2009 compares to a loss of €35 million for the comparable nine month period ended 31 December 2008. The profit after tax of €35 million is primarily attributable to the Group's share of First Rate Exchange Services (FRES), a joint venture with the UK Post Office, reporting profit after tax of €27 million (Stg£23 million) for the nine month period ended 31 December 2009. The loss after tax of €35 million for the nine month period ended 31 December 2008 was primarily as a result of a significant impairment charge of €52 million arising from the Group's stake in a property unit trust that holds an investment in a UK retail property.

1.6.3 Total income

The period on period changes in 'net interest income' and 'net other income' are affected by IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at 'fair value through profit or loss'. Where assets or liabilities have been designated at 'fair value through profit or loss', the total fair value movements on these items, including interest income, are reported in 'net other income'. However, the cost of funding the assets and the interest income on investment of the related liabilities are reported in 'net interest income'. In addition, debt is raised in a variety of currencies and the resulting foreign exchange and interest rate risk is managed using derivative instruments – the cost of which is reported in 'net other income'.

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

Net interest income / net interest margin	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	2,121	2,870	(26%)
IFRS income classifications	(71)	(570)	-
Net interest income after IFRS income classification	**2,050**	**2,300**	**(11%)**
Average interest earning assets (€ billion)	172	177	
Net interest margin (annualised)	**1.59%**	**1.73%**	**(14bps)**

Net interest income, after IFRS income classifications, for the nine month period ended 31 December 2009 decreased by 11% to €2,050 million from €2,300 million for the comparable nine month period ended 31 December 2008, of which €180 million relates to net interest margin attrition with the remainder due to lower balance sheet volumes.

The Group net interest margin (annualised) for the nine month period ended 31 December 2009 declined by 14 basis points to 1.59% as compared to a net interest margin of 1.73% (annualised) for the comparable nine month period ended 31 December 2008.

The key drivers of the margin decrease of 14 basis points (annualised) were as follows:

- 31 basis points reduction due to margin attrition on deposits as a result of intense competition for deposits and the low interest rate environment, and
- 7 basis points due to higher costs of funding in the wholesale markets,

Partly offset by:
- 17 basis points due to higher asset pricing, particularly in Corporate Banking, UK Business Banking and the UK Residential Mortgage Business,
- 3 basis points increase due to lower cost of market dislocation, and
- 4 basis points due to earnings on the proceeds from the issue of the €3.5 billion 2009 Preference stock before taking account of the 8% coupon payable on the investment and lower interest costs following the repurchase of tier 1 debt securities in June 2009.

Net other income	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Net other income	316	128	147%
IFRS income classifications	71	570	-
Net other income after IFRS income classifications	**387**	**698**	**(45%)**

The following table gives an analysis of the principal movements in the Net other income after IFRS income classifications.

Net other income after IFRS income classifications	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change €m
Other income from Banking and Capital Markets businesses	509	597	(88)
Other income in Bank of Ireland Life	130	173	(43)
Other Items:			
Irish Government Guarantee charge	(105)	(32)	(73)
Investment valuation variance - Bank of Ireland Life	23	(86)	109
Impairment of investment properties	(62)	-	(62)
Guggenheim / Iridian (disposal during 2009)	12	36	(24)
Movement in credit spreads on own debt	(6)	49	(55)
Legal settlement	(74)	-	(74)
Charge from Lehmans collapse	-	(39)	39
Gain on VISA Initial Public Offering	-	24	(24)
Other items	(40)	(24)	(16)
Total other items	**(252)**	**(72)**	**(180)**
Net other income after IFRS income classifications	**387**	**698**	**(311)**

Net other income after adjusting for IFRS income classifications, decreased by €311 million or 45% for the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008. This reduction reflects:

- lower fee and other income of €88 million in the Banking and Capital Markets businesses as result of lower levels of new business activity, and
- reduced income of €43 million in the Life business primarily due to lower volumes of new business due to affordability issues for policyholders as a result of lower levels of disposable income.

The principal other items within Net other income, after IFRS income classifications, amount to a charge of €252 million for the nine month period ended 31 December 2009 which was €180 million higher than the charge for the nine month period ended 31 December 2008, primarily due to the following:

- additional charges associated with the Irish Government Guarantee of certain liabilities of €73 million (the nine month period ended 31 December 2008 includes a charge for three months from 29 September 2008 compared to a nine month charge to 31 December 2009),
- a positive movement on the investment valuation variance of €109 million in Bank of Ireland Life due to improved valuations as world equity and investment markets have shown some recovery from last year's sharp falls,
- impairment of €62 million on the value of some investment properties arising from continuing low levels of transactions in the commercial property markets,
- reduced fees in the asset management businesses of €24 million arising from the disposal of Guggenheim Alternative Asset Management LLC (Guggenheim) in June 2009 and Iridian Asset Management LLC (Iridian) in August 2009,
- a movement of €55 million arising from the change in credit spreads on the Group's issued notes and subordinated debt designated at 'fair value through profit or loss'. This is a partial reversal of gains recognised in prior periods,
- a charge in the nine months ended 31 December 2009 of €74 million arising from an unfavourable court ruling in connection with a European property investment,
- a charge of €39 million in the nine month period ended 31 December 2008 arising from the collapse of Lehmans in September 2008, and
- a gain of €24 million in the nine month period ended 31 December 2008 reflecting a distribution by VISA International following its initial public offering.

1.6.4 Operating expenses

Group operating expenses decreased by 11% for the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008 due to lower staff numbers and rigorous cost management across all costs.

Operating expenses	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Staff costs (excl. pension costs)	640	744	(14%)
Pension costs	149	134	11%
Other costs	592	667	(11%)
Total operating expenses	**1,381**	**1,545**	**(11%)**

Staff costs (excluding pension costs) of €640 million for the nine month period ended 31 December 2009 are 14% lower than the comparable nine month period ended 31 December 2008. This results from the Group's continuing pay and recruitment freeze and the non-replacement of departing staff. In addition, staff costs are lower due to reduced staff numbers arising from the Group's actions to close to new business and put into run down our intermediary sourced mortgage business in the UK and some of our international lending businesses in Corporate Banking and from the sale and downsizing of our asset management businesses. Staff numbers (including contract and agency staff) or 14,647 full time equivalents at 31 December 2009 were 8% lower compared to 15,939 full time equivalents at 31 December 2008.

Pension costs of €149 million for the nine month period ended 31 December 2009 are 11% or €15 million higher than the comparable nine month period ended 31 December 2008. This increase reflects the escalating cost of providing the pension scheme benefits together with the reduction in returns on the scheme assets following their fall in value over the last two years in particular.

In the nine month period ended 31 December 2009 continued tight control of all other costs remained a key focus.

1.6.5 Impairment Charge (including loans held for sale to NAMA)

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the table and commentary below presents the impairment charge on loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m
Residential mortgages	237	60
Non-property SME and corporate	659	108
Property and construction	2,993	449
Consumer	166	130
Total impairment charge on Total loans	**4,055**	**747**
Analysed as follows:		
Loans held for sale to NAMA	2,231	-
Loans & advances to customers	1,824	747
Total loan impairment charge	**4,055**	**747**

The impairment charge on Total loans of €4,055 million for the nine month period ended 31 December 2009 is substantially higher than the charge of €747 million for the comparable nine month period ended 31 December 2008. The sharp contraction in economic activity together with continuing low levels of transactions in the commercial and residential property markets in Ireland and the UK have impacted credit quality and resulted in the substantial increase in the loan impairment charge.

Of the €4,055 million impairment charge on Total loans for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA and €1,824 million or 45% relates to loans and advances to customers.

The impairment charge on Residential mortgages was €237 million for the nine month period ended 31 December 2009 compared to €60 million for the comparable nine month period ended 31 December 2008. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income together with further declining property prices.

The impairment charge on Non-property SME and corporate loans was €659 million for the nine month period ended 31 December 2009 compared to €108 million for the comparable nine month period ended 31 December 2008. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment together with the level of business insolvencies.

The impairment charge on Property and construction loans was €2,993 million for the nine month period ended 31 December 2009, compared to €449 million for the comparable nine month period ended 31 December 2008. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp decline in the level of economic activity leading to falling asset values exacerbated by the over supply of residential and commercial property in Ireland and to a lesser extent in the UK.

The impairment charge on Consumer loans was €166 million for the nine month period ended 31 December 2009, compared to €130 million for the comparable nine month period ended 31 December 2008. The charge on Consumer loans remains significant due to higher unemployment, high levels of personal indebtedness and lower disposable income.

The Group has conducted an extensive internal review of its impairment estimates on the non-NAMA bound loans and advances to customers. The outcome of this review is to confirm that the outlook for impairments on the Group's non-NAMA bound loans remains as expected and therefore can confirm the previous guidance of an impairment charge of €4.7 billion over the 3 years ending 31 March 2011 (see page 6).

The Group engaged Oliver Wyman, a leading international management consulting firm, to independently review and challenge our non-NAMA impairment estimates. Oliver Wyman has confirmed that, on the basis of the work it has performed, it believes the Group's non-NAMA impairment estimates to be reasonable (see page 6).

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

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

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

An impairment charge of €2 million was incurred on the Available for sale financial assets portfolio for the nine month period ended 31 December 2009, compared to a €76 million charge for the nine month period ended 31 December 2008. This charge of €76 million includes €36 million on the receivership of Washington Mutual, €25 million on the nationalisation and subsequent receivership of some Icelandic banks together with a €15 million charge relating to a leveraged exposure to a fund of rated financial institution debt securities.

A detailed analysis and commentary on asset quality and impairment is set out in the Risk Management Report.

1.6.6 Non-core Items

Underlying performance excludes non-core items which are those items that the Group believes obscure the underlying performance trends in the business. In addition to the recurring non-core items (principally the Bank of Ireland Life gross up for policyholder tax and investment returns on treasury stock held for policyholders) the Group has treated the following items as non-core in the nine months ended 31 December 2009:

- the gain of €1,037 million on the repurchase of tier 1 debt securities completed in June 2009,
- the gain of €67 million as a result of the restriction imposed by the EU Commission on the Group's ability to make coupon payments on certain subordinated liabilities unless under a binding legal obligation to do so (interest expense on subordinated liabilities is recognised using the effective interest rate (EIR) method), and
- during the nine months ended 31 December 2009, the Group disposed of its interest in Guggenheim Alternative Asset Management LLC (Guggenheim) and Iridian Asset Management LLC (Iridian) resulting in a net loss of €3 million.

In the nine month period ended 31 December 2008, the Group incurred a non-core charge of €304 million on the impairment of goodwill and other intangible assets on Guggenheim and Iridian. In addition the Group had a charge of €6 million relating to hedge ineffectiveness on transition to IFRS. The equivalent charge of €3 million in the nine month period ended 31 December 2009 is no longer material enough to obscure underlying trends in the Group's performance and therefore will no longer be classifed as non-core. In addition the impairment of intangible assets of €6 million in the nine month period ended 31 December 2009 is considered not material enough to obscure underlying trends in the Group's performance and therefore is not classified as non-core.

1.6.7 Taxation

The taxation credit for the Group was €344 million for the nine month period ended 31 December 2009, primarily due to losses in the period, compared to a taxation charge of €62 million for the comparable nine month period ended 31 December 2008.

The effective taxation rate for the nine month period ended 31 December 2009 is a credit of 19%. The effective taxation rate for the comparable nine month period ended 31 December 2008 was a charge of 16.8%.

Excluding the impact of non-core items (see page 11) the underlying effective taxation rate was 16.1% for the nine month period ended 31 December 2009 compared to a rate of 17.2% for the comparable nine month period ended 31 December 2008.

1.7. Divisional Performance - on an Underlying * basis

Underlying * (loss) / profit before tax	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Retail Republic of Ireland	(1,514)	233	(750%)
Bank of Ireland Life	69	(1)	-
UK Financial Services	(805)	102	(889%)
UK Financial Services (Stg £ equivalent)	*(720)*	*70*	-
Capital Markets	(600)	391	(253%)
Group Centre	(122)	(130)	(6%)
Underlying * (loss) / profit before tax	**(2,972)**	**595**	**(599%)**
Non-core items	1,159	(223)	-
(Loss) / profit before tax	**(1,813)**	**372**	**(587%)**

* Underlying excludes the impact of non-core items (see page 11).

1.7.1. Retail Republic of Ireland

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

The nine month period ended 31 December 2009 was particularly difficult for the Retail businesses in Ireland which continued to be adversely impacted by the significant contraction in the Irish economy. The sharp decline in the property and construction sectors led to substantially higher impairment charges. Intense competition for deposits and the low interest rate environment resulted in significant reductions in deposit margins. The economic outlook, together with poor consumer sentiment, has resulted in subdued demand for financial services products.

Retail Republic of Ireland: Income statement	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	888	1,114	(20%)
Net other income	112	244	(54%)
Operating income	**1,000**	**1,358**	**(26%)**
Operating expenses	(680)	(703)	(3%)
Impairment of intangible assets	(6)	-	-
Operating profit before impairment charges on financial assets	**314**	**655**	**(52%)**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(1,836)	(360)	410%
Share of results of associates and joint ventures (after tax)	8	(62)	-
Underlying * (loss) / profit before tax	**(1,514)**	**233**	**(750%)**
Cost / income ratio	**68%**	**54%**	**-**

* Underlying excludes the impact of non-core items (see page 11).

Retail Republic of Ireland reported an underlying loss before tax of €1,514 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of €233 million for the comparable nine month period ended 31 December 2008.

The operating profit of €314 million before impairment charges on financial assets for the nine month period ended 31 December 2009 reduced by 52% compared to the operating profit of €655 million before impairment charges on financial assets for the comparable nine month period ended 31 December 2008.

Net interest income of €888 million for the nine month period ended 31 December 2009 was 20% lower than the net interest income of €1,114 million for the comparable nine month period ended 31 December 2008. This reduction is a result of significant narrowing of liability spreads due to intense competition for customer deposits and the low interest rate environment.

Apart from the €17 billion of tracker mortgages (where the rates are contractually linked to interest rates set by the European Central Bank) Retail Republic of Ireland is making progress in re-pricing the remaining €34 billion of assets. The pace of this progress is expected to accelerate as the economy returns to growth and demand for new lending recovers.

Net other income of €112 million for the nine month period ended 31 December 2009 was 54% lower than Net other income of €244 million for the nine month period ended 31 December 2008. This reduction arises primarily as a result of a charge of €74m arising from an unfavourable court ruling in connection with a European property investment, impairment of €52 million on the value of some investment properties arising from continuing low levels of transactions in the commercial property market and lower fees and other income in Business Banking, Private Banking and Credit Cards due to lower levels of new business activity. Net other income for the comparable nine month period ended 31 December 2008 included a €24 million gain from a distribution by VISA International following its initial public offering.

Operating expenses of €680 million for the nine month period ended 31 December 2009 have decreased by €23 million compared to €703 million for the comparable nine month period ended 31 December 2008. This was largely due to reduced staff numbers and tight control of costs.

Share of results of associated undertakings and joint ventures of €8 million for the nine month period ended 31 December 2009 compares to a loss of €62 million for the comparable nine month period ended 31 December 2008. The loss of €62 million for the nine month period ended 31 December 2008 is primarily attributable to an impairment charge of €52 million relating to the Group’s investment in a property unit trust that holds an investment in a UK retail property.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes, the following tables and commentary presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m
Residential mortgages	165	24
Non-property SME and corporate	343	32
Property and construction	1,187	193
Consumer	141	111
Total impairment charge on Total loans	**1,836**	**360**

The impairment charge on loans and advances to customers of €1,836 million for the nine month period ended 31 December 2009 was a substantial increase on the impairment charge of €360 million for the comparable nine month period ended 31 December 2008 due principally to the significant contraction in economic activity with continuing low levels of transactions in both the commercial and residential property markets.

The impairment charge on the Residential mortgages was €165 million for the nine month period ended 31 December 2009 compared to €24 million for the nine month period ended 31 December 2008. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income together with the further decline in property prices. At 31 December 2009, 3 month arrears in the Residential mortgage portfolio were 3.46%.

The impairment charge on Non-property SME and corporate loans was €343 million for the nine month period ended 31 December 2009 compared to €32 million for the comparable nine month period ended 31 December 2008. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment, together with the level of business insolvencies.

The impairment charge on Property and construction loans was €1,187 million for the nine month period ended 31 December 2009 compared to €193 million for the comparable nine month period ended 31 December 2008. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp contraction in the level of economic activity, leading to falling asset values, exacerbated by the over supply of residential and commercial property in Ireland.

