OC339231

BANK OF IRELAND COVERED BONDS LLP

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

Registered No. OC339231

BANK OF IRELAND COVERED BONDS LLP

CONTENTS

BANK OF IRELAND COVERED BONDS LLP

Members

Bank of Ireland Covered Bonds Finance Limited
The Governor and Company of the Bank of Ireland

Company Secretary
Capita Trust Secretaries Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Registered Office
4th Floor
40 Dukes Place
London
United Kingdom
EC3A 7NH

Registered Number OC339231

Date of Incorporation
7 August 2008

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
31 Great George Street
Bristol BS1 5QD

The members present their report and audited financial statements for the year ended 31 March 2011

Principal activities and future developments
The partnership is a special purpose entity whose principal activity is outlined in the prospectus dated the 22 August 2008 This involves the acquisition and management of a portfolio of mortgage loans and the collection of payments of principal and interest on these loans, funded by a loan from The Governor and Company of the Bank of Ireland ('Bank of Ireland') representing the proceeds from the issuance of 'Covered Bonds' by Bank of Ireland

Bank of Ireland (the mortgage originator) administers the mortgage loans on behalf of the partnership The partnership provides a guarantee to investors of the Covered Bonds in respect of interest and capital repayments in the event that Bank of Ireland is unable to meet the obligation The guarantee is supported by the assets of the partnership which principally comprise the beneficial rights to the mortgage assets acquired from Bank of Ireland There is no recourse to the partnership for any amounts in excess of those recovered from the securitised assets

The Covered Bonds were issued and were held by Bank of Ireland at the balance sheet date The Covered Bonds consist of pounds sterling securities maturing between 22 October 2012 and 22 May 2014 All activities relate to residential mortgages in the United Kingdom

On 7 March 2012, Bank of Ireland Management approved the termination of the United Kingdom Covered Bonds program ("UKCB") This decision was based on the strategic requirements of Bank of Ireland Group to unwind mortgages from the UKCB pool, as well as commercial decisions taken on viability of the UKCB following these unwinds

The UKCB was terminated on 16 April 2012 As a consequence of this event the members have not considered it appropriate to present these financial statements on a going concern basis

Results and business review
The partnership made a profit for the year of £36k (2010 £36k) before members remuneration

On 26 January 2010, Standard & Poors (S&P) downgraded the short term counterparty credit ratings of Bank of Ireland to "A-2" from "A-1"

In response to this downgrade the UKCB was restructured as follows

On 25 May 2010, Bank of Ireland as the Total Return Swap (TRS) counterparty provided the partnership with swap collateral of £250m Bank of Ireland was also required to deposit an additional cash contribution of £300m Both the collateral and cash contribution were placed on a 5 year deposit with Bank of Ireland In addition, the maturity dates on a number of tranches were amended to meet S&P Asset Liability Mismatch (ALM) requirements

As a further consequence of this downgrade, on 11 June 2010, the euro denominated portion of the Covered Bonds (€535,000k) were redeemed with a corresponding reduction in the deemed loan asset and loan liability from Bank of Ireland and a termination of the currency swap agreement between the partnership and Bank of Ireland The terms of the TRS agreement were also amended so that only fixed rate mortgages became covered as part of the agreement

Furthermore, the partnership was required to set up an additional Guaranteed Investment Contract (GIC) Account with a suitably rated external bank counterparty On 11 June 2010, a GIC account was set up with Barclays Bank Plc in response to this requirement

On 14 December 2010, Fitch downgraded the Covered Bonds from AAA to AA+ This was driven by the downgrade of Bank of Ireland's Issuer Default Rating (IDR) to BBB/F2 from A-/F1

On 3 February 2011, S&P downgraded the Covered Bonds from AA+ to A+ This was due to the downgrade of the counterparty credit ratings of the issuer, Bank of Ireland, from BBB-/A-3 to BB+/B

