Bank of Ireland Group

Interim Statement

for the 6 months ended 30 September 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, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward looking statements. Such risks and uncertainties include, but are not limited to, risks and uncertainties relating to profitability targets, prevailing interest rates, the performance of the Irish and UK economies and the performance and volatility of international capital markets, the expected level of credit defaults, the impact of the National Asset Management Agency, the outcome from the review by the European Commission under EU state aid rules of the 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, 4 November 2009 at the following venues:

Bank of Ireland Head Office, Lower Baggot Street, Dublin 2
UBS Investment Bank, 100 Liverpool Street, London EC2M 2RH

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

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

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PERFORMANCE SUMMARY

	6 months ended 30 September 2009 €m	* Restated 6 months ended 31 March 2009 €m	* Restated 6 months ended 30 September 2008 €m
Group profitability (€ million)			
Profit / (loss) before tax (PBT)	80	(726)	703
Non-core items:			
· Gain on repurchase of non core tier 1debt securities	(1,037)	-	-
· Gross-up for policyholder tax in the Life business	(57)	58	18
· Investment return on treasury stock held for policyholders	30	(54)	(77)
· Impairment of goodwill and other intangible assets	-	304	-
· Cost of restructuring programme	-	83	-
· Other	5	4	3
Underlying** (loss) / profit before tax	(979)	(331)	647
Per unit of €0.64 ordinary stock (€ cent)			
Basic earnings / (loss) per share	2.4	(58.9)	63.2
Underlying** (loss) / earnings per share	(96.6)	(26.2)	54.8
Divisional PBT performance (underlying) (€ million)**			
Retail Republic of Ireland	(655)	(266)	286
Bank of Ireland Life	57	(34)	3
UK Financial Services	(228)	(113)	148
Capital Markets	(51)	191	283
Group Centre	(102)	(109)	(73)
Underlying** (loss) / profit before tax	(979)	(331)	647
Group performance (underlying)**			
Net interest margin	1.61%	1.78%	1.71%
Cost / income ratio	54%	53%	52%
Cost / income jaws	(4%)	(1%)	(1%)
Return on equity	(35%)	(10%)	17%
Loan impairment charge – loans & advances to customers (€ million / annualised bps)			
Residential mortgages	142 / 47bps	112 / 37bps	15 / 4bps
Non-property SME and corporate	393 / 220bps	276 / 151bps	68 / 44bps
Property and construction	1,135 / 640bps	642 / 357bps	124 / 65bps
Consumer (unsecured)	117 / 417bps	138 / 420bps	60 / 179bps
Group Total	1,787 / 260bps	1,168 / 167bps	267 / 38bps
Balance sheet			
Stockholders' equity (€ billion)	7.9	6.9	6.4
Total assets (€ billion)	184	194	204
Total loans and advances to customers (€ billion)	131	134	144
Total customer deposits (€ billion)	87	83	91
Wholesale funding (€ billion)	61	74	78
Loans and advances to customers / customer deposits	152%	161%	159%
Term funding > 1 year and customer deposits / loans & advances to customers	81%	77%	79%
Term funding > 1 year, subordinated debt and customer deposits / loans and advances to customers	86%	83%	84%
Capital			
Equity tier 1 ratio (Core tier 1 less preference stock)	6.6%	6.2%	6.2%
Core tier 1 ratio	10.1%	9.5%	6.3%
Tier 1 ratio	11.0%	12.0%	8.7%
Total capital ratio	14.5%	15.2%	12.2%
Risk weighted assets (€ billion)	101	105	116

* Restated for the impact of the amendment to IFRS 2 'Share-based Payments' which has increased the operating expenses by €3 million in the six months ended 30 September 2008 (six months to 31 March 2009: €13 million increase). See page 52.
** 'Underlying' excludes non-core items see page 9.

GROUP CHIEF EXECUTIVE'S REVIEW

Overview

Trading conditions in the first 6 months of our financial year to 30 September 2009 have been difficult. The level of economic activity across our main markets has contracted and the credit environment deteriorated. Economic conditions in Ireland were particularly challenging with 2009 consensus forecasts for GDP growth and unemployment dis-improving in the earlier part of the reporting period. There are some indications of a slow-down in the pace of economic decline in the UK and to some extent in Ireland. Funding conditions across international money markets have improved from the more stressed levels experienced earlier in the year. Notwithstanding these trends, the outlook remains challenging.

Performance overview

In the six months ended 30 September 2009, we recorded a profit before tax of €80 million and earnings per share of 2.4c. Excluding non-core items, primarily the gain on the repurchase of non core tier 1 debt securities, we recorded an underlying loss before tax of €979m and an underlying loss per share of 96.6c.

Continuing Irish Government Support

The Irish Government continues to play a significant role in stabilising the financial sector through its support to systemically important institutions. Building on the stability provided in our prior financial year following the introduction of the Government Guarantee of deposits and certain liabilities (September 2008) and the re-capitalisation of Bank of Ireland (March 2009), the Government provided further clarity in September 2009 regarding the proposed establishment of the National Asset Management Agency (NAMA) and a new liability Guarantee Scheme.

NAMA

Subject to its final terms, the potential benefits of the NAMA scheme include increased certainty on banks' asset quality and impairment charges on property and construction loans, a reduction in the level of banks' Risk Weighted Assets, and improvement in banks' liquidity and funding positions, facilitating the ability of banks to support the economy.

The Minister for Finance in an announcement on 16 September 2009 outlined his expectation that Bank of Ireland would transfer up to €16 billion of loans comprising landbank and development together with 'associated loans' to NAMA. While the purchase price for such loans was not announced for individual banks, the Minister indicated an estimated industry wide aggregate discount of 30% with consideration consisting of Government guaranteed bonds representing circa 95% of the consideration of the transferred loan assets and the balance of 5% in subordinated debt issued by NAMA. The NAMA scheme envisages that the portfolios of loans would be purchased at a discount to their book value.

In our Pre-close Trading Statement issued to the market on 17 September 2009 we noted a number of positive variations between the key industry valuation metrics across the five institutions referred to by the Minister and Bank of Ireland's estimated comparable figures. On the basis of these positive variations and the illustrative methodology set out in the Supplementary Documentation published by the Department of Finance on 16 September 2009, Bank of Ireland felt that the discount applicable to Bank of Ireland loans potentially transferring to NAMA could be significantly less than the aforementioned estimated aggregate discount of 30%. However, it should be noted that the final discount would only be known on completion of the relevant due diligence and valuation exercises to be performed by NAMA on a loan by loan basis. In this context significant uncertainties exist as to the specific quantum and timing of loans which may transfer to NAMA, the price that NAMA would pay for those loans, the fees that the Group would be paid for any work undertaken in relation to such loans and the 'fair value' of the consideration to be received. Therefore there are significant uncertainties as to the final discount which would be applicable to Bank of Ireland.

Government Guarantees

Bank of Ireland deposits and 'certain liabilities' are currently guaranteed by the Irish Government until 29 September 2010 under the Credit Institutions (Financial Support) Scheme 2008 ('CIFS'). On 16 September 2009, the proposed new Guarantee Scheme - Credit Institutions (Eligible Liabilities Guarantee ('ELG')) Scheme 2009 was announced. This new scheme will facilitate longer term debt issuance of up to 5 years maturity and provide a guarantee for certain deposits with a maturity beyond September 2010. We welcome the clarity provided with regard to the new guarantee and also the flexibility that the proposed scheme allows Bank of Ireland with regard to electing to issue further un-guaranteed debt as market conditions continue to improve. We have made progress in this regard through the issuance of partially guaranteed and un-guaranteed term debt in late September and early October 2009.

Management priorities

Stabilisation of the Bank has been the immediate management objective in the first half of this financial year. With the support of the Irish Government, our customers, our investors and staff we have made significant progress across all of our stated priorities:

- To support our customers
- To strengthen our capital
- To continue to fund our balance sheet effectively
- To actively manage our credit risks; and
- To rigorously manage our costs

Supporting our customers
Bank of Ireland has fundamentally sound businesses with strong franchises and well established market positions. Our retail and commercial banking activities have a strategic bias towards Ireland and to those international businesses where we have clear competitive strengths and capabilities. Over the course of the last 9 months we have taken steps to commence the de-leveraging of our balance sheet, narrowing our focus in international markets towards those sectors where we are confident of the opportunities for sustainable profitable growth within acceptable balance sheet management constraints.

In Ireland, where we remain fully committed to supporting our personal, business and corporate customers through this period of significant challenge, we have particularly dedicated our resources and funds in support of mortgages for first time buyers (FTB) and have devoted significant resources to support the corporate and the small and medium sized enterprise (SME) sector. Since April 2009 we have lent over €1 billion in total new mortgages. Over €750 million of the €1 billion dedicated mortgage fund we established in February 2009 for first time buyers has been approved for customers. We are currently approving on average 350 mortgages each week. Gross new lending to SMEs in the first 6 months of our financial year was over €1.5 billion, with overall SME overdraft / working capital facilities / limits available to customers up 18% on 2008 levels. We continue to process over 6,000 credit applications each month with consistently high levels of approvals maintained over the period. We have opened 12,000 business current accounts since April 2009. Bank of Ireland is very much open for business and committed to supporting our customers.

We remain committed to the UK market. We will continue to invest in our joint ventures with the UK Post Office building the Post Office Financial Services franchise. We have narrowed our focus in the UK SME market to those business segments including healthcare and hospitality where we have competitive strengths and well established market positions. Our Branch network is at the core of our important franchise in Northern Ireland.

Internationally, our corporate lending focus is on project finance, mid-market acquisition finance and asset based lending through Burdale, segments where credit quality has held up well, pricing has proved robust and which provide sustainable growth opportunities.

Arising from this focus, our balance sheet should reduce over time through our planned rundown of €32 billion in UK intermediary distributed mortgage assets and €5 billion of Corporate Banking international loan portfolios. In addition up to €16 billion of loans may transfer to NAMA. Excluding these portfolios, our remaining core loan book was circa €82 billion at 30 September 2009.

Strengthening our capital
In June 2009 we 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 our equity tier 1 by €1 billion. Our equity tier 1, core tier 1, tier 1 and total capital ratios at 30 September 2009 were 6.6%, 10.1%, 11% and 14.5%. While our existing capital, bolstered by ongoing pre-impairment operating profit, should be sufficient to absorb the impact of our expected impairment charges as we progress through this low-point in the recessionary cycle, we are committed to strengthening our capital ratios in line with revising market norms and expected regulatory developments.

Funding our balance sheet effectively
Our customer deposit base has increased by 4% since March 2009, despite ongoing intense competition for retail deposits in Ireland, risk aversion in international markets and the pressure caused by rating downgrades earlier this year. The strength of the Bank of Ireland brand and franchise together with the scale of our distribution platforms – 248 full-time branches in Ireland; 44 branches in Northern Ireland; 11,700 Post Office branches across the UK; the network of treasury offices in Ireland, the UK and the US; and business banking teams in Ireland and the UK – has provided us with access to high quality deposits.

Over the course of the 6 month period to 30 September 2009, funding conditions gradually improved reflecting an upturn in general market conditions and an increased appetite for Irish debt. As a result, we have experienced enhanced access to the wholesale money markets. In the 6 months to 30 September 2009 the Group raised €7.9 billion in term funding (wholesale funding with a maturity of one year or greater at time of issue) through both public issues and private placements, including a €1.5 billion issue of a 5-year covered bond in September 2009. This issue was significant as it was the first partially unguaranteed public benchmark transaction by any Irish bank since the inception of the Government Guarantee in September 2008 and represented an important step in the normalisation of the funding position for Bank of Ireland. At 30 September 2009 33% of our wholesale funding had a maturity of greater than one year. In early October 2009, the Group issued a €1 billion, partially un-guaranteed, unsecured benchmark senior debt security with a maturity of 3 ½ years (this latter issue is not reflected in the 30 September 2009 Balance Sheet).

At 30 September 2009, the gross quantum of eligible assets in the Group's contingent liquidity collateral pool was €43 billion. The Group's utilisation of these assets through drawings from Monetary Authorities at the end of September 2009 was €7 billion (net) significantly down from €17 billion (net) at 31 March 2009.

Actively managing our credit risks

The general economic environment has deteriorated. Continuing low levels of activity in the commercial property markets and in the Irish mortgage market together with higher unemployment in Ireland are impacting our credit quality. Our impairment charge in the 6 months to 30 September 2009 of €1.8 billion reflects significant deterioration in asset quality in our property and construction portfolio, primarily landbank and development in Ireland. Deeper recessionary conditions have also had an impact on our non-property SME and Corporate books in Ireland together with our residential mortgage and consumer (unsecured) books.

Looking towards 31 March 2011 (the end of our three-year forecast horizon for loan impairment), given the continued poor outlook for Irish property and mortgage markets in particular, we expect an impairment charge on our loans and advances to customers of circa €6.9 billion – this figure includes the charges taken in the year to 31 March 2009 (€1.4 billion) and the current 6 month reporting period (€1.8 billion). This estimate also includes incurred and estimated future loan impairment provisions for landbank and development loans and 'associated loans' which may be transferred to NAMA. It does not reflect any additional impact from a sale of the relevant portfolio of loans to NAMA at an expected discount to their carrying value after impairment provisions.

With the main markets in which we operate experiencing recession, loan impairment is a significant judgemental matter and difficult to call in these unprecedented circumstances. 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. Actual results may differ from these estimates due to the inherent uncertainty around future events, values and timing issues.

Rigorously managing our costs

Our focus on rigorous cost management continues and remains a priority. Our costs are down 10% in the six months to 30 September 2009 compared to the re-stated prior year, or 12% excluding pension costs. All expenditure remains under tight control including staff compensation. Staff numbers are down by circa 1,700 since September 2008. This results from our continuing recruitment freeze, our policy of non-replacement of departing staff, and redundancies resulting from our 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 Business Banking UK and from the sale and downsizing of our asset management businesses.

EU Plan

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

As part of this review, a plan was submitted to the European Commission on 30 September 2009. The review of the plan by the European Commission is currently at a preliminary stage.

Conclusion

The last twelve months have been very challenging. With the assistance of the Irish Government and through concentrating on our priorities, greater stability has been brought to the Bank. As we face further uncertainties and challenge in the months ahead we will remain focused on our priorities and the clear goals which we have for continuing to make progress on each of these.

Richie Boucher
3 November 2009

OPERATING & FINANCIAL REVIEW

1.1 Overview

This Interim Statement provides a high level overview of the Group Income Statement for the 6 months ended 30 September 2009 compared to the 6 months ended 30 September 2008. Summary commentary on the Balance Sheet at 30 September 2009 as against 31 March 2009 and 30 September 2008 is also provided.

A detailed analysis and commentary on the key risks for the Group are detailed on pages 30 to 43 in the Risk Management Report, together with updates on the Group's risk management framework and the Group's principal risks and uncertainties.

Market environment
Trading conditions in the six months ended 30 September 2009 have been difficult. The level of economic activity across the Group's markets contracted and the credit environment deteriorated. Trading conditions in Ireland remained particularly challenging with continuing low levels of economic activity. The consensus forecasts for GDP growth and unemployment for 2009 in Ireland disimproved in the earlier part of the reporting period. There are early indications of a slow-down in the pace of economic decline in the UK and to some extent in Ireland, however the outlook remains challenging.

Following the unprecedented dislocation in global financial markets in the year ended 31 March 2009, international wholesale funding markets began to stabilise from July 2009, with improved investor sentiment towards Irish financial institutions. This has resulted in enhanced access to funding markets, facilitating debt issuance at lower prices and for longer maturities.

1.2 Group Income Statement

1.2.1 Summary Consolidated Income Statement

	6 months ended 30 September 2009 €m	*Restated 6 months ended 30 September 2008 €m	Change %
Net interest income	1,477	1,949	(24%)
Net other income	253	54	369%
Total income (net of insurance claims)	**1,730**	**2,003**	**(14%)**
Operating expenses	(940)	(1,039)	(10%)
Impairment of goodwill and other intangible assets	(3)	-	
Operating profit before impairment charges on financial assets	**787**	**964**	**(18%)**
Impairment charge on loans and advances	(1,787)	(267)	569%
Impairment charge on AFS assets	-	(40)	-
Share of results of associated undertakings and joint ventures (after tax)	21	(10)	
Underlying ** (loss) / profit before tax	**(979)**	**647**	**(251%)**
Non-core items:			
- Gain on the repurchase of non core tier 1 debt securities [1]	1,037	-	
- Gross up for policyholder tax in the Life business [2]	57	(18)	
- Investment return on treasury stock held for policyholders [3]	(30)	77	
- Hedge ineffectiveness on transition to IFRS	(2)	(3)	
- Loss on disposal of business activities	(3)	-	
Profit before tax	**80**	**703**	**(89%)**
Tax credit/(charge)	82	(95)	
Profit for the period	**162**	**608**	**(73%)**
(Loss) attributable to minority interests	(6)	(20)	(70%)
Profit attributable to stockholders	168	628	
Profit for the period	**162**	**608**	
Cost / income ratio	**54%**	**52%**	

* Restated for the impact of the amendment to IFRS 2 'Share-based Payments'. See page 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 non core tier 1 debt securities, Gross-up for policyholder tax in the Life business, Investment return on treasury stock held for policyholders, Hedge ineffectiveness on transition to IFRS and Loss on disposal of business activities.

1.2.2 Underlying loss before tax for the six months ended 30 September 2009

The following commentary is based on the Group's underlying performance and excludes the impact of non-core items.

The underlying loss before tax for the six months ended 30 September 2009 at €979 million shows a major deterioration from the comparable prior period to 30 September 2008. Operating profit before impairment charges is 18% lower, driven by a 14% reduction in total income (net of insurance claims). This reduction in income is largely attributable to reduced deposit margins and higher wholesale funding costs. Operating expenses are 10% lower (9% prior to IFRS 2 restatement) due to headcount reductions and tight cost management. The impairment charge on loans and advances to customers for the six months ended 30 September 2009 was €1,787 million, which is a very significant increase over the impairment charge of €267 million for the six months ended 30 September 2008, reflecting challenging trading conditions.