The impairment charge on Consumer loans was €141 million for the nine month period ended 31 December 2009 compared to €111 million for the comparable nine month period ended 31 December 2008. The charge on Consumer loans remains significant, due to higher unemployment, high levels of personal indebtedness and lower disposable income.

1.7.2 Bank of Ireland Life

Bank of Ireland Life is one of Ireland's leading life assurance companies. The company offers protection, investment and pension products to the Irish market through the Group's branch network, independent brokers and its direct sales force.

Bank of Ireland Life: Income Statement (IFRS performance)	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Operating income	125	166	(25%)
Operating expenses	(82)	(81)	1%
Operating profit	**43**	**85**	**(49%)**
Investment valuation variance	23	(86)	-
Discount and other rate changes	3	-	-
Underlying * profit / (loss) before tax	**69**	**(1)**	**-**
Cost / income ratio	**66%**	**49%**	

* Underlying performance excludes the impact of non-core items (see page 11).

Underlying profit before tax of €69 million for the nine month period ended 31 December 2009 was significantly higher than the comparable nine month period ended 31 December 2008 due primarily to the movement in the investment valuation variance partly offset by lower operating profit.

Annual Premium Equivalent (APE) sales for the nine month period ended 31 December 2009 were 32% lower than the comparable nine month period ended 31 December 2008.

Operating profit of €43 million for the nine month period ended 31 December 2009 has fallen 49% compared to the nine month period ended 31 December 2008 due to the following factors:

- lower volumes of new business, notably of savings and regular premium pensions,
- policy lapses due to lower disposable income, and
- lower average funds under management, reflecting the sharp fall in investment markets in the last quarter of the 2008 calender year.

Bank of Ireland Life has maintained its focus on cost containment with operating expenses of €82 million for the nine month period ended 31 December 2009, broadly in line with the comparable nine month period ended 31 December 2008. Included in operating expenses of €82 million for the nine month period ended 31 December 2009 is an impairment charge of €3 million relating to the revaluation of Bank of Ireland Life owned properties.

In the nine month period ended 31 December 2009, consistent with long term bond yields, the discount rate applied to future cashflows was decreased from 9.0% to 8.25%, and the unit growth assumption was reduced from 7.25% to 6.5% resulting in a profit of €3 million. The performance of investment markets in excess of this growth assumption since April 2009 has resulted in a positive investment valuation variance of €23 million. This compares to an underperformance of investment markets in the nine month period ended 31 December 2008 which gave rise to a negative investment valuation variance of €86 million.

Bank of Ireland Life has maintained a strong financial position and continues to be significantly in excess of the statutory solvency margin, required by the Financial Regulator.

Embedded Value Performance

Bank of Ireland Life: Income Statement (Embedded value performance)	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
New business profits	9	38	(76%)
Existing business profits	20	28	(29%)
• Expected return	55	64	(14%)
• Experience variance	(29)	(32)	(10%)
• Assumption changes	(6)	(4)	50%
Inter company payments	(9)	(14)	(37%)
Operating profit	**20**	**52**	**(61%)**
Investment variance	62	(171)	(136%)
Underlying * profit / (loss) before tax	**82**	**(119)**	**169%**

* Underlying excludes the impact of non-core items (see page 11).

The alternative method of presenting the performance of the Life business is on an Embedded Value basis. This method is widely used in the life assurance industry. Under this approach, underlying profit before tax for the nine month period ended 31 December 2009 of €82 million, is significantly higher than the nine month period ended 31 December 2008. This increase is due primarily to a substantial positive investment valuation variance, resulting from the recovery in investment markets.

Operating profit of €20 million for the nine month period ended 31 December 2009 compares to an operating profit of €52 million for the comparable nine month period ended 31 December 2008. New business profits were €29 million lower for the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008, due to lower sales volumes, notably of savings and regular pension products. Existing business profits were €20 million for the nine month period ended 31 December 2009 compared to €28 million for the comparable nine month period ended 31 December 2008. This reduction in existing business profits is as a result of a lower book of business and lower retention rates compared to the actuarial assumptions.

The key assumptions used in the Embedded Value methodology are consistent with those used under the IFRS methodology, being a discount rate of 8.25% (31 March 2009: 9%), future growth rate on unit linked assets of 6.5% (31 March 2009: 7.25%) and the rate of tax to be levied on shareholders profits of 12.5% (31 March 2009: 12.5%).

1.7.3 UK Financial Services (Sterling)

The UK Financial Services (UKFS) Division incorporates Business Banking in Great Britain and Northern Ireland, the branch network in Northern Ireland, the UK Residential mortgage business and the joint ventures with the UK Post Office, namely Post Office Financial and Travel Services (POFTS).

UK Financial Services: Income Statement	**9 months ended 31 December 2009 £m**	Proforma 9 months ended 31 December 2008 £m	Change %
Net interest income	411	457	(10%)
Net other income	61	73	(16%)
Operating income	472	530	(11%)
Operating expenses	(267)	(297)	(10%)
Operating profit before impairment charges	**205**	**233**	**(12%)**
Impairment charges on loans and advances to customers (incl. loans held for sale to NAMA)	(948)	(193)	391%
Share of results of associates and joint ventures (after tax)	23	30	(23%)
Underlying * (loss) / profit before tax	**(720)**	**70**	-
Underlying * (loss) / profit before tax (€m equivalent)	**(805)**	**102**	-
Cost / income ratio	**54%**	**53%**	

* Underlying performance excludes the impact of non-core items (see page 11).

UK Financial Services reported an underlying loss before tax of £720 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of £70 million for the comparable nine month period ended 31 December 2008. The operating profit of £205 million before impairment charges on financial assets for the nine month period ended 31 December 2009 was 12% lower than the nine month period ended 31 December 2008.

Net interest income of £411 million for the nine month period ended 31 December 2009 is 10% lower than the comparable nine month period ended 31 December 2008 due to intense competition for deposits impacting liability spreads, together with the low interest rate environment. These negative impacts were partly offset by higher pricing on both the Residential mortgage and Business Banking loan books.

In January 2009, the Group announced its withdrawal from the intermediary sourced mortgage market in the UK and the wind down of a range of international lending portfolios in Capital Markets (together the “Non-core loan portfolios”). At 31 December 2009 the Non-core loan portfolios amounted to €34 billion.

Up to 30 September 2009, the Group allocated its total cost of funds (which includes the cost over libor / euribor on wholesale funding, customer deposits and securitisations) based on the net asset or liability position of each division. With effect from 1 October 2009, the Group has decided to change the basis of allocation of its cost of funds. From this date, the Group has allocated the marginal cost of wholesale funding to the Non-core loan portfolios. For the remaining loan portfolios (together the “Core loan portfolios”) the Group’s residual cost of funds is allocated based on the net asset or liability position of each division.

The impact of this decision, made on 1 October 2009, on UK Financial Services was to decrease its Net interest income in the nine month period ended 31 December 2009 by €17 million (Stg£15 million). As a consequence, the impact of this decision was to increase the Net interest income in Retail Republic of Ireland by €9 million and to increase the Net interest income in Capital Markets by €8 million.

It is estimated that the impact of this decision, on an annualised basis, would be to decrease the Net interest income in UK Financial Services by €68 million (Stg£60 million), to increase the Net interest income in Retail Republic of Ireland by €36 million and to increase the Net interest income in Capital Markets by €32 million.

Net other income for the nine month period ended 31 December 2009 reduced by 16% when compared to the nine month period ended 31 December 2008 reflecting reduced fee income as a result of lower new business lending activity, lower fees in Consumer Financial Services buisnesses as a result of the contraction in the overseas travel market, together with the impact of interest rate changes on the fair value of economic hedging instruments.

Operating expenses for the nine month period ended 31 December 2009 of £267 million were 10% lower than the comparible nine month period ended 31 December 2008. This reduction is driven by savings from the restructuring of both the UK Residential mortgage and Business Banking operations. Investment has continued in the joint ventures with the UK Post Office.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes the following tables and commentary presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	**9 months ended 31 December 2009 £m**	Proforma 9 months ended 31 December 2008 £m
Residential mortgages	64	30
Non-property SME and corporate	43	20
Property and construction	820	127
Consumer	21	16
Total impairment charge on Total loans	**948**	**193**

The impairment charge on Total loans of £948 million for the nine month period ended 31 December 2009 was a substantial increase on the impairment charge of £193 million for the comparable nine month period ended 31 December 2008. The increased impairment charge arises primarily in the land and development element of the Property and construction portfolio, which has been most significantly impacted by sharp declines in asset values, higher unemployment and lower levels of economic activity. The increase in Residential mortgage impairment charges is driven by higher unemployment, house price deflation and the weak economy, which have led to higher arrears and repossessions.

The Share of results of associated undertakings and joint ventures relates to the Group's share of First Rate Exchange Services (FRES), a joint venture with the UK Post Office, which generated profit after tax of £23 million for the nine month period ended 31 December 2009, compared to £30 million for the nine month period ended 31 December 2008 primarily due to lower income as a result of the contraction in the overseas travel market.

Business Unit : **Underlying * (loss) / profit before tax**	**9 months ended 31 December 2009 £m**	Proforma 9 months ended 31 December 2008 £m	Change %
Residential mortgages	39	64	(39%)
Business Banking	(729)	9	-
Consumer Financial Services	20	28	(29%)
Division Centre	(50)	(31)	61%
Underlying * (loss) / profit before tax	**(720)**	**70**	**-**

* Underlying performance excludes the impact of non-core items (see page 11).

As outlined on page 52 above, the impact of the Group's decision to change the basis of allocation of its cost of funds with effect from 1 October 2009 was to decrease the Net interest income in UK Financial Services by €17 million (Stg£15 million). Within UK Financial Services, the impact of this decision was to decrease the Net interest income for Residential mortgages by €26 million (Stg£23 million) and to increase the Net interest income for Business Banking by €9 million (Stg£8 million).

It is estimated that the impact of this decision on an annualised basis would be to decrease the Net interest income for Residential mortgages by €103 million (Stg£91 million) and to increase the Net interest income in Business Banking by €35 million (Stg£31 million).

The underlying profit before tax in the **Residential Mortgage Business** for the nine month period ended 31 December 2009 of £39 million has decreased from a profit of £64 million for the comparable nine month period ended 31 December 2008. Operating profit of £108 million before impairment charges for the nine month period ended 31 December 2009 has increased by £5 million or 5% when compared to the operating profit before impairment charges for the comparable nine month period ended 31 December 2008. This increase is primarily through improved product margins partly offset by the change in the basis of allocation of the cost of funds as outlined above and a reduction in the operating costs resulting from the closure of the intermediary channel to new business in January 2009. Residential mortgage impairment charges for the nine month period ended 31 December 2009 of £64 million increased from £30 million for the comparable nine month period ended 31 December 2008 driven by higher unemployment, house price deflation and the weak economy which have led to higher arrears and repossessions.

While arrears have risen sharply from a low base, the residential mortgage portfolio continues to outperform industry averages. At 31 December 2009, overall residential mortgage portfolio arrears greater than three months were 171 basis points compared to industry arrears of 238 basis points as per Council of Mortgage Lenders, UK data.

The **Business Banking** loss before tax for the nine month period ended 31 December 2009 of £729 million shows a significant deterioration when compared to the profit before tax for the comparable nine month period ended 31 December 2008 of £9 million. This deterioration reflects a substantial increase in impairment charges to £860 million for the nine month period ended 31 December 2009 compared to £147 million for the comparable nine month period ended 31 December 2008. This increase in the impairment charge arises primarily in the land and development element of the Property and construction portfolio and is driven primarily by a sharp decline in asset values, higher unemployment and lower levels of economic activity.

Operating profit before impairment charges of £131 million for the nine month period ended 31 December 2009 decreased by £21 million or 14% compared to the nine month period ended 31 December 2008. Net interest income is lower due to intense competition for deposits, a lower interest rate environment and reduced deposit volumes, higher wholesale funding costs partly offset by asset re-pricing and the impact of the change in the basis of allocation of the cost of funds as outlined above.

Consumer Financial Services which is comprised of a number of business activities with the UK Post Office (POFTS, Credit Cards and ATMs) delivered an underlying operating profit before tax of £20 million for the nine month period ended 31 December 2009, £8 million lower than the nine month period ended 31 December 2008. The reduction is primarily attributable to lower fee income as a result of the contraction in the overseas travel market, together with deposit margin attrition.

The loss in **Division Centre** increased to £50 million for the nine month period ended 31 December 2009 from £31 million for the comparable nine month period ended 31 December 2008 mainly due to the continued investment in deposit gathering initiatives and the impact of interest rate changes on fair value of economic hedging instruments.

1.7.4 Capital Markets

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

Capital Markets: Income Statement	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	705	1,202	(41%)
Net other income	83	(284)	(129%)
Operating income	788	918	(14%)
Operating expenses	(230)	(279)	(18%)
Operating profit before impairment charges	**558**	**639**	**(13%)**
Impairment charges on loans and advances to customers			
(incl. loans held for sale to NAMA)	(1,157)	(161)	619%
Impairment charges on AFS assets	(2)	(76)	(97%)
Share of results of associates and joint ventures (after tax)	1	(11)	(109%)
Underlying * (loss) / profit before tax	**(600)**	**391**	**(253%)**
Cost / income ratio	**29%**	**31%**	

* Underlying performance excludes the impact of non-core items (see page 11).

Capital Markets reported an underlying loss before tax of €600 million for the nine month period ended 31 December 2009 compared to an underlying profit before tax of €391 million for the comparable nine month period ended 31 December 2008.

Operating profit of €558 million before impairment charges on financial assets for the nine month period ended 31 December 2009 compares to an operating profit of €639 million for the comparable nine month period ended 31 December 2008.

The year on year change in net interest income and 'net other income' is impacted by IFRS income classifications, as explained on page 12.

Net interest income	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income	705	1,202	(41%)
IFRS income classifications	(67)	(520)	-
Net interest income after IFRS income classifications	**638**	**682**	**(6%)**

After the impact of the IFRS income classifications, Net interest income decreased by 6%, for the nine month period ended 31 December 2009, compared to the nine month period ended 31 December 2008 reflecting higher cost of funding.

Net other income	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m	Change %
Net other income / (expense)	83	(284)	129%
IFRS income classifications	67	520	-
Net other income after IFRS income classifications	**150**	**236**	**(36%)**

After the impact of IFRS classifications, 'Net other income' for the nine month period ended 31 December 2009 reduced by €86 million or 36% when compared to the nine month period ended 31 December 2008. This decrease primarily reflects;

- reduced fees in the asset management businesses of €43 million arising from the disposal of Iridian Asset Management LLC (Iridian) in June 2009 and Guggenheim Alternative Asset Management LLC (Guggenheim) in August 2009, together with lower fee income in Bank of Ireland Asset Management and Bank of Ireland Securities Services,
- lower other income in Corporate Banking of €29 million due to reduced fee income driven by lack of demand for credit facilities and the recognition of impairment charges on investment properties (€10 million),
- lower levels of other income in Global Markets of €55 million primarily due to decreased levels of third party customer business, partly offset by;
- a charge of €39 million in the nine month period ended 31 December 2008 related to the collapse of Lehmans in September 2008.

Operating expenses of €230 million for the nine month period ended 31 December 2009 are €49 million lower than the nine month period ended 31 December 2008, primarily due to the disposal of Iridian and Guggenheim together with tight management of all other costs.

At 31 December 2009, the Group classified those loans and advances to customers expected to transfer to NAMA as loans held for sale to NAMA. For ease of comparative purposes, the following tables and commentary, presents loans and advances to customers and loans held for sale to NAMA together as Total loans.

Loan impairment charge by portfolio	9 months ended 31 December 2009 €m	Proforma 9 months ended 31 December 2008 €m
Non-property SME and corporate	270	53
Property and construction	887	108
Total impairment charge on Total loans	**1,157**	**161**

The impairment charge on Total loans of €1,157 million for the nine month period ended 31 December 2009 increased from €161 million for the comparable nine month period ended 31 December 2008. This increase was largely attributable to the Property and construction portfolio and in particular the land and development element which is substantially expected to transfer to NAMA.

The impairment charge on the Non property SME and corporate portfolio was €270 million for the nine month period ended 31 December 2009 compared to €53 million for the comparable nine month period ended 31 December 2008 which reflects the challenging conditions for certain mid-tier Irish corporate customers and some specific debt restructuring activity in the leveraged acquisition finance business.