Designated members

The designated members during the year were Bank of Ireland and Bank of Ireland Covered Bonds Finance Limited

Members' interests

Members' voting rights are described in note 15 Payments to members are shown on the face of the profit and loss account and further detail is included within note 12

Financial risk management

The partnership's financial instruments principally comprised a deemed loan to Bank of Ireland (equivalent to the value of the partnership's investment in Bank of Ireland mortgages), cash and liquid resources, borrowings and various other receivables and payables that arose directly from its operations The main purpose of these financial instruments was to raise finance for Bank of Ireland

It is, and has been throughout the year under review, the partnership's policy that no trading in financial instruments is undertaken Information on financial risk management is set out in note 13

Following initial set-up, the members monitored the partnership's performance by reviewing monthly reports on the performance of the mortgages and the quarterly management accounts Such review was designed to ensure that the terms of the prospectus had been complied with, that no unforeseen risks had arisen and that the interest and principal on the Covered Bonds had been paid on a timely basis

Events after the balance sheet date

On 13 April 2011, Fitch downgraded the UK Covered Bonds from AA+ to AA- On 21 December 2011, Fitch placed the UK Covered Bonds on Ratings Watch Negative (RWN) outlook AA- On 2 February 2012, Fitch changed the RWN outlook to Stable The downgrades all followed the downgrade of Bank of Ireland's Issuer Default Rating (IDR) during this period

On 18 July 2011, S&P downgraded the UK Covered Bonds from A+ to A- On 8 December 2011 S&P placed UK Covered Bonds on A- Credit Watch Negative (CWN) outlook, these downgrades followed the application of revised S&P Asset Liability Mismatch (ALM) criteria

On 18 August 2011, Bank of Ireland cancelled £300m of the Series 2008-3 Covered Bonds in issue, this cancellation was required to meet new S&P asset coverage requirements

On 25 November 2011, to meet strategic requirements of the Bank of Ireland Group, £500m of the Series 2008-1 Covered Bonds in issue, £200m of the Series 2008-2 UK Covered Bonds in issue and £300m of the 2008-3 UK Covered Bonds in issue were cancelled In addition the partnership re-paid £967m of mortgages to Bank of Ireland (the mortgage originator)

On 7 March 2012, Bank of Ireland Management approved the termination of the UKCB This decision was based on the strategic requirements of Bank of Ireland Group to unwind mortgages from the UKCB pool as well as commercial decisions taken on viability of the UKCB following these unwinds

The UKCB was terminated on 16 April 2012 Before termination date the UK Covered Bonds were rated by S&P A- and by Fitch AA-

As a consequence of this event the members have not considered it appropriate to present these financial statements on a going concern basis

Statement of members' responsibilities in respect of the financial statements

The members are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the "Regulations") requires the members to prepare financial statements for each financial year Under that law the members have prepared the partnership financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law as applied to limited liability partnerships the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the partnership and of the profit or loss of the partnership for that period In preparing these financial statements, the members are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the partnership will continue in business

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the partnership's transactions and disclose with reasonable accuracy at any time the financial position of the partnership and enable them to ensure that the financial statements comply with the Companies Act 2006 as applied to limited liability partnerships by the Regulations They are also responsible for safeguarding the assets of the partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The members are responsible for the maintenance and integrity of the partnership's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors and disclosure of information to auditors

- So far as each member is aware, there is no relevant audit information of which the partnership's auditors are unaware, and
- All steps have been taken that a member ought to have taken in order to make themselves aware of any relevant audit information and to establish that the partnership's auditors are aware of that information

Independent auditors

The independent auditors are PricewaterhouseCoopers LLP

Approved by the members and signed on behalf of all members

Sue Lawrence

Capita Trust Corporate Services Limited
For and on behalf of Bank of Ireland Covered Bonds Finance Limited
31 May 2012

BANK OF IRELAND COVERED BONDS LLP

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK OF IRELAND COVERED BONDS LLP