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1 *The gain on the repurchase of non core tier 1 debt securities completed during the six months ended 30 September 2009 is not considered to be part of underlying (loss) / profit – see pages 62 and 63.*

2 *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.*

3 *Under 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 30 September 2009. Units of stock held at 30 September 2009 were 12 million (31 March 2009: 10 million, 30 September 2008: 14 million).*

1.2.3 Total income

The period on period change 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	**6 months ended 30 September 2009 €m**	**6 months ended 30 September 2008 €m**	**Change %**
Net interest income	1,477	1,949	(24%)
IFRS income classifications	(59)	(431)	
Net interest income after the impact of IFRS income classifications	**1,418**	**1,518**	**(7%)**
Average interest earning assets (€ billion)	175	178	
Net interest margin (annualised)	**1.61%**	**1.71%**	**(10bps)**

Net interest income decreased by 7% to €1,418 million in the six months ended 30 September 2009 from €1,518 million in the six months to 30 September 2008. The Group net interest margin declined by 10bps (annualised) to 1.61% for the six months ended 30 September 2009 as compared with a net interest margin of 1.71% for the six months ended 30 September 2008. The key drivers of the margin decrease of 10bps were as follows:

- 32bps (annualised) reduction due to margin attrition on deposits as a result of the low interest rate environment together with intense competition for deposits and
- 3 bps (annualised) due to higher costs of term funding.

Partly offset by:

- 11bps (annualised) increase due to higher lending margins, particularly in Corporate Banking and the UK Business Banking and residential mortgage businesses and,
- 14 bps (annualised) increase due to lower short term wholesale funding costs as liquidity premia have narrowed versus the comparable prior period following interventions by Monetary Authorities.

Net other income	**6 months ended 30 September 2009 €m**	**6 months ended 30 September 2008 €m**	**Change %**
Net other income	253	54	369%
IFRS income classifications	59	431	
Net other income after IFRS income classifications	**312**	**485**	**(36%)**

Net other income after adjusting for IFRS income classifications, decreased by €173 million or 36% in the six months ended 30 September 2009, compared to the comparable prior period. Significant drivers of this decrease include:

- reduced income of €49 million in the Life business due to lower volumes of new business and higher policy lapses due to reduced disposable income,
- the government guarantee charge of €49 million (30 September 2008: € nil),
- a charge of €35 million (30 September 2008: €10 million gain) from the narrowing of credit spreads relating to the Group's issued notes designated at 'fair value through profit or loss' – representing a partial reversal of gains recognised in prior periods,
- reduced fees in the asset management businesses of €36 million arising from the disposal of Guggenheim Alternative Asset Management LLC (Guggenheim) and Iridian Asset Management LLC (Iridian), together with lower income in Bank of Ireland Asset Management and Bank of Ireland Securities Services,
- an increased impairment charge of €34 million relating to investment properties,
- increased insurance claims of €7 million particularly on payment protection products,
- a gain of €24 million reflecting the distribution by Visa International following its initial public offering was included in the results for the six months ended 30 September 2008,
- lower fee and other income in the Business Banking, Corporate Banking, Private Banking and Global Markets businesses.

1.2.3 Total income (continued)

offset by:

- a positive movement on the investment valuation variance of €88 million in Bank of Ireland Life due to improved global investment markets,
- a charge of €39 million in the six months ended 30 September 2008 arising from the collapse of Lehmans.

1.2.4 Operating expenses

Group operating expenses decreased by 10% (9% prior to IFRS 2 restatement) in the six months ended 30 September 2009 compared to the comparable prior period, as a result of strong cost management across all cost categories.

Operating expenses	**6 months ended 30 September 2009 €m**	*** Restated 6 months ended 30 September 2008 €m**	**Change %**
Staff costs	537	604	(11%)
Other costs	403	435	(7%)
Total operating expenses	**940**	**1,039**	**(10%)**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payments'. See page 52.

The Group has tightly managed its headcount during the period. Staff numbers (including contract and agency staff) were 10% lower at 30 September 2009 at 14,779 full time equivalents compared with 16,437 full time equivalents at 30 September 2008. Notwithstanding higher pension costs of €15 million, staff costs overall are down by 11% when compared with the six months ended 30 September 2008.

The Group is in the process of aligning its structure and cost base to an environment of lower levels of new business and activity. In particular, the Group is on schedule to deliver the cost benefits associated with the downsizing initiatives announced early in 2009 – the cessation of new mortgage lending through the intermediary channel in the UK and the downsizing of some activities within Capital Markets and UK Business Banking.

1.2.5 Impairment Charge

The impairment charge on loans and advances to customers amounted to €1,787 million for the six months ended 30 September 2009 compared to a charge of €267 million for the six months ended 30 September 2008.

The continued deterioration in the general economic environment and consequent low levels of activity in both the commercial and residential property markets have impacted credit quality. The property and construction portfolio (and in particular the landbank and development portfolio) deteriorated significantly in the six months ended 30 September 2009 and the impairment charge of €1,135 million on these assets represents 64% of the charge for the period. The recessionary conditions have also adversely impacted the non-property SME and corporate loan books in Ireland. The residential mortgage and consumer (unsecured) loan books have been impacted by higher unemployment and declines in disposable income.

A detailed analysis and commentary on asset quality and impairment is set out on pages 30 to 34 of the Risk Management Report below.

1.2.6 Taxation

The taxation credit for the Group was €82 million for the six months ended 30 September 2009 compared to a taxation charge of €95 million for the six months ended 30 September 2008. The tax credit arises primarily due to a reduction in earnings across the Group due to operating losses and takes account of the gain on the repurchase of subordinated liabilities.

1.2.6 Taxation (continued)

The effective tax rate for the six months ended 30 September 2009 is a credit of 102.5%. The comparable rate for the six months ended 30 September 2008 was an effective tax rate charge of 13.5%*. Excluding the impact of the policyholder tax gross up, the elimination of the investment return on treasury shares held by the Life business for policyholders, the gain on the repurchase of subordinated liabilities, loss on disposal of business activities and hedge ineffectiveness on transition to IFRS, the underlying effective tax rate was 15% with a comparable rate for 30 September 2008 of 17.5%*.

The September 2008 effective tax rate has been restated for the impact of the amendment to IFRS 2 'Share based payments. See page52.

1.3. Group Balance Sheet

1.3.1 Summary Consolidated Balance Sheet

Summary Consolidated Balance Sheet	30 September 2009 €bn	31 March 2009 €bn	Change %
Loans and advances to customers	131	134	(2%)
Liquid assets	31	38	(18%)
Other assets	22	22	-
Total assets	**184**	**194**	**(5%)**
Customer deposits	87	83	4%
Wholesale funding	61	74	(18%)
Subordinated liabilities	6	8	(25%)
Other liabilities	22	22	-
Total liabilities	176	187	(6%)
Stockholders' equity	8	7	14%
Total liabilities and equity	**184**	**194**	**(5%)**
Key Balance Sheet metrics			
Loans and advances to customers / customer deposits	152%	161%	
Equity tier 1 ratio	6.6%	6.2%	
Core tier 1 ratio	10.1%	9.5%	
Tier 1 ratio	11.0%	12.0%	
Total capital ratio	14.5%	15.2%	
Total Risk Weighted Assets (€ billion)	101	105	

1.3.2 Loans and advances to customers

Group loans and advances to customers, net of provisions at 30 September 2009 were €131 billion, a decrease of 2% from €134 billion at 31 March 2009, attributable to lower levels of economic activity and a consequent reduced demand for credit, as well as higher impairment provisions at 30 September 2009.

1.3.2 Loans and advances to customers (continued)

Loans and advances to customers	**30 September 2009 €bn**	**31 March 2009 €bn**
Retail Republic of Ireland	55	55
UK Financial Services (€ equivalent)	53	52
UK Financial Services (£ equivalent)	*48*	*48*
Capital Markets	27	29
Total loans and advances to customers (pre-impairment provisions)	**135**	**136**
Impairment provisions	(4)	(2)
Total loans and advances to customers	**131**	**134**

The book composition at 30 September 2009 was broadly consistent with the book composition at 31 March 2009.

Book composition	**30 September 2009**		**31 March 2009**	
	€bn	**%**	**€bn**	**%**
Residential mortgages	60	44	59	44
Non-property SME and corporate	35	26	37	27
Property and construction	35	26	34	25
- Investment	*23*	-	*22*	-
- Landbank and development	*12*	-	*12*	-
Consumer (unsecured)	5	4	6	4
Total loans and advances to customers (pre impairment provisions)	**135**	**100**	**136**	**100**

The de-leveraging of the UK residential mortgage portfolio is progressing, albeit more slowly than originally expected as a result of the continued low levels of mortgage availability and housing market activity.

A detailed analysis and commentary on asset quality and impairment is set out on pages 30 to 34 of the Risk Management Report below.

1.3.3 Liquid Assets

Liquid assets comprise loans to banks and monetary authorities, available for sale financial assets and trading securities. The average maturity profile of wholesale funding at 30 September 2009 has improved and been extended as compared to 31 March 2009 leading to a reduction in the Group's requirement for short term liquidity. As a result the Group has been able to reduce its holding of available for sale assets at 30 September 2009. Throughout the six months ended 30 September 2009, the Group maintained a buffer in excess of its regulatory liquidity requirements.

1.3.4 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 the year, the Group's deposit base at 30 September 2009 is 4% higher than at 31 March 2009.

At 30 September 2009 customer deposits were €87 billion or 50% (31 March 2009: €83 billion or 45%) of the Group's balance sheet (excluding Bank of Ireland Life policyholder assets).

The Loans to Deposits ratio of 152% at 30 September 2009 has improved from 161% at 31 March 2009 due primarily to the increase in the level of customer deposits.

1.3.5 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.

Due to a combination of an increase in customer deposits of €4 billion and a reduction of €7 billion in the level of liquid assets held, wholesale funding as a percentage of Group total assets (excluding Bank of Ireland Life policyholder assets) reduced to 35% (€61 billion) at 30 September 2009, compared to 40% (€74 billion) at 31 March 2009.

International wholesale funding markets stabilised in recent months, with improved investor sentiment towards Irish financial institutions. This has resulted in enhanced access to funding markets, facilitating debt issuance at lower prices and for longer maturities.

The Group holds a significant pool of contingent liquidity collateral, comprised of debt securities and other eligible collateral which is capable of being pledged against borrowings from Monetary Authorities. The total amount of contingent liquidity collateral at 30 September 2009 was €43 billion. The Group's borrowings from Monetary Authorities utilising this contingent liquidity collateral reduced from €17 billion (net) at 31 March 2009 to €7 billion (net) at 30 September 2009.

A detailed analysis of the Group's wholesale funding position and key metrics is set out on page 36 to 39 in the Risk Management Report below.

1.3.6 Stockholders' Equity

Movements in Stockholders' Equity	6 months ended 30 September 2009 €m	*Restated 12 months ended 31 March 2009 €m
Stockholders' equity at beginning of period	**6,852**	**6,484**
Movements:		
Profit attributable to stockholders	168	53
Equity dividends	-	(387)
Preference share capital and warrants	-	3,462
Reissue of stock / treasury stock	(5)	(83)
Foreign exchange adjustments (a)	12	(528)
Available for sale (AFS) reserve movements (b)	756	(1,113)
Cash flow hedge reserve movement (c)	35	(540)
Pension fund obligations (d)	53	(544)
Other movements	6	48
Stockholders' equity at end of period	**7,877**	**6,852**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payments'. See page 52.

(a) foreign exchange adjustments reflect the impact of any euro related movements on the translation of Sterling and US dollar denominated net investment in foreign operations.
(b) the AFS reserve movement is driven by the net impact of interest rate changes and the narrowing of credit spreads on the value of the AFS book of €22.7 billion at 30 September 2009 (€26.9 billion at 31 March 2009). The AFS reserve is expected to continue to reverse as the underlying financial assets mature.
(c) 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, this balance will flow through the income statement in line with the underlying hedged instruments, with no net income statement impact.
(d) the movement in pension fund obligations is primarily as a result of changes in key assumptions, including the discount rate used in the calculation of the scheme's liabilities, together with the positive impact of the recovery in global equity and bond markets on the valuation of pension fund assets at 30 September 2009.

1.3.6 Stockholders' Equity (continued)

Stockholders' equity has increased from €6.9 billion at 31 March 2009 to €7.9 billion at 30 September 2009, primarily due to a reversal of the Available for Sale reserve, reflecting the narrowing of credit spreads on the underlying assets during the period, impairment charges and the impact of the gain on the repurchase of debt securities.

On 13 November 2008, the Group announced its decision to cancel dividend payments on ordinary stock for the financial year ended 31 March 2009 and does not expect to resume paying dividends on ordinary stock prior to strengthening its capital base and until the return of more favourable economic conditions.

The National Pensions Reserve Fund Commission (NPRFC) holds €3.5 billion of 8% redeemable preference stock issued by the Group. The annual dividend payment date for this stock is 20 February 2010, therefore there were no dividend payment dates on this stock during the period and accordingly, no dividend payments have been made or provided for. However earnings / (losses) per share and capital ratios have been adjusted for the dividend of €140 million on this stock relating to the six months ended 30 September 2009.

The net deficit on the Group's pension fund obligations at 30 September 2009 is broadly equivalent to the net deficit at 31 March 2009. The positive impact of the recovery in global equity and bond markets has largely been offset by a reduction in the discount rate used in the calculation of schemes' liabilities and by a small increase in inflation rate projections.

1.4. Divisional Performance

Underlying ** (loss)/ profit before tax	6 months ended 30 September 2009 €m	* Restated 6 months ended 30 September 2008 €m	Change %
Retail Republic of Ireland	(655)	286	(329%)
Bank of Ireland Life	57	3	1,800%
UK Financial Services	(228)	148	(254%)
UK Financial Services (£m equivalent)	*(203)*	*117*	*(274%)*
Capital Markets	(51)	283	(118%)
Group Centre	(102)	(73)	(40%)
Underlying ** (loss)/ profit before tax	**(979)**	**647**	**(251%)**
Non-core items	1,059	56	
Profit before tax	**80**	**703**	**(89%)**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payments'. See page 52.
** Underlying excludes the impact of non core items (see page 9).

1.4.1. Retail Republic of Ireland

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

The six months to 30 September 2009 was particularly difficult for our Retail businesses in Ireland which continued to be adversely impacted by the contraction in the Irish economy, poor consumer sentiment, subdued demand for credit, the low interest rate environment, intense competition for deposits and higher impairment charges.

Retail Republic of Ireland: Income Statement	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Change %
Net interest income	596	737	(19%)
Net other income	124	181	(31%)
Operating income	720	918	(22%)
Operating expenses	(454)	(478)	(5%)
Impairment of goodwill and other intangible assets	(3)	-	-
Operating profit before impairment charges on financial assets	**263**	**440**	**(40%)**
Impairment charges on loans and advances	(917)	(114)	704%
Share of result of associated undertakings and joint ventures	(1)	(40)	
Underlying ** (loss)/ profit before tax	**(655)**	**286**	**(329%)**
Cost / income ratio	63%	54%	

	30 September 2009 €bn	31 March 2009 €bn	30 September 2008 €bn
Loans and advances to customers	55	55	56
Impairment provisions	(2)	(1)	(1)
Loans and advances to customers (net of impairment provisions)	**53**	**54**	**55**
Customer Deposits			
- Deposits	24	23	22
- Current account credit balances	10	10	11
Total Customer Deposits	**34**	**33**	**33**
Risk Weighted Assets	**33**	**33**	**35**

1.4.1 Retail Republic of Ireland (continued)

Retail Republic of Ireland reported a loss before tax of €655 million for the six months ended 30 September 2009, compared with a profit before tax of €286 million in the comparable prior period. Operating profit before impairment charge was €263 million for the six months to 30 September 2009, a reduction of €177 million or 40% compared with the six months to 30 September 2008. Operating income was lower by 22% and operating expenses were down by 5%.

Net interest income decreased by 19%, reflecting the low interest rate environment together with intense competition for deposits which negatively impacted liability spreads.

Net other income was lower by 31% in the six months ended 30 September 2009 compared with the comparable prior period, reflecting an increased charge of €24 million relating to impairment of investment properties, higher general insurance claims of €7 million and lower fee income in branch banking and credit cards, due to reduced economic activity and weaker investment inflows. Net other income in the comparable prior period to 30 September 2008 included a €24 million positive impact of a distribution by Visa International following its initial public offering.

Operating expenses were tightly managed and reduced by 5% in the six months to 30 September 2009 compared to the comparable prior period.

Loan impairment charge by portfolio (bps annualised)	**6 months ended 30 September 2009**		**6 months ended 31 March 2009**		**6 months ended 30 September 2008**	
	€m	**bps**	**€m**	**bps**	**€m**	**bps**
Residential mortgages	96	68	57	42	3	2
Non-property SME and corporate	162	259	125	212	32	55
Property and construction	559	989	299	512	31	51
Consumer (unsecured)	100	597	113	587	48	238
Total loans and advances to customers	**917**	**333**	**594**	**216**	**114**	**42**

The sharp contraction in economic activity, with continuing low levels of transactions in both the commercial and residential property markets, have impacted credit quality and resulted in a substantial increase in the loan impairment charge. In the six months to 30 September 2009, the impairment charge was €917 million (333bps) compared to €114 million (42bps) in the comparable prior period. Of the €803 million increase in the charge, 12% relates to residential mortgages, 82% to business lending (particularly the property and construction portfolio) and 6% to unsecured consumer lending. The impairment charge on the residential mortgage book was €96 million (68bps) compared to €3 million (2bps) in the six months to 30 September 2008 – the increase reflecting rising unemployment, the further decline in property prices and lower disposable income. At 30 September 2009, 3 month arrears in the residential mortgage portfolio were 297bps compared to 192bps at 31March 2009 and 91bps at 30 September 2008. The impairment charge on business lending was €721 million (606bps) compared to €63 million (53bps) in the six months ended 30 September 2008 with property and construction loans accounting for €528 million of the increase. The charge on unsecured consumer lending was €100 million (597bps) for the six months ended 30 September 2009 compared to €48 million (238bps) in the comparable prior period.