The impairment charge on the Property and construction portfolio of €887 million for the nine month period ended 31 December 2009 compared to €108 million for the comparable nine month period ended 31 December 2008. The land and development element within the Property and construction portfolio is most significantly impacted by the sharp decline in the level of economic activity leading to falling asset values exacerbated by the over supply of residential and commercial property in Ireland.

An impairment charge on Available for sale financial assets of €2 million (€1 million each in Corporate Banking and Global Markets) was incurred for the nine month period ended 31 December 2009, compared to a €76 million charge for the nine month period ended 31 December 2008. This charge of €76 million included €36 million on the receivership of Washington Mutual, €25 million on the nationalisation and subsequent receivership of some Icelandic banks together with a €15 million charge relating to a leveraged exposure to a fund of rated financial institution debt securities.

Business Unit: **Underlying * (loss) / profit before tax**	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Corporate Banking	(749)	242	(410%)
Global Markets	128	173	(26%)
Asset Management Services	23	(18)	228%
Division Centre	(2)	(6)	(67%)
Underlying * (loss) / profit before tax	**(600)**	**391**	**(253%)**

* Underlying performance excludes the impact of non-core items (see page 11).

The underlying loss before tax of €749 million in **Corporate Banking** for the nine month period ended 31 December 2009 compares to a profit before tax of €242 million for the comparable nine month period ended 31 December 2008. This sharp deterioration in profit was due to a substantial increase in the impairment charge of €1,157 million for the nine month period ended 31 December 2009 compared to €161 million for the comparable nine month period ended 31 December 2008. Total operating income was lower by 3% in the nine month period ended 31 December 2009, compared to the nine month period ended 31 December 2008, driven by the higher funding costs, recognition of impairment on investment properties (€10 million) and lower fee income due to lower levels of new business activity.

Global Markets underlying profit before tax of €128 million for the nine month period ended 31 December 2009 compares to €173 million for the comparable nine month period ended 31 December 2008. Total income for the nine month period ended 31 December 2009 is lower by €104 million compared to the nine month period ended 31 December 2008, primarilly due to the higher cost of funding, gains in the nine month period ended 31 December 2008 as a result of good positioning in a falling interest rate environment and lower levels of third party customer business in the current reporting period as a result of the reduced level of economic activity. An impairment charge of €1 million has been incurred in the nine month period ended 31 December 2009, compared to €61 million for the nine month period ended 31 December 2008 due to the impairment charges incurred in the prior period on the receivership of Washington Mutual and on the nationalisation and subsequent receivership of some Icelandic banks.

The underlying profit before tax of €23 million in **Asset Management Services** for the nine month period ended 31 December 2009 compared to an underlying loss before tax of €18 million for the comparable nine month period ended 31 December 2008. The nine month period ended 31 December 2008 included a loss of €32 million associated with the collapse of Lehmans in September 2008. Bank of Ireland Asset Management and Bank of Ireland Securities Services reported lower levels of income in the nine month period ended 31 December 2009 compared to the nine month period ended 31 December 2008 due to lower assets under management and lower fee income. Iridian and Guggenheim, the US asset management businesses, were disposed of during the nine month period ended 31 December 2009.

Division Centre includes central management costs and IBI Corporate Finance.

1.7.5 Group Centre

Group Centre comprises capital management activities and unallocated support costs.

Group Centre: Income Statement	**9 months ended 31 December 2009 €m**	Proforma 9 months ended 31 December 2008 €m	Change %
Net interest income / (expense)	65	(5)	-
Net other expense	(102)	(13)	-
Operating loss	(37)	(18)	(106%)
Operating expenses	(85)	(112)	(24%)
Underlying * loss before tax	**(122)**	**(130)**	**(6%)**

* Underlying performance excludes the impact of non-core items (see page 11).

Group Centre reported an underlying loss before tax of €122 million for the nine month period ended 31 December 2009, compared to an underlying loss before tax of €130 million for the comparable nine month period ended 31 December 2008.

Net interest income of €65 million for the nine month period ended 31 December 2009 includes the interest earned on cash received as consideration for the issuance of €3.5 billion of preference stock on 31 March 2009 and reflects lower funding costs following the repurchase of tier 1 debt securities in June 2009.

Net other expense for the nine month period ended 31 December 2009 includes the impact of the cost of the Government liability guarantee of €105 million. This is an increase of €73 million when compared to the nine month period ended 31 December 2008. The nine month period ended 31 December 2008 included a charge of €32 million for the three month period from 29 September 2008 compared to the nine month period ended 31 December 2009 which included the charge for nine months.

In addition, the movement in net other expense includes a movement of €66 million arising from the change in credit spreads on the Group’s issued notes and subordinated debt designated at ‘fair value through profit or loss’. This is a partial reversal of gains recognised in prior periods.

Operating expenses of €85 million for the nine month period ended 31 December 2009 compares to €112 million for the comparable nine month period ended 31 December 2008. This reduction is due principally to lower staff and other costs partly offset by higher costs in relation to the NAMA Scheme. The nine month period ended 31 December 2008 included accelerated software depreciation and impairment of an intangible asset.

Income Statement – Operating Segments

Proforma **9 month period ended 31 December 2008**	Net interest income €m	Insurance net premium income €m	Other income €m	**Total operating income €m**	Insurance contract liabilities and claims paid €m	**Total operating income net of insurance claims €m**	Operating expenses €m	**Operating profit before impairment charge on financial assets €m**	Impairment of goodwill and other intangible assets €m	Impairment charge on financial assets €m	Share of results of associates and joint ventures (after tax) €m	**Profit / (loss) before taxation €m**
Retail Republic of Ireland	1,114	-	232	**1,346**	12	**1,358**	(703)	**655**	-	(360)	(62)	**233**
Bank of Ireland Life	(7)	906	(1,133)	**(234)**	314	**80**	(81)	**(1)**	-	-	-	**(1)**
UK Financial Services	566		94	**660**	-	**660**	(370)	**290**	-	(226)	38	**102**
Capital Markets	1,202	-	(284)	**918**	-	**918**	(279)	**639**	-	(237)	(11)	**391**
Group Centre	(5)	26	(23)	**(2)**	(16)	**(18)**	(112)	**(130)**	-	-	-	**(130)**
Group – underlying *	**2,870**	**932**	**(1,114)**	**2,688**	**310**	**2,998**	**(1,545)**	**1,453**	**-**	**(823)**	**(35)**	**595**
- Gross-up of policyholder tax in the Life business	-	-	(41)	**(41)**	-	**(41)**	-	**(41)**	-	-	-	**(41)**
- Investment return on treasury stock held for policyholders	-	-	128	**128**	-	**128**	-	**128**	-	-	-	**128**
- Hedge ineffectiveness on transition to IFRS	-	-	(6)	**(6)**	-	**(6)**	-	**(6)**	-	-	-	**(6)**
- Cost of restructuring programme	-	-	-	**-**	-	**-**	-	**-**	-	-	-	**-**
- Impairment of goodwill and other intangible assets	-	-	-	**-**	-	**-**	-	**-**	(304)	-	-	**(304)**
Group total	**2,870**	**932**	**(1,033)**	**2,769**	**310**	**3,079**	**(1,545)**	**1,534**	**(304)**	**(823)**	**(35)**	**372**

* Underlying performance excludes the impact of non-core items (see page 11).

Risk Management

Management of Principal Risks

Credit Risk

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

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

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

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

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

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

Credit Risk Exposures

At 31 December 2009, the Group classified those loans and advances to customers which are to transfer to NAMA as assets held for sale to NAMA. See section 1.4.2 of the Operating and Financial Review.

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

	31 December 2009 €m	31 March 2009 €m
Maximum exposure to credit risk (before collateral or other credit enhancements)		
Loans and advances to banks (note 18)	5,031	7,886
Loans and advances to customers (note 20)	119,439	133,740
Assets held for sale to NAMA[1] (note 21)	9,581	-
Financial assets at fair value through profit or loss		
- Trading securities	403	125
- Other financial assets[2]	3,275	3,207
Derivative financial instruments (note 23)	5,824	8,397
Available for sale financial assets[3] (note 19)	20,884	26,796
Other assets[4]	1,118	1,073
Total on balance sheet	**165,555**	**181,224**
Contingent liabilities and commitments (note 29)	27,456	29,487
Total maximum exposure	**193,011**	**210,711**

1 Assets held for sale to NAMA include derivatives and accrued interest (see note 21).
2 Other financial assets at fair value through profit or loss includes government bonds, unit trusts, debt securities, loans and advances, and excludes equity securities as they are not subject to credit risk (see note 17).
3 Available for sale financial assets excludes equity securities (see note 19).
4 Other assets includes interest receivable and the reinsurance asset.

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

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

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

The Group continues to enhance a range of initiatives to deal with the effects of the continued deterioration in the credit environment and decline in asset quality, such as the following:
- enhancement of collections and recoveries processes,
- the creation and the expansion of existing specialist work out teams to ensure early intervention and resolution,
- more frequent and intensive review cycles for 'at risk' exposures and management of excess positions,
- reviews of industry / market sectors considered to be more vulnerable,
- support from central teams in managing 'at risk / challenged' portfolios at a business unit level,
- increased centralised control over restructures by Group Credit Committee (GCC), and
- tighter / modified lending criteria for specific sectors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Counterparty Credit Risk arising from derivatives

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

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

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

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

Country Risk

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

Settlement Risk

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

Credit Concentration Risk

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

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

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

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

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

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

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

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

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

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

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

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

Credit Risk Assessment & Measurement

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

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

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

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

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

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

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

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

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

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

Credit Risk Mitigation

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

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

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

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

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

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

The Group currently makes very limited use of hedging strategies or credit derivatives for risk mitigation purposes. A number of securitisation transactions for residential and commercial mortgages and a collateralised debt obligation (CDO) vehicle, primarily for leveraged loans, have been undertaken. The primary purpose of these initiatives was for contingent liquidity management.

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

A variety of types of collateral are accepted, including property, securities, cash, guarantees and insurance, grouped broadly as follows:
- Financial collateral (lien over deposits, shares, etc.),
- Residential and commercial real estate,
- Physical collateral (plant & machinery, stock, etc.), and
- Other collateral (debtors, guarantees, insurance, etc.).

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

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

Loan Loss Provisioning Methodology

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

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

All credit exposures, either individually or collectively, are regularly reviewed for objective evidence of impairment; where such evidence of impairment exists, the exposure is measured for an impairment provision. The criteria used to determine that there is objective evidence of impairment include:
- delinquency in contractual payments of principal or interest,
- cash flow difficulties,
- breach of loan covenants or conditions,
- deterioration of the borrower’s competitive position,
- deterioration in the value of collateral,
- external rating downgrade below an acceptable level,
- initiation of bankruptcy proceedings.

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

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

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

All exposures are assessed for impairment either individually or collectively.

Methodology for Individually Assessing Impairment

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

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

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

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

Methodology for Collectively Assessing Impairment

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

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

Methodology for establishing Incurred but not reported (IBNR) provisions

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

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

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

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

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

An analysis of the Group's impairment provisions at 31 December 2009 is set out on page 76.

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

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

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

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

Asset Quality - Financial Assets

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

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

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

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

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

- high quality ratings apply to highly rated financial obligors, strong corporate and business counterparties and consumer banking borrowers (including residential mortgages) with whom the Group has an excellent repayment experience. High quality ratings are derived from grades 1 to 4 on the thirteen point grade scale, grades 1 and 2 on the seven point grade scale and ratings equivalent to AAA, AA+, AA, AA-, A+, A, A-, BBB+ and BBB for the external major rating agencies,
- satisfactory quality ratings apply to good quality financial assets that are performing as expected, including loans and advances to small and medium sized enterprises, leveraged entities and more recently established businesses. Satisfactory quality ratings also include some element of the Group's retail portfolios. Satisfactory quality ratings are derived from grades 5 to 7 on the thirteen point grade scale, grade 3 on the seven point grade scale and external ratings equivalent to BBB-, BB+, BB and BB-,
- acceptable quality ratings apply to customers with increased risk profiles that are subject to closer monitoring and scrutiny by lenders with the objective of managing risk and moving accounts to an improved rating category. Acceptable quality ratings are derived from grades 8 and 9 on the thirteen point grade scale, grade 4 outstandings within the seven point scale and external ratings equivalent to B+, and
- the lower quality but not past due nor impaired rating applies to those financial assets that are neither in arrears nor impaired but where the Group requires a work down or work out of the relationship unless an early reduction in risk is achievable. Lower quality ratings are derived from outstandings within rating grades 10 and 11 on the thirteen point grade scale and grade 5 on the seven point grade scale and external ratings equivalent to B or below.

'Past due but not impaired loans' are defined as follows:
- loans where repayment of interest and / or principal are overdue by at least one day but are not impaired.

'Impaired loans' are defined as follows:
- loans with a specific impairment provision attaching to them together with loans (excluding residential mortgages) which are more than 90 days in arrears.
- all assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale are impaired.

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

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

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

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

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

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

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

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

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

Challenged Loans

The Group's 'challenged' loans were €26.3 billion at 31 December 2009 compared to €15.7 billion at 31 March 2009. These 'challenged' loans include 'impaired loans', together with elements of 'past due but not impaired loans', 'lower quality but not past due nor impaired' and loans at the lower end of 'acceptable quality' which are subject to increased credit scrutiny.

The change since 31 March 2009 of €10.6 billion is due to the continued impact of the weaker economic conditions on arrears and continued downward grade migration across the portfolio particularly in Property and construction. Analysed by portfolio at 31 December 2009, Property and construction exposures continued to dominate and represent 58% of all challenged loans. The Non-property SME and corporate loan book accounts for 29% of challenged loans, Residential mortgages accounts for 8% and Consumer loans accounts for 5% of challenged loans at 31 December 2009.

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

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

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

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

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

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

Financial Assets 'neither past due nor impaired': Loans and advances to customers & loans held for sale to NAMA (Total loans)
The tables below provide an analysis of Total loans 'neither past due nor impaired' by asset classification based on an assessment of the credit quality of the borrower.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The coverage ratio on Residential mortgages increased from 63% at 31 March 2009 to 76% at 31 December 2009. In line with existing market practice, coverage ratios for Residential mortgages are computed on a different basis to other portfolios (i.e. Residential mortgages that are 90 days past due are excluded from impaired loans). If Residential mortgages that are 90 days past due were included in impaired loans, the coverage ratio for Residential mortgages would be 20% at 31 December 2009 (up from 12% at 31 March 2009). The Non-property SME and corporate coverage ratio of 41% at 31 December 2009 compares to 40% at 31 March 2009. The coverage ratio for Property and construction of 40% at 31 December 2009 has increased from 24% at 31 March 2009, reflecting a significant increase in the impairment provision at 31 December 2009. Consumer lending at 31 December 2009 has 89% coverage, up from 82% at 31 March 2009.

Of the circa. €12.2 billion of loans held for sale to NAMA, €6.6 billion or 54% were impaired. The impairment provision at 31 December 2009 amounted to €2.8 billion which represents 42% of impaired loans.

Loans held for sale to NAMA **Composition by division**	**Total loans €m**	**Impairment provisions €m**	**Carrying value €m**
Retail Republic of Ireland	3,525	1,063	2,462
UK Financial Services	3,573	817	2,756
Capital Markets	5,137	898	4,239
Total loans held for sale to NAMA	**12,235**	**2,778**	**9,457**

The impairment provision on loans held for sale to NAMA of €2.8 billion at 31 December 2009 is made up of €1.1 billion or 38% from Retail Republic of Ireland, €0.8 billion or 29% from UK Financial Services and €0.9 billion or 33% from the Capital Markets division. The ratio of impairment provision to loans held for sale to NAMA is 23%. This ratio differs across the divisions. Retail Republic of Ireland has a ratio of 30% reflecting the impact of the sharp deterioration in the property and construction sector in Ireland. The ratio in UK Financial Services is 23% and the ratio in Capital Markets is 17% reflecting the diversification of property assets across different geographic and less stressed areas with Capital Markets having a higher proportion of assets in the investment element of property assets.

Loan Impairment Charge

The Group impairment charge for the nine month period ended 31 December 2009 amounted to €4,055 million or 3.96% when expressed as an annualised percentage of average loans and advances to customers including loans held for sale to NAMA. The charge of €4,055 million is €2,620 million higher than the charge of €1,435 million for the twelve month period ended 31 March 2009. This higher charge reflects, in particular, the impact of the sharp deterioration in the property and construction sector particularly in Ireland, with continued weakening in non-property sectors.

	9 months ended 31 December 2009		12 months ended 31 March 2009	
Total loan impairment charge	**€m**	**%**	€m	%
Specific impairment (net of provision write backs)	3,467	3.39%	1,058	0.76%
Incurred but not reported (IBNR)	591	0.58%	385	0.27%
Recoveries	(3)	(0.01%)	(8)	(0.01%)
Total loan impairment charge	**4,055**	**3.96%**	**1,435**	**1.02%**

The split of the Group impairment charge by portfolio is as follows:

Group loan impairment charge	9 months ended 31 December 2009 €m	9 months ended 31 December 2009 %	12 months ended 31 March 2009 €m	12 months ended 31 March 2009 %
Residential mortgages	237	0.52%	127	0.20%
Non-property SME and Corporate	659	2.50%	344	0.94%
Property and Construction	2,993	11.25%	766	2.11%
Consumer	166	4.21%	198	3.08%
Total loan impairment charge	**4,055**	**3.96%**	**1,435**	**1.02%**
Analysed as follows:				
Loans held for sale to NAMA	2,231	24.31%	-	-
Loans and advances to customers	1,824	1.96%	1,435	1.02%
Total loan impairment charge	**4,055**	**3.96%**	**1,435**	**1.02%**

The impairment charge on Residential mortgages was €237 million for the nine month period ended 31 December 2009 compared to €127 million for the twelve month period ended 31 March 2009. This increase is due to the impact on the level of arrears from rising unemployment and lower disposable income together with further declining property prices.

The impairment charge on Non-property SME and corporate was €659 million for the nine month period ended 31 December 2009 compared to €344 million for the twelve month period ended 31 March 2009. This increase is due to the impact on customers of the slowdown in economic activity and poor consumer sentiment together with the level of business insolvencies.

The impairment charge on Property and construction was €2,993 million for the nine month period ended 31 December 2009 compared to €766 million for the twelve month period ended 31 March 2009. The land and development element within the Property and construction portfolio is most significantly impacted by falling property prices, more negative views of asset values, over supply of residential stock in Ireland and the general weak economic conditions, particularly in Ireland and to a lesser extent in the UK.

The impairment charge on Consumer loans was €166 million for the nine month period ended 31 December 2009 compared to €198 million for the twelve month period ended 31 March 2009. The charge on Consumer loans remains significant due to higher unemployment, high levels of personal indebtedness and lower disposable income.

Of the €4,055 million impairment charge on loans and advances to customers for the nine month period ended 31 December 2009, €2,231 million or 55% relates to loans held for sale to NAMA. The impairment charge of €1,824 million on loans and advances to customers represents 45% of the total charge of €4,055 million for the nine months ended 31 December 2009; it represents 1.96% on an annualised basis, on the average loans and advances to customers excluding loans held for sale to NAMA.

Financial assets renegotiated that would otherwise be past due or impaired

Renegotiated loans are those facilities at 31 December 2009 which if not renegotiated during the nine month period ended 31 December 2009 would have been classified as ‘impaired’ loans or as ‘past due but not impaired’ loans. The carrying value of these loans at 31 December 2009 is €6,390 million (31 March 2009: €5,950 million) and represents borrowers whose loan terms and conditions have been amended in recognition of a change in the borrowers’ circumstances. Renegotiated loans are primarily included in the ‘Acceptable quality’ and lower quality but not ‘past due nor impaired’ classifications and are not deemed to represent a risk of loss at the reporting date.

Loans that have their terms amended but do not meet the requirements for financial assets that are ‘neither past due nor impaired’, continue to be reported as ‘past due but not impaired’ or as ‘impaired’.

Repossessed collateral

During the nine month period ended 31 December 2009, the Group took possession of collateral held as security, as follows:

Residential properties	31 December 2009 €m	31 March 2009 €m
Ireland	6	1
UK & Other	66	73
	72	74
Other properties	12	0
	84	**74**

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

Asset quality: Other Financial Instruments

Other financial instruments include available for sale financial assets, derivative financial instruments, loans and advances to banks, interest receivable and the reinsurance assets. The table below analyses the Group's exposure to other financial instruments based on the gross amount before provisions for impairment.

Other financial instruments	31 December 2009 €m	31 December 2009 %	31 March 2009 €m	31 March 2009 %
High quality	33,633	93%	41,747	89%
Satisfactory quality	2,097	6%	4,895	11%
Acceptable quality	286	1%	99	-
Lower quality but not past due nor impaired	113	-	30	-
Neither past due nor impaired	**36,129**	**100%**	**46,771**	**100%**
Impaired	12	-	79	-
Total	**36,141**	**100%**	**46,850**	**100%**

The total volume of other financial instruments at 31 December 2009 amount to €36.1 billion, a reduction of €10.8 billion from the volume of other financial instruments (€46.9 billion at 31 March 2009). This reduction primarily reflects the lower levels of available for sale financial assets, derivative financial instruments and loans and advances to banks. Virtually all of the Group's exposure to other financial instruments were classified as 'neither past due nor impaired'.

Available for Sale Financial Assets

Substantially all of the Group's liquid assets are accounted for in the Group's Available for Sale financial assets portfolio. The following table quantifies the Group's exposure to each asset class and the impact of market dislocation on valuations at 31 December 2009 with comparisons at 31 March 2009.

Portfolio	Market Value	Asset Type	Profile	Key Movements	Fair Value expressed as % of Underlying Nominal
Liquid Asset Portfolio	€19.4 billion (31 March 2009, €25.2 billion)	€18.3 billion bank debt (31 March 2009, €22.7 billion)	Average rating AA- (31 March 2009 Average rating AA-)	Negative mark to market adjustment to reserves of €0.3 billion, a positive movement in the period of €0.7 billion (31 March 2009, €1.0 billion negative) No impairments were recognised in the current period (31 March 2009, €61 million)	100.4% (31 March 2009, 96.6%)
		€1.1 billion Government bonds (31 March 2009, €2.5 billion)	100% AA rated (31 March 2009 95% AAA rated)	Positive mark to market adjustment to reserves of €21 million, a negative movement in the period of €46 million (31 March 2009, €67 million positive) No impairments were recognised in the current or prior periods	104.2% (31 March 2009, 102%)
Asset Backed Securities Portfolio	€1.5 billion (31 March 2009, €1.7 billion)	€0.5 billion RMBS (31 March 2009, €0.5 billion)	79% rated AAA/AA (31 March 2009 95%)	Total negative mark to market adjustment to reserves of €0.4 billion a positive movement in the period of €0.2 billion (31 March 2009, €0.6 billion negative) Impairments of €1.6 million were recognised in the current period (31 March 2009 €15 million)	87% (31 March 2009 81%)
		€0.4 billion CMBS (31 March 2009, €0.4 billion)	75% rated AAA/AA (31 March 2009 100%)		
		€0.6 billion including loans in syndication, CDO's and financials (31 March 2009, €0.8 billion)			

Liquidity Risk

Market environment

Liquidity conditions remained somewhat constrained in the early part of the nine month period ended 31 December 2009 but eased from July 2009 onwards. The initial period was characterised by residual weakness in the international liquidity market and by negative sentiment towards Ireland driven by, inter alia, evidence of the depth of the economic downturn and downgrades in sovereign ratings and credit ratings of banks.

As the period progressed, funding conditions improved for the Group, reflecting an upturn in the general funding market backdrop and an increased appetite for Irish debt. Investors' perception of Irish sovereign risk improved from July 2009 based on economic data indicating that the pace of contraction in the Irish economy was moderating, ongoing efforts by the Irish Government to stabilise public finances, measures of support for the Irish banking system (particulary the announcement of NAMA) and, in the latter part of the calendar year the announcement of an extension of the Government liability guarantee.

The market's perception of Irish sovereign risk has also improved in recent months: the 10-year yield spread over Germany has narrowed to under 130 basis points at March 2010 from a recent high of 284 basis points in March 2009.

The Group responded to the conditions which existed during the nine month period ended 31 December 2009 by taking a variety of measures:

- in common with other banks, the Group continued to target a reduction in its level of borrowing from wholesale markets by focusing on specific customer deposit gathering initiatives in each division,
- asset growth was controlled and managed in line with current funding capacity,
- the Group successfully issued term funding during the nine month period ended 31 December 2009 of €9.1 billion,
- the Group successfully issued two benchmark transactions of 3 years and 5 years maturity, beyond the term of the Government Guarantee at that time,
- the Group, through normal market operations, used its contingent liquidity pool to access funding from Monetary Authorities. As at 31 December 2009, the net drawings from Monetary Authorities were €8 billion down from €17 billion at 31 March 2009, and
- during the year, the Group Liquidity Committee (GLC) continued to manage the Group's Liquidity Position and report to both ALCO and the GRPC.

Despite the challenging external environment, the Group remained in compliance with the regulatory liquidity regime in Ireland and in other jurisdictions and maintains a significant buffer above this level.

Definition of Liquidity Risk

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. Factors that may increase the Group's cost of funds would be downgrades to credit ratings or other factors which change the market's willingness to supply funding to the Group, such as market dislocation or major disasters.

How Liquidity Risk Arises

Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven, among other things, by the maturity structure of loans and investments held by the Group, while cash outflows are driven by the term of its debt and the outflows from deposit accounts held "on demand" for customers.

Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits, or the inability to refinance maturing debt. The latter are often associated with times of stressed market conditions or adverse events, such as a credit rating downgrade of a financial institution or economic or financial turmoil.

Liquidity Risk Management

The Group's exposure to liquidity risk is governed by policy approved by the Court and the Group Risk Policy Committee (GRPC). The operation of this policy is delegated to the Group's Asset and Liability Committee (ALCO). Group Treasury, on behalf of ALCO, is responsible for monitoring the liquidity risk of the Group and for the development and monitoring of liquidity policy. Bank of Ireland Global Markets is responsible for the day to day execution of the Group's liquidity position.

Liquidity management within the Group consists of two main activities:

- Tactical liquidity management focuses on monitoring current and expected future daily cashflows to ensure that the Group's liquidity needs can be met. This takes into account the Group's access to unsecured funding (customer deposits and wholesale funding) and the liquidity characteristics of a portfolio of highly marketable assets and contingent assets that can be converted to liquidity to cover any unforeseen cash outflows.
- Structural liquidity management focuses on assessing the optimal balance sheet structure taking account of the maturity profile of assets and liabilities and the Group's debt issuance strategy.

The Group operates under the regulatory Liquidity Regime introduced by the Irish Financial Regulator in July 2007. This regime requires that banks have sufficient payment resources (cash inflows and marketable assets) to cover 100% of expected cash outflows in the 0 to 8 day time horizon and 90% of expected cash outflows in the 8 day to 30 day time horizon. The Group continues to maintain a significant liquidity buffer in excess of these requirements. The Group also has in place a liquidity contingency plan to assist the Group in managing its liquidity through a period of market dislocation or firm specific liquidity distress. The Group operates within the requirements of local regulators in those jurisdictions in which the liquidity requirements apply to the Group.

Liquidity Risk Measurement

The Group's cash flow and liquidity reporting processes, provide to management daily liquidity risk information by designated cash flow categories. These processes capture the cash flows from both on balance sheet and off balance sheet transactions.

The tables below summarise the maturity profile of the Group's financial instrument assets and liabilities, excluding those arising from insurance and participating investment contracts at 31 December 2009 and 31 March 2009 based on the remaining contractual maturity period at the balance sheet date on a discounted basis. Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,050 million and €6,658 million respectively (31 March 2009: €4,084 million and €5,634 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts.

31 December 2009 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity Shares €m	Total €m
Assets							
Cash and balances at central banks	4,241	-	-	-	-	-	4,241
Trading securities	-	18	271	84	30	-	403
Derivative financial instruments	1,074	140	505	2,185	1,920	-	5,824
Other financial assets at fair value through profit or loss	903	86	334	510	1,442	6,404	9,679
Loans and advances to banks	2,406	2,543	64	16	2	-	5,031
Available for sale financial assets	-	1,359	4,209	12,418	2,898	56	20,940
Loans and advances to customers (before impairment provisions)	895	8,357	8,672	37,499	67,013	-	122,436
Assets classified as held for sale to NAMA (before impairment provisions)	3,616	4,037	1,757	2,036	913	-	12,359
Total	**13,135**	**16,540**	**15,812**	**54,748**	**74,218**	**6,460**	**180,913**
Liabilities							
Deposits from banks	128	8,365	8,175	1,006	229	-	17,903
Customer accounts	36,795	31,410	12,296	3,966	345	-	84,812
Derivative financial instruments	1,070	445	437	2,289	1,796	-	6,037
Debt securities in issue	11	13,958	10,677	9,330	9,168	-	43,144
Subordinated liabilities	-	754	-	-	5,299	-	6,053
Liabilities classified as held for sale to NAMA (before impairment provisions)	-	-	-	-	1	-	1
Total	**38,004**	**54,932**	**31,585**	**16,591**	**16,838**	**-**	**157,950**

31 March 2009 Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity shares €m	Total €m
Assets							
Cash and balances at central banks	3,224	-	-	-	-	-	3,224
Trading securities	-	12	27	70	16	-	125
Derivative financial instruments	922	688	857	2,860	3,070	-	8,397
Other financial assets at fair value through profit or loss	696	169	204	606	1,532	4,397	7,604
Loans and advances to banks	4,100	2,990	770	23	3	-	7,886
Available for sale financial assets	-	1,930	3,555	18,480	2,831	62	26,858
Loans and advances to customers (before impairment provisions)	3,799	8,070	14,126	40,876	68,650	-	135,521
Total	12,741	13,859	19,539	62,915	76,102	4,459	189,615
Liabilities							
Deposits by banks	755	25,478	1,560	716	305	-	28,814
Customer accounts	32,823	36,004	11,039	2,904	349	-	83,119
Derivative financial instruments	941	361	541	3,092	2,619	-	7,554
Debt securities in issue	15	15,909	8,214	13,968	7,027	-	45,133
Subordinated liabilities	-	-	747	-	7,195	-	7,942
Total	34,534	77,752	22,101	20,680	17,495	-	172,562

Stress testing and scenario analysis

The Group performs stress testing and scenario analysis to evaluate the impact of stresses on its liquidity position. These stress tests incorporate Group specific risks and systemic risks and are run at three levels of severity. Tactical actions and strategies available to mitigate the stress scenarios are evaluated as to their appropriateness. Stress test results are reported to ALCO, the GRPC and the Court.

Liquidity Risk Mitigation

Wholesale Funding diversification
The Group's strategy is to diversify its wholesale funding profile across investor types, regions, instruments and currency of activity. During the nine month period ended 31 December 2009, the Group issued €9.1 billion of debt with an original maturity of greater than one year.

Customer Deposits

The Group's customer deposits increased over the period through the Group's retail channels, reflecting its increased focus on such deposits as shown in the table below.

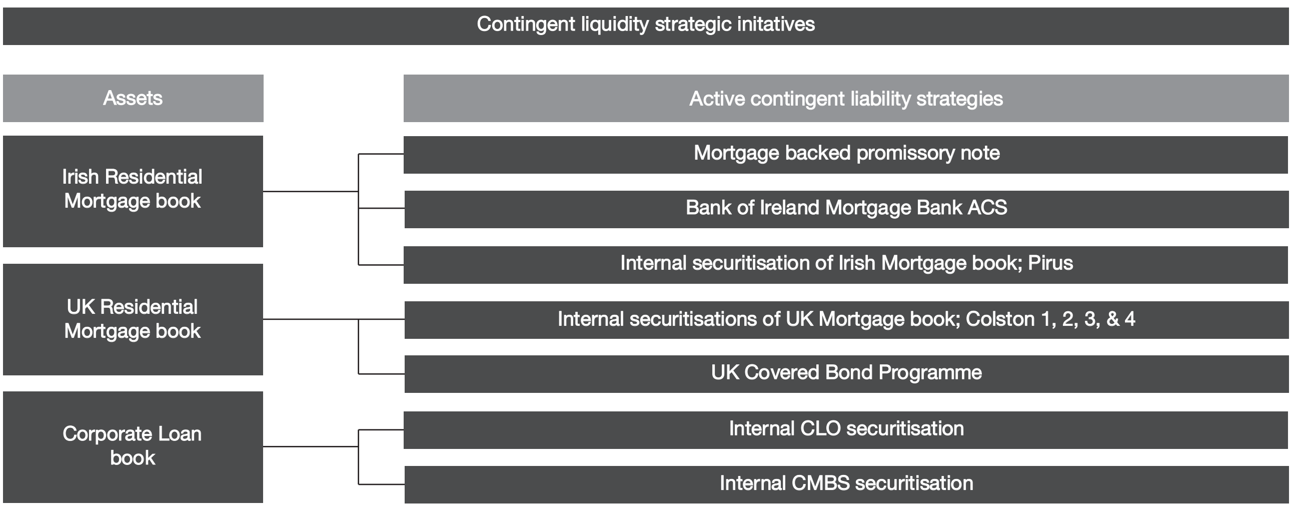
Divisional profile of deposits	**31 December 2009 €bn**	31 March 2009 €bn
Retail Ireland	35	33
UK Financial Services (€bn)	21	21
Capital Markets	29	29
Total	**85**	**83**

The Group's funding strategy is focussed in particular on growing high quality "sticky" deposits by leveraging the Group's extensive Retail customer franchise in Ireland and by accessing the UK retail market through the Group's highly successful joint venture with the UK Post Office. In addition, the Group has extensive and deep Treasury and Corporate Banking customer relationships, in Ireland, the UK and internationally which enable the Group to access a significant pool of high quality corporate customer deposits.

The Group will continue to focus on the growth of retail deposits and maximise corporate deposits which arise from the Group's broader lending and treasury risk management activities with a view to reducing its dependence on wholesale funding and reducing its customer loan to deposit ratio.

Contingent Liquidity
Contingent Liquidity comprises a pool of internally securitised credit risk assets and a portfolio of liquid or readily marketable assets.

Internally Securitised Assets
The Group has retained the notes issued from a number of securitisations of balance sheet assets in order to increase its ability to obtain secured funding, if required. The assets comprise Irish and UK residential and commercial mortgages and a corporate loan book securitisation vehicle.



Liquid assets

The liquid assets portfolio comprises those securities that can be used to raise liquidity either by sale or through secured funding transactions. This portfolio comprises of bank paper, government debt and asset backed securities. The Group has the ability to access secured funding through the tendering operations of central banks from this pool of assets.

Funding structure	31 December 2009 €bn	31 December 2009 %	31 March 2009 €bn	31 March 2009 %
Senior debt / Asset Covered Securities	27	16%	25	13%
Deposits by banks	18	11%	29	16%
Commercial Paper / Certificate of Deposit	10	6%	14	8%
Securitisation	6	3%	6	3%
Wholesale Funding	**61**	**36%**	**74**	**40%**
Customer Deposits	85	50%	83	45%
Subordinated Debt	6	4%	8	4%
Other Liabilities	11	6%	12	7%
Stockholder Equity	6	4%	7	4%
Total Liabilities (excluding BoI Life liabilities)	**169**	**100%**	**184**	**100%**
Customer Deposits				
Retail Republic of Ireland	35	41%	33	40%
UKFS (€)	21	25%	21	25%
UKFS (Stg£)	*19*		*19*	
Capital Markets	29	34%	29	35%
Total	**85**	**100%**	**83**	**100%**
Wholesale Funding				
Short Term Funding	41	68%	54	73%
Term Funding > 1 year to maturity	20	32%	20	27%
Total	**61**	**100%**	**74**	**100%**

Key Funding Ratios	31 December 2009	31 March 2009
Contingent liquidity collateral asset	€42bn	€49bn
Net drawings from Monetary Authorities	€8bn	€17bn
Loans and advances to customers - incl. assets held for sale to NAMA / customer deposits	152%	161%
Loans and advances to customers - excl. assets held for sale to NAMA / customer deposits	141%	-
Wholesale funding / total assets (excluding BOI Life)	36%	40%
Term Funding >1 year, subordinated debt and deposits / loans and advances to customers (incl. loans held for sale to NAMA)	86%	83%
Term Funding >1 year, subordinated debt and deposits / loans and advances to customers (excl. loans held for sale to NAMA)	93%	-

Capital Management

Capital Management Objectives and Policies
The objectives of the Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the risks of its business and support its future development.

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

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

The Group meets its objectives in terms of capital management through the maintenance of capital ratios above the minimum levels set by the Financial Regulator and relative to market expectations for banks with its business profile. Market expectations regarding capital ratios for banks have risen following the rise in loss expectations across the international banking industry, driven by exposures to assets vulnerable to the downturn in residential and commercial real estate prices and the deteriorating economic climate. These increased expectations have led to substantial private and government led recapitalisation schemes internationally.

In June 2009 the Group announced the successful completion of a debt re-purchase programme of €1.7 billion of euro, sterling and US dollar denominated non core tier 1 securities. This initiative increased the Group's equity tier 1 by €1 billion. The Group's equity tier 1, core tier 1, tier 1 and total capital ratios at 31 December 2009 were 5.3%, 8.9%, 9.8% and 13.4% respectively. .

In February 2010, the Group successfully completed an exchange of €1.6 billion of dated (lower tier 2) subordinated notes, yielding a gain to equity and core tier 1 capital of €405 million whilst leaving the total capital position unchanged.

The Financial Regulator has completed a Prudential Capital Assessment Review ("PCAR") for Bank of Ireland in order to assess its capital requirements. This review has taken into account both expected base and potential stressed loan losses, together with other financial developments, over a 3 year time horizon to 31 December 2012.

The PCAR has been undertaken with reference to:
- a target core tier 1 ratio level of 8% in the base case. As a further prudent requirement, the capital to meet the base case target must be principally in the form of equity to meet a targeted equity tier 1 ratio of 7%.
- a target level of 4% core tier 1 capital should be maintained in a stress scenario.

As announced on 30 March 2010, the outcome of this review is that the Financial Regulator has determined that the Group needs to raise an additional €2.7 billion of equity capital by 31 December 2010 to comply with the PCAR.

This outcome is aligned with the Group's previously held views. The Group's plans to raise additional capital are in accordance with the Financial Regulator's requirements. In conjunction with these plans and to support them, the State will commit to converting part of its €3.5 billion Preference Stock into ordinary equity.

Capital Resources
The following table sets out the Group's capital resources.

	31 December 2009 €m	31 March 2009 €m
Stockholders' funds		
Equity (including other equity reserves)	6,345	6,810
Non-cumulative preference stock	42	42
Minority interests - equity	50	61
Undated loan capital	1,521	3,385
Dated loan capital	4,532	4,557
Total capital resources	12,490	14,855

In the nine month period ended 31 December 2009 the Group's total capital resources reduced by €2,365 million to €12,490 million. The movement of €2,365 million includes a decrease of €465 million relating to Stockholders' equity (including other equity reserves) and a decrease of €1,864 million relating to undated loan capital.

The movement of €465 million in Stockholders' funds was mainly driven by the following:
- an after tax loss of €1,460 million which included the impact of the June 2009 tier 1 buyback (increase in Stockholders' funds of €1,037 million),
- net actuarial loss on pension funds of €74 million, and
- an increase in other reserves (Available for sale reserves of €924 million, cash flow hedging reserve of €82 million) along with a positive movement in foreign exchange reserves of €117 million primarily due to the strengthening of Sterling against euro. Other items gave a negative movement of €54 million.

The movement of €1,864 million in undated loan capital primarily relates to the tier 1 buyback in June 2009 together with fair value movements on the remaining securities.

The lower tier 2 subordinated capital exchange which was completed in February 2010 resulted in a reduction of €413 million in dated loan capital. This was offset by an increase of €405 million in Stockholders' funds. This impact is not included in the table above.

As at 31 December 2009, the Group had €1,521 million of undated loan capital and €4,532 million of dated loan capital (including fair value adjustments), a total of €6,053 million of subordinated liabilities. Of the dated loan capital, €3,778 million is repayable in five or more years. The cost and availability of subordinated debt are influenced by credit ratings. A reduction in the ratings assigned to the Group's securities could increase financing costs and reduce market access. The credit ratings of the Group at 19 March 2010 were as follows:

Senior Debt	**Credit Ratings**	**Date**	**Outlook**
Standard & Poors	A-	26 January 2010	Stable
Moodys	A1	07 July 2009	Stable
Fitch	A-	09 April 2009	Stable
DBRS	AA (low)	04 December 2009	Negative

Depending on the degree of subordination, the ratings assigned to loan capital will be one or more notches below the level for senior debt. Credit ratings are not a recommendation to buy, hold or sell any security and each rating should be evaluated independently of every other rating. These ratings are based on current information furnished to the rating agencies by the Group and information obtained by the rating agencies from other sources. The ratings are accurate only as of 19 March 2010 and may be changed, superceded or withdrawn as a result of changes in, or unavailability of, such information.

Capital Adequacy Data

	31 December 2009 Basel II €m	31 March 2009 Basel II €m
Capital base		
Share capital and reserves	6,437	6,913
Regulatory retirement benefit obligation adjustments	1,632	1,478
Available for sale reserve and cash flow hedge reserve	1,118	2,124
Goodwill and other intangible assets	(488)	(511)
Preference stock	(3,521)	[1](3,520)
Other adjustments	80	[1]22
Equity Tier 1 capital	5,258	6,506
Preference stock	59	58
2009 Preference stock and warrants	3,462	3,462
Core Tier 1 Capital	8,779	10,026
Innovative hybrid debt	752	1,197
Non-innovative hybrid debt	574	1,798
Supervisory deductions	(454)	(372)
Total Tier 1 capital	9,651	12,649
Tier 2		
Undated loan capital	225	229
Dated loan capital	3,716	3,827
IBNR provisions	772	307
Revaluation reserves	40	80
Supervisory deductions	(454)	(372)
Other adjustments	11	-
Total Tier 2 capital	4,310	4,071
Total capital before supervisory deductions	13,961	16,720
Supervisory deductions		
Life and pension business	(797)	(749)
Total capital	13,164	15,971
Risk weighted assets		
Credit risk	89,785	96,395
Market risk	2,133	2,509
Operational risk	6,415	6,473
Total risk weighted assets	**98,333**	**105,377**
Risk asset ratios including dividends		
Equity Tier 1 (Core Tier 1 less preference stock)	5.3%	6.2%
Core Tier 1	8.9%	9.5%
Tier 1	9.8%	12.0%
Total Capital	13.4%	15.2%

Total tier 1 capital decreased by €2,998 million at December 2009, reflecting the loss of €1,469 million in the nine month period ended 31 December 2009 (which includes the benefit of the gain generated from the debt repurchased of €1,037 million) and the reduction of €1,670 million associated with the tier 1 debt repurchase.

At December 2009 the tier 2 capital increased by 6% or €239 million to €4,310 million. The movement was driven by an increase in IBNR provisions of €465 million offset by a decrease in dated loan capital of €111 million.

The 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, which is a more granular approach to the calculation of risk weightings than under Basel I.

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 Group most recently disclosed this information on 31 July 2009.

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

Consolidated income statement

for the nine months ended 31 December 2009

	Notes	9 months ended 31 December 2009 €m	Restated* year ended 31 March 2009 €m
Interest income	3	4,188	9,717
Interest expense	4	(2,009)	(6,047)
Net interest income		2,179	3,670
Net insurance premium income	5	665	1,069
Fee and commission income	6	474	717
Fee and commission expense	6	(255)	(232)
Net trading expense	7	(28)	(307)
Life assurance investment income and gains / (losses)	8	958	(1,570)
Gain on repurchase of subordinated liabilities	9	1,037	-
Other operating income	10	31	73
Total operating income		5,061	3,420
Insurance contract liabilities and claims paid	11	(1,462)	537
Total operating income, net of insurance claims		3,599	3,957
Other operating expenses	12	(1,381)	(2,121)
Impairment of goodwill and other intangible assets		(6)	(304)
Operating profit before impairment charges on financial assets		2,212	1,532
Impairment charges on financial assets	13	(4,057)	(1,513)
Operating (loss) / profit		(1,845)	19
Share of results of associates and joint ventures (after tax)	14	35	(42)
Loss on disposal of business activities		(3)	-
Loss before taxation		(1,813)	(23)
Taxation	15	344	41
(Loss) / Profit for the period		(1,469)	18
Attributable to minority interests		(9)	(35)
Attributable to stockholders		(1,460)	53
(Loss) / Profit for the period		(1,469)	18
Earnings per unit of €0.64 ordinary stock (cent)	16	(168.6c)	4.3c
Diluted earnings per unit of €0.64 ordinary stock (cent)	16	(168.6c)	4.3c

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Group Secretary*

Consolidated statement of other comprehensive income

for the nine months ended 31 December 2009

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
(Loss) / Profit for the period	(1,469)	18
Other comprehensive income, net of tax:		
Net change in revaluation reserve	(53)	(96)
Cash flow hedge reserve		
Changes in fair value	(419)	19
Transfer to income statement	501	(559)
Net change in cash flow hedge reserve	82	(540)
Available for sale reserve		
Changes in fair value	973	(1,108)
Transfer to income statement on asset disposal	(49)	(5)
Net change in available for sale reserve	924	(1,113)
Net actuarial loss on defined benefit pension funds	(74)	(544)
Foreign exchange translation gains / (losses)	117	(528)
Other comprehensive income for the period net of tax	996	(2,821)
Total comprehensive income	(473)	(2,803)
Total comprehensive income attributable to equity stockholders	(464)	(2,768)
Total comprehensive income attributable to minority interests	(9)	(35)
Total comprehensive income	(473)	(2,803)

The effect of tax on these items is shown in note 15.

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

Patrick J Molloy	***Dennis Holt***	***Richie Boucher***	***Helen Nolan***
Governor	*Deputy Governor*	*Group Chief Executive*	*Group Secretary*

Consolidated balance sheet

as at 31 December 2009

	Notes	31 December 2009 €m	31 March 2009 €m
ASSETS			
Cash and balances at central banks		4,241	3,224
Items in the course of collection from other banks		400	515
Trading securities		403	125
Derivative financial instruments	23	5,824	8,397
Other financial assets at fair value through profit or loss	17	9,679	7,604
Loans and advances to banks	18	5,031	7,886
Available for sale financial assets	19	20,940	26,858
Loans and advances to customers	20	119,439	133,740
Assets held for sale to NAMA	21	9,581	-
Other assets classified as held for sale		-	24
Interest in associates		23	22
Interest in joint ventures		194	151
Intangible assets – goodwill		48	47
Intangible assets – other		459	485
Investment properties		1,265	1,413
Property, plant and equipment		404	492
Deferred tax assets	27	865	560
Other assets		2,304	2,566
Retirement benefit asset	28	6	7
Total assets		181,106	194,116
EQUITY AND LIABILITIES			
Deposits from banks	24	17,903	28,814
Customer accounts	25	84,812	83,119
Items in the course of transmission to other banks		198	238
Derivative financial instruments	23	6,037	7,554
Debt securities in issue		43,144	45,133
Liabilities to customers under investment contracts		5,050	4,084
Insurance contract liabilities		6,658	5,634
Other liabilities		2,899	3,049
Provisions		142	87
Deferred tax liabilities	27	134	50
Retirement benefit obligations	28	1,638	1,485
Subordinated liabilities	26	6,053	7,942
Other liabilities classified as held for sale		-	14
Liabilities held for sale to NAMA	21	1	-
Total liabilities		174,669	187,203
Equity			
Capital stock	30	699	699
Stock premium account		4,092	4,092
Retained earnings		3,263	4,761
Other reserves		(1,580)	(2,610)
Own stock held for the benefit of life assurance policyholders		(87)	(90)
Stockholders' equity		6,387	6,852
Minority interests		50	61
Total equity		6,437	6,913
Total equity and liabilities		181,106	194,116

Patrick J Molloy
Governor

Dennis Holt
Deputy Governor

Richie Boucher
Group Chief Executive

Helen Nolan
Group Secretary

Consolidated statement of changes in equity

as at 31 December 2009

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Capital stock		
Balance at the beginning of the period	699	664
Issue of 2009 preference stock	-	35
Balance at the end of the period	699	699
Stock premium account		
Balance at the beginning of the period	4,092	775
Premium on issue of 2009 preference stock	-	3,317
Balance at the end of the period	4,092	4,092
Retained earnings		
Balance at the beginning of the period	4,761	5,670
(Loss) / Profit for the period attributable to stockholders	(1,460)	53
Equity dividends	-	(387)
Dividends on other equity interests	(4)	(10)
Transfer from capital reserve	29	39
Loss retained	(1,435)	(305)
Reissue of treasury stock	(7)	(83)
Transfer from revaluation reserve	-	4
Transfer from share based payment reserve	11	19
Net actuarial loss on pension funds	(74)	(544)
Other movements	7	-
Balance at the end of the period	3,263	4,761
Other Reserves:		
Available for sale reserve		
Balance at the beginning of the period	(1,532)	(419)
Changes in fair value	1,110	(1,270)
Deferred tax on fair value changes	(131)	162
Transfer to income statement on asset disposal	(55)	(5)
Balance at the end of the period	(608)	(1,532)
Cash flow hedge reserve		
Balance at the beginning of the period	(592)	(52)
Changes in fair value	(555)	121
Transferred to income statement		
- Net interest income	351	(93)
- Net trading expense (foreign exchange)	325	(672)
Deferred tax on reserve movements	(39)	104
Balance at the end of the period	(510)	(592)
Foreign exchange reserve		
Balance at the beginning of the period	(1,316)	(788)
Exchange adjustments during the period	117	(528)
Balance at the end of the period	(1,199)	(1,316)

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

Statement of changes in equity (continued)

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Capital reserve		
Balance at the beginning of the period	491	530
Transfer to retained earnings	(29)	(39)
Balance at the end of the period	462	491
Share based payment reserve		
Balance at the beginning of the period	33	33
Charge to the income statement	-	19
Transfer to retained earnings	(11)	(19)
Balance at the end of the period	22	33
Revaluation reserve		
Balance at the beginning of the period	82	182
Transfer to retained earnings on sale of property	-	(4)
Revaluation of property	(60)	(113)
Deferred tax on revaluation of property	7	17
Balance at the end of the period	29	82
Other equity reserves		
US$150 million capital note		
Balance at the beginning of the period	114	114
Balance at the end of the period	114	114
Core and secondary tranche warrants		
Balance at the beginning of the period	110	-
Issue of warrants	-	110
Balance at the end of the period	110	110
Total other reserves	(1,580)	(2,610)
Own stock held for the benefit of life assurance policyholders		
Balance at the beginning of the period	(90)	(225)
Changes in value and amount of stock held	3	135
Balance at the end of the period	(87)	(90)
Total stockholders' equity excluding minority interests	6,387	6,852
Minority interests		
Balance at the beginning of the period	61	38
Acquisition	-	61
Revaluation	(2)	-
Share of net loss	(9)	(35)
Dividends paid to minority interest	-	(3)
Balance at the end of the period	50	61
Total equity	6,437	6,913

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

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Group Secretary

Consolidated cash flow statement

for the nine months ended 31 December 2009

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Cash flows from operating activities		
Loss before taxation	(1,813)	(23)
Share of results of associates and joint ventures	(35)	42
Loss on disposal of business activities	3	-
Depreciation and amortisation	107	178
Impairment of financial assets	4,057	1,513
Other impairments	-	17
Impairment of goodwill and other intangibles	6	287
Decline in value of property below cost	6	-
Net change in prepayments and interest receivable	175	270
Net change in accruals and interest payable	(154)	(120)
Loans and advances written off net of recoveries	(142)	(236)
Revaluation of investment property	98	512
Interest expense on subordinated liabilities and other capital instruments	163	435
Profit on disposal of available for sale financial assets	(55)	(5)
Charge for share based payments	-	19
Charge for provisions	88	70
Charge for retirement benefit obligation	149	180
Gain on repurchase of subordinated liabilities	(1,037)	-
Amortisation of premiums and discounts	(12)	(57)
Amortisation of debt issue expenses	8	14
Cash flows from operating activities before changes in operating assets and liabilities	1,612	3,096
Net change in deposits from banks	(10,813)	14,759
Net change in customer accounts	566	2,279
Net change in loans and advances to customers	3,474	(8,226)
Net change in loans and advances to banks	3,901	(1,754)
Net change in trading securities	(278)	(6)
Net change in derivative financial instruments	1,106	(954)
Net change in assets at fair value through profit or loss	(2,062)	3,248
Net change in items in the course of collection	78	146
Net change in debt securities in issue	(1,493)	(17,464)
Net change in insurance contract liabilities	1,024	(1,506)
Net change in other assets	81	31
Net change in liabilities to customers under investment contracts	966	(1,578)
Net change in other liabilities	(214)	(400)
Effect of exchange translation and other adjustments	(1,823)	4,715
Net cash flow from operating assets and liabilities	(5,487)	(6,710)
Net cash flow from operating activities before taxation	(3,875)	(3,614)
Taxation refunded / (paid)	45	(215)
Net cash flow from operating activities	(3,830)	(3,829)
Investing activities (section a)	6,778	870
Financing activities (section b)	(838)	2,525
Net change in cash and cash equivalents	2,110	(434)
Opening cash and cash equivalents	7,259	7,647
Effect of exchange translation adjustments	(182)	46
Closing cash and cash equivalents	9,187	7,259

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

Cash flow statement (continued)

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
(a) Investing activities		
Additions to available for sale financial assets	(8,587)	(27,267)
Disposal of available for sale financial assets	15,389	28,324
Additions to property, plant & equipment	(11)	(75)
Disposal of property, plant & equipment	4	4
Additions to intangible assets	(47)	(119)
Disposal of intangible assets	-	7
Purchase of investment property	-	(36)
Disposal of investment property	33	-
Dividends received from joint ventures	-	34
Net change in interest in associates	(3)	(2)
Cash flows from investing activities	6,778	870
(b) Financing activities		
Reissue of treasury stock	(7)	(83)
Issue of new subordinated liabilities	-	565
Reduction in subordinated liabilities	(683)	(600)
Interest paid on subordinated liabilities	(144)	(419)
Equity dividends paid	-	(387)
Dividends on other equity interests	(4)	(10)
Dividends paid to minority interests	-	(3)
Issue of 2009 preference stock and warrants	-	3,462
Cash flows from financing activities	(838)	2,525

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

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Accounting Policies

Basis of Preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Acts, 1963 to 2009 applicable to companies reporting under IFRS, with the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with the Asset Covered Securities Acts, 2001 to 2007. The EU adopted version of IAS 39 currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments Recognition and Measurement'. The Group has not availed of this; hence these financial statements comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

The preparation of the financial statements in conformity with IFRS 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 these critical accounting estimates and judgements is set out on pages 99 to 101.

With the exception of the following standards and amendments to standards, there have been no significant changes to the Group's accounting policies as set out on pages 109 to 123 of the Annual Report to 31 March 2009:

IFRS 8 – 'Operating Segments'

This standard is effective from 1 January 2009, replacing IAS 14 - Segmental Reporting. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The introduction of this standard has not had a significant impact on Group reporting.

IAS 1 (Revised) – 'Presentation of financial statements'

The revised standard amends the requirements for the presentation, structure and content of the financial statements. In accordance with the revised standard the Group has decided to present all items of income and expense in two separate statements, a consolidated income statement and a consolidated statement of other comprehensive income. The revised standard requires that all changes in equity arising from transactions with owners in their capacity as owners be presented separately from non-owner changes in equity, in the consolidated statement of changes in equity. The adoption of the revised standard does not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular the amendment requires classification of the fair value of those financial instruments which are measured on the balance sheet at fair value using a three-level fair value hierarchy.

IFRS 2 – 'Share-based payment: Vesting Conditions and Cancellations' (amendment)

This amendment clarifies the accounting treatment of cancellations and vesting conditions of share-based payment schemes. The main impact of this amendment for the Group arises from cancellations by employees of contributions to the Group's Save-As- You-Earn (SAYE) schemes. Previously such cancellations would have resulted in the SAYE scheme expense recognised in prior periods, in respect of the relevant employees, being reversed. Under the amendment, in the event of a cancellation the Group recognises immediately the amount of the expense that would have otherwise been recognised over the remainder of the vesting period. The adoption of the amendment has resulted in an increase of €3.5 million in the Group's operating expenses for the nine months ended 31 December 2009.

The amendment is applied retrospectively and has resulted in a restatement of the comparative figures. The comparative income statement for the year ended 31 March 2009 has been adjusted to increase operating expenses and reduce profit before tax by €16 million. The adoption of the amendment has not impacted the balance sheet for either 31 March 2009 or 31 March 2008.

Going Concern

The information in the financial statements has been prepared on the going concern basis. A number of risk factors including credit, liquidity, market, insurance, pension, operational, legal and regulatory risk impact on the Group's activities. The continuing global financial difficulties and the significantly deteriorated economic environments in which we operate have increased the pressure on the Group as to how these risk factors are managed. In preparing these financial statements the Directors have reviewed these risk factors and all relevant information to assess the Group's ability to continue as a going concern. This review included consideration of the impact of the current economic factors affecting the Group and the industry, the liquidity position, the ability to access funds in the wholesale money markets (including the ability to use assets as collateral to raise funds) and the Group's participation in NAMA. The Directors have reviewed the Group's business plan for 2010 and 2011 which incorporates its funding plan and considered the critical assumptions underpinning this plan and tested them under stressed conditions. Following completion of a Prudential Capital Assessment Review, the Financial Regulator has determined that the Group is required to raise €2.7 billion in capital by 31 December 2010. This is consistent with the Group's previously held views and the Group has plans to achieve this.

The Directors have also taken into account measures introduced by the Irish Government to improve liquidity, including the enhanced customer deposit protection scheme, the Credit Institutions (Financial Support) scheme ("CIFS"), introduced by the Irish Government in September 2008, and the Credit Institutions Eligible Liabilities Guarantee Scheme (the "ELG Scheme") introduced by the Government in December 2009. In concluding on the going concern basis the Directors took into account the CIFS scheme, the ELG Scheme, the Irish Government's €3.5 billion investment in Bank of Ireland Preference Stock, the Group's ability to use assets as collateral to access Monetary Authority Liquidity Support Schemes, the impact of the Group's participation in NAMA and the Government's acknowledgment of the Group's systemic importance to the economy as a whole and its continued support. In conjunction with the Group's plans to raise capital and to support it, the State will commit to converting part of its €3.5 billion Preference Shares into ordinary equity.

Based on the factors above the Directors are satisfied that the Group will have access to 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 financial statements at 31 December 2009.

Foreign currency translation

The principal rates of exchange used in the preparation of the financial statements are as follows:

	31 December 2009		31 March 2009	
	Average	**Closing**	Average	Closing
€ / US$	1.4248	1.4406	1.4321	1.3308
€ / Stg£	0.8851	0.8881	0.8333	0.9308

The financial statements in this preliminary announcement are not the statutory financial statements of the Group, a copy of which is required to be annexed to the Bank's annual return to the Companies Registration Office in Ireland. A copy of the statutory financial statements required to be annexed to the Bank's annual return in respect of the year ended 31 March 2009 has in fact been so annexed. The auditors of the Group have made a report, without any qualification, on their audit of those statutory financial statements. A copy of the statutory financial statements in respect of the nine months ended 31 December 2009 will be annexed to the next annual return. The directors approved the Group's statutory financial statements for the nine months ended 31 December 2009 on 30 March 2010 and the auditors have made a report without any qualification on their audit of those statutory financial statements.

Critical accounting estimates and judgements

In preparing the financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As management judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Group's financial statements are set out below.

(a) Impairment charges on financial assets

The Group reviews its loan portfolios at least on a quarterly basis to assess impairment. 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. Impairment provisions are also recognised for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

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 most critical judgemental area is in relation to impairment of property and construction loans and advances. This loan portfolio has been significantly affected in the current economic climate, as values of security have significantly reduced and, particularly in Ireland, there are very low levels of activity in the sector. Gross property and construction loans at 31 December 2009, including those held for sale to NAMA, amounted to €35.6 billion (31 March 2009: €34 billion), against which were held provisions for impairment of €3.9 billion, (31 March 2009: €0.9 billion).

The estimation of impairment losses is subject to uncertainty, which has increased in the current economic environment, 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.

(b) Assets held for sale to NAMA

Assets that the Group expects will be transferred to NAMA, all of which are financial assets, are classified as assets held for sale to NAMA. In the preparation of the financial statements at 31 December 2009, there are two key areas of judgement in relation to these assets.

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

As interactions with NAMA and the internal review work are ongoing and the possibility exists that loans that are expected to transfer may be repaid or refinanced with other banks, there is uncertainty as to the final amount of eligible assets that will transfer. Further information on the expected transfer of assets to NAMA is set out in notes 21 and 32.

Secondly, significant judgement is required in relation to the level of impairment incurred on these assets, the vast majority of which are property and construction loans. Impairment on these assets continues to be calculated on the same basis as prior to their classification as held for sale. The areas of judgement and estimation involved are set out in the above section on impairment of financial assets, together with the level of impairment provisions held against property and construction loans at 31 December 2009, including these assets.

(c) 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. Fair values in respect of financial assets and liabilities are disclosed in note 31.

(d) 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.

(e) Life assurance operations

The Group accounts for the value of the stockholders' interest in long term assurance business using the embedded value basis of accounting. Embedded value is comprised of the net tangible assets of Bank of Ireland Life and the present value of its in force business. The value of in force business is calculated by projecting future surpluses and other net cash flows attributable to the shareholder arising from business written up to the balance sheet date and discounting the result at a rate which reflects the shareholder's overall risk premium, before provision has been made for taxation.

Future surpluses will depend on experience in a number of areas such as investment returns, lapse rates, mortality and investment expenses. Surpluses are projected by making assumptions about future experience, having regards to both actual experience and forecast long term economic trends. Changes to these assumptions may cause the present value of future surpluses to differ from those assumed at the balance sheet date and could significantly affect the value attributed to the in force business. The value of in force business could also be affected by changes in the amounts and timing of other net cash flows (principally annual management charges and other fees levied upon the policyholders) or the rate at which the future surpluses and cash flows are discounted. In addition, the extent to which actual experience is different from that assumed will be recognised in the income statement for the period.

(f) Taxation

The taxation charge accounts for amounts due to fiscal authorities in the various territories in which the Group operates and includes estimates based on a judgement of the application of law and practice in certain cases to determine the quantification of any liabilities arising. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice.

At 31 December 2009 the Group had a net deferred tax asset of €731 million (31 March 2009: €510 million), of which €475 million (31 March 2009: nil) related to incurred trading losses.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences and unutilised tax losses can be utilised. The recognition of a deferred tax asset relies on management's judgements surrounding the probability and sufficiency of future taxable profits, and the future reversals of existing taxable temporary differences.

To the extent that the recognition of a deferred tax asset is dependent on sufficient future profitability, a degree of estimation and the use of assumptions is required. The Group's judgement takes into consideration the impact of both positive and negative evidence, including historical financial performance, projections of future taxable income, the impact of tax legislation and future reversals of existing taxable temporary differences.

The most significant judgement relates to the Group's assessment of the recoverability of the portion of the deferred tax asset relating to trading losses. Under current Irish and UK tax legislation, there is no time restriction on the utilisation of these losses. Based on its projection of future taxable income, the Group has concluded that it is probable that sufficient taxable profits will be generated to recover this deferred tax asset, and it has been recognised in full.

(g) Goodwill

The Group capitalises goodwill arising on the acquisition of businesses, as disclosed in the accounting policies. The carrying value of goodwill as at 31 December 2009 was €48 million (31 March 2009: €47 million). Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash generating unit with its recoverable amount. The recoverable amount is the higher of the unit's fair value or its value in use. Value in use is the present value of expected future cash flows from the cash generating unit. Fair value is the amount obtainable for the sale of the cash generating unit in an arm's length transaction between knowledgeable, willing parties.

Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed. The use of reasonably possible alternative assumptions would not impact the carrying value of the Group's goodwill.

(h) Provisions

The Group has recognised provisions in relation to restructuring costs, onerous contracts and litigation. Such provisions are sensitive to a variety of factors, which vary depending on their nature. The estimation of the amounts of such provisions is judgemental because the relevant payments are due in the future and the quantity and probability of such payments is uncertain.

The methodology and the assumptions used in the calculation of provisions are reviewed regularly and, at a minimum, at each reporting date.

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1 Comparative period

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

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

2 Operating segments

The Group has five reportable operating segments as detailed below. As noted in the accounting policies and basis of presentation on page 97 the Group adopted IFRS 8 during the period and this has not resulted in a change in the Group's operating segments. These segments reflect the internal financial and management reporting structure and are organised as follows:

Retail Republic of Ireland

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

Bank of Ireland Life (BoI Life)

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

UK Financial Services

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

Capital Markets

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

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

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

Group Centre

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

2 Operating segments (continued)

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

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

The Group measures the performance of its operating segments through a measure of segment profit or loss which is referred to as "Underlying profit" in our internal management reporting systems. Underlying profit or loss is the measure of segment profit or loss used in segment reporting and excludes gross up of policyholder tax in the life business; gain / loss on disposal of business activities; impairment of goodwill and other intangible assets arising from a systemic market event or where the Group is committed to exiting the relevant business; gain on repurchase of subordinated liabilities; investment return on treasury stock held for policyholders; hedge ineffectiveness is no longer excluded from underlying for the nine months to 31 December 2009 and the cost of restructuring programmes.

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

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

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

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

2 Operating segments (continued)

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

[2] *See note (i) on page 104.*

2 Operating segments (continued)

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

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

2 Operating segments (continued)

Gross revenue by business segments

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

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

9 months ended 31 December 2009

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

Year ended 31 March 2009

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

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

3 Interest Income

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Loans and advances to customers	3,503	7,901
Available for sale financial assets	498	1,335
Loans and advances to banks	48	246
Finance leases	139	232
Other	-	3
Interest income	4,188	9,717

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

4 Interest expense

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

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

5 Net insurance premium income

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

6 Fee and commission income and expense

Income	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Retail banking customer fees	268	368
Asset management fees	66	132
Credit related fees	41	38
Insurance commissions	60	75
Brokerage fees	8	13
Other	31	91
Fee and commission income	474	717

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

Expense	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Government Guarantee fee (note 33)	105	66
Other	150	166
Fee and commission expense	255	232

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

7 Net trading expense

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

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

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

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

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

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

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

8 Life assurance investment income and gains / (losses)

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

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

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

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

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

9 Gain on repurchase of subordinated liabilities

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

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

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

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

10 Other operating income

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

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

11 Insurance contract liabilities and claims paid

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

12 Other operating expenses

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Administrative expenses		
- Staff costs (see analysis below)	789	1,197
- Other administrative expenses	479	737
Depreciation		
- Intangible assets	75	132
- Property, plant and equipment	32	46
Decline in value of property below cost	6	9
Other operating expenses	1,381	2,121
Staff costs are analysed as follows:		
Wages and salaries	569	849
Social security costs	61	91
Retirement benefit costs – defined benefit plans	147	173
Retirement benefit costs – defined contribution plans	2	7
Share based payment schemes	-	19
Other	10	58
Staff costs	789	1,197

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

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

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

Staff numbers

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

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

The growth in staff numbers in Group Centre reflects the ongoing centralisation of support functions in order to maximise operating efficiencies.

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

13 Impairment charges on financial assets

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
Loans and advances to customers	4,055	1,435
Available for sale financial assets	2	76
Loans and advances to banks	-	2
	4,057	1,513

Of the €4,055 million charge for loans and advances to customers, €2,231 million relates to loans held for sale to NAMA

14 Results of associates and joint ventures (after tax)

	9 months ended 31 December 2009 €m	Year ended 31 March 2009 €m
First Rate Exchange Services	27	39
Property unit trust	10	(63)
Paul Capital Investments	1	(11)
Other joint ventures	(1)	-
Associates	(2)	(7)
	35	(42)

15 Taxation

	9 months ended 31 December 2009 €m	Restated* Year ended 31 March 2009 €m
Current tax		
Irish corporation tax		
– current year	(19)	(84)
– prior year	5	7
Double taxation relief	1	-
Foreign tax		
– current year	2	3
– prior year	(1)	-
	(12)	(74)
Deferred tax		
Origination and reversal of temporary differences	356	115
Taxation credit	344	41

15 Taxation (continued)

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

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

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

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

[1] *The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

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

15 Taxation (continued)

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

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

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

16 Earnings per share

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

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

Diluted

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

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

** The prior year has been restated to reflect the impact of the adoption of "Amendments to IFRS 2 Share-based Payment Vesting Conditions and Cancellations".*

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

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

16 Earnings per share (continued)

Dividend on 2009 preference stock

Where a dividend on the 2009 preference stock is not paid in either cash or shares, that dividend must subsequently be paid in the form of shares if a subsequent dividend is paid or if any dividend on ordinary stock is paid. The dividend required for the period, although undeclared and not accounted for in these financial statements, has been deducted in the calculation of basic and diluted earnings per share. The dividend due on 20 February 2010 was settled by the issue and allotment of ordinary stock to the NPRFC (see note 34).

17 Other financial assets at fair value through profit or loss

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

18 Loans and advances to banks

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

As set out in the risk management section, the Group uses netting arrangements to reduce its exposure to credit losses. Loans and advances with other banks includes money market placements to an international bank counterparty of €nil (31 March 2009: €0.8 billion; 30 September 2008: €1.3 billion), undertaken in the normal course of business, for which a right of set-off in the event of default existed against Deposits from banks of €nil (31 March 2009: €0.8 billion; 30 September 2008: €0.7 billion). In accordance with accounting standards, as there was no intention to settle these balances on a net basis or simultaneously, these balances were recorded as assets and liabilities respectively (see note 24).

Placements with other banks includes cash collateral of €1.9 billion (31 March 2009: €1.9 billion) placed with derivative counterparties in relation to net derivative liability positions (see note 23).

For the purposes of disclosure of credit risk exposures, loans and advances to banks are included within Other financial instruments of €36.1 billion (31 March 2009: €46.9 billion) in the risk management section on page 79.

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

19 Available for sale financial assets

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

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

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

	31 December 2009 €m	31 March 2009 €m
At beginning of period	26,858	29,307
Revaluation, exchange and other adjustments	874	(953)
Additions	8,587	27,267
Sales	(3,385)	(5,398)
Redemptions	(12,004)	(22,926)
Amortisation	12	56
Impairment charge (note 13)	(2)	(76)
Reclassification	-	(419)
At end of period	20,940	26,858

20 Loans and advances to customers

	31 December 2009 €m	31 March 2009 €m
Loans and advances to customers	119,926	132,522
Finance leases and hire purchase receivables (see analysis below)	2,510	2,999
	122,436	135,521
Less allowance for impairment charges on loans and advances to customers (note 22)	(2,997)	(1,781)
Loans and advances to customers	119,439	133,740

On 31 December 2009, loans and advances to customers of €9,457 million (net of impairment provision of €2,778 million) were reclassified to loans held for sale to NAMA (see note 21). The total loans and advances to customers above exclude these assets.

21 Assets and liabilities held for sale to NAMA

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

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

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

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

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

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

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

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

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

21 Assets and liabilities held for sale to NAMA (continued)

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

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

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

21 Assets and liabilities held for sale to NAMA (continued)

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

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

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

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

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

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

The Group has recently received acquisiton schedules requiring the transfer of the first tranche of specified loans to NAMA and these loans are expected to transfer in early April 2010.

The acquisition schedules require a transfer of gross Eligible Bank Assets totalling €1.9 billion to NAMA. These loans (including accrued interest) comprise land and development loans of €0.9 billion and associated loans of €1.0 billion. As at 31 December 2009, the Group held impairment provisions of €0.3 billion against these loans. In addition, the transfer includes associated derivatives with a fair value of €15 million.

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

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

22 Impairment provisions

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

9 months ended 31 December 2009

Impairment provisions	**Residential Mortgages €m**	**Non-Property SME and corporate €m**	**Property and construction €m**	**Consumer €m**	**Total impairment provisions €m**
Impaired financial assets	471	2,806	9,648	426	13,351
Provision at the beginning of the period	144	480	856	301	1,781
Exchange adjustments	3	22	22	1	48
Amounts written off	(30)	(42)	-	(73)	(145)
Recoveries	-	1	(1)	3	3
Charge against income statement	237	659	2,993	166	4,055
Other movements	5	32	14	(18)	33
Provision at the end of the period	359	1,152	3,884	380	5,775

The provision at 31 December 2009 is split as follows:

Loans and advances to customers	359	1,134	1,124	380	2,997
Loans held for sale to NAMA	-	18	2,760	-	2,778
Provision at the end of the period	359	1,152	3,884	380	5,775

Year ended 31 March 2009

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

23 Derivative financial instruments

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

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

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

23 Derivative financial instruments (continued)

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

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

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

As set out in the risk management section, the Group uses netting arrangements and collateral agreements to reduce its exposure to credit losses. Of the derivative assets of €5.8 billion at 31 December 2009 (31 March 2009: €8.4 billion), €3.8 billion (31 March 2009: €5.4 billion) are available for offset against derivative liabilities under master netting arrangements. These transactions do not meet the criteria under IAS 32 to enable the assets to be presented net of the liabilities.

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

Net derivative assets of €2.1 billion (31 March 2009: €3.0 billion) are not covered by master netting arrangements or relate to counterparties covered by master netting arrangements with whom a net asset position was held at the balance sheet date. At 31 December 2009 cash collateral of €0.5 billion (31 March 2009: €0.7 billion) was held against these assets and is reported within Deposits from banks (see note 24).

24 Deposits from banks

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

As set out in the risk management section, the Group uses netting arrangements to reduce its exposure to credit losses. Deposits from banks includes money market placements by an international bank counterparty of €nil (31 March 2009: €0.8 billion: 30 September 2008: €0.7 billion), undertaken in the normal course of business, for which a right of set-off in the event of default existed against Loans and advances to banks of €nil (31 March 2009: €0.8 billion; 30 September 2008: €1.3 billion). In accordance with accounting standards, as there was no intention to settle these balances on a net basis or simultaneously, these balances were recorded as liabilities and assets respectively (see note 18).

Deposits from banks includes cash collateral of €0.5 billion (31 March 2009: €0.7 billion) received from derivative counterparties in relation to net derivative asset positions (see note 23).

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

25 Customer accounts

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

At 31 December 2009, the Group's largest 20 customer deposits amounted to 11% (31 March 2009: 11%; 30 September 2008: 8%) of total customer accounts.

At 31 December 2009 Customer accounts included an amount of €nil (31 March 2009: €nil; 30 September 2008: €1.2 billion) from a global financial institution. The Group had placed net cash with a banking affiliate of the same institution of €nil (31 March 2009: €nil; 30 September 2008: €0.6 billion).

26 Subordinated liabilities

Undated loan capital	31 December 2009 €m	31 March 2009 €m
Bank of Ireland UK Holdings plc		
€600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	499 [1,2]	637
Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities	52 [1,2]	381
BoI Capital Funding (No 1) LP		
€600 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	342 [1,2]	592
BoI Capital Funding (No 2) LP		
US$800 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	272 [1,2]	674
BoI Capital Funding (No 3) LP		
US$400 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	139 [1,2]	345
BoI Capital Funding (No 4) LP		
Stg£500 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	40 [1,2]	587
Bank of Ireland		
Stg£75 million $13^3/_8$% Perpetual Subordinated Bonds	140	134
Bristol & West plc		
Stg£32.6 million $8^1/_8$% Non-Cumulative Preference Shares	37	35
	1,521	3,385
Dated loan capital		
€750 million 6.45% Subordinated Bonds 2010	754	775
Can$400 million Fixed / Floating Rate Subordinated Notes 2015	229	229
€600 million Subordinated Floating Rate Notes 2017	599 [3]	599
€750 million Floating Rate Subordinated Notes 2017	749 [3]	749
Stg£400 million Fixed / Floating Rate Subordinated Notes 2018	449 [3]	428
US $600 million Subordinated Floating Rate Notes due 2018	416 [3]	450
Stg£75 million 10¾% Subordinated Bonds 2018	96	95
€650 million Fixed / Floating Rate Subordinated Notes 2019	688 [3]	692
Stg£450 million dated callable Step-up Fixed / Floating Rate Subordinated Notes September 2020	552	540
	4,532	4,557
	6,053	7,942

[1] In June 2009 the Group repurchased certain amounts of these subordinated liabilities. Information on the repurchase of these subordinated liabilities are shown in note 9.
[2] On 19 January 2010, the Group advised the Stock Exchange that the EU Commission had indicated that, in line with its policy and pending its assessment of the Group's restructuring plan (which is required in compliance with EU State aid rules), that the Group should not make coupon payments on its Tier 1 and Upper Tier 2 capital instruments unless under a binding legal obligation to do so.
[3] On 12 February 2010, the Group announced that it had completed an Exchange offer for outstanding notes relating to these five lower Tier 2 securities.

27 Deferred tax

	31 December 2009 €m	31 March 2009 €m
The movement on the deferred tax account is as follows:		
At beginning of period	(510)	(14)
Income statement credit for period	(356)	(116)
Available for sale financial assets – charge / (credit) other comprehensive income	131	(162)
Cash flow hedges – charged to other comprehensive income	39	(104)
Revaluation / reclassification of property during period	(7)	(17)
Pension	(25)	(83)
Other movements	(3)	(14)
At end of period	(731)	(510)
Represented on the balance sheet as follows:		
Deferred tax assets	(865)	(560)
Deferred tax liabilities	134	50
	(731)	(510)

In presenting the deferred tax balances above, under IAS 12, the Group offset deferred tax assets and liabilities where:
- an entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

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

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

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

28 Retirement benefit obligations

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

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

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

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

28 Retirement benefit obligations (continued)

The valuation disclosed that the fair value of scheme assets, after allowing for expected future increases in earnings and pensions, represented 109% of the benefits that had accrued to members. The actuary recommended a contribution rate increase of 0.7% of salaries in the funding programme following the conclusion of the valuation. The next formal valuation is being performed as at 30 September 2009 and will be completed during 2010. The BSPF met the statutory funding standard as at 31 March 2007, however the Fund did not meet the statutory funding standard as at 31 March 2009 and as a result the Trustees and the Bank will be putting a proposal to the Pensions Board to address this deficit.

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

Financial assumptions	31 December 2009 % p.a.	31 March 2009 % p.a.
Irish schemes		
Inflation rate	2.10	2.00
Discount rate	5.60	5.95
Rate of general increase in salaries	2.73*	2.62*
Rate of increase in pensions in payments	2.49*	2.40*
Rate of increase to deferred pensions	2.10	2.00
UK schemes		
Inflation rate	3.50	2.75
Discount rate	5.70	6.50
Rate of general increase in salaries	4.33*	3.61*
Rate of increase in pensions in payments	3.82*	3.05*
Rate of increase to deferred pensions	3.50	2.75

* Weighted average increase across all Group schemes.

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

Mortality assumptions

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

Post retirement mortality assumptions (Main Scheme)	At 31 December 2009 years	At 31 March 2009 years
Longevity at age 70 for current pensioners		
Males	16.7	16.5
Females	18.3	18.1
Longevity at age 60 for active members currently aged 60 years		
Males	26.4	26.2
Females	28.1	28.0
Longevity at age 60 for active members currently aged 40 years		
Males	29.2	29.0
Females	30.4	30.3

28 Retirement benefit obligations (continued)

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

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

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

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

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

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

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

29 Contingent liabilities and commitments

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

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

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

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

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

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

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

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

30 Capital stock

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

31 Fair values of financial assets and liabilities

The fair value of a financial instrument is defined as the amount for which an asset could be exchanged, or a liability settled, in an arms length transaction between knowledgeable willing parties.

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

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

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

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

All financial instruments are initially recognised at fair value. The Group subsequently measures trading securities, other financial assets and liabilities designated at fair value through profit or loss, derivatives and available for sale financial assets at fair value in the balance sheet. A description of the methods and assumptions used to calculate fair values of these assets and liabilities is set out below.

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

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

31 Fair values of financial assets and liabilities (continued)

Other financial assets at fair value through profit or loss

These consist of assets designated at fair value through profit or loss, which are predominantly held for the benefit of unit linked policyholders, with any changes in valuation accruing to the policyholders. These assets consist principally of bonds, equities and unit trusts, which are traded on listed exchanges, are actively traded and have readily available prices. The remaining assets are valued using valuation techniques which use observable market data.

Derivative financial instruments

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

Assets and liabilities held for sale to NAMA - derivatives

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

Debt securities in issue and subordinated liabilities

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

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

Available for sale financial assets

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

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

Customer accounts

Customer accounts designated at fair value through profit or loss consist of deposits which contain an embedded derivative (typically an equity option). These instruments are typically valued using valuation techniques which use observable market data. The impact of changes in the Group's own credit spread is not significant to the fair value of these deposits. A small number of customer accounts are valued using non-observable inputs. However, changing one or more assumptions used in the valuation of these customer accounts would not have a significant impact as these customer accounts are hedged with offsetting derivatives (see above), leaving the Group with no net valuation risk due to the non-observable inputs.

Liabilities to customers under insurance and investment contracts

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

31 Fair values of financial assets and liabilities (continued)

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

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

Loans and advances to banks

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

Loans and advances to customers

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

Assets held for sale to NAMA

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

Deposits from banks and customer accounts

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

Debt securities in issue and subordinated liabilities

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

31 Fair values of financial assets and liabilities (continued)

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

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

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

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

32 Related party transactions

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

(a) Irish Government
During the year ended 31 March 2009, the Irish Government through both the Bank's participation in the Government Guarantee Scheme and the recapitalisation through the NPRFC became a related party of the Bank. For further details on the Government Guarantee Scheme and on the recapitalisation see note 33.

On 22 February 2010 ordinary stock was issued to the NPRFC. Information on this post balance sheet event is shown in note 34.

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

National Asset Management Agency (NAMA): please see note 21 for details on NAMA.

National Asset Management Agency Investment Limited (NAMAIL)

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

The A shares and B shares generally rank equally, except as otherwise provided in the Articles of Association of NAMAIL. NAMA may appoint up to six directors to the board of NAMAIL. In total, the B shareholders may also jointly appoint up to six directors. As holder of the A shares, NAMA has veto rights in relation to: the declaration of dividends; the appointment or removal of directors; the exercise of voting rights in respect of any subsidiary of NAMAIL and the appointment of a Chairman. In addition NAMA can veto any actions by NAMAIL, which NAMA considers in any manner to be inconsistent with its objectives. A holder of the B shares may not sell the shares without the consent of NAMA.

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

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

(b) Pension funds
The Group provides a number of normal banking and financial services to various pension funds operated by the Group for the benefit of its employees (principally for the Bank Staff Pension Fund ("BSPF")), which are conducted on similar terms to third party transactions and which are not material to the Group. Further details on retirement benefit obligations are set out in note 28.

32 Related party transactions (continued)

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

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

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

At 31 December 2009 €2,958 million (31 March 2009: €2,413 million) of the BSPF assets were managed by Bank of Ireland Asset Management Limited.

33 Summary of relations with the Irish Government

(a) Guarantee schemes

Credit Institutions (Financial Support) Scheme 2008

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

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

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

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

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

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

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

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

Credit Institutions (Eligible Liabilities Guarantee) Scheme

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

The ELG Scheme is subject to ongoing six monthly approval by the European Commission in accordance with EU State aid rules.

Eligible liabilities include:

- deposits to the extent not covered by deposit protection schemes in Ireland (other than the 2008 scheme) or any other jurisdiction;
- senior unsecured certificates of deposit;
- senior unsecured commercial paper;
- other senior unsecured bonds and notes; and
- other forms of senior unsecured debt which may be specified by the Minister, consistent with EU State aid rules and the EU Commission's Banking Communication (2008/C 270/02) and subject to prior consultation with the EU Commission.

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

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

33 Summary of relations with the Irish Government (continued)

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

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

(b) 2009 Preference Stock

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

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

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

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

The 2009 preference stock is perpetual.

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

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

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

For information on the February 2010 dividend, refer to note 33.

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

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

33 Summary of relations with the Irish Government (continued)

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

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

While the 2009 preference stock is held by a Government Entity, the Minister for Finance[1] will have the right to directly appoint 25 per cent of the Directors of the Bank (such 25 per cent to include any Directors nominated by the Minister for Finance pursuant to the Government Guarantee Scheme).

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

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

The 2009 preference stock carries voting rights equivalent to 25 per cent of the total voting rights in relation to any Control Resolution[1] (exclusive of any voting rights that the NPRFC or any Government Entity may have through any holding of ordinary stock obtained through or in relation to the Investment by the NPRFC).

While the NPRFC or a Government Entity holds the 2009 preference stock or (if later) until the Warrants are exercised, the implementation of any existing, or the adoption of any proposed, Capital Stock Resolution[1] shall be subject to the prior written consent of the Minister for Finance.

In connection with the investment by the NPRFC the Bank has agreed to implement a Banks Customer Package, including:
(a) Increasing Credit Capacity to SME and first-time buyers.
(b) Establishing an Environmental and Clean Energy and Innovation Fund.
(c) Complying with new Codes of Practice in relation to lending to SME and Mortgage Arrears.
(d) Engaging with the Financial Regulator in relation to improving customer communications and financial education.
(e) Participating in an independent review of credit availability.
(f) Working with the IDA, Enterprise Ireland and with State agencies to ensure the supply of appropriate finance to contractors engaged on major projects sponsored by those agencies.
(g) Providing additional funds for venture capital.
(h) Ensuring prompt payment arrangements in future customer contracts.

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

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

The Warrants, if exercised in full, will entitle the NPRFC to acquire 334,737,148 units of ordinary stock, equivalent to 25 per cent of the existing stock as at 31 March 2009 as enlarged by the ordinary stock issuable on exercise of the Warrants.

33 Summary of relations with the Irish Government (continued)

The NPRFC shall be entitled to exercise no more than 50 per cent of the voting rights attaching to any units of ordinary stock which are issued as a result of the exercise of the Warrants.

The Warrants will be exercisable on the earlier of (i) at any time between the fifth and tenth anniversary of the date of issue of the new preference stock (31 March 2009); and (ii) any offer (within the meaning of the Takeover Panel Act 1997) for the Bank or other change of Control event in respect of the Bank.

The exercise price per unit of ordinary stock issued pursuant to the Warrants will be €0.52 for 177,213,784 units of ordinary stock ("the core tranche warrants") and €0.20 for 157,523,364 units of ordinary stock ("the secondary tranche warrants"). Any difference between the exercise price and the nominal value of the ordinary stock (being €0.64) shall be paid up from the Bank's undistributable reserves (including the Stock Premium Account) or (subject to there being no contravention of the rights of other stockholders) from the Bank's distributable reserves.

If the units of ordinary stock issued on exercise of the Warrants are transferred to any third party (other than a Government Entity), full voting rights will attach to those units.

From 1 January 2010, the Warrants are unaffected by any repurchase of the 2009 preference stock.

The number of units of ordinary stock which may be acquired pursuant to the exercise of the Warrants are subject to anti-dilution protection in line with market norms for warrants. Accordingly, the Warrants will be proportionately adjusted for any increase or decrease in the number of outstanding units of ordinary stock in issue resulting from a subdivision or consolidation of units of ordinary stock. The Warrants will also be proportionally adjusted for any capital distributions by the Bank and for certain bonus issues or rights issues by the Bank.

The Warrants are not transferable, other than to a Government Entity.

The exercise of the Warrants will result in the dilution of existing ordinary stockholders' proportionate ownership and voting interests in the Bank.

(c) National Asset Management Agency (NAMA)
Please refer to note 21 for details on NAMA.

(d) National Asset Management Agency Investment Limited (NAMAIL)
Please refer to note 32 for details on NAMAIL.

34 Post balance sheet events

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

Under the terms of BOI Capital Funding (No. 2) LP US$800 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities ('LP2 Securities'), BOI Capital Funding (No. 3) LP US$400 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities ('LP3 Securities') and BOI Capital Funding (No. 1) LP €600 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities which have the benefits of subordinated guarantees from the Bank it was decided that the non-cumulative distribution on these securities, which would otherwise have been paid on 1 February, 4 February and 3 March 2010 respectively would not be paid.

The effect of this decision by the Group was to trigger the 'Dividend Stopper' provisions of the LP 2 Securities and LP 3 Securities. While these "Dividend Stoppers" remain in force, the Group will be precluded, for a period of one year from and including 1 and 4 February 2010, respectively from declaring and paying any distribution or dividend on its 'Junior Share Capital' and on any 'Parity Security', which currently comprises the Group's ordinary capital stock ('the Ordinary Stock'), the outstanding non-cumulative Euro and Sterling Preference Stock), the Bank of Ireland UK Holdings plc €600 million 7.4% Guaranteed Step-up Callable Perpetual Preferred

34 Post balance sheet events (continued)

Securities, the Bank of Ireland UK Holdings plc Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities, and the BOI Capital Funding (No. 4) LP £500 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities and the Irish Government €3.5 billion preference stock ("the 2009 Preference Stock") issued to the NPRFC (for further information on the 2009 Preference Stock see (c) below.

The Group revised its estimates of future cash flows on these subordinated liabilities during 2009, resulting in an adjustment in interest expense in the nine month ended 31 December 2009.

(b) Exchange of Lower Tier 2 Securities
On 11 February 2010, the Group announced that it completed an Exchange Offer for outstanding notes relating to five Lower Tier 2 Securities (three Euro securities and one each in Sterling and US Dollars) with a potential nominal value equivalent to circa €2.9 billion.

The actual securities exchanged had a nominal value equivalent to €1.62 billion. These securities were exchanged at a discount into the following new securities

- €978 million, 10% coupon, maturity 12 February 2020
- £197 million, 10% coupon, maturity 12 February 2020

The gain from the Exchange Offer was approximately €405 million after tax.

(c) Issue of Ordinary Stock to the NPRFC
On 22 February 2010, the Bank issued the NPRFC 184,394,378 units of Ordinary Stock being the number of units equal to the aggregate cash amount of the 2010 dividend, on the 2009 preference stock, of €250.4 million divided by 100% of the average price per unit of ordinary stock in the 30 trading days prior to and including 19 February 2010. This equated to a share price of €1.3582. This increased the units of Ordinary Stock of Bank of Ireland in issue to 1,186,611,367. As a result the NPRFC owns 15.73% of the issued Ordinary Stock (excluding the NPRFC Warrant Instrument).

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

On 11 January 2010, the Group became a participating institution under the ELG Scheme. For further information on the scheme see note 33.

(e) National Asset Management Agency (NAMA)
Please refer to note 21 for details on NAMA.

(f) National Asset Management Agency Investment Limited (NAMAIL)
Please refer to note 32 for details on NAMAIL.

(g) Review of restructuring plan by the European Commission
As part of the state aid review, the Group submitted its restructuring plan to the European Commission on 30 September 2009. Over the last number of months, the Department of Finance and the Group have been involved in detailed discussions with the European Commission in relation to the terms of this restructuring plan. These discussions are well advanced.

Consolidated average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for the nine months ended 31 December 2009 and the year ended 31 March 2009. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. The Group's operating divisions are managed on product margin basis, with funding and interest exposure managed centrally by Global Markets. Domestic and foreign margins are provided for statutory purposes. The explanation of the underlying business trends in the Group's net interest margin, after adjusting for the impact of IFRS income classifications, is explained on page 12. Rates for the nine month period are annualised.

	9 months ended 31 December 2009			Year ended 31 March 2009		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
ASSETS						
Loans and advances to banks						
Domestic offices	5,619	39	0.9	5,912	201	3.4
Foreign offices	3,284	9	0.4	1,399	45	3.2
Loans and advances to customers						
Domestic offices	78,956	2,293	3.9	78,251	4,681	6.0
Foreign offices	59,440	1,349	3.0	62,654	3,452	5.5
Available for sale financial assets						
Domestic offices	23,037	490	2.8	27,748	1,307	4.7
Foreign offices	919	8	1.2	899	28	3.1
Other financial assets at fair value through profit or loss						
Domestic offices	53	-	-	235	-	-
Foreign offices	202	-	-	81	-	-
Other	-	-	-	-	3	-
Total interest earning assets	171,510	4,188	3.3	177,179	9,717	5.5
Domestic offices	107,665	2,822	3.5	112,146	6,189	5.5
Foreign offices	63,845	1,366	2.9	65,033	3,528	5.4
	171,510	4,188	3.3	177,179	9,717	5.5
Allowance for impairment charges	(3,103)	-	-	(936)	-	-
Non interest earning assets	20,398	-	-	25,389	-	-
Total assets	188,805	4,188	3.0	201,632	9,717	4.8
Percentage of assets applicable to foreign activities	31.4%	-	-	31.8%	-	-

Consolidated average balance sheet and interest rates (continued)

	9 months ended 31 December 2009			Year ended 31 March 2009		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate €m
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits from banks						
Domestic offices	24,531	192	1.0	16,111	521	3.2
Foreign offices	1,803	6	0.4	989	33	3.3
Customer accounts						
Domestic offices	42,297	372	1.2	42,254	1,221	2.9
Foreign offices	31,166	623	2.7	35,686	1,552	4.3
Debt securities in issue						
Domestic offices	31,444	568	2.4	41,029	1,625	4.0
Foreign offices	9,116	86	1.3	16,567	672	4.1
Subordinated liabilities						
Domestic offices	3,146	97	4.2	4,665	196	4.2
Foreign offices	3,373	65	2.6	3,424	227	6.6
Total interest bearing liabilities	146,876	2,009	1.8	160,725	6,047	3.8
Domestic offices	101,418	1,229	1.6	104,059	3,563	3.4
Foreign offices	45,458	780	2.3	56,666	2,484	4.4
	146,876	2,009	1.8	160,725	6,047	3.8
Current accounts	9,332	-	-	10,137	-	-
Non interest bearing liabilities	24,855	-	-	24,772	-	-
Stockholders equity	7,742	-	-	5,998	-	-
Total liabilities and stockholders' equity	188,805	2,009	1.4	201,632	6,047	3.8
Percentage of liabilities and stockholders equity applicable to foreign activities	26.0%			31.1%		

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

The balance sheet of the life assurance business has been consolidated and is reflected under 'non-interest earning assets' and 'other non-interest bearing liabilities'.

Consolidated income statement

for the nine months ended 31 December 2009

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
Interest income	4,188	6,034	3,719
Interest expense	(2,009)	(2,895)	(1,784)
Net interest income	2,179	3,139	1,935
Net insurance premium income	665	958	591
Fee and commission income	474	683	421
Fee and commission expense	(255)	(367)	(227)
Net trading expense	(28)	(40)	(25)
Life assurance investment income and gains / (losses)	958	1,380	851
Gain on repurchase of subordinated liabilities	1,037	1,494	921
Other operating income	31	45	28
Total operating income	5,061	7,292	4,495
Insurance contract liabilities and claims paid	(1,462)	(2,107)	(1,298)
Total operating income, net of insurance claims	3,599	5,185	3,197
Other operating expenses	(1,381)	(1,990)	(1,227)
Impairment of goodwill and other intangible assets	(6)	(9)	(5)
Operating profit before impairment charges on financial assets	2,212	3,186	1,965
Impairment charges on financial assets	(4,057)	(5,845)	(3,603)
Operating (loss) / profit	(1,845)	(2,659)	(1,638)
Share of results of associates and joint ventures (after tax)	35	50	31
Loss on disposal of business activities	(3)	(4)	(3)
Loss before taxation	(1,813)	(2,613)	(1,610)
Taxation	344	496	306
(Loss) / Profit for the period	(1,469)	(2,117)	(1,304)
Attributable to minority interests	(9)	(13)	(8)
Attributable to stockholders	(1,460)	(2,104)	(1,296)
(Loss) / Profit for the period	(1,469)	(2,117)	(1,304)

(1) Converted at closing exchange rates as set out on page 98.

Consolidated balance sheet

as at 31 December 2009

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
ASSETS			
Cash and balances at central banks	4,241	6,110	3,766
Items in the course of collection from other banks	400	576	355
Trading securities	403	581	358
Derivative financial instruments	5,824	8,391	5,172
Other financial assets at fair value through profit or loss	9,679	13,946	8,596
Loans and advances to banks	5,031	7,249	4,468
Available for sale financial assets	20,940	30,170	18,597
Loans and advances to customers	119,439	172,088	106,074
Assets held for sale to NAMA	9,581	13,804	8,509
Interest in associates	23	33	20
Interest in joint ventures	194	280	172
Intangible assets – goodwill	48	69	43
Intangible assets – other	459	661	408
Investment properties	1,265	1,823	1,123
Property, plant and equipment	404	582	359
Deferred tax assets	865	1,246	768
Other assets	2,304	3,320	2,046
Retirement benefit asset	6	9	5
Total assets	181,106	260,938	160,839
EQUITY AND LIABILITIES			
Deposits from banks	17,903	25,795	15,900
Customer accounts	84,812	122,197	75,321
Items in the course of transmission to other banks	198	285	176
Derivative financial instruments	6,037	8,698	5,361
Debt securities in issue	43,144	62,162	38,316
Liabilities to customers under investment contracts	5,050	7,276	4,485
Insurance contract liabilities	6,658	9,593	5,913
Other liabilities	2,899	4,177	2,574
Provisions	142	205	126
Deferred tax liabilities	134	193	119
Retirement benefit obligations	1,638	2,360	1,455
Subordinated liabilities	6,053	8,721	5,376
Liabilities held for sale to NAMA	1	1	1
Total liabilities	174,669	251,663	155,123
Equity			
Capital stock	699	1,007	621
Stock premium account	4,092	5,896	3,634
Retained earnings	3,263	4,696	2,894
Other reserves	(1,580)	(2,271)	(1,400)
Own stock held for the benefit of life assurance policyholders	(87)	(125)	(77)
Stockholders' equity	6,387	9,203	5,672
Minority interests	50	72	44
Total equity	6,437	9,275	5,716
Total equity and liabilities	181,106	260,938	160,839

(1) *Converted at closing exchange rates as set out on page 98 .*