FOR THE YEAR ENDED 31 MARCH 2011

We have audited the financial statements of Bank of Ireland Covered Bonds LLP for the year ended 31 March 2011 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Respective responsibilities of members and auditors
As explained more fully in the Members' Responsibilities Statement set out on page 3, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the members of the partnership as a body in accordance with the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and for no other purpose We do not, in giving these opinions, 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 the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the limited liability partnership's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the designated members, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Members' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2011 and of its profit and cash flows for the year then ended,

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008

BANK OF IRELAND COVERED BONDS LLP

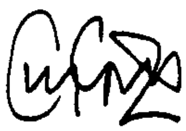
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK OF IRELAND COVERED BONDS LLP

FOR THE YEAR ENDED 31 MARCH 2011

Emphasis of matter – Going Concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made on page 10 of these financial statements which explains that the members intend to dissolve the partnership by 31 December 2012. Accordingly the going concern basis of preparation is no longer appropriate for these financial statements. Adjustments have been made in these financial statements to reclassify non-current assets and non-current liabilities into current assets and current liabilities respectively.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



Craig Gentle (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol

31 May 2012

BANK OF IRELAND COVERED BONDS LLP

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest receivable	2	45,063	50,565
Interest payable	2	(45,001)	(50,504)
Net interest income		62	61
Other income	3	-	-
Total operating income		62	61
Administrative expenses	4	(26)	(25)
Profit before tax		36	36
Taxation	6	-	-
Profit or loss for the financial year before members' remuneration and profit shares		36	36
Members' remuneration charged as an expense		(36)	(36)
Results for the financial year available for discretionary division among members		-	-

The notes on pages 10 to 22 are an integral part of these financial statements

All activities relate to discontinued operations

There are no recognised gains or losses other than those included in the profit and loss account above Accordingly, no Statement of Total Recognised Gains and Losses is presented

BALANCE SHEET

AS AT 31 MARCH 2011

	Notes	31 March 2011 £'000	31 March 2010 £'000
Non current assets			
Deemed loan	7	-	4,001,356
Current assets			
Deemed loan	7	3,931,285	478,065
Other debtors	8	-	5
Cash and cash equivalents	9	1,120,136	567,258
		5,051,421	1,045,328
Creditors Amounts falling due within one year	10	(5,051,421)	(479,380)
Net current assets		-	565,948
Total assets less current liabilities		-	4,567,304
Creditors Amounts falling due after more than one year	11	-	(4,567,304)
Net assets attributable to members of the LLP		-	-
Represented by			
Members' interests		-	-
Total Members' Interests		-	-

The notes on pages 10 to 22 are an integral part of these financial statements

These financial statements were approved by the members on 31 May 2012 and signed on behalf of all by

Sue Lawrence

Capita Trust Corporate Services Limited
For and on behalf of Bank of Ireland Covered Bonds Finance Limited

31 May 2012

BANK OF IRELAND COVERED BONDS LLP

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2011

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Cash flows from operating activities		
Profit before tax	36	36
Movements in accrued interest	(43)	1,295
Net change in other assets	548,142	22,610
Net change in other creditors	(545,240)	(16,825)
Cash generated from operating activities	2,895	7,116
Interest received from securitised assets	45,019	50,666
Interest paid to related party	(44,980)	(50,666)
Net cash from operating activities	2,934	7,116
Cash flows from investing activities		
Payments to originator relating to the purchase of securitised assets	-	-
Net cash flows from investing activities	-	-
Cash flows from financing activities		
Proceeds from Note issuance	-	-
Members' remuneration charged as an expense	(36)	(36)
Additional collateral received from parent	550,000	500,000
Net cash from financing activities	549,964	499,964
Net increase in cash and cash equivalents	552,898	507,080
Cash and cash equivalents at beginning of the year	567,238	60,158
Cash and cash equivalents at end of the year	1,120,136	567,238

The notes on pages 10 to 22 are an integral part of these financial statements

1. Summary of significant accounting policies

1.1 Basis of preparation

The financial statements for the year ended 31 March 2011 have been prepared in pounds sterling under the historical cost convention and in accordance with applicable United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006 as applied to limited liability partnerships and the Statement of Recommended Practice on accounting by Limited Liability Partnerships

The financial statements have not been prepared on a going concern basis as the UKCB was terminated on 16 April 2012 and the members expect to dissolve the partnership by 31 December 2012 On the date of termination, the net assets of the partnership were unwound at their carrying value on the Balance Sheet

The partnership has adopted Financial Reporting Standard (FRS) 26 (Financial Instruments. Measurement) and as a result has also adopted FRS 25 (Financial Instruments Disclosure and Presentation) and FRS 29 (Financial Instruments Disclosure)

1.2 Accounting policies

Substance of transaction and derecognition

At the commencement of the UKCB, the partnership received a loan from Bank of Ireland, equivalent to the amount that Bank of Ireland received from bond holders under its Covered Bonds programme The carrying value of this loan as at 31 March 2011 is shown within creditors

The partnership used this loan to acquire a portfolio of mortgages from Bank of Ireland The legal transfer of the beneficial interest in the mortgage portfolio failed the criteria for derecognition in the financial statements of Bank of Ireland (as substantially all the risks and rewards were retained by Bank of Ireland) and consequently it was not recognised on the Balance Sheet of the partnership Instead, a 'deemed loan' due from Bank of Ireland was recognised on the Balance Sheet of the partnership

The partnership granted a guarantee to the Covered Bonds holders in respect of the amounts due to them by Bank of Ireland under the Covered Bonds programme The partnership was legally entitled to the cash flows on the mortgage pool and, in the absence of a default by Bank of Ireland on the Covered Bonds and thus a requirement for the partnership to make a payment under the guarantee, it returned these cash flows to Bank of Ireland These cash flows are not recognised in the financial statements of the partnership as they arise from the mortgages which are not recognised by the partnership, and they are passed immediately back to Bank of Ireland

The partnership also entered into a Total Return Swap (TRS) The TRS agreement was amended in June 2010 and entitled Bank of Ireland to the fixed interest income on the fixed rate securitised mortgages and obligated Bank of Ireland to pay one-month Sterling LIBOR plus a fixed margin to the partnership on the deemed loan Prior to this date the TRS entitled Bank of Ireland to the total interest income on the securitised mortgages and the interest on the partnership's bank account and obligated Bank of Ireland to pay one-month Sterling LIBOR plus a fixed margin to the partnership on the deemed loan

1.2 Accounting policies (continued)

Substance of transaction and derecognition (continued)
The Company had a currency swap until June 2010 when the euro denominated portion of the Covered Bonds were redeemed The currency swap had the impact of changing the principal and interest flows from an element of the securitised mortgage pool into euro to repay the euro element of the loan from Bank of Ireland

In accordance with interpretation of the application guidance to FRS26, as the counterparty to the swaps was Bank of Ireland, the total return swap was not separately accounted for as derivative financial instrument but was included as a component of the deemed loan from the partnership to Bank of Ireland

Financial assets
The partnership classifies its financial assets as loans and receivables The classification of its financial instruments was determined at initial recognition Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They arise when the partnership provides money directly to a debtor with no intention of trading the receivable

Purchases and sales of financial assets are recognised on trade date – the date when the partnership commits to purchase or sell the asset Financial assets are derecognised when the rights to receive cash flows from the financial assets expires or where the partnership has transferred substantially all risks and rewards of ownership Non-derivative financial assets are carried at historical cost

On 16 April 2012 the partnerships financial assets were settled at their carrying value

Income recognition and funding costs
Interest income and expense are accounted for as they accrue

Impairment of financial assets
The partnership assesses at each balance sheet date whether there is objective evidence that the deemed loan to Bank of Ireland is impaired Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the loan that can be reliably estimated

On 16 April 2012 the deemed loan to Bank of Ireland was not impaired and was settled at its carrying value

Over collateralisation
Under the terms of the LLP Deed describing the sale of the beneficial interest in the mortgage portfolio, Bank of Ireland is legally treated as having made a capital contribution to the partnership for an amount equal to the difference between the face value of the mortgages transferred and the cash payment made by the partnership to Bank of Ireland This amounted initially to £1,145,000k in September 2008 increasing to £1,262,000k in March 2011 This capital contribution has not been recorded in these financial statements, as the transfer of the mortgages fails the derecognition criteria as described above

1.2 Accounting policies (continued)

Cash contribution
Cash collateral of £1,050,000k (£800,000k cash collateral and £250,000k swap collateral) was contributed by Bank of Ireland in response to increased over-collateralisation requirements of rating agencies to maintain the ratings of the Bonds This is recognised as debt (borrowing) on the Balance Sheet

On 16 April 2012 the cash contribution was repaid to Bank of Ireland at its carrying value

The cash contribution meets the definition of a liability as per FRS 25 as the partnership has no discretion over the manner of its repayment and the only event which could cause non-repayment is outside the control of both Bank of Ireland and the partnership The only event which could cause non-payment would be if there were insufficient cash flows from the securitised assets to meet financial obligations under the covered bonds

The contribution results in an obligation on the partnership to deliver cash to Bank of Ireland and Bank of Ireland derives a benefit since the over-collateralisation requirements for the rating of the Bonds to be maintained are consequently met The contribution was necessitated by the downgrade of Bank of Ireland's credit rating which led to a breach of an asset coverage test as stipulated by provisions within the Partnership Deed

The cash contribution represents a commitment by Bank of Ireland at the onset of the Covered Bonds transaction programme, hence, the fair value was determined at the initial stage of the transaction The fair value of the capital contribution is therefore equal to the value of the cash consideration transferred to the partnership by Bank of Ireland

Financial Liabilities
Financial liabilities represent the loan from Bank of Ireland which is equivalent to amounts received from issuance of the Covered Bonds by Bank of Ireland This liability is measured at amortised cost The partnership recognises the borrowing from Bank of Ireland of £1,050,000k at fair value which is equal to the value of cash consideration received from Bank of Ireland The contribution was made during the year (£550,000k (2010 £500,000k) to safeguard the credit rating of the Covered Bonds It is repayable to Bank of Ireland under the principal priority of payments laid out in the Partnership Deed

On 16 April 2012 the cash contribution was repaid to Bank of Ireland at its carrying value

Income taxes
Income tax payable on partnership profits is a liability on the partnership members Consequently no provision for income or deferred taxation on partnership profits is shown in these financial statements

Cash at bank and in hand
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with banks (including overdrafts) which can be withdrawn (or are repayable) on demand All cash disclosed on the face of the balance sheet is restricted by a detailed priority of payments set out in the prospectus As the cash can only be used to meet certain specific liabilities and is not available to be used with discretion, it is viewed as restricted cash On 16 April 2012 cash balances were

1.2 Accounting policies (continued)

Cash at bank and in hand (continued)
repaid to Bank of Ireland, £50k was left in the transaction bank account to cover outstanding audit fees and partnership dissolution fees Unutilised cash will be repaid to Bank of Ireland

Foreign currency translation

(a) Functional and presentation currency
The bonds secured against the partnership were euro and pounds sterling denominated until June 2010 when the euro bonds were redeemed Members considered pounds sterling to be the partnership's functional currency, as it most faithfully represents the economic effects of its underlying transactions, and the financial statements are presented in pounds sterling

(b) Transactions and balances
Foreign currency transactions were translated into the functional currency using the exchange rate prevailing at the date of the relevant transaction

Guarantee contracts
The partnership guaranteed to meet the obligations of Bank of Ireland to repay interest and capital amounts to the holders of the Covered Bonds where amounts would otherwise be unpaid by Bank of Ireland

The obligations of the partnership under the guarantee were secured against its assets, principally being its beneficial interest in the mortgage loans acquired from Bank of Ireland Recourse against the partnership was limited to such assets

The guarantee expired on 16 April 2012 when the UKCB was terminated

Derivative Financial Instruments
The partnership entered into a TRS with Bank of Ireland On 10 June 2010, the terms of the TRS were amended so that Bank of Ireland was entitled to the fixed rate interest income on the fixed rate securitised mortgage pool and obligated to pay one-month Sterling LIBOR plus a fixed margin to the partnership on this fixed rate mortgage pool Prior to this the TRS entitled Bank of Ireland to the total interest income on the securitised mortgages and the interest on the partnership's bank account and obligated Bank of Ireland to pay one-month Sterling LIBOR plus a fixed margin to the partnership on the deemed loan

The Company had a currency swap until June 2010 when the euro denominated portion of the Covered Bonds were redeemed The currency swap had the impact of changing the principal and interest flows from an element of the securitised mortgage pool into euro to repay the euro element of the loan from Bank of Ireland

In accordance with interpretation of the application guidance to FRS26, as the counterparty to the swaps was Bank of Ireland, the TRS was not separately accounted for as a derivative financial instrument but included as a component of the deemed loan from the partnership to Bank of Ireland Interest receivable or payable on the swaps were accounted for on an accruals basis within interest receivable on the deemed loan On 16 April 2012 the TRS was terminated as part of the termination of the UKCB

2. Net interest income

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest receivable and similar income		
Deemed Loan	45,063	50,565

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Interest payable and similar charges		
Loan from member	45,001	50,504

3. Other income

Other income related to amounts reimbursed by Bank of Ireland to cover administration expenses and members remuneration

4. Administrative expenses

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000
Audit fees	15	15
Secretarial and other fees	11	10
Total administrative expenses	26	25

The £1k cost per entity of the audit fees for Bank of Ireland Covered Bonds Finance Limited and Bank of Ireland Covered Bonds Finance (Holdings) Limited (2010 £1k per entity) are included within the amount shown for audit fees above The current year partnership audit fees are £13k (2010 £13k) The secretarial and other fees relate to fees paid to Capita in their capacity as secretary

5. Members and employees

The partnership had no employees during the current or the prior year Salary costs for tasks performed are included in the management fees payable to Bank of Ireland and cannot be identified separately

6. Taxation

The partnership is not directly liable for any tax

7. Deemed Loan

	31 March 2011 £'000	31 March 2010 £'000
Non current assets Deemed Loan	-	4,001,356
Current assets Deemed Loan	3,931,285	478,065
Total Deemed Loan	3,931,285	4,479,421

The deemed loan represents amounts due from Bank of Ireland (the mortgage originator) which will be repaid in tranches in line with the maturities of the Covered Bonds issued by Bank of Ireland The carrying value of this loan was re-paid in full, following the cancellation of the Covered Bonds issued by Bank of Ireland on 16 April 2012

8. Other debtors

	31 March 2011 £'000	31 March 2010 £'000
Interest receivable	-	5

9. Cash and cash equivalents

	31 March 2011 £'000	31 March 2010 £'000
Deposits with member	1,050,250	567,258
GIC account with Barclays	69,866	-
Transaction account with Royal Bank of Scotland Plc	20	-
	1,120,136	567,258

Cash disclosed on the face of the Cash Flow Statement in the prior year includes bank overdrafts held within creditors falling due within one year On 16 April 2012, cash balances were repaid to Bank of Ireland, £50k was left in the transaction bank account to cover outstanding audit fees and partnership dissolution fees Unutilised cash will be repaid to Bank of Ireland

10. Creditors: amounts falling due within one year

	31 March 2011 £'000	31 March 2010 £'000
Loan from member	4,000,169	478,065
Accrued interest due to Bank of Ireland	1,252	1,295
Overdraft with Royal Bank of Scotland Plc	-	20
Cash Capital Contribution	800,000	
Swap collateral	250,000	
Creditors Amounts falling due within one year	5,051,421	479,380

10. Creditors: amounts falling due within one year (continued)

For the year ended 31 March 2011 all partnership liabilities are classified as amounts falling due within one year Amounts were settled at their carried value on 16 April 2012 as part of the termination of the UKCB

11. Creditors: Amounts falling due after more than one year

	31 March 2011 £'000	31 March 2010 £'000
Loan from member	-	4,067,304
Cash Capital Contribution	-	500,000
Swap collateral	-	-
Creditors Amounts falling due after more than one year	-	4,567,304

Loan from member comprised of a series of term loans from Bank of Ireland (equivalent to the amounts raised under its Covered Bonds programme) and accrued interest Each term loan bore interest at a rate set with reference to LIBOR for one-month Sterling deposits plus a margin of 50 to 55 basis points, until it was redeemed in June 2010 there was a euro loan which was set at a rate equivalent to one-month Euribor plus 10 basis points

A cash capital contribution was made during the year to safeguard the credit rating of the Covered Bonds It was recognised in liabilities as it was repayable to members after the principal priority of payments laid out in the Partnership Deed had been fulfilled

See table below for details of Covered Bonds issued and held by Bank of Ireland as at 31 March 2011

Series No.	Currency	Issue date	Final maturity date	Amount per bond	No. issued	Total value of bonds issued (£'000)
*2008-1	GBP	22/09/2008	22/07/2012	50,000	10,000	500,000
*2008-2	GBP	22/09/2008	22/04/2012	50,000	10,000	500,000
*2008-3	GBP	22/09/2008	22/10/2012	50,000	10,000	500,000
2008-4	GBP	22/09/2008	22/04/2013	50,000	10,000	500,000
2008-5	GBP	22/09/2008	22/10/2013	50,000	10,000	500,000
2008-6	GBP	22/09/2008	22/04/2014	50,000	10,000	500,000
2008-7	GBP	22/09/2008	22/10/2014	50,000	10,000	500,000
2008-8	GBP	22/09/2008	22/04/2015	50,000	10,000	500,000
						4,000,000

The term loans would not be repaid by the partnership until all amounts payable under the corresponding series of Covered Bonds have been repaid in full Any other amounts owed by the partnership will be subordinate to amounts owed by the partnership under the Covered Bond guarantee described in note 17

11. Creditors: Amounts falling due after more than one year (continued)

* As disclosed within the Members Report (events after the Balance Sheet date) and note 16, on 18 August 2011 Bank of Ireland cancelled £300m of the Series 2008-3 Covered Bonds in issue in order to meet new S&P asset coverage requirements On 25 November 2011, Bank of Ireland cancelled £500m of the Series 2008-1 Covered Bonds in issue, £200m of the Series 2008-2 Covered Bonds in issue and £300m of the 2008-3 Covered Bonds in issue earlier than their scheduled redemption date

On 16 April 2012, the carrying value of this loan from member was re-paid in full

As at the date of approval of these accounts, there were no Covered Bonds owned by Bank of Ireland as they were all cancelled on 16 April 2012

The Covered Bonds were unconditional obligations of Bank of Ireland Under the terms of the Partnership Deed, the partnership also provided a guarantee as to payments of interest and principal under the Covered Bonds, where amounts would otherwise be unpaid by Bank of Ireland The obligations of the partnership under its guarantee constituted direct obligations of the partnership secured against the assets of the partnership and recourse against the partnership was limited to such assets The principal asset was the beneficial interest in the mortgage loans acquired from Bank of Ireland

The partnership treated its Covered Bonds guarantee contract as a contingent liability until such time as it became probable that the partnership would not be required to make a payment under the guarantee The guarantee expired on 16 April 2012 when the UKCB was terminated

12. Related parties

The members considered that the partnership is related to its members, Bank of Ireland Covered Bonds Finance Limited and Bank of Ireland It is also related to the subsidiary undertakings of Bank of Ireland, to Bank of Ireland Covered Bonds Finance (Holdings) Limited (which holds the majority of the share capital of Bank of Ireland Covered Bonds Finance Limited), and to the ultimate holding company, Capita Trust Nominees No 1 Limited

The partnership received a loan from Bank of Ireland, equivalent to the amount that Bank of Ireland received from Bond holders under its Covered Bonds programme This amount is shown within creditors

The partnership used this loan to acquire a portfolio of mortgages from Bank of Ireland The legal transfer of the beneficial interest in the mortgage portfolio failed the criteria for derecognition in the financial statements of Bank of Ireland (as substantially all the risks and rewards were retained by Bank of Ireland) and consequently it was not recognised on the Balance Sheet of the partnership Instead, a 'deemed loan' is recognised on the Balance Sheet of the partnership Further details regarding the impact of credit risk relating to Bank of Ireland are set out in note 13

Interest receivable on loans and advances to Bank of Ireland is disclosed in note 2

12. Related Parties (continued)

Balance Sheet amounts due to / from related parties are as follows

	31 March 2011 £'000	31 March 2010 £'000
Deemed Loan (Note 7)	3,931,285	4,479,421
Interest receivable from Bank of Ireland (Note 8)	-	5
Cash and Cash Equivalents placed with Bank of Ireland (Note 9)	1,050,250	567,258
Borrowings from member company (Note 10,11)	(5,051,421)	(5,046,684)
Total due to Bank of Ireland	(69,886)	-

Profit and loss transactions in the year to 31 March 2011 with Bank of Ireland included interest receivable of £45,063k (2010 £50,565k) and interest payable of £45,001k (2010 £50,504k)

In addition, the amount of £36k (2010 £36k) paid to members as shown on the face of the profit and loss account includes £35,999 (2010 £35,999) to Bank of Ireland and £1 (2010 £1) to Bank of Ireland Covered Bonds Finance Limited

As disclosed in note 4, the cost of the statutory audit of Bank of Ireland Covered Bonds Finance Limited and Bank of Ireland Covered Bonds Finance Holdings Limited is £1k for each entity (2010 £1k for each entity) and is included within the administration expenses of the partnership

13. Financial risk management

The partnership's financial instruments comprise a loan from the partnership to Bank of Ireland (see note 7), interest receivable (see note 8), cash at bank (see note 9), a loan from Bank of Ireland (see note 10, 11), and other amounts payable (see note 10) Methods used by the partnership to manage the risks associated with these instruments are summarised below. These have been agreed by the members and applied throughout the year Credit risk is the exposure to loss if a debtor fails to meet its financial obligations to the partnership, including failing to perform them in a timely manner

The primary credit risk of the partnership relates to the potential for default on the deemed loan to Bank of Ireland, which in turn depends on the credit risk associated with the mortgages originated within the Bank of Ireland Group The likelihood of defaults in the mortgage pool and the amounts that may be recovered in the event of default are related to a number of factors and vary according to characteristics and product type Significant changes in the economy, or in the health of a particular geographical zone that represent a concentration in the securitised assets, also affect the cash flows from the mortgage pool All risk factors were assessed in detail at inception and are reviewed on an ongoing basis

The book value of the mortgage assets exceeded the carrying value of the deemed loan by £1,262,000k as at 31 March 2011 (2010 £1,114,000k) This overcollateralisation serves to reduce the partnership's credit risk exposure The level of overcollateralisