

BOI CAPITAL FUNDING (NO. 1) LP

**GENERAL PARTNER'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2009**

BOI CAPITAL FUNDING (NO. 1) LP

CONTENTS

	Page
GENERAL PARTNER'S REPORT	2
INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF BOI CAPITAL FUNDING (NO. 1) LP	4
PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 MARCH 2009	6
BALANCE SHEET AS AT 31 MARCH 2009	7
NOTES TO THE FINANCIAL STATEMENTS	8

BOI CAPITAL FUNDING (NO. 1) LP

GENERAL PARTNER'S REPORT

FOR THE YEAR TO 31 MARCH 2009

The General Partner presents its report and the audited financial statements for BOI Capital Funding (no. 1) LP (the Partnership) for the year to 31 March 2009.

Principal activities

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

Business review

The Partnership issued Euro 600,000,000 of fixed rate/variable rate guaranteed non-voting non-cumulative perpetual preferred securities, comprising limited partnership interests in the Partnership, on 2 March 2005.

Results

There was neither a profit nor a loss in the current year or the prior year.

Partners

The Partners during the year were BOI G.P. No 1 Limited (the General Partner) and Citivic Nominees Limited (the Initial Limited Partner).

Future Developments

The General partner does not anticipate any significant changes in the business activities of the Company.

Key Performance Indicators

Given the straightforward nature of the business, the General Partner is of the opinion that analysis using Key Performance Indicators is not necessary for an understanding of the development, performance or position of the business.

Going concern

After analysis, the General Partner has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future. For this reason, the General Partner continues to adopt the going concern basis in preparing the accounts.

BOI CAPITAL FUNDING (NO. 1) LP

GENERAL PARTNER'S REPORT

FOR THE YEAR TO 31 MARCH 2009

Statement of the General Partner's responsibilities

The following statement, which should be read in conjunction with the Independent Auditors' Report on page 4, is made with a view to distinguishing the respective responsibilities of the General Partner and the auditors in relation to the financial statements.

The Partnerships and Unlimited Companies (Accounts) Regulations 1993 requires the General Partner to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Partnership as at the end of the financial year and of the profit or loss of the Partnership for that year.

With regard to the financial statements on pages 6 to 12, the General Partner has determined that it is appropriate that they continue to be prepared on a going concern basis and consider that in their preparation:-

- suitable accounting policies have been used and applied consistently;
- judgements and estimates that are reasonable and prudent have been made; and
- applicable accounting standards have been followed.

The General Partner is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Partnership and enable them to confirm that the financial statements comply with the Partnership and Unlimited Companies (Accounts) Regulations 1993. The General Partner is also responsible for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The General Partner at the time of approving this report, confirms the following:

(a) so far as the General Partner is aware, there is no information of which the Partnership auditors are unaware, and

(b) the General Partner has taken all the steps it ought to have taken as the General Partner, in order to make itself aware of any relevant audit information, and to establish that the Partnership auditors are aware of that information.

Signed by order of the General Partner

ADRIAN BIRD
for and on behalf of the General Partner
28 July 2009

BOI CAPITAL FUNDING (NO. 1) LP

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF BOI CAPITAL FUNDING (NO.1) LP

FOR THE YEAR TO 31 MARCH 2009

We have audited the financial statements of BOI Capital Funding (no. 1) LP for the year ended 31 March 2009 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the General Partner and auditors

The General Partner's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of General Partner's Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Limited Partnership Agreement. We also report to you if, in our opinion, the General Partner's Report is not consistent with the financial statements, if the limited partnership has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the General Partner's Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the General Partner's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

BOI CAPITAL FUNDING (NO. 1) LP

INDEPENDENT AUDITORS' REPORT TO THE PARTNERS OF BOI CAPITAL FUNDING
(NO.1) LP

FOR THE YEAR TO 31 MARCH 2009

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Limited Partnership's affairs as at 31 March 2009 and of its result for the year then ended; and
- have been properly prepared in accordance with the provisions of the Limited Partnership Agreement.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Bristol
28 July 2009

Notes:

- The maintenance and integrity of the Limited Partnership's website is the responsibility of the General Partner; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

BOI CAPITAL FUNDING (NO. 1) LP

PROFIT AND LOSS ACCOUNT

FOR THE YEAR TO 31 MARCH 2009

	Notes	2009	2008
		€	€
Interest receivable	3	26,914,997	25,954,505
Amortisation of discount	3	421,729	421,729
Distribution to Limited Partners	4	(26,914,997)	(25,954,505)
Amortisation of issue cost	4	<u>(421,729)</u>	<u>(421,729)</u>
		-	-
Other operating income	5	447,260	469,573
Distribution to General Partner	6	(447,260)	(469,573)
Results for the year		<u>-</u>	<u>-</u>

The notes on pages 8 to 12 form part of these financial statements.

The Partnership has no recognised gains or losses other than its profit or loss for the year.

All results relate to continuing activities.

BOI CAPITAL FUNDING (NO. 1) LP

BALANCE SHEET

AS AT 31 MARCH 2009

	Notes	31 March 2009 €	31 March 2008 €
Assets			
Cash at bank and in hand		10,000	10,000
Debtors:			
Amounts falling due within one year	8	28,856,932	27,449,180
Amounts falling due after more than one year	8	<u>589,070,179</u>	<u>588,648,449</u>
Net current assets and net assets		617,937,111	616,107,629
Creditors: Amounts falling due within one year	9	(28,856,931)	(27,449,179)
		<u>589,080,180</u>	<u>588,658,450</u>
Creditors: Amounts falling due after more than one year			
Preferred securities	10	(589,070,179)	(588,648,449)
Net assets		<u><u>10,001</u></u>	<u><u>10,001</u></u>
Represented by			
Partners' interests	11	10,001	10,001
		<u><u>10,001</u></u>	<u><u>10,001</u></u>

The notes on pages 8 to 12 form part of these financial statements.

These financial statements were approved by the General Partner on 28 July 2009 and signed on its behalf by:

ADRIAN BIRD
for and on behalf of the General Partner
28 July 2009

BOI CAPITAL FUNDING (NO. 1) LP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR TO 31 MARCH 2009

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Companies Act 1985 as amended by Statutory Instrument 1993 No.1820, the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

The accounts are drawn up in euros.

BOI Capital Funding (no. 1) LP is considered to be part of the Bank of Ireland Group on the basis that the group exerts control over this entity. The Partnership is exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the Bank of Ireland Group. As the Bank of Ireland Group exerts control over the Partnership, it has taken advantage of the exemption not to disclose any transactions or balances with entities that are part of the Group or investees of the Group qualifying as related parties. The consolidated financial statements in which the Partnership is included are publicly available.

The Partnership has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 "Cash flow statements (revised 1996)". A consolidated cash flow statement is included in the Bank of Ireland Group accounts.

Interest receivable

Interest receivable is accounted for on an accruals basis.

Distribution to Limited Partners

Distribution to Limited Partners represents a financial cost on preferred securities which are treated as debt and accounted for on an accruals basis.

Amortisation of subordinated notes discount

The discount on the subordinated notes is amortised to the profit and loss account over the estimated lives of the underlying instruments.

Other operating income

The income from the General Partner is accounted for on an accruals basis.

Amortisation of preferred securities issue expenses

The preferred securities issue expenses are amortised to the profit and loss account over the estimated lives of the underlying instruments, which is 30 years.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into euros using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are translated into euros using the rate of exchange ruling at the date of the transaction.

Preferred securities

The preferred securities are classified as debt as they are non-voting, carry an interest coupon and whilst perpetual, in substance are expected to have a finite life.

BOI CAPITAL FUNDING (NO. 1) LP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR TO 31 MARCH 2009

Segment Reporting

The General Partner considers that the Company has only one geographical and one business segment and therefore is not required to produce additional segmental disclosure.

Changes in Accounting Standards

(a) Amendments to published standards

Amendments to published standards and interpretations did not result in any changes to the Partnership's accounting policies.

(b) Standards or Interpretations early adopted by the Company

The Partnership has not early adopted any Standard or Interpretation

(c) Standards, amendments and interpretations to existing standards that are not yet effective

Certain standards, amendments and interpretations to existing standards have been published and will not result in any changes to the Partnership's accounting policies for the accounting periods beginning on or after 1 April 2009 or later periods.

2. Formation

The partnership was formed on 25 February 2005.

3. Interest receivable and amortisation of discount

	2009	2008
	€	€
Interest receivable on subordinated notes issued by Bank of Ireland UK Holdings plc	26,914,997	25,954,505
Amortisation of discount on subordinated notes	<u>421,729</u>	<u>421,729</u>

Under the terms of the subordinated notes Purchase Agreement entered between Bank of Ireland UK Holdings plc (the note issuer), and BOI Capital Funding (no. 1) LP (the note purchaser), the note issuer agrees to pay the note purchaser an amount equal to the costs and expenses of the Partnership. This amount is deducted from the consideration payable for the subordinated notes in the form of discount which is amortised to the profit and loss account. This resulting discount on the subordinated notes is deducted from their nominal value.

4. Distribution to Limited Partners and amortisation of issue cost

	2009	2008
	€	€
Distribution to Limited Partners attributable to preferred securities (note 10)	26,914,997	25,954,505
Amortisation of issue cost	<u>421,729</u>	<u>421,729</u>

BOI CAPITAL FUNDING (NO. 1) LP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR TO 31 MARCH 2009

5. Other operating income

	2009	2008
	€	€
Administration fee receivable from Bank of Ireland UK Holdings plc	53,717	62,829
Foreign exchange losses	(28,186)	(14,985)
Issue cost amortisation receivable from BOI G.P. No 1 Limited	421,729	421,729
	<u>447,260</u>	<u>469,573</u>

Under the terms of the Limited Partnership Agreement between the Limited Partnership and the General Partner, the General Partner is committed to pay all of the costs, expenses, debts, liabilities and obligations incurred in the proper operation of the Limited Partnership.

The audit fee of the Partnership will be borne by BOI G.P. No 1 Limited.

Under the terms of the subordinated notes Purchase Agreement entered between Bank of Ireland UK Holdings plc (the note issuer), and BOI Capital Funding (no. 1) LP (the note purchaser), the note issuer agrees to pay the note purchaser an annual administration fee.

6. Distribution to General Partner

	2009	2008
	€	€
Distribution to General Partner	<u>447,260</u>	<u>469,573</u>

Under the terms of the Limited Partnership Agreement between the Limited Partnership and the General Partner the remaining income in the Partnership after payments to the holders of the Preferred Securities is distributed to the General Partner.

7. Partners and employees

BOI Capital Funding (no. 1) LP is administered by the General Partner (BOI G.P. No 1 Limited) who bears all costs associated with the Partnership. There are no employees of either the Partnership or the General Partner and directors of the General Partner receive no remuneration in respect of their services. The Directors and other staff who support the General Partner and the Partnership are all employees of the Bank of Ireland Group. The Directors' remuneration and average number of staff employed are included in the accounts of the Bank of Ireland Group. It is not possible to separately identify the related cost for the General Partner or the Partnership.

BOI CAPITAL FUNDING (NO. 1) LP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR TO 31 MARCH 2009

8. Debtors

	2009	2008
	€	€
Amounts falling due within one year:		
Accrued interest receivable on subordinated notes	26,914,997	25,954,505
Amortised issue cost receivable from BOI G.P. No 1 Limited	1,722,061	1,300,332
Amounts due from Bank of Ireland UK Holdings plc	219,873	194,342
Amounts due from the Partners under the Terms of the Limited Partnership Agreement	1	1
	<u>28,856,932</u>	<u>27,449,180</u>
Amounts falling due after more than one year:		
Amounts due on subordinated notes issued by Bank of Ireland UK Holdings plc (*)	600,000,000	600,000,000
Unamortised discount on issue	(10,929,821)	(11,351,551)
	<u>589,070,179</u>	<u>588,648,449</u>

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

9. Creditors: amounts falling due within one year

	2009	2008
	€	€
Accrued distribution to Limited Partners attributable to preferred securities	26,914,997	25,954,505
Amounts due to BOI G.P. No 1 Limited	1,941,934	1,494,674
	<u>28,856,931</u>	<u>27,449,179</u>

10. Preferred securities

	2009	2008
	€	€
Preferred securities issued	600,000,000	600,000,000
Unamortised issue costs (receivable from BOI G.P. No 1 Limited)	(10,929,821)	(11,351,551)
	<u>589,070,179</u>	<u>588,648,449</u>

BOI CAPITAL FUNDING (NO. 1) LP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR TO 31 MARCH 2009

10. Preferred securities (continued)

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

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

11. Partners' interests

	31 March 2009	31 March 2008
	€	€
	Total	Total
At the beginning of the year	10,001	10,001
Introduced by the Partners	-	-
At the end of the year	<u>10,001</u>	<u>10,001</u>

12. The Partnership

The Partners are BOI G.P. No 1 Limited (the General Partner) and Citivic Nominees Limited (the Initial Limited Partner). The Partnership is consolidated into the Group accounts of Bank of Ireland UK Holdings plc and the Group accounts of The Governor and Company of the Bank of Ireland, a Charter Company incorporated in the Republic of Ireland. A copy of Bank of Ireland Group accounts may be obtained from Bank of Ireland, Lower Baggot Street, Dublin 2.