As a consequence of the weak economic environment, demand for new credit in the six months to 30 September 2009 was considerably lower. The total loan book at 30 September 2009 compared to 31 March 2009 decreased by 1% before impairment provisions (2% net of impairment provisions) with 2% growth in the residential mortgage book being offset by a 2% reduction in the Business Banking loan book and a 7% decline in the unsecured consumer loan book. While lending activity to the non-property SME and corporate sector has reflected a reasonable flow of opportunities this has been more than offset by scheduled repayments and redemptions as customers have sought to reduce leverage.

Total customer deposits grew by 2% at 30 September 2009 compared to 31 March 2009, in a very competitive market, with current account credit balances increasing by 1%.

1.4.2 Bank of Ireland Life

Operating profit of €30 million for the six months ended 30 September 2009 is 55% lower than the comparable prior period. Annual Premium Equivalent (APE) sales were 40% lower compared to the six months to 30 September 2008. Lower volumes of new business, notably of savings and regular premium pensions, together with higher policy lapses (due to reduced disposable income) and lower funds under management (reflecting the sharp fall in investment markets in the six months ended 31 March 2009) have led to a 31% fall in operating income. Bank of Ireland Life has maintained its focus on cost management with operating expenses down 2% against the comparable prior period.

In the six months ended 30 September 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 decreased from 7.25% to 6.5%. Investment markets performance in excess of this growth assumption since 1 April 2009 has resulted in a positive investment valuation variance of €25 million, leading to increased profit before tax of €57 million in the six months to 30 September 2009, from €3 million in the comparable period to 30 September 2008.

The company has maintained a strong financial position and continues to be significantly in excess of the statutory solvency margin, required by the Financial Regulator, reflecting the low risk business model.

Bank of Ireland Life: Income Statement (IFRS performance)	**6 months ended 30 September 2009 €m**	**6 months ended 30 September 2008 €m**	**Change %**
Operating income	83	120	(31%)
Operating expenses	(53)	(54)	(2%)
Operating profit	**30**	**66**	**(55%)**
Investment valuation variance	25	(63)	
Discount and other rate changes	2	-	
Underlying profit before tax**	**57**	**3**	**1,800%**

** Underlying performance excludes the impact of non-core items (see page 9)

Embedded Value Performance

The alternative method of presenting the performance of the Life business is on an Embedded Value basis. This method is widely used in the life assurance industry. Under this approach, profit before tax in the period ended 30 September 2009, is also significantly ahead of the comparable prior period due to a positive investment valuation variance reflecting the strong recovery in investment markets since 1 April 2009.

On this basis, operating profit fell to €10 million for the period ended 30 September 2009 (30 September 2008: €52 million). New business profits were €6 million for the period ended 30 September 2009 compared to €29 million in the comparable prior period reflecting the challenging economic environment, lower customer disposable income and poor investor confidence. Existing business profits were €11 million for the six months ended 30 September 2009 compared to €33 million in the six months ended 30 September 2008 primarily due to lower product persistency experience principally as a result of lower customer disposable income and poor investor sentiment.

Profit before tax for the period ended 30 September 2009 of €71 million as compared with a loss before tax of €44 million in the comparable prior period is attributable to a positive investment valuation variance reflecting the performance of investment markets since 1 April 2009.

1.4.2 Bank of Ireland Life (continued)

Bank of Ireland Life: Income Statement (Embedded value performance)	**6 months ended 30 September 2009 €m**	**6 months ended 30 September 2008 €m**	**Change %**
New business profits	6	29	(79%)
Existing business profits	11	33	(67%)
• *Expected return*	*35*	*45*	
• *Experience variance*	*(21)*	*(2)*	
• *Assumption changes*	*(3)*	*(10)*	
Inter company payments	(7)	(10)	
Operating profit	**10**	**52**	**(81%)**
Investment valuation variance	61	(96)	
Underlying profit / (loss) before tax**	**71**	**(44)**	**261%**

** Underlying excludes the impact of non core items (see page 9).

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% (30 September 2008: 9.0%), future growth rate on unit linked assets of 6.5% (30 September 2008: 7.25%) and the rate of tax to be levied on shareholders profits of 12.5% (30 September 2008: 12.5%).

1.4.3 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 (POFS).

UK Financial Services: Income Statement	**6 months ended 30 September 2009**	**6 months ended 30 September 2008**	**Change**
	£m	**£m**	**%**
Net interest income	298	308	(3%)
Net other income	45	59	(24%)
Operating income	343	367	(7%)
Operating expenses	(180)	(205)	(12%)
Operating profit before impairment charges	**163**	**162**	**1%**
Impairment charges on loans and advances	(385)	(69)	458%
Share of results of associated undertakings and joint ventures	19	24	(21%)
Underlying (loss) / profit before tax**	**(203)**	**117**	**(274%)**
*Underlying** (loss) / profit before tax (€m equivalent)*	*(228)*	*148*	*(254%)*
Cost / income ratio	50%	52%	

	30 September 2009	**31 March 2009**	**30 September 2008**
	£bn	**£bn**	**£bn**
Loans and advances to customers	48	48	48
Impairment provisions	(1)	-	-
Loans and advances to customers (net of impairment provisions)	**47**	**48**	**48**
Customer Deposits			
- Business Banking	10	11	14
- POFS	8	8	6
Total Customer Deposits	**18**	**19**	**20**
Risk Weighted Assets	**23**	**25**	**26**
Risk Weighted Assets (€bn equivalent)	*26*	*27*	*33*

** Underlying performance excludes the impact of non-core items (see page 9).

Operating profit before impairment charge for the six months ended 30 September 2009 was £163 million which is 1% higher than the six months ended 30 September 2008.

Net interest income is 3% lower due to higher wholesale funding costs and margin attrition on deposits due to the low interest rate environment and intense competition. These negative impacts were partly mitigated by growth in lending margins on the back-books of both the residential mortgage and Business Banking businesses.

Net other income reduced in the six month period to 30 September 2009 reflecting lower fee income as result of lower levels of new lending and the impact of interest rate changes on the fair value of economic hedging instruments.

Operating expenses reduced by 12% to £180 million for the six months ended 30 September 2009, 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.

1.4.3 UK Financial Services (Sterling) (continued)

Loan impairment charge by portfolio (bps annualised)	**6 months ended 30 September 2009**		**6 months ended 31 March 2009**		**6 months ended 30 September 2008**	
	£m	**bps**	**£m**	**bps**	**£m**	**bps**
Residential mortgages	40	28	50	34	8	6
Non-property SME and corporate	18	84	45	211	3	15
Property and construction	312	469	195	293	49	75
Consumer (unsecured)	15	203	13	181	9	134
Total loans and advances to customers	**385**	**160**	**303**	**126**	**69**	**29**

The impairment charge increased to £385 million (160bps) in the six months ended 30 September 2009 from £69 million (29bps) in the six months ended 30 September 2008. The increased impairment charge arises primarily in the landbank and property development component of the Business Banking portfolio. The residential mortgage, commercial property investment and non-property Business Banking books continue to perform relatively well.

The de-leveraging of the residential mortgage book has been slower than originally expected as a result of the continued low levels of mortgage availability and housing market activity. Redemptions marginally exceeded new mortgage lending through the UK Post Office channel and balances are flat as compared to 31 March 2009 and 30 September 2008. The Business Banking loan book is down 1% since 31 March 2009 reflecting weakened demand for credit and our refocus toward very specific segments.

Following significant growth in customer deposits sourced through our joint venture with the UK Post Office in the year to 31 March 2009, balances declined by 3% from £7.8 billion at 31 March 2009 to £7.6 billion at 30 September 2009. Net inflows of Post Office generated deposits since July 2009 have been positive and in line with our objectives. Business Banking deposits in the UK declined by 7% in the six months to 30 September 2009, reflecting intense competition and some customer concerns earlier in the period following credit rating downgrades of both Bank of Ireland and Irish sovereign debt.

UKFS: Business Unit (loss) / profit before tax	**6 months ended 30 September 2009**	**6 months ended 30 September 2008**	**Change**
	£m	**£m**	**%**
Business Banking	(241)	57	(523%)
Residential mortgages	49	52	(6%)
Consumer Financial Services	20	25	(20%)
Division Centre	(31)	(17)	83%
Underlying (loss) / profit before tax**	**(203)**	**117**	**(274%)**

** Underlying performance excludes the impact of non-core items (see page 9).

The **Business Banking** loss before tax reflects impairment charges of £330 million (375bps) in the six months ended 30 September 2009, up from £52 million (61bps) in the comparable prior period, of which 95% relates to the property and construction sectors of its loan portfolio. Operating profit was down 18% in the six months ended 30 September 2009 compared to the comparable prior period, reflecting the reduction in deposit income due to lower balances, the sharp fall in margins due to the low base rate environment and intense competition, which was partly offset by increased lending margins on the Business Banking loan back-book and reduced fee income due to lower levels of lending activity.

Profit before tax in the **residential mortgage business** declined by 6% over the comparable prior period, reflecting increased impairment charges. Operating profit was up 49% in the six months ended 30 September 2009 due to improved product margins and a 29% reduction in the operating costs resulting from the closure of the broker channel to new business. Residential mortgage impairment charges increased from £8 million (6bps) to £40 million (28bps) in the six months ended 30 September 2009 driven by the economic downturn which has led to higher arrears and repossessions, and significant house price deflation.

1.4.3 UK Financial Services (Sterling) (continued)

Arrears – greater than 3 months in arrears (bps annualised)	**30 September 2009**	**30 June 2009**	**31 March 2009**	**30 September 2008**
Bank of Ireland - Total book	161	162	148	75
*CML**	*n/a*	*243*	*238*	*142*
Bank of Ireland - Standard book	93	88	80	50
Bank of Ireland - Self Cert book	410	404	366	164
Bank of Ireland - Buy to Let book	177	187	173	80
*CML**	*n/a*	*249*	*306*	*156*

* Council of Mortgage Lenders, UK

While arrears have risen sharply from a low base they have started to stabilise in recent months and the residential mortgage portfolio continues to significantly outperform industry averages. At 30 September 2009, overall residential mortgage portfolio arrears greater than three months were 161bps. The most recent CML data is for 30 June 2009 and showed industry arrears (> three months) at 243bps. The impairment charge on other consumer lending was £15 million (203bps) in the six months to 30 September 2009, up from £9 million (134bps) in the comparable prior period.

Consumer Financial Services which is comprised of a number of business activities with the UK Post Office (largely Post Office Financial Services (POFS), First Rate Financial Exchange Services (FRES) and ATMs) together with some smaller retail businesses, delivered profit before tax of £20 million for the six months ended 30 September 2009, down 20% on the comparable prior period, primarily attributable to deposit margin attrition in POFS and reduced revenues in the foreign exchange business due to the impact of the recessionary environment and currency weakness in the overseas travel market. In addition the joint ventures have been investing in new products and in the financial services capability of the Post Office branch network.

The loss in **Division Centre** increased by £14 million to £31 million in the six months ended 30 September 2009 due mainly to continued investment in deposit gathering along with the impact of interest rate changes on the fair value of economic hedging instruments.

1.4.4 Capital Markets

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

Capital Markets: Income Statement

	€m	€m	%
Net interest income	493	841	-
Net other income	35	(256)	-
Operating income	528	585	(10%)
Operating expenses	(146)	(196)	(26%)
Operating profit before Impairment charges	**382**	**389**	**(2%)**
Impairment charges on loans and advances	(434)	(66)	557%
Impairment charges on AFS financial assets	-	(40)	-
Share of results of associated undertakings and joint ventures	1	-	-
Underlying (loss) / profit before tax**	**(51)**	**283**	**(118%)**
Cost / income ratio	28%	34%	

	30 September 2009 €bn	31 March 2009 €bn	30 September 2008 €bn
Loans and advances to customers	28	29	29
Impairment provisions	(1)	(1)	-
Loans and advances to customers (net of impairment provisions)	**27**	**28**	29
Total Customer deposits	**32**	**29**	**33**
Risk Weighted Assets	**42**	**45**	**48**

** Underlying performance excludes the impact of non-core items (see page 9).

The year on year change in net interest income and 'net other income' is impacted by IFRS income classifications between the two income categories. (See page 10).

Net interest income / net interest margin	**6 months ended 30 September 2009 €m**	**6 months ended 30 September 2008 €m**	**Change %**
Net interest income	493	841	
IFRS income classifications	(50)	(391)	
Net interest income after the impact of IFRS income classifications	**443**	**450**	**(2%)**

After the impact of the IFRS income classifications, net interest income decreased by 2% in the six months ended 30 September 2009, compared with the comparable prior period, reflecting higher cost of funding offset by some margin improvement.

Net other income	**6 months ended 30 September 2009 €m**	**6 months ended 30 September 2008 €m**	**Change %**
Net other income	35	(256)	
IFRS income classifications	50	391	
Net other income after IFRS income classifications	**85**	**135**	**(37%)**

After the impact of IFRS classifications, 'net other income' reduced by 37% or €50 million, in the six month period to 30 September 2009 compared with the comparable prior period, reflecting reduced fees in the asset management businesses of €36 million arising from the disposal of Guggenheim Alternative Asset Management LLC (Guggenheim) and Iridian Asset Management LLC (Iridian), together with lower fee income in Bank of Ireland Asset Management and Bank of Ireland Securities Services. In addition, fee and other income has decreased in Corporate Banking (€22 million) and Global Markets (€23 million), driven by lower activity levels and an impairment charge of €10 million relating to investment properties. Net other income in the comparable prior period included a charge of €39 million related to the collapse of Lehmans in September 2008.

1.4.4 Capital Markets (continued)

A continued focus on cost management resulted in operating expenses of €146 million in the six months ended 30 September 2009 which is 26% lower than the comparable prior period, mainly driven by the scaling back in asset management activities and the substantial reduction in performance related pay.

Asset quality deteriorated with a Corporate Banking impairment charge for the six months ended 30 September 2009 of €433 million (307bps annualised) up from €66 million (48bps annualised) for the six months ended 30 September 2008. The increased impairment charge over the comparable prior period is largely attributable to Corporate Banking's property and construction portfolio, challenging conditions for certain mid-tier Irish Corporate customers and some specific debt restructuring activity in the leveraged acquisition finance business.

Loan impairment charge by portfolio (bps annualised)	**6 months ended 30 September 2009**		**6 months ended 31 March 2009**		**6 months ended 30 September 2008**	
	€m	**bps**	**€m**	**bps**	**€m**	**bps**
Property and construction	222	487	143	314	25	55
Non-property SME and corporate	211	222	96	101	41	43
Total loans and advances to customers	433	307	239	170	66	48

No impairment charge was incurred within the AFS financial assets portfolio in the six months ended 30 September 2009, compared to a €40 million charge in the six months ended 30 September 2008.

Capital Markets' loss before tax of €51 million for the six months ended 30 September 2009 compares to a profit before tax of €283 million for the comparable prior period, with operating profit before impairment charge at €382 million being 2% lower than the prior comparable period.

Loans and advances to customers at 30 September 2009 are 4% lower compared to 31 March 2009 reflecting the lower level of economic activity and our narrower focus in international markets toward certain specific sectors.

Through the Group's treasury offices in Dublin, London, Belfast and Bristol together with branches in Paris, Frankfurt and the US, a significant pool of high quality corporate and institutional deposits is accessed, many arising from the Group's broader lending and treasury management relationships. This distribution capability has delivered deposit growth of 11% in the period to 30 September 2009 over 31 March 2009.

Capital Markets: Business Unit (Loss) / Profit Before Tax	**6 months ended 30 September 2009**	**6 months ended 30 September 2008**	**Change**
	€m	**€m**	**%**
Corporate Banking	(150)	211	(171%)
Global Markets	85	84	1%
Asset Management Services	16	(10)	260%
Division Centre	(2)	(2)	-
Underlying (loss) / profit before tax**	**(51)**	**283**	**(118%)**

** Underlying performance excludes the impact of non-core items (see page 9).

The loss of €150 million in **Corporate Banking** for the six months ended 30 September 2009 compares to a profit of €211 million in the six months to 30 September 2008. This sharp deterioration in profit is primarily due to an increase in the impairment charge of €367 million. Income was down 2%, driven by lower fees and impairment on investment property offset by some margin improvement. Strong cost management resulted in a period on period reduction in operating expenses of 19%. This was achieved from a reduction in headcount and variable pay, rigorous control of all costs and downsizing initiatives. The impairment charge has increased from €66 million in the six months ended 30 September 2008 to €433 million in the six months ended 30 September 2009 reflecting the impact of asset quality deterioration.

1.4.4 Capital Markets (continued)

Global Markets delivers a comprehensive range of risk management products to the Group and its customer base. Profit before tax is €85 million in the six months ended 30 September 2009 compared to €84 million in the comparable prior period. Global Markets operating profit before impairment charges of €86 million in the six months ended 30 September 2009 is €39 million (31%) lower compared with the comparable prior period. An impairment charge of €0.6 million has been incurred in the six months ended 30 September 2009 (30 September 2008: € 40 million). Income is lower reflecting decreased levels of third party customer business as a result of the reduced level of economic activity and higher cost of funding.

Asset Management Services achieved a profit before tax of €16 million in the six months ended 30 September 2009 compared to a loss of €10 million in the comparable prior period. The comparable prior period included a loss of €32 million associated with the collapse of Lehmans in September 2008. Both Bank of Ireland Asset Management and Bank of Ireland Securities Services had lower levels of income compared with the comparable prior period due to lower assets under management and lower fee income. Iridian Asset Management and Guggenheim Alternative Asset Management, our US asset management businesses, were disposed of during the six months ended 30 September 2009.

Division Centre includes central management costs and IBI Corporate Finance.

1.4.5 Group Centre

Group Centre comprises capital management activities and unallocated support costs.

Group Centre: Income Statement	**6 months ended 30 September 2009 €m**	***Restated 6 months ended 30 September 2008 €m**	**Change %**
Net interest income	45	(7)	
Net other income	(65)	(14)	
Operating income	(20)	(21)	(5%)
Operating expenses	(82)	(52)	58%
Underlying loss before tax**	**(102)**	**(73)**	**40%**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payments'. See page 52.
** Underlying performance excludes the impact of non-core items (see page 9).

Group Centre reported a loss before tax of €102 million in the six months ended 30 September, compared to €73 million in the six months ended 30 September 2008.

Net interest income includes the interest earned on the 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 non core tier 1 debt securities in June 2009.

Net other income includes the impact of the cost of the Government liability guarantee of €49 million (six months ended 30 September 2008: € nil) and a charge of €35 million on the narrowing of credit spreads relating to the Group's issued notes designated at 'fair value through profit or loss'.

The increase in operating expenses from €52 million in the six months ended 30 September 2008 to €82 million in the six months ended 30 September 2009 is due principally to costs in relation to the NAMA Scheme, higher pension costs and higher professional fees.

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Income Statement 30 September 2009 – Operating Segments

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

6 months ended 30 September 2009

	Net interest income €m	Net insurance premium income €m	Other income €m	**Total income €m**	Insurance contract liabilities and claims paid €m	**Total income, net of insurance claims €m**	Operating expenses €m	Impairment of goodwill and other intangible assets €m	**Operating profit before impairment charge on financial assets €m**	Impairment charge on financial assets €m	Share of (loss)/profit of associates and joint ventures (after-tax) €m	Disposal of business activities €m	**Profit before taxation €m**
Retail Republic of Ireland	596	-	124	**720**	-	**720**	(454)	(3)	**263**	(917)	(1)	-	**(655)**
Bank of Ireland Life	2	362	757	**1,121**	(1,011)	**110**	(53)	-	**57**	-	-	-	**57**
UK Financial Services	341	-	51	**392**	-	**392**	(205)	-	**187**	(436)	21	-	**(228)**
Capital Markets	493	-	35	**528**	-	**528**	(146)	-	**382**	(434)	1	-	**(51)**
Group Centre	45	13	(65)	**(7)**	(13)	**(20)**	(82)	-	**(102)**		-	-	**(102)**
Group – underlying*	1,477	375	902	**2,754**	(1,024)	**1,730**	(940)	(3)	**787**	(1,787)	21	-	**(979)**
Gain on the repurchase of subordinated liabilities	-	-	1,037	**1,037**	-	**1,037**	-	-	**1,037**	-	-	-	**1,037**
Gross-up of policyholder tax in the Life business	-	-	57	**57**	-	**57**	-	-	**57**	-	-	-	**57**
Investment return on treasury stock held for policyholders	-	-	(30)	**(30)**	-	**(30)**	-	-	**(30)**	-	-	-	**(30)**
Hedge ineffectiveness on transition to IFRS	-	-	(2)	**(2)**	-	**(2)**	-	-	**(2)**	-	-	-	**(2)**
Loss on disposal of business activities	-	-	-	-	-	-	-	-	-	-	-	(3)	**(3)**
Group total	1,477	375	1,964	**3,816**	(1,024)	**2,792**	(940)	(3)	**1,849**	(1,787)	21	(3)	**80**

* Underlying performance excludes the impact of non-core items (see page 9).

Income Statement 30 September 2008– Operating Segments

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

6 months ended 30 September 2008 - *Restated

	Net interest income €m	Net insurance premium income €m	Other income €m	**Total income €m**	Insurance contract liabilities and claims paid €m	**Total income, net of insurance claims €m**	Operating expenses €m	**Operating profit before impairment charge on financial assets €m**	Impairment charge on financial assets €m	Share of (loss)/profit of associates and joint ventures (after-tax) €m	**Profit before taxation €m**
Retail Republic of Ireland	737	-	181	**918**	-	**918**	(478)	**440**	(114)	(40)	**286**
Bank of Ireland Life	(10)	632	(279)	**343**	(286)	**57**	(54)	**3**	-	-	**3**
UK Financial Services	388	-	76	**464**	-	**464**	(259)	**205**	(87)	30	**148**
Capital Markets	841	-	(256)	**585**	-	**585**	(196)	**389**	(106)	-	**283**
Group Centre	(7)	13	(19)	**(13)**	(8)	**(21)**	(52)	**(73)**	-	-	**(73)**
Group – underlying**	1,949	645	(297)	**2,297**	(294)	**2,003**	(1,039)	**964**	(307)	(10)	**647**
Gross up of policy holder tax in the Life business	-	-	(18)	**(18)**	-	**(18)**	-	**(18)**	-	-	**(18)**
Investment return on treasury stock held for policyholders	-	-	77	**77**	-	**77**	-	**77**	-	-	**77**
Hedge ineffectiveness on transition to IFRS	-	-	(3)	**(3)**	-	**(3)**	-	**(3)**	-	-	**(3)**
Group total	1,949	645	(241)	**2,353**	(294)	**2,059**	(1,039)	**1,020**	(307)	(10)	**703**

* Restated for the impact of the amendment to IFRS 2 'Share-based Payments'. See page 52.
** Underlying performance excludes the impact of non-core items (see page 9).

RISK MANAGEMENT REPORT

2.1 Update of Risk Management and Governance

The Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into account and that its risk management and capital management strategies are aligned with its overall business strategy. Risks are managed in accordance with the Group's Risk Management Framework, detailed in pages 33 to 68 of the Group's Annual Report for the year ended 31 March 2009.

Significant changes to the Risk Management Framework since March 2009 are outlined below. Updates are also provided regarding the current status of credit risks such as asset quality and impairment, as well as liquidity and funding risks. Other material risks are listed on pages 29 to 32 of the Group's Annual Report for the year ended 31 March 2009.

Risk Governance

The Group's risk governance structure as at March 2009, including risk committees, is set out on pages 34 and 35 of the Group's Annual Report for the year ended 31 March 2009. A new organisational structure was implemented in May 2009. The Group's risk management structures were reinforced and there are now two members of the Group Executive Committee with specific risk management responsibilities.

- The **Chief Credit and Market Risk Officer** (CCMRO) is responsible for both overall risk strategy and reporting, and specific credit and market risk strategy and management.
- The **Chief Governance Risk Officer** (CGRO) is responsible for management of regulatory risk and relationships, compliance and operational risk, Group Internal Audit, Group Legal Services and the Group Secretariat.

The Chief Credit & Market Risk Officer and the Chief Governance Risk Officer both report directly to the Group Chief Executive Officer.

In addition, a new committee – the Court Risk Committee – has been established. The Committee solely comprises non-executive directors of the Court and its primary responsibilities are to monitor Risk Governance and to assist the Court in discharging its responsibilities in overseeing risk management in the Group. This includes ensuring that risks are properly identified, reported and assessed, that risks are properly controlled, and that strategy is informed by and aligned with the Group's risk appetite.

Risk Reporting

The Court Risk Report has been enhanced and is now presented monthly to the Group Risk Policy Committee and the Court of Directors. In addition the end-quarter Court Risk Reports are reviewed by the Court Risk Committee which reports its findings to the Court.

2.2 Asset Quality, Impairment and NAMA

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on pages 51 to 53.

2.2.1 Asset Quality

The Group's approach to management of credit risk is focused on detailed analysis at origination, followed by early intervention and active management of accounts whose creditworthiness has deteriorated. The Group's framework for management of credit risk is set out in pages 38 to 52 of the Group's Annual Report for the year ended 31 March 2009.

Loans and Advances to Customers

Group loans and advances to customers at 30 September 2009 were €131.3 billion (net of impairment provisions of €3.5 billion) compared to €133.7 billion (net of impairment provisions of €1.8 billion) at 31 March 2009. This partially reflects the Group's earlier decisions to close for new business our UK intermediary distributed mortgage business and certain Capital Markets loan portfolios, placing them into run-off. Demand for new credit remains muted across all portfolios reflecting the weak economic conditions. Reduced levels of customer re-financing activity are impacting the pace of balance sheet de-leveraging, particularly in our UK residential mortgage book.

2.2.1 Asset Quality (continued)

Loans and Advances to Customers Book Composition (pre-impairment provisions)	**30 September 2009 €m**	**%**	**31 March 2009 €m**	**%**
Residential mortgages	59,868	44	58,888	44
Non-property SME and corporate	34,524	26	37,041	27
Property and construction	35,128	26	33,955	25
Consumer (unsecured)	5,270	4	5,637	4
Total loans and advances to customers	**134,790**	**100**	**135,521**	**100**

Residential mortgages in Ireland and the UK, comprise 44% of the Group loan book, unchanged from 31 March 2009 (47% of which is in Ireland and 53% in the UK). Non-property SME and corporate lending accounts for 26% of the book and is well diversified across industries and geographies (31 March 2009: 27%). The property and construction loan book accounts for 26% of the Group loan book at 30 September 2009 (31 March 2009: 25%). This book includes both investment loans and land and development loans and the increase since 31 March 2009 is due to the impact of exchange rates and net new lending. Consumer (unsecured) lending, makes up 4% of the book at 30 September 2009, unchanged from 31 March 2009.

The Group, in line with the requirements of IFRS 7, classifies loans as 'financial assets neither past due nor impaired', 'financial assets past due but not impaired' and 'impaired financial assets'. Loans and advances to customers within 'financial assets neither past due nor impaired' are assigned an internal credit grade by the Group based on an assessment of the credit quality of the borrower and these ratings are summarised below. The mapping of these ratings to our internal credit grades is set out in the Group's Annual Report for the year ended 31 March 2009 on page 45:

- High quality - loans and advances to highly rated obligors, strong corporate counterparties and consumer banking borrowers (including residential mortgages) with whom the Group has an excellent repayment experience;
- Satisfactory quality - good quality loans that are performing as expected, including loans and advances to small and medium sized enterprises, leveraged entities and more recently established businesses;
- Acceptable quality - customers with increased risk profiles that are subject to closer monitoring and scrutiny by lenders with the objective of managing risk and moving accounts to an improved rating category;
- Lower quality but not past due nor impaired - those loans that are neither in arrears nor impaired but where the Group requires a work down / work out of the relationship unless an early reduction in risk is achievable.

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

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

30 September 2009

Risk profile of loans & advances to customers (pre-impairment provisions)	**Residential mortgages €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer (unsecured) €m**	**Total loans & advances to customers €m**	**Total loans & advances to customers %**
High quality	56,323	7,855	1,768	3,395	69,341	51.4
Satisfactory quality	-	16,406	15,692	962	33,060	24.5
Acceptable quality	-	5,582	8,578	148	14,308	10.6
Lower quality but not past due nor impaired	6	1,701	2,045	23	3,775	2.8
Neither past due nor impaired	**56,329**	**31,544**	**28,083**	**4,528**	**120,484**	**89.3**
Past due but not impaired	**3,197**	**766**	**1,467**	**305**	**5,735**	**4.3**
Impaired	**342**	**2,214**	**5,578**	**437**	**8,571**	**6.4**
Total	**59,868**	**34,524**	**35,128**	**5,270**	**134,790**	**100.0**

2.2.1 Asset Quality (continued)

31 March 2009

Risk profile of loans & advances to customers (pre-impairment provisions)	**Residential Mortgage €m**	**Non-property SME and corporate €m**	**Property and construction €m**	**Consumer (unsecured) €m**	**Total loans & advances to customers €m**	**Total loans & advances to customers %**
High quality	55,877	10,555	2,370	3,663	72,465	53.5
Satisfactory quality	-	18,417	17,613	1,057	37,087	27.3
Acceptable quality	-	5,188	7,157	211	12,556	9.3
Lower quality but not past due nor impaired	-	921	1,385	24	2,330	1.7
Neither past due nor impaired	**55,877**	**35,081**	**28,525**	**4,955**	**124,438**	**91.8**
Past due but not impaired	**2,782**	**773**	**1,892**	**314**	**5,761**	**4.3**
Impaired	**229**	**1,187**	**3,538**	**368**	**5,322**	**3.9**
Total	**58,888**	**37,041**	**33,955**	**5,637**	**135,521**	**100.0**

Loans and advances to customers classified as 'neither past due nor impaired' accounted for 89.3% of the Group loan book at 30 September 2009 compared to 91.8% at 31 March 2009 – the movement is due primarily to the deterioration in the international and Irish economic environment, resulting in continuing low levels of economic activity across our main markets, impacting upon credit quality. Analysed by portfolio, 94% of residential mortgages, 91% of the non-property SME and corporate loan books, 80% of property and construction and 86% of consumer (unsecured) loans are 'neither past due nor impaired'.

In the 'past due but not impaired' category, both the quantum and percentage of the book are largely unchanged from 31 March 2009 at €5.7 billion or 4.3%.

'Impaired loans' increased from €5.3 billion at 31 March 2009 to €8.6 billion at 30 September 2009, an increase of 61%. By sector, impaired residential mortgages increased by 49% in the period; non-property SME and corporate 'impaired loans' increased by 87%, property and construction 'impaired loans' increased by 58% and impaired consumer (unsecured) loans increased by 19%.

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on pages 51 to 53.

2.2.2 Challenged loans

The Group's 'challenged' loans were €23.9 billion at 30 September 2009 compared to €15.7 billion at 31 March 2009. These 'challenged' loans include 'impaired loans', together with elements of each of 'past due but not impaired', '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 increase of €8.2 billion is due to an increase of €3.2 billion in 'impaired loans' with the balance attributable to the impact of general economic conditions on arrears and downward grade migration across the portfolio.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on pages 51 to 53.

2.2.3 Impaired loans and impairment provisions

Loans and Advances to Customers Composition and impairment **As at 30 September 2009**	**Advances** **€m**	**Impaired loans** **€m**	**Impaired loans as % of advances** **%**	**Impairment provisions** **€m**	**Impairment provisions as % of impaired loans** **%**
Residential mortgages	59,868	342	0.6	268	78
Non-property SME and corporate	34,524	2,214	6.4	865	39
Property and construction	35,128	5,578	15.9	1,976	35
Consumer (unsecured)	5,270	437	8.3	366	84
Total loans and advances to customers	**134,790**	**8,571**	**6.4**	**3,475**	**41**

As at 31 March 2009	**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 (unsecured)	5,637	368	6.5	301	82
Total loans and advances to customers	**135,521**	**5,322**	**3.9**	**1,781**	**33**

The Group's approach to the management of balances in arrears and identification of impaired loans is rigorous, with a focus on early intervention and proactive management of accounts. In the light of slower lending growth, the Group has redeployed significant resources from loan origination into active management of existing loans, which has further strengthened its proactive approach to the management of past due and impaired loans and is a key risk mitigant for the Group.

Impaired loans increased from €5.3 billion at 31 March 2009 to €8.6 billion at 30 September 2009, or from 3.9% to 6.4% of total loans. The increase in impaired loans reflects deterioration in general economic conditions, weaker consumer sentiment, and a continued slowdown in the property and construction sectors both in Ireland and the UK. By sector, residential mortgages accounts for 4% of impaired loans, non-property SME and corporate accounts for 26% of impaired loans, property and construction accounts for 65% of impaired loans and consumer (unsecured) accounts for 5% of impaired loans.

The ratio of impaired loans to total loans in the property and construction sector is 15.9% at 30 September 2009, up from 10.4% at 31 March 2009. Impaired loans in the consumer (unsecured) sector are now 8.3% of total loans compared to 6.5% at March 2009.

Total balance sheet provisions against loans and advances to customers were €3.5 billion at 30 September 2009, compared to €1.8 billion at 31 March 2009, an increase of 95%. The property and construction sector accounts for two thirds of the increase in provisions during the period, with the non-property SME and corporate portfolio generating much of the balance.

The increase in provisions reflect the impact of the rapid deterioration in general economic conditions, consequent loan grade degradation and severe weakening in the property and construction sectors, both in the Republic of Ireland and UK.

2.2.3 Impaired loans and impairment provisions (continued)

Impairment provisions as a percentage of impaired loans (coverage ratio) increased to 41% at 30 September 2009 from 33% at 31 March 2009. Coverage ratios 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.

Coverage ratios vary considerably by portfolio. The coverage ratio on residential mortgages increased from 63% at 31 March 2009 to 78% at 30 September 2009. The non-property SME and corporate coverage ratio at 39% is broadly unchanged from 31 March 2009. The coverage ratio for property and construction at 35% has increased from 24% at 31 March 2009. Consumer lending (unsecured) has 84% coverage, up from 82% at 31 March 2009 and coverage levels are high because recovery prospects are limited in the absence of supporting collateral.

Please refer to note 22 for further details of the movement in the impairment provision during the six months ended 30 September 2009.

2.2.4 Loan impairment charge

The Group loan impairment charge for the six months ended 30 September 2009 amounted to €1,787 million or 260bps (annualised) when expressed as a percentage of average loans and advances to customers. The charge is 93bps (annualised), higher than the charge for the six months ended 31 March 2009.

Loan impairment charge by portfolio (annualised bps)	**6 months ended 30 September 2009**		**6 months ended 31 March 2009**		**6 months ended 30 September 2008**	
	€m	**bps**	**€m**	**bps**	**€m**	**bps**
Residential mortgages	142	47	112	37	15	4
Non-property SME and corporate	393	220	276	151	68	44
Property and construction	1,135	640	642	357	124	65
Consumer (unsecured)	117	417	138	420	60	179
Total loans impairment charge	**1,787**	**260**	**1,168**	**167**	**267**	**38**

The impairment charge for residential mortgages of €142 million (47bps) in the six months ended 30 September 2009 compares to a charge of €112 million (37bps) for the six months to 31 March 2009, driven by the economic downturn impacting unemployment levels and house prices in Ireland and the UK.

The impairment charge on the non-property SME and corporate loan book has increased by 42% in the six months ended 30 September 2009, reflecting the deepened recessionary environment in the reporting period. 22% of the total Group impairment charge for the reporting period relates to this portfolio – 220bps for the six months ended 30 September 2009 compared with 151bps for the six months ended 31 March 2009.

The impairment charge for the property and construction loan book increased to 640bps in the six months ended 30 September 2009 from 357bps for the six months ended 31 March 2009 and represents nearly two thirds of the Group's impairment charge in the period. The land and development portfolio within the property and construction portfolio is most significantly impacted with falling house prices and an over supply of residential units in Ireland being the key drivers.

The impairment charge for consumer (unsecured) was 417 bps in the six months to 30 September 2009 compared to 420 bps in the six months ended 31 March 2009.

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on pages 51 to 53.

2.2.5 NAMA

On 7 April 2009, the Minister for Finance announced that NAMA would be established with the purpose of strengthening the Irish financial sector. The draft NAMA legislation is currently being discussed by the Houses of the Oireachtas (parliament of Ireland).

On 16 September 2009, the Minister for Finance announced that it was expected that NAMA would purchase loans, principally landbank and development loans together with associated loans, with a book value of €77 billion across the five institutions.

The Minister estimated Bank of Ireland’s relevant portfolio at up to €16 billion, comprised of €10 billion of land and development loans and €6 billion of associated (predominantly investment) loans. This would equate to 12% of the Group’s loans and advances to customers at 30 September 2009. The loan impairment provisions as at 30 September 2009 on the €10 billion portfolio of land and development loans are circa €1.3 billion. Of the €6 billion portfolio of associated (predominantly investment) loans, 95% is currently classified as not impaired.

NAMA envisages that loans would be transferred to it by the financial institutions on a phased basis. NAMA expects that most loans would have been transferred by the middle of 2010.

The potential benefits of the NAMA scheme include increased certainty on banks’ asset quality and impairment charges on property and construction loans, a reduction in the level of banks’ Risk Weighted Assets and improvement in banks’ liquidity and funding positions, facilitating the ability of banks to support the economy.

Significant uncertainties exist as to the specific quantum and timing of loans which may transfer to NAMA, the price that NAMA would pay for those loans, the fees that the Group would be paid for any work undertaken in relation to such loans and the ‘fair value’ of the consideration to be received. Therefore there are significant uncertainties as to the final discount which would be applicable to Bank of Ireland.

As consideration for the loans transferred, it is expected that NAMA would issue to financial institutions a combination of government guaranteed bonds (circa 95% of the consideration) and subordinated debt securities (circa 5% of the consideration). The government guaranteed bonds are expected to be marketable instruments that are capable of being pledged as funding collateral to debt market investors and to Monetary Authorities such as the European Central Bank.

It is expected that the portfolios of loans would be purchased by NAMA at a discount to their carrying value after impairment provisions.

On 16 September 2009 the Minister for Finance announced an estimated aggregate discount across all financial institutions of 30% for the total loans expected to be purchased by NAMA. The Minister also noted that loan quality, geographic distribution and type of loans would all vary from institution to institution. He further noted that each major loan would be valued individually and, on this basis, the aggregate discount applied to original loan values in determining the consideration to be paid by NAMA would vary from institution to institution.

Under the Listing Rules of the Irish and London Stock Exchanges and the Bye-Laws of the Bank, an application by the Bank for designation as a participating institution by NAMA would be subject to the approval of 75% of ordinary stockholders present and voting at an Extraordinary General Court.

The information below forms an integral part of the interim financial statements as described in the Basis of preparation on pages 51 to 53.

2.3 Liquidity and funding

2.3.1 General

The Group's approach to the management of Liquidity Risk is set out in more detail on pages 52 to 57 of the Group's Annual Report for the year ended 31 March 2009.

The Group's focus on asset and liability management, as well as its diversified funding structures and strategies, have ensured that it has been able to manage its balance sheet effectively during the six months to 30 September 2009.

Growth in assets and the capacity to expand lending, net of redemptions, is subject to the Group's ability to increase customer deposits, to maintain a prudent wholesale funding profile and to maintain appropriate liquidity buffers.

The Group funds its operations through a combination of customer deposits and wholesale funding sourced from the deposit and debt markets as set out below. Bank of Ireland Life policyholder assets and liabilities have been excluded from the table below as policyholder assets are directly funded by matching policyholder liabilities.

Summary Balance Sheet (excluding Bank of Ireland Life policyholder assets and liabilities)	**30 September 2009 €bn**	**31 March 2009 €bn**
Loans and advances to customers	131	134
Liquid assets	31	38
Other assets	11	12
Total assets	**173**	**184**
Customer deposits	87	83
Wholesale funding	61	74
Subordinated liabilities	6	8
Other liabilities	11	12
Stockholders' equity	8	7
Total liabilities	**173**	**184**

In early 2009, the Group announced a number of initiatives to de-leverage the balance sheet. These included the cessation of mortgage lending through the broker channel in the UK and putting this business, and certain other lending activities within Capital Markets and in the UK Business Banking operations, into run-off. Together these initiatives relate to loans which amount to 27% of the Group's loans and advances to customers at 30 September 2009 (31 March 2009: 28%).

The quantum of lending from these operations is reducing, albeit at a slower pace than originally expected. This is a function in particular, of the continued low levels of mortgage availability and activity in the housing market.

Customer deposits comprise demand deposits, term deposits and current account credit balances. At 30 September 2009 customer deposits were €87 billion or 50% (31 March 2009: €83 billion or 45%) of the Group's balance sheet (excluding Bank of Ireland Life policyholder assets).

Debt capital markets provide short term and longer term facilities in the form of either secured or unsecured funding. Total wholesale funding decreased from €74 billion at 31 March 2009 to €61 billion at 30 September 2009 and represented 35% of the Group's balance sheet (excluding Bank of Ireland Life policyholder assets) at 30 September 2009.

2.3.2 Customer deposits

Deposit gathering remains a key priority and the Group continues to leverage the potential of its extensive retail distribution platforms, both in the Republic of Ireland through its 248 full time branches, and internationally through its joint venture with the UK Post Office, its Business and Corporate Banking relationship management teams and its network of treasury offices in Dublin, the UK and the US.

Customer deposits	**€bn**	**30 September 2009 %**	**€bn**	**31 March 2009 %**
Retail Republic of Ireland	34	39%	33	40%
- Deposits	24		23	
- Current account credit balances	10		10	
UK Financial Services (€bn equivalent)	21	24%	21	25%
UK Financial Services (£bn)	*18*		*19*	
- *POFS*	*8*		*8*	
- *Business Banking*	*10*		*11*	
Capital Markets	32	37%	29	35%
Total customer deposits	**87**	**100%**	**83**	**100%**

Despite intense market competition in the Republic of Ireland and pressure on international deposits caused by rating downgrades, the Group's deposit base has stabilised in the six months to 30 September 2009.

From 31 March 2009 to 30 September 2009 customer deposits rose by €4 billion due principally to the €1 billion increase in deposits in Retail Republic of Ireland and the €3 billion increase in deposits in Capital Markets.

The Group's loans to deposit ratio has improved from 161% at 31 March 2009 to 152% at 30 September 2009.

2.3.3 Wholesale funding

Market overview

During the latter part of the six months to 30 September 2009, funding conditions improved for Bank of Ireland, 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 based on economic data indicating the pace of contraction in the Irish economy is moderating, on-going efforts by the Irish Government to stabilise public finances and measures of support for the Irish banking system (particularly NAMA).

This improvement is reflected in the narrowing of the spreads on the Sovereign Credit Default Swap ("CDS") to c.130bps at 30 September 2009 (from a peak of c.400bps in February 2009) and the narrowing in the Bank of Ireland CDS spread to c.180bps at 30 September 2009 (from a peak of 670bps in March 2009).

Wholesale funding at 30 September 2009

Wholesale funding as a percentage of Group total assets (excluding Bank of Ireland Life policyholder assets) reduced to 35% (€61 billion) at 30 September 2009, compared to 40% (€74 billion) at 31 March 2009 due to a combination of a reduction in customer lending of €3 billion, an increase in customer deposits of €4 billion and a reduction of €7 billion in the level of liquid assets held. At 30 September 2009, 33% or €20 billion of this wholesale funding had a term to maturity of greater than one year i.e. beyond the expiry date of the current Irish government guarantee of liabilities (Credit Institutions (Financial Support) Scheme 2008 – CIFS scheme). Further details are set out in note 37 on page 77.

Diversity of funding programmes

The Group's wholesale funding programmes are diversified across geographies, investor types and maturities.

2.3.3 Wholesale funding (continued)

Wholesale funding sources	**30 September 2009**		**31 March 2009**	
	€bn	**%**	**€bn**	**%**
Senior Debt /Asset Covered Securities	25	41%	25	34%
Deposits from banks	21	34%	29	39%
Commercial Paper / Certificates of deposits	9	15%	14	19%
Securitisations	6	10%	6	8%
Total wholesale funding	**61**	**100%**	**74**	**100%**

In the six months to 30 September 2009, the Bank issued €7.9 billion of term funding (funding with a maturity of 1 year or greater at time of issue).

The Group has taken advantage of the improved market sentiment and has extended the duration of its money market funding, issued debt securities in partially unguaranteed format and reduced its reliance on secured funding sources.

A highlight of the Group's funding activity during the period was the 5 year issue of a covered bond in September 2009. This was the first partially unguaranteed public benchmark fund-raising transaction by an Irish institution since the introduction in September 2008 of the CIFS scheme.

Separately, on 29 September 2009, the Group issued a €1 billion, unsecured benchmark senior debt security with a maturity of 3 ½ years, unguaranteed after 29 September 2010 (which settled after 30 September 2009 and was therefore not reflected in the Group's balance sheet at that date).

Contingent liquidity collateral

Over recent years, the Group has invested in building a strong technical capability to support contingent liquidity strategies which has allowed the Group to maximise the funding potential from its balance sheet.

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 Monetary Authorities (including the European Central Bank, the Bank of England and the US Federal Reserve) to provide access to secured funding. The total amount of contingent liquidity collateral at 30 September 2009 was €43 billion.

The Group has maintained a disciplined approach to the use of funding from Monetary Authorities and the Group's funding from these sources reduced to €7 billion (net) at 30 September 2009 from €17 billion (net) at 31 March 2009.

2.3.4 Irish Government Guarantee Scheme

On 16 September 2009, the proposed new Irish Government Guarantee Scheme (Credit Institutions (Eligible Liabilities Guarantee (ELG)) Scheme 2009) was announced.

The ELG Scheme is intended to facilitate the ability of covered credit institutions to issue debt securities and to take deposits with a maturity beyond the expiry date of the CIFS scheme, namely 29 September 2010, on either a guaranteed or an unguaranteed basis.

A key focus for the Group is to reduce its reliance on the Government guarantee schemes as market conditions continue to improve.

2.3.5 Summary

The Bank of Ireland has improved its liquidity and funding position during the recent months. This was achieved against a background of improved sentiment in the international funding markets and the greater clarity provided by the Government in relation to NAMA and the proposed new Government Eligible Liability Guarantee Scheme. The stability in the customer deposit base has been maintained in the six months ended 30 September 2009 and the Group has benefited from enhanced access to wholesale funding markets both in terms of availability and tenor. The improvement in funding conditions for Bank of Ireland has led to a material reduction in the usage of Monetary Authority secured funding and has provided a supportive background for the recent issuance of debt securities (both secured and unsecured) with maturities beyond the expiry date of the existing CIFS Scheme.

The combination of a clear focus on reducing the size of the balance sheet, further developing the Group's customer deposit base, accessing the longer term debt markets and reducing the reliance on Monetary Authority sponsored funding and Government guarantee schemes should ensure that the Group continues to strengthen its already diversified funding base.

The information below is additional disclosure and it does not form an integral part of the interim financial statements as described in the Basis of preparation on pages 51 to 53.

2.4 Capital Management

Risk Weighted Assets (RWA) – Basel II	30 September 2009 €m	31 March 2009 €m
Risk weighted assets		
Credit risk	92,283	96,395
Market risk	2,056	2,509
Operational risk	6,415	6,473
Total risk weighted assets	**100,754**	**105,377**

Key Capital Ratios	€bn	% of RWA	€bn	% of RWA
Equity tier 1 ratio (Core tier 1 less preference stock)	6.6	6.6%	6.5	6.2%
Core tier 1 ratio	10.2	10.1%	10.0	9.5%
Tier 1 ratio	11.1	11.0%	12.6	12.0%
Total capital ratio	**14.6**	**14.5%**	**16.0**	**15.2%**

Risk Weighted Assets at 30 September 2009 at €101 billion are €4 billion lower than at 31 March 2009. The decrease was mainly due to the higher level of impaired loans and increased impairment provisions.

In the six months to 30 September 2009, the equity and core tier 1 ratios strengthened following the repurchase of €1.7 billion nominal of non core tier 1 securities resulting in a gain of €1 billion, offset in part by the underlying loss for the period. The equity tier 1 ratio improved from 6.2% to 6.6% whilst the core tier 1 ratio improved to 10.1% at 30 September 2009 from 9.5% at 31 March 2009. The total tier 1 ratio reduced to 11.0% at 30 September 2009 from 12.0% at 31 March 2009 with the total capital ratio reduced to 14.5% at 30 September 2009 from 15.2% at 31 March 2009, the reductions primarily reflecting the cash cost of the non core tier 1 securities repurchased.

The debt repurchase involved a cash tender offer for six non core tier 1 securities at an average price of 41% of their nominal value. The gain generated from the repurchase increased equity tier 1 and core tier 1 capital by €1 billion. Further details are set out in note 8 to the consolidated financial statements.

While our existing capital, bolstered by ongoing pre-impairment operating profit, should be sufficient to absorb the impact of our expected impairment charges as we progress through this low-point in the recessionary cycle, we are committed to strengthening our capital ratios in line with revising market norms and expected regulatory developments.

2.4 Capital Management (continued)

The following tables show the components and basis of calculation of the Group's capital ratios.

	30 September 2009 €m	31 March 2009 €m	30 September 2008 €m
Share capital and reserves	7,930	6,913	6,433
Regulatory retirement benefit obligation adjustments	1,477	1,478	875
Available for sale reserve and cash flow hedge reserve	1,333	2,124	909
Goodwill & other intangible assets	(501)	(511)	(863)
Preference stock and warrants	(3,521)	(3,520)	(62)
Other adjustments	(88)	22	(67)
Equity Tier 1 capital	6,630	6,506	7,225
Preference stock	59	58	62
2009 Preference stock and warrants	3,462	3,462	-
Core Tier 1 capital	**10,151**	**10,026**	**7,287**
Innovative hybrid debt	747	1,197	1,154
Non-innovative hybrid debt	573	1,798	1,936
Supervisory deductions	(386)	(372)	(259)
Total tier 1 capital	**11,085**	**12,649**	**10,118**
Tier 2			
Undated loan capital	220	229	240
Dated loan capital	3,675	3,827	4,599
IBNR provisions	702	307	121
Revaluation reserves	81	80	177
Other adjustments	14	-	-
Supervisory deductions	(386)	(372)	(259)
Total tier 2 capital	4,306	4,071	4,878
Supervisory deductions			
Life and pensions business	(819)	(749)	(791)
Total capital	**14,572**	**15,971**	**14,205**

2.5 Principal Risks & Uncertainties

As a consequence of the adverse economic conditions in the geographies in which the Group operates, the overall market and risk environment has been challenging for the Group in the six months to 30 September 2009.

The Group continues to actively manage its businesses to mitigate risk and address these challenges. The Group's risk management processes are set out on pages 33 to 68 of the Group's Annual Report for the year ended 31 March 2009. A number of recent significant enhancements to these processes are set out in page 30. There have been no other material changes to the risk management processes in the six months to 30 September 2009.

An analysis of the key credit risks faced by the Group across a number of asset classes, significant portfolios and businesses, and including summary measures of asset quality and impairment are set out on pages 30 to 34. The key measures of liquidity and funding risk are analysed and set out on pages 36 to 39. The key measures of Capital Management are set out on pages 40 and 41.

The overall risks and uncertainties for the Group are set out in pages 29 to 32 of the Group's Annual Report for the year ended 31 March 2009. In the next six months the Group regards the following financial risks and uncertainties to be particularly important:

National Asset Management Agency (NAMA)

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

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

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

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

State Aid

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

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

2.5 Principal Risks & Uncertainties (continued)

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

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

Liquidity and funding

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

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

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

Economic conditions

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

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- important events that have occurred during the first six months of the year;
- the impact of those events on the condensed financial statements;
- a description of the principal risks and uncertainties for the remaining six months of the financial year (see pages 42 and 43); and
- details of any related party transactions that have materially affected the Group's financial position or performance in the six months ended 30 September 2009 (see note 35 to the financial statements).

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Notes	6 months ended 30 September 2009 €m	Restated* 6 months ended 30 September 2008 €m	Restated* Year ended 31 March 2009 €m
Interest income	2	2,922	5,271	9,717
Interest expense	3	(1,445)	(3,322)	(6,047)
Net interest income		1,477	1,949	3,670
Net insurance premium income	4	375	645	1,069
Fee and commission income	5	329	376	717
Fee and commission expense	5	(155)	(69)	(232)
Net trading expense	6	(70)	(402)	(307)
Life assurance investment income and gains / (losses)	7	736	(250)	(1,570)
Gain on repurchase of subordinated liabilities	8	1,037	-	-
Other operating income	9	87	104	73
Total operating income		3,816	2,353	3,420
Insurance contract liabilities and claims paid	10	(1,024)	(294)	537
Total operating income, net of insurance claims		2,792	2,059	3,957
Other operating expenses	11	(940)	(1,039)	(2,121)
Impairment of goodwill and other intangible assets		(3)	-	(304)
Operating profit before impairment charges on financial assets		1,849	1,020	1,532
Impairment charges on financial assets	12	(1,787)	(307)	(1,513)
Operating profit		62	713	19
Share of results of associates and joint ventures (after tax)	14	21	(10)	(42)
Loss on disposal of business activities	15	(3)	-	-
Profit / (loss) before taxation		80	703	(23)
Taxation credit / (charge)	16	82	(95)	41
Profit for the period		162	608	18
Attributable to minority interests		(6)	(20)	(35)
Attributable to stockholders		168	628	53
Profit for the period		162	608	18
Earnings per unit of €0.64 ordinary stock (cent)	17	2.4c	63.2c	4.3c
Diluted earnings per unit of €0.64 ordinary stock (cent)	17	1.9c	63.2c	4.3c

** The prior periods have been restated to reflect the impact of the adoption of the amendment to IFRS 2 'Share based payments: Vesting Conditions and Cancellations'. Further information on this is shown on page 52.*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)

	6 months ended 30 September 2009 €m	Restated* 6 months ended 30 September 2008 €m	Restated* Year ended 31 March 2009 €m
Profit for the period	162	608	18
Other comprehensive income, net of tax:			
Net change in revaluation reserve	-	1	(96)
Net change in cash flow hedge reserve	35	(35)	(540)
Net change in available for sale reserve	756	(403)	(1,113)
Net actuarial gain / (loss) on defined benefit pension funds	53	(38)	(544)
Foreign exchange translation gains / (losses)	11	72	(528)
Other comprehensive income / (expense) for the period net of tax	855	(403)	(2,821)
Total comprehensive income / (expense)	1,017	205	(2,803)
Total comprehensive income / (expense) attributable to equity stockholders	1,023	225	(2,768)
Total comprehensive expense attributable to minority interests	(6)	(20)	(35)
Total comprehensive income / (expense)	1,017	205	(2,803)

The effect of tax on these reserves is shown in note 16.

** The prior periods have been restated to reflect the impact of the adoption of the amendment to IFRS 2 'Share based payments: Vesting Conditions and Cancellations'. Further information on this is shown on page 52.*

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
ASSETS				
Cash and balances at central banks		4,111	1,652	3,224
Items in the course of collection from other banks		421	683	515
Central government and other eligible bills		-	10	-
Trading securities		426	105	125
Derivative financial instruments		6,928	4,412	8,397
Other financial assets at fair value through profit or loss	18	9,129	10,545	7,604
Loans and advances to banks	19	3,739	8,416	7,886
Available for sale financial assets	20	22,735	27,693	26,858
Loans and advances to customers	21	131,315	144,289	133,740
Interest in associates		22	28	22
Interest in joint ventures	23	176	211	151
Intangible assets - goodwill		47	319	47
Intangible assets - other		475	565	485
Investment properties	24	1,290	1,546	1,413
Property, plant & equipment		476	597	492
Deferred tax assets	30	572	232	560
Other assets		2,424	2,697	2,566
Retirement benefit asset	27	9	17	7
Assets classified as held for sale	29	-	262	24
Total assets		184,295	204,279	194,116
EQUITY AND LIABILITIES				
Deposits from banks	25	20,956	16,920	28,814
Customer accounts	26	86,616	90,665	83,119
Items in the course of transmission to other banks		202	244	238
Derivative financial instruments		6,618	3,383	7,554
Liabilities to customers under investment contracts		4,887	5,440	4,084
Debt securities in issue		39,953	60,740	45,133
Insurance contract liabilities		6,478	6,849	5,634
Other liabilities		2,930	3,864	3,049
Provisions		67	38	87
Deferred tax liabilities		72	101	50
Retirement benefit obligations	27	1,486	892	1,485
Subordinated liabilities	28	6,100	8,476	7,942
Liabilities classified as held for sale	29	-	234	14
Total liabilities		176,365	197,846	187,203
Equity				
Capital stock	32	699	664	699
Stock premium account		4,092	775	4,092
Retained earnings		5,004	5,852	4,761
Other reserves		(1,828)	(760)	(2,610)
Own stock held for the benefit of life assurance policyholders		(90)	(149)	(90)
Stockholders' equity		7,877	6,382	6,852
Minority interests		53	51	61
Total equity		7,930	6,433	6,913
Total equity and liabilities		184,295	204,279	194,116

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Capital stock	6 months ended 30 September 2009 €m	Restated* 6 months ended 30 September 2008 €m	Restated* Year Ended 31 March 2009 €m
Balance at the beginning of the period	699	664	664
Issue of 2009 preference stock (note 32)	-	-	35
Balance at the end of the period	699	664	699
Stock premium account			
Balance at the beginning of the period	4,092	775	775
Premium on issue of 2009 preference stock	-	-	3,317
Balance at the end of the period	4,092	775	4,092
Retained earnings			
Balance at the beginning of the period	4,761	5,670	5,670
Profit for period attributable to stockholders	168	628	53
Equity dividends	-	(387)	(387)
Dividends on other equity interests	(4)	(5)	(10)
Transfer from / (to) capital reserve	26	(4)	39
Profit / (loss) retained	190	232	(305)
Reissue of treasury stock	(5)	(20)	(83)
Transfer from revaluation reserve	-	-	4
Transfer from share based payments reserve	-	6	19
Net actuarial gain / (loss) on pension funds	53	(38)	(544)
Other movements	5	2	-
Balance at the end of the period	5,004	5,852	4,761
Other Reserves:			
Available for sale reserve			
Balance at the beginning of the period	(1,532)	(419)	(419)
Net changes in fair value	922	(459)	(1,270)
Deferred tax on fair value changes	(111)	59	162
Transfer to income statement on asset disposal	(55)	(3)	(5)
Balance at the end of the period	(776)	(822)	(1,532)
Cash flow hedge reserve			
Balance at the beginning of the period	(592)	(52)	(52)
Changes in fair value net of transfers to income statement	53	(41)	(644)
Deferred tax on reserve movements	(18)	6	104
Balance at the end of the period	(557)	(87)	(592)
Foreign exchange reserve			
Balance at the beginning of the period	(1,316)	(788)	(788)
Exchange adjustments during the period	11	72	(528)
Other movements	1	-	-
Balance at the end of the period	(1,304)	(716)	(1,316)

** The prior periods have been restated to reflect the impact of the adoption of the amendment to IFRS 2 ‘Share based payments: Vesting Conditions and Cancellations’. Further information on this is shown on page 52.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	6 months ended 30 September 2009 €m	Restated* 6 months ended 30 September 2008 €m	Restated* Year Ended 31 March 2009 €m
Capital reserve			
Balance at the beginning of the period	491	530	530
Transfer (to) / from retained earnings	(26)	4	(39)
Transfer to / (from) revaluation reserve	1	(1)	-
Balance at the end of the period	466	533	491
Share based payments reserve			
Balance at the beginning of the period	33	33	33
Charge to the income statement	5	7	19
Transfer to retained earnings	-	(6)	(19)
Balance at the end of the period	38	34	33
Revaluation reserve			
Balance at the beginning of the period	82	182	182
Transfer to retained earnings on sale of property	-	-	(4)
Transfer (to) / from capital reserve	(1)	1	-
Revaluation of property	-	1	(113)
Deferred tax on revaluation of property	-	-	17
Balance at the end of the period	81	184	82
Other equity reserves			
US$150 million capital note			
Balance at the beginning of the period	114	114	114
Balance at the end of the period	114	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	(1,828)	(760)	(2,610)
Own stock held for the benefit of life assurance policyholders			
Balance at the beginning of the period	(90)	(225)	(225)
Changes in value and number of stock	-	76	135
Balance at the end of the period	(90)	(149)	(90)
Total stockholders' equity excluding minority interests	7,877	6,382	6,852
Minority interests			
Balance at the beginning of the period	61	38	38
Acquisition	-	36	61
Revaluation	(2)	-	-
Share of net loss	(6)	(20)	(35)
Dividends paid to minority interest	-	(3)	(3)
Balance at the end of the period	53	51	61
Total equity	7,930	6,433	6,913

** The prior periods have been restated to reflect the impact of the adoption of the amendment to IFRS 2 'Share based payments: Vesting Conditions and Cancellations'. Further information on this is shown on page 52.*

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (UNAUDITED)

	6 months ended 30 September 2009 €m	Restated* 6 months ended 30 September 2008 €m	Restated* Year ended 31 March 2009 €m
Cash flows from operating activities			
Profit / (loss) before taxation	80	703	(23)
Share of results of associates and joint ventures	(21)	10	42
Loss on disposal of business activity	3	-	-
Depreciation and amortisation	72	69	178
Impairment charges on financial assets	1,787	307	1,513
Interest expense on subordinated liabilities	160	229	435
Charge for share based payments	5	7	19
Gain on repurchase of subordinated liabilities	(1,037)	-	-
Other non cash items	(163)	116	682
Cash flows from operating activities before changes in operating assets and liabilities	886	1,441	2,846
Net cash flow from operating assets and liabilities	(4,239)	(2,220)	(6,460)
Net cash flow from operating activities before tax and dividends	(3,353)	(779)	(3,614)
Taxation refunded/ (paid)	51	(81)	(215)
Net cash flow from operating activities	(3,302)	(860)	(3,829)
Investing activities:			
Net change in available for sale financial assets	4,896	1,483	1,057
Purchase of property, plant and equipment, investment property and intangible assets	(44)	(121)	(230)
Proceeds from disposals of property, plant and equipment, investment property and intangible assets	28	1	11
Dividends received from joint ventures	-	24	34
Net change in interest in associates	(2)	-	(2)
Cash flows from investing activities	4,878	1,387	870
Financing activities:			
Reissue of treasury stock	(5)	19	(83)
Issue of new subordinated liabilities	-	565	565
Reduction in subordinated liabilities	(683)	-	(600)
Interest paid on subordinated liabilities	(125)	(124)	(419)
Equity dividends paid	-	(387)	(387)
Dividends on other equity interests	(4)	(5)	(10)
Dividends paid to minority interests	-	(3)	(3)
Issue of 2009 preference stock and warrants	-	-	3,462
Cash flows from financing activities	(817)	65	2,525
Net change in cash and cash equivalents	759	592	(434)
Opening cash and cash equivalents	7,259	7,647	7,647
Effect of exchange translation movements	(243)	16	46
Closing cash and cash equivalents	7,775	8,255	7,259

** The prior periods have been restated to reflect the impact of the adoption of the amendment to IFRS 2 ‘Share based payments: Vesting Conditions and Cancellations’. Further information on this restatement is shown on page 52.*

CONSOLIDATED FINANCIAL STATEMENTS

Interim statements

The interim financial statements for the six months ended 30 September 2009 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as published by the International Accounting Standards Board ('IASB') and adopted by the European Union ('EU'). They should be read in conjunction with the Group's financial statements for the year ended 31 March 2009, which are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 1963 to 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 the financial statements for the year ended 31 March 2009 comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

Accounting policies and basis of preparation

The interim financial statements comprise the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Condensed Cash Flow Statement, the notes to the interim statements together with the information in sections 2.2. and 2.3 of the Risk Management Report that is described as being an integral part of the interim financial statements.

The Group has operated in a very challenging environment arising both from the unprecedented deterioration in the global and Irish economies and the continued global financial crisis, characterised by a significant reduction in liquidity. As a result, monetary authorities initiated actions to improve liquidity to the interbank market in order to stabilise their banking systems. In Ireland, the Irish Government introduced an enhanced customer deposit protection scheme, a guarantee scheme for certain bank liabilities and a recapitalisation programme which invested €3.5 billion in Bank of Ireland preference stock. As a systemically important bank to the Irish economy, as acknowledged by the Irish Government, Bank of Ireland has participated in these initiatives. In addition to the expected introduction of the new draft Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009, that enables institutions to issue guaranteed debt up to a maximum of 5 years, the Government has also announced the creation of the National Asset Management Agency (NAMA) to take certain land and development and associated loans (predominately investment loans) off Irish banks' balance sheets with the purpose of strengthening the Irish financial sector.

The key factors impacting on the funding of the Group's balance sheet include the continued functioning of wholesale funding markets, the continued access by the Group to the Government guarantees and a range of Monetary Authority liquidity support schemes, limited further deterioration in the Group's credit ratings, no significant sudden withdrawal of customer deposits and the implementation of NAMA.

The Group has built up a substantial pool of contingent liquidity collateral to support its funding requirement. The Group's funding position has been strengthened by the Government guarantee of its liabilities out to 29 September 2010 and the recently announced new guarantee for the future issuance of debt securities with a maturity of up to five years. The Group's funding and capital position has also been strengthened by the €3.5 billion preference stock investment by the Irish State on 31 March 2009 and by the €1 billion of equity capital generated on the repurchase of subordinated liabilities in June 2009 at a discount to their nominal value.

Based on projections which take the above dependencies and factors into account, and also the principal risks and uncertainties set out on pages 42 and 43, the Directors are satisfied that the Group has adequate resources, both capital and funding, to continue in business for the foreseeable future. Accordingly, the directors consider it appropriate to adopt the going concern basis in preparing the interim financial statements for the six months ended 30 September 2009.

The accounting policies and methods of computation and presentation applied by the Group in the preparation of these interim financial statements are consistent with those set out in the Annual Report for the year ended 31 March 2009, with the exception of the adoption of the amendment to IFRS 2 and the change in presentation for the repurchase of subordinated liabilities both of which are detailed below.

The Group's accounting policy on issued debt and equity securities is set out on page 115 of the Annual Report for the year ended 31 March 2009. It states that if the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in net trading income. In accordance with IAS 1 'Presentation of Financial Statements', due to the materiality of the gain on the repurchase of

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Accounting policies and basis of presentation (continued)

subordinated liabilities (detailed in note 8), that gain has been disclosed as a separate line item within the Group's Consolidated Income Statement, rather than included within net trading income.

Adoption of new accounting standards
The following standards and amendments to standards have been adopted by the Group during the 6 months ended 30 September 2009:

IFRS 8 - Operating Segments (effective for annual periods beginning on or after 1 January 2009)
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.

The segmental information for the 6 months ended 30 September 2009 and for the corresponding comparative periods are presented in note 1 to these condensed interim financial statements.

IAS 1 Presentation of Financial Statements (amendment) (effective for annual periods beginning on or after 1 January 2009)
This amendment revises 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, an income statement and a statement of 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 IAS 1 (revised) does not change the recognition, measurement or disclosure of specific transactions and events required by other standards.

IFRS 2 Share based payments: Vesting Conditions and Cancellations (amendment) (effective for annual periods beginning on or after 1 January 2009)
This amendment clarifies the accounting treatment of cancellations and vesting conditions. 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 Group costs of the SAYE schemes in respect of the relevant employees recognised in the current and prior periods being reversed. Under the amendment, in the event of a cancellation the Group must recognise 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 million in the Group's operating expenses for the six months ended 30 September 2009. The amendment is applied retrospectively and has resulted in a restatement of the comparative figures. The comparative income statements have been adjusted to increase operating expenses and reduce profit before tax by €16 million for the year ended 31 March 2009 and by €3 million for the six months ended 30 September 2008. The adoption of the amendment has not impacted the balance sheet for the comparative reporting dates.

IAS 32 Financial Instruments: Presentation (amendment) (effective for annual periods beginning on or after 1 January 2009)
This amendment changes the classification from liabilities to equity of certain puttable financial instruments and also obligations which arise on liquidation. The amendment has not had a material impact on the interim financial statements.

IAS 23 Borrowing Costs (amendment) (effective for annual periods beginning on or after 1 January 2009)
This amendment requires borrowing costs that relate to an asset which takes a substantial period of time to get ready for use or resale to be capitalised. The amendment has not had a material impact on the interim financial statements.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2009)
This interpretation deals with the accounting for refunds of contributions and minimum funding requirements. The interpretation has not had a material impact on the interim financial statements.

CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)
This interpretation provides guidance on accounting for hedges of net investments in foreign operations. The interpretation has not had a material impact on the interim financial statements.

Critical accounting estimates and judgements
The preparation of interim financial statements requires the Group to make estimates and judgments that impact the reported amounts of assets and liabilities, income and expense. There have been no significant changes to the Group's approach to and methods of making critical accounting estimates and judgments compared to those applied at 31 March 2009, as set out on pages 126 and 127 of the Annual Report for the year ended on that date.

These interim financial statements do not comprise statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The statutory accounts for the year ended 31 March 2009 were approved by the Court of Directors on 18 May 2009, contained an unqualified audit report and have been filed with the Companies Registration Office on 14 August 2009.

INDEX TO THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1 Operating segments

The Group has five reportable operating segments detailed in the table below. As noted in the accounting policies and basis of presentation on pages 51 to 53 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 and the joint 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 Government Guarantee Scheme.

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.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1 Operating segments (continued)

The Group's management reporting and controlling systems use accounting policies that are the same as those referenced in 'Accounting policies and basis of preparation' on pages 51 to 53. 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 on transition to IFRS 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 income / expense, life assurance investment income and gains / (losses), other operating income, insurance contract liabilities and claims paid and income from associates and joint ventures.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1 Operating segments (continued)

6 months ended 30 September 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	2,285	12	1,632	2,412	(259)	(3,160)	2,922
Interest expense	(1,689)	(10)	(1,291)	(1,919)	304	3,160	(1,445)
Net interest income	596	2	341	493	45	-	1,477
Other income, net of insurance claims	124	108	51	35	(65)	-	253
Total operating income, net of insurance claims	720	110	392	528	(20)	-	1,730
Other Operating expenses	(425)	(50)	(187)	(141)	(65)	-	(868)
Depreciation and amortisation	(29)	(3)	(18)	(5)	(17)	-	(72)
Operating expenses	(454)	(53)	(205)	(146)	(82)	-	(940)
Impairment of goodwill and other intangible assets	(3)	-	-	-	-	-	(3)
Operating profit before impairment charges on financial assets	263	57	187	382	(102)	-	787
Impairment charges on loans and advances to customers	(917)	-	(436)	(434)	-	-	(1,787)
Share of results of associates and joint ventures	(1)	-	21	1	-	-	21
Underlying (loss) / profit before tax	(655)	57	(228)	(51)	(102)	-	(979)
Repurchase of subordinated liabilities	-	-	-	-	1,037	-	1,037
Gross-up of policyholder tax in the Life business	-	57	-	-	-	-	57
Investment return on treasury stock held for policyholders	-	-	-	-	(30)	-	(30)
Hedge ineffectiveness on transition to IFRS	-	-	-	-	(2)	-	(2)
Loss on disposal of business activities	-	-	-	(3)	-	-	(3)
Statutory (loss) / profit before tax	(655)	114	(228)	(54)	903	-	80
Capital expenditure	1	1	20	6	14	-	42
Investment in associates and joint ventures	122	-	67	9	-	-	198
External assets	54,158	11,372	52,754	63,760	2,251	-	184,295
Inter segment assets	71,923	1,761	20,248	137,793	51,901	(283,626)	-
Total assets	126,081	13,133	73,002	201,553	54,152	(283,626)	184,295
External liabilities	45,401	11,734	17,997	85,494	15,739	-	176,365
Inter segment liabilities	79,212	508	56,043	116,658	31,205	(283,626)	-
Total liabilities	124,613	12,242	74,040	202,152	46,944	(283,626)	176,365

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1 Operating segments (continued)

6 months ended 30 September 2008	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	4,095	10	2,676	4,612	(1,401)	(4,721)	5,271
Interest expense	(3,358)	(20)	(2,288)	(3,771)	1,394	4,721	(3,322)
Net interest income	737	(10)	388	841	(7)	-	1,949
Other income, net of insurance claims	181	67	76	(256)	(14)	-	54
Total operating income, net of insurance claims	918	57	464	585	(21)	-	2,003
Other Operating expenses	(442)	(51)	(242)	(190)	(45)	-	(970)
Depreciation and amortisation	(36)	(3)	(17)	(6)	(7)	-	(69)
Operating expenses	(478)	(54)	(259)	(196)	(52)	-	(1,039)
Operating profit before impairment charges on financial assets	440	3	205	389	(73)	-	964
Impairment charges on loans and advances to customers	(114)	-	(87)	(66)	-	-	(267)
Impairment charges on available for sale financial assets	-	-	-	(40)	-	-	(40)
Share of results of associates and joint ventures	(40)	-	30	-	-	-	(10)
Underlying (loss) / profit before tax	286	3	148	283	(73)	-	647
Gross-up of policyholder tax in the Life business	-	(18)	-	-	-	-	(18)
Investment return on treasury stock held for policyholders	-	-	-	-	77	-	77
Hedge ineffectiveness on transition to IFRS	-	-	-	-	(3)	-	(3)
Statutory (loss) / profit before tax	286	(15)	148	283	1	-	703
Capital expenditure	37	3	26	5	14	-	85
Investment in associates and joint ventures	163	-	56	20	-	-	239
External assets	59,321	12,813	60,998	70,259	888	-	204,279
Inter segment assets	64,089	1,296	14,835	125,349	42,656	(248,225)	-
Total assets	123,410	14,109	75,833	195,608	43,544	(248,225)	204,279
External liabilities	46,070	12,735	31,307	97,917	9,817	-	197,846
Inter segment liabilities	75,163	533	47,477	97,282	27,770	(248,225)	-
Total liabilities	121,233	13,268	78,784	195,199	37,587	(248,225)	197,846

** This period has been restated to reflect the impact of the adoption of the amendment to IFRS 2 ‘Share based payments: Vesting Conditions and Cancellations’. Further information on this is shown on page 52.*

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1 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

** This period has been restated to reflect the impact of the adoption of the amendment to IFRS 2 'Share based payments: Vesting Conditions and Cancellations'. Further information on this is shown on page 52.*

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1 Operating segments (continued)

Gross revenue by operating segments

6 months ended 30 September 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
External customers	1,012	169	1,241	813	1,175	-	4,410
Inter-segment revenue	1,414	18	510	1,699	(440)	(3,201)	-
Total gross revenue	2,426	187	1,751	2,512	735	(3,201)	4,410

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

Year ended 31 March 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
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

2 Interest income

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Loans and advances to customers	2,424	4,328	7,901
Available for sale financial assets	362	698	1,335
Finance leases	100	125	232
Loans and advances to banks	36	120	246
Other	-	-	3
Interest income	2,922	5,271	9,717

3 Interest expense

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Customer accounts	679	1,486	2,773
Debt securities in issue	453	1,310	2,297
Deposits by banks	158	302	554
Subordinated liabilities	155	224	423
Interest expense	1,445	3,322	6,047

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

4 Net insurance premium income

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Gross premiums written	429	708	1,190
Ceded reinsurance premiums	(54)	(61)	(116)
Net premiums written	375	647	1,074
Change in provision for unearned premiums	-	(2)	(5)
Net insurance premium income	375	645	1,069

5 Fee and commission income / expense

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Retail banking customer fees	187	207	368
Asset management fees	46	77	132
Credit related fees	25	32	38
Insurance commissions	40	24	75
Brokerage fees	6	10	13
Other	25	26	91
Fee and commission income	329	376	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 within fee and commission expense of €155 million for the six months ended 30 September 2009 is an amount of €49 million paid to the Irish Government under the existing Irish Government Guarantee Scheme. The expense for the year ended 31 March 2009 was €66 million as the scheme only came into force from 1 October 2008. Refer to note 37 for further details on this Scheme.

6 Net trading expense

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Financial assets designated at fair value	25	(6)	(29)
Related derivatives held for trading	(4)	8	43
	21	2	14
Financial liabilities designated at fair value	(107)	87	55
Related derivatives held for trading	54	(166)	(84)
	(53)	(79)	(29)
Other financial instruments held for trading	(36)	(316)	(258)
Net fair value hedge ineffectiveness	-	(9)	(27)
Cash flow hedge ineffectiveness	(2)	-	(7)
Net trading expense	(70)	(402)	(307)

Net trading expense of €70 million (30 September 2008: €402 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 €6 million (30 September 2008: €46 million, 31 March 2009: €65 million) in relation to net gains arising from foreign exchange.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

6 Net trading expense (continued)

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 €59 million (30 September 2008: €431 million, 31 March 2009: €578 million).

Net fair value hedge ineffectiveness comprises a net loss from hedging instruments of €74 million (30 September 2008: net loss of €87 million, 31 March 2009: net gain of €213 million) offsetting a net gain from hedged items of €74 million (30 September 2008: net gain of €78 million, 31 March 2009: net loss of €240 million).

Net trading expense for 31 March 2009 and 30 September 2008 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 €35 million (30 September 2008: net gain €10 million, 31 March 2009: net gain €64 million).

7 Life assurance investment income and gains / (losses)

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Gross life assurance investment income and gains / (losses)	751	(293)	(1,635)
Elimination of investment return on treasury stock held for the benefit of policyholders	(15)	43	65
Life assurance investment income and gains / (losses)	736	(250)	(1,570)

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 6 months to 30 September 2009 of applying this accounting treatment is that life assurance investment income and gains of €751 million have been reduced by €15 million, which is the profit on Bank of Ireland stock held under insurance contracts. Other operating income (see note 9) has been reduced by €15 million which is the profit or loss as appropriate on stock held under investment contracts. The combined adjustment is €30 million.

8 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 but at a premium to their trading range. This resulted in a gain of €1,037 million (€1,029 million after taxation) being recorded in the income statement for the six months ended 30 September 2009.

The table below sets out the detail of the instruments purchased, the price paid and the residual amount of each security outstanding at 30 September 2009:

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

8 Gain on repurchase of subordinated liabilities (continued)

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 net of the consideration paid of €683 million and the carrying value of the securities of €1,720 million.

Further information on the movement in subordinated liabilities during the six months to 30 September 2009 is set out in note 28.

9 Other operating income

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Other insurance income	66	30	23
Elimination of investment return on treasury stock held for the benefit of policyholders (see note 7)	(15)	34	66
Transfer from available for sale reserve on asset disposal	55	3	5
Other income	(19)	37	(21)
Other operating income	87	104	73

Included in other income for the six months ended 30 September 2009 is a charge of €27 million for impairment on investment properties and related activities (31 March 2009: €46 million).

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

10 Insurance contract liabilities and claims paid

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Gross claims	(361)	(542)	(963)
Reinsurance	21	20	40
	(340)	(522)	(923)
Change in liabilities:			
Gross	(857)	288	1,507
Reinsurance	173	(60)	(47)
	(684)	228	1,460
Insurance contract liabilities and claims paid	(1,024)	(294)	537
Gross claims are analysed as follows:			
Surrenders	(275)	(451)	(768)
Death and critical illness	(61)	(66)	(128)
Annuities	(20)	(16)	(35)
Maturities	(2)	(3)	(5)
Other	(3)	(6)	(27)
	(361)	(542)	(963)

11 Other operating expenses

	6 months ended 30 September 2009 €m	Restated * 6 months ended 30 September 2008 €m	Restated * Year ended 31 March 2009 €m
Administrative expenses			
- Staff costs	537	604	1,197
- Other administrative expenses	331	366	737
Depreciation			
- Intangible assets	50	47	132
- Property, plant and equipment	22	22	46
Revaluation of property	-	-	9
Total operating expenses	940	1,039	2,121
Staff costs, are further analysed as follows:			
Wages and salaries	375	450	849
Social security costs	42	47	91
Retirement benefit costs – defined benefit plans	99	84	173
Retirement benefit costs – defined contribution plans	3	3	7
Share based payment schemes	5	7	19
Other	13	13	58
Staff costs	537	604	1,197

The Group has continued the downsizing initiatives as disclosed in note 10 in the Annual Report for the year ended 31 March 2009.

Staff numbers

Full time equivalent staff numbers (including contract and agency staff) at 30 September 2009 were 14,779 down from 15,786 at 31 March 2009 and 16,437 at 30 September 2008.

* *The prior periods have been restated to reflect the impact of the adoption of the amendment to IFRS 2 'Share based payments: Vesting Conditions and Cancellations'. Further information on this restatement is shown on page 52.*

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

12 Impairment charges on financial assets

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
Loans and advances to customers (note 22)	1,787	267	1,435
Available for sale financial assets (note 20)	-	40	76
Loans and advances to banks (note 19)	-	-	2
	1,787	307	1,513

13 Operating profit

Operating profit includes the Group's earnings from ongoing activities after impairment charges and before share of results on associates and joint ventures (after tax). Items which would distort the measurement of the Group's performance such as profit or loss on the disposal of business activities or property are generally excluded unless they are of an operating nature.

14 Results of associates and joint ventures (after tax)

	6 months ended 30 September 2009 €m	6 months ended 30 September 2008 €m	Year ended 31 March 2009 €m
First Rate Exchange Services (note 23)	21	30	39
Property unit trust (note 23)	1	(40)	(63)
Paul Capital Investments (note 23)	1	-	(11)
Associates	(2)	-	(7)
	21	(10)	(42)

15 Loss on disposal of business activities

During the 6 months ended 30 September 2009 the Group disposed of its interests in its US Asset Management businesses, Guggenheim Alternative Asset Management LLC (Guggenheim) and Iridian Asset Management LLC (Iridian). This resulted in an overall loss on disposal of €3 million which is shown in Capital Markets. These were held for sale at 31 March 2009.

16 Taxation

	6 months ended 30 September 2009 €m	Restated* 6 months ended 30 September 2008 €m	Restated* Year ended 31 March 2009 €m
Current Tax			
Irish Corporation Tax			
- Current year	(24)	(99)	(84)
- Prior year	2	(6)	7
Double taxation relief	-	26	-
Foreign tax			
- Current year	(10)	(60)	3
- Prior year	(2)	-	-
	(34)	(139)	(74)
Deferred Tax			
Origination and reversal of temporary differences	116	44	115
Taxation credit / (charge)	82	(95)	41

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

16 Taxation (continued)

The taxation credit for the Group was €82 million for the six months ended 30 September 2009 compared to a taxation charge of €95 million for the six months ended 30 September 2008. The tax credit arises primarily due to a reduction in earnings across the Group due to operating losses and takes account of the gain on the repurchase of the subordinated liabilities. The effective tax rate for the six months ended 30 September 2009 is a credit of 102.5%. The comparable rate for the six months ended 30 September 2008 was an effective tax rate charge of 13.5%*.

The September 2008 effective tax rate has been restated to reflect the impact of the adoption of the amendment to IFRS 2 'Share based payments. Further information on this is shown on page 52.

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

6 months ended 30 September 2009	Pre tax amount €m	Tax (charge) / credit €m	Net of tax amount €m
Cash flow hedge			
Changes in fair value	(349)	97	(252)
Transfer to income statement	402	(115)	287
Net change in reserve	53	(18)	35
Available for sale			
Changes in fair value	922	(118)	804
Transfer to income statement on asset disposal	(55)	7	(48)
Net change in reserve	867	(111)	756
Changes in defined benefit pension funds	50	3	53
Changes in foreign exchange reserve	11	-	11
Other comprehensive income / (expense) for the period	981	(126)	855

6 months ended 30 September 2008	Pre tax amount €m	Tax (charge) / credit €m	Net of tax amount €m
Changes in revaluation reserve	1	-	1
Cash flow hedge			
Changes in fair value	59	(8)	51
Transfer to income statement	(100)	14	(86)
Net change in reserve	(41)	6	(35)
Available for sale			
Changes in fair value	(459)	59	(400)
Transfer to income statement on asset disposal	(3)	-	(3)
Net change in reserve	(462)	59	(403)
Changes in defined benefit pension funds	(45)	7	(38)
Changes in foreign exchange reserve	72	-	72
Other comprehensive income / (expense) for the period	(475)	72	(403)

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

16 Taxation (continued)

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			
Changes in fair value	121	(102)	19
Transfer to income statement	(765)	206	(559)
Net change in reserve	(644)	104	(540)
Available for sale			
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 / (expense) for the period	(3,184)	363	(2,821)

17 Earnings per share

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

	6 months ended 30 September 2009 €m	Restated* 6 months ended 30 September 2008 €m	Restated* Year ended 31 March 2009 €m
Basic			
Profit attributable to stockholders as published	168	631	69
Restatement for IFRS 2 amendment	-	(3)	(16)
Profit attributable to stockholders as restated	168	628	53
Dividends to other equity interests	(4)	(5)	(10)
Dividend required on 2009 preference stock	(140)	-	(1)
Profit attributable to ordinary stockholders	24	623	42
Weighted average number of shares in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	993m	985m	988m
Basic earnings per share (cent)	2.4c	63.2c	4.3c

Diluted

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

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

17 Earnings per share (continued)

	6 months ended 30 September 2009 €m	Restated* 6 months ended 30 September 2008 €m	Restated* Year ended 31 March 2009 €m
Profit attributable to stockholders as published	168	631	69
Restatement for IFRS 2 amendment	-	(3)	(16)
Profit attributable to stockholders as restated	168	628	53
Dividends on other equity interests	(4)	(5)	(10)
Dividend on 2009 preference stock	(140)		(1)
Profit attributable to ordinary stockholders	24	623	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	985m	988m
Effect of all dilutive potential ordinary stock	265m	-	-
	1,258m	985m	988m
Diluted earnings per share (cent)	1.9c	63.2c	4.3c

The calculation of diluted earnings per share excludes a weighted average of 15 million units of potential ordinary stock (30 September 2008: 20 million units, 31 March 2009: 20 million units) which are anti-dilutive.

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. The dividend required for the period, although undeclared and not accounted for in this interim statement, has been deducted in the calculation of basic and diluted earnings per share.

18 Other financial assets at fair value through profit or loss

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Equity securities	5,826	6,772	4,397
Government bonds	1,644	1,821	1,741
Unit trusts	1,031	1,083	894
Debt securities	568	812	549
Loans and advances to customers	60	57	23
Other financial assets at fair value through profit or loss	9,129	10,545	7,604

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments are borne by the investors. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal but opposite change in the value of the amounts due to policyholders. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet.

At 30 September 2009, such assets amounted to €8,770 million (30 September 2008: €10,078 million, 31 March 2009: €7,195 million) while the remaining €359 million (30 September 2008: €467 million, 31 March 2009: €409 million) relates to other Group businesses.

** The prior periods have been restated to reflect the impact of the adoption of the amendment to IFRS 2 'Share based payments: Vesting Conditions and Cancellations'. Further information on this is shown on page 52.*

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

19 Loans and advances to banks

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Placements with other banks	2,457	4,124	4,123
Mandatory deposits with central banks	931	2,451	2,674
Funds placed with central banks	203	1,833	1,091
Securities purchased with agreement to resell	150	8	-
	3,741	8,416	7,888
Less allowance for impairment on loans and advances to banks	(2)	-	(2)
Loans and advances to banks	3,739	8,416	7,886

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 30 September 2009 was €152 million (30 September 2008: €8 million, 31 March 2009: nil).

20 Available for sale financial assets

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Government bonds	1,119	1,359	2,460
Other debt securities			
– listed	19,936	23,475	21,728
– unlisted	1,639	2,792	2,608
Equity securities			
– listed	2	35	26
– unlisted	39	32	36
Available for sale financial assets	22,735	27,693	26,858

At 30 September 2009, available for sale financial assets with a fair value of €12.8 billion (30 September 2008: €1.2 billion, 31 March 2009: €7.6 billion) had been pledged to third parties in sale and repurchase agreements for periods not exceeding 6 months.

During the year ended 31 March 2009 the Group availed of the amendment to IAS 39 and reclassified a portfolio of €419 million of available for sale financial assets to loans and advances to customers. The Group did not make any further reclassifications in the six months to 30 September 2009. The table below sets out the relevant carrying amounts and fair values:

	30 September 2009		31 March 2009	
	Carrying amounts €m	Fair Value €m	Carrying amounts €m	Fair Value €m
AFS financial assets reclassified to loans and advances to customers	402	412	419	419

Interest income of €8 million and an impairment charge of €17 million have been recognised in the income statement for the six months ended 30 September 2009. If the assets had not been reclassified a fair value loss of €2 million would have been recognised in other comprehensive income.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

21 Loans and advances to customers

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Loans and advances to customers	132,060	141,378	132,522
Finance leases and hire purchase receivables	2,730	3,752	2,999
	134,790	145,130	135,521
Less allowance for impairment charges on loans and advances to customers (note 22)	(3,475)	(841)	(1,781)
Loans and advances to customers	131,315	144,289	133,740

22 Impairment provisions

6 months ended 30 September 2009 **Impairment provisions**	**Residential Mortgages €m**	**Consumer €m**	**Property and construction €m**	**Non-Property SME and corporate €m**	**Total impairment provisions on loans & advances to customers €m**
Provision at the beginning of the period	144	301	856	480	1,781
Exchange adjustments	4	4	5	6	19
Amounts written off	(22)	(58)	(20)	(14)	(114)
Recoveries	-	2	-	-	2
Charge against income statement	142	117	1,135	393	1,787
Provision at the end of the period	268	366	1,976	865	3,475

Year ended 31 March 2009 **Impairment provisions**	**Residential Mortgages €m**	**Consumer €m**	**Property and construction €m**	**Non-Property SME and corporate €m**	**Total impairment provisions on loans & advances to customers €m**
Provision at the beginning of the period	21	187	108	280	596
Exchange adjustments	3	5	2	(6)	4
Amounts written off	(9)	(85)	(16)	(134)	(244)
Recoveries	4	2	1	1	8
Charge against income statement	127	198	766	344	1,435
Other movements	(2)	(6)	(5)	(5)	(18)
Provision at the end of the period	144	301	856	480	1,781

Provisions include specific and 'incurred but not reported' (IBNR) provisions. IBNR provisions can be recognised on all categories of loans for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment.

The charge for the year ended 31 March 2009 of €1,513 million shown in the income statement includes the charge of €1,435 million above on loans and advances to customers, €76 million in write downs against available for sale financial assets which are charged directly against the relevant asset rather than being separately held as a provision, and €2 million against loans and advances to banks.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

23 Interest in joint ventures

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Opening balance	151	70	70
Acquisitions	-	173	-
Reclassifications	-	-	175
Share of results after tax	23	(10)	(35)
- First Rate Exchange Services	21	30	39
- Property unit trust	1	(40)	(63)
- Paul Capital Investments	1	-	(11)
Dividends received	-	(24)	(34)
Exchange adjustments	2	2	(25)
Interest in joint ventures	176	211	151

The joint ventures are First Rate Exchange Services, Enterprise 2000 Fund and Paul Capital Investments LLC and a property unit trust which holds an investment in a UK retail property. This interest, initially acquired by the Group to sell onto private investors, remains on the Group's balance sheet.

24 Investment property

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Opening balance	1,413	1,511	1,511
Exchange adjustments	(24)	-	-
Revaluation	(73)	(138)	(512)
Additions / reclassifications	7	173	414
Disposals	(33)	-	-
Investment property	1,290	1,546	1,413

Investment properties are carried at fair value as determined by external qualified property surveyors appropriate to the variety of properties held. Fair values have been calculated using both current trends in the market and recent transactions for similar properties.

25 Deposits from banks

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Deposits from banks	6,969	12,005	9,210
Securities sold under agreement to repurchase	13,781	4,703	19,508
Other bank borrowings	206	212	96
Deposits from banks	20,956	16,920	28,814

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 30 September 2009, the drawings, primarily from Monetary Authorities, were €7 billion net (30 September 2008: nil; 31 March 2009: €17 billion net).

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

26 Customer accounts

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Term deposits and other products	40,411	38,107	40,437
Demand deposits	32,165	35,841	28,808
Current accounts	14,040	15,288	13,874
Other short-term borrowings	-	1,429	-
Customer accounts	86,616	90,665	83,119

27 Retirement benefit obligations

The pension deficit across the Group's defined benefit schemes at 30 September 2009 was €1,477 million (30 September 2008: €875 million; 31 March 2009: €1,478 million).

The deficit is broadly equivalent to that at 31 March 2009. An increase in pension obligations, due primarily to reductions in discount rates and increases in inflation assumptions, was almost entirely offset by an increase in the level of scheme assets, due to strong investment returns during the period.

Changes in the assumptions used in deriving the valuation of pension obligations are set out in the table below.

	30 September 2009	30 September 2008	31 March 2009
RoI Schemes			
Discount Rate	5.80%	6.25%	5.95%
Inflation Rate	2.10%	2.40%	2.00%
UK Schemes			
Discount Rate	5.50%	6.90%	6.50%
Inflation Rate	3.00%	3.50%	2.75%

All other assumptions remain consistent with those used at 31 March 2009.

28 Subordinated liabilities

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Opening balance	7,942	7,808	7,808
Exchange adjustments	(68)	164	(90)
Redeemed during the period	-	-	(600)
Repurchased during the period	(1,720)	-	-
Issued during the period	-	567	567
Fair value movements and impact of hedge accounting adjustments	(56)	(65)	253
Amortisation of deferred expenses	2	2	4
Closing balance	6,100	8,476	7,942

Full details of the Group's subordinated liabilities can be found on pages 161 to 163 of the Annual Report for the year ended 31 March 2009. Information on the subordinated liabilities repurchased during the 6 months ended 30 September 2009 is shown in note 8.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

29 Assets and liabilities classified as held for sale

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Assets			
Assets of Guggenheim	-	-	7
Assets of Iridian	-	-	17
Retail branches	-	11	-
Other properties	-	251	-
Assets classified as held for sale	-	262	24
Liabilities			
Liabilities of Guggenheim	-	-	4
Liabilities of Iridian	-	-	10
Other liabilities held for sale	-	234	-
Liabilities classified as held for sale	-	234	14

Further information on the sale of Guggenheim and Iridian is outlined in note 15.

30 Deferred tax

The deferred tax asset of €572 million includes an amount of €175 million at 30 September 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 the Group will have sufficient future profits against which the deferred operating losses can be utilised.

31 Contingent liabilities and commitments

The table below gives the contractual amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contractual amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

Contingent Liabilities	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Acceptances and endorsements	26	29	19
Guarantees and irrevocable letters of credit	1,547	1,935	1,879
Other contingent liabilities	551	661	670
	2,124	2,625	2,568

Commitments	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Documentary credits and short-term trade-related transactions	162	338	260
Undrawn note issuance and revolving underwriting facilities	224	286	157
Undrawn formal standby facilities, credit lines and other commitments to lend:			
- irrevocable or revocable with original maturity of 1 year or less	16,476	21,612	17,721
- irrevocable with original maturity of over 1 year	8,684	11,595	8,781
	25,546	33,831	26,919

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

31 Contingent liabilities and commitments - continued

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.

Commitments to lend are agreements to lend to a customer in the future, subject to certain conditions.

Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

32 Capital stock

	30 September 2009 €m	30 September 2008 €m	31 March 2009 €m
Allotted and fully paid			
992.6 (at 30 September 2008: 990.3) million units of €0.64 of ordinary stock	635	634	636
33.6 (at 30 September 2008: 36.0) million units of €0.64 of treasury stock	22	23	21
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4	4
3.5 billion units of non-cumulative preference stock (2009 preference stock) of €0.01 each	35	-	35
	699	664	699

Full details can be found on pages 172 to 180 of the Annual Report for the year ended 31 March 2009.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

33 Fair value hierarchy

The tables below show, for the Group's financial assets and liabilities that are recognised and subsequently measured in the balance sheet at fair value only, their classification within the valuation hierarchy. For further information on fair values of financial assets and liabilities refer to note 47 of the 31 March 2009 Annual Report.

30 September 2009

Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
	€m	**€m**	**€m**	**€m**
Financial assets held at fair value				
Trading securities	426	-	-	426
Derivative financial instruments	-	6,919	9	6,928
Other financial assets at FVTPL	8,669	460	-	9,129
AFS financial assets	20,597	2,063	75	22,735
	29,692	9,442	84	39,218
As a % of fair value assets	75.7%	24.1%	0.2%	100%
Financial liabilities held at fair value				
Deposits from banks	-	204	-	204
Customer accounts	-	1,499	-	1,499
Derivative financial instruments	-	6,618	-	6,618
Liabilities to customers under investment contracts	-	4,887	-	4,887
Insurance contract liabilities	-	6,478	-	6,478
Debt securities in issue	-	-	490	490
Subordinated liabilities	-	-	248	248
Other liabilities	149	-	-	149
	149	19,686	738	20,573
As a % of fair value liabilities	0.7%	95.7%	3.6%	100%

31 March 2009

Fair value hierarchy	**Level 1**	**Level 2**	**Level 3**	**Total**
	€m	**€m**	**€m**	**€m**
Financial assets held at fair value				
Trading securities	97	21	7	125
Derivative financial instruments	-	8,397	-	8,397
Other financial assets at FVTPL	7,093	511	-	7,604
AFS financial assets	23,418	3,282	158	26,858
	30,608	12,211	165	42,984
As a % of fair value assets	71.2%	28.4%	0.4%	100%
Financial liabilities held at fair value				
Deposits from banks	-	92	-	92
Customer accounts	-	2,006	-	2,006
Derivative financial instruments	-	7,554	-	7,554
Liabilities to customers under investment contracts	-	4,084	-	4,084
Insurance contract liabilities	-	5,634	-	5,634
Debt securities in issue	-	-	566	566
Subordinated liabilities	-	-	229	229
	-	19,370	795	20,165
As a % of fair value liabilities	-	96.1%	3.9%	100%

Level 1 comprises financial assets and liabilities valued using quoted market prices in active markets.

Level 2 comprises financial assets and liabilities valued using techniques based significantly on observable market data.

Level 3 comprises financial assets and liabilities valued using techniques using non-observable market data.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

34 Liquidity risk

The table below summarises the maturity profile of the Group's financial liabilities, (excluding those arising from insurance and investment contracts in BoI Life) at 30 September 2009 and 31 March 2009 based on contractual undiscounted repayment obligations. Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €4,887 million and €6,478 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. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk by adjusting the contractual cashflows on the deposit book to reflect its inherent stability and on its residential mortgage books to reflect the early repayment of such loans. The contractual balances will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

As at 30 September 2009	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	714	12,534	5,459	2,090	355	21,152
Customer accounts	35,555	36,683	10,367	4,545	900	88,050
Debt securities in issue	-	10,591	12,289	12,227	11,155	46,262
Subordinated liabilities	-	-	837	391	5,429	6,657
Contingent liabilities	2,124	-	-	-	-	2,124
Commitments	16,862	-	-	8,684	-	25,546
Total	55,255	59,808	28,952	27,937	17,839	189,791

As at 31 March 2009	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits from banks	788	25,530	1,590	760	429	29,097
Customer accounts	32,849	36,214	11,527	3,415	1,351	85,356
Debt securities in issue	-	16,170	8,709	15,387	13,589	53,855
Subordinated liabilities	-	44	1,103	1,305	8,460	10,912
Contingent liabilities	2,568	-	-	-	-	2,568
Commitments	18,138	-	-	8,781	-	26,919
Total	54,343	77,958	22,929	29,648	23,829	208,707

35 Related party transactions

There have been no changes to the related party transactions described in the Annual Report on page 193 for the year ended 31 March 2009 that have materially affected the Group's financial position or performance in the six months ended 30 September 2009. Other than the existing Irish Government Guarantee Scheme (see note 37), there have been no transactions with related parties in the six months ended 30 September 2009 that have materially affected the Group's financial position or performance.

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

36 National Asset Management Agency (NAMA)

On 7 April 2009, the Minister for Finance announced that NAMA would be established with the purpose of strengthening the Irish financial sector. The draft NAMA legislation is currently being discussed by the Houses of the Oireachtas (parliament of Ireland).

On 16 September 2009, the Minister for Finance announced that it was expected that NAMA would purchase loans, principally landbank and development loans together with associated loans, with a book value of €77 billion across the five institutions. He estimated Bank of Ireland's relevant portfolio at up to €16 billion which would equate to 12% of the Group's loans and advances to customers at 30 September 2009.

NAMA envisages that it would purchase the loans from the financial institutions on a phased basis and that most loans would have been purchased by the middle of 2010.

The potential benefits of the NAMA scheme include increased certainty on banks' asset quality and impairment charges on property and construction loans, a reduction in the level of banks' Risk Weighted Assets, and improvement in banks' liquidity and funding positions, facilitating the ability of banks to support the economy.

Significant uncertainties exist as to the specific quantum and timing of loans which may transfer to NAMA, the price that NAMA would pay for those loans, the fees that the Group would be paid for any work undertaken in relation to such loans and the 'fair value' of the consideration to be received. Therefore there are significant uncertainties as to the final discount which would be applicable to Bank of Ireland.

As consideration for the loans transferred, it is expected that NAMA would issue to financial institutions a combination of government guaranteed bonds (circa 95% of the consideration) and subordinated debt securities (circa 5% of the consideration). The government guaranteed bonds are expected to be marketable instruments that are capable of being pledged as funding collateral to debt market investors and to Monetary Authorities such as the European Central Bank.

It is expected that the portfolios of loans would be purchased by NAMA at a discount to their carrying value after impairment provisions.

On 16 September 2009 the Minister for Finance announced an estimated aggregate discount across all financial institutions of 30% for the total loans expected to be purchased by NAMA. The Minister also noted that loan quality, geographic distribution and type of loans would all vary from institution to institution. He further noted that each major loan would be valued individually and, on this basis, the aggregate discount applied to original loan values in determining the consideration to be paid by NAMA would vary from institution to institution.

Under the Listing Rules of the Irish and London Stock Exchanges and the Bye-Laws of the Bank, an application by the Bank for designation as a participating institution by NAMA would be subject to the approval of 75% of ordinary stockholders present and voting at an Extraordinary General Court.

37 Irish Government Guarantee Schemes

The deposits and certain liabilities of four of the Group's entities (Governor and Company of the Bank of Ireland, Bank of Ireland Mortgage Bank, ICS Building Society and Bank of Ireland (IOM) Limited) are guaranteed until 29 September 2010 under the Credit Institutions (Financial Support) Scheme 2008. Further information in relation to the Irish Government Guarantee Scheme is shown in note 56 in the Annual Report for the year ended 31 March 2009.

On 16 September 2009, the Irish Government announced a proposed new guarantee scheme - the draft Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009, which would extend the guarantee for certain issuances of debt securities with a maturity of up to 5 years. This scheme is subject to the approval of the Houses of the Oireachtas and to EU state aid approval.

38 Approval of Interim Statement

The Interim Statement was approved by the Court of Directors on 3 November 2009.

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

Introduction

We have been engaged by the Governor and Company of the Bank of Ireland (the "Bank") to review the condensed set of financial statements in the Interim Statement for the six months ended 30 September 2009, which comprises the Consolidated Income Statement, Consolidated Statement of Other Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Condensed Cash Flow Statement, the related notes on pages 51 to 77 and the information in sections 2.2 and 2.3 of the Risk Management Report that is described as being an integral part of the interim financial statements. We have read the other information contained in the Interim Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed on page 51, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The condensed set of financial statements included in this Interim Statement has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and in accordance with International Accounting Standard 34 as issued by the International Accounting Standards Board.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Statement for the six months ended 30 September 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union, International Accounting Standard 34 as issued by the International Accounting Standards Board, the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

PricewaterhouseCoopers
Chartered Accountants
Dublin
3 November 2009

OTHER INFORMATION

1 Average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for each of the 6 months ended 30 September 2009 and 2008 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 10. Rates for the 6 month periods are annualised.

	30 September 2009			30 September 2008			31 March 2009		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
ASSETS									
Loans and advances to banks									
Domestic offices	6,451	31	1.0	5,111	92	3.6	5,912	201	3.4
Foreign offices	3,098	5	0.3	1,200	28	4.7	1,399	45	3.2
Loans and advances to customers									
Domestic offices	78,626	1,648	4.2	80,964	2,530	6.2	78,251	4,681	6.0
Foreign offices	60,404	876	2.9	61,259	1,923	6.3	62,654	3,452	5.5
Available for sale financial assets									
Domestic offices	24,740	355	2.9	28,593	694	4.9	27,748	1,307	4.7
Foreign offices	1,091	7	1.3	153	4	5.2	899	28	3.1
Other financial assets at fair value through profit or loss									
Domestic	55	-	-	116	-	-	235	-	-
Foreign	203	-	-	150	-	-	81	-	-
Other	-	-	-	-	-	-	-	3	-
Total interest earning assets	174,668	2,922	3.3	177,546	5,271	5.9	177,179	9,717	5.5
Domestic offices	109,872	2,034	3.7	114,784	3,316	5.8	112,146	6,189	5.5
Foreign offices	64,796	888	2.7	62,762	1,955	6.2	65,033	3,528	5.4
Other				-	-		-	-	-
	174,668	2,922	3.3	177,546	5,271	5.9	177,179	9,717	5.5
Allowance for impairment charges	(2,529)	-	-	(720)	-	-	(936)	-	-
Non interest earning assets	20,035	-	-	23,335	-	-	25,389	-	-
Total assets	192,174	2,922	3.0	200,161	5,271	5.3	201,632	9,717	4.8

OTHER INFORMATION (CONTINUED)

1 Average balance sheet and interest rates (continued)

	30 September 2009			30 September 2008			31 March 2009		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits by banks									
Domestic offices	27,573	153	1.1	805	16	4.0	16,111	521	3.2
Foreign offices	2,039	5	0.5	12,872	286	4.4	989	33	3.3
Customer accounts									
Domestic offices	40,843	324	1.6	39,871	700	3.5	42,254	1,221	2.9
Foreign offices	31,597	355	2.2	32,900	786	4.8	35,686	1,552	4.3
Debt securities in issue									
Domestic offices	30,764	386	2.5	52,464	1,027	3.9	41,029	1,625	4.0
Foreign offices	8,843	67	1.5	9,714	283	5.8	16,567	672	4.1
Subordinated liabilities									
Domestic offices	3,338	72	4.3	4,656	121	5.2	4,665	196	4.2
Foreign offices	3,405	83	4.9	3,326	108	6.5	3,424	227	6.6
Other	-	-	-	-	(5)	-	-	-	-
Total interest bearing liabilities	148,402	1,445	2.0	156,608	3,322	4.2	160,725	6,047	3.8
Domestic offices	102,518	935	1.9	97,796	1,864	3.8	104,059	3,563	3.4
Foreign offices	45,884	510	2.2	58,812	1,463	5.0	56,666	2,484	4.4
Other				-	(5)	-	-	-	-
	148,402	1,445	2.0	156,608	3,322	4.2	160,725	6,047	3.8
Current accounts	9,519			11,588	-	-	10,137	-	-
Other non interest bearing liabilities [3]	25,828			25,206	-	-	24,772	-	-
Stockholders' equity	8,425			6,759	-	-	5,998	-	-
Total liabilities and stockholders' equity	192,174	1,445	1.5	200,161	3,322	3.3	201,632	6,047	3.0

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 have been consolidated and is reflected under 'non interest earning assets' and 'other non interest bearing liabilities'.

OTHER INFORMATION (CONTINUED)

2 Rates of exchange

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

	30 September 2009		30 September 2008		31 March 2009	
	Closing	Average	Closing	Average	Closing	Average
€ / US$	1.4643	1.3978	1.4303	1.5244	1.3308	1.4321
€ / Stg£	0.9093	0.8751	0.7903	0.7921	0.9308	0.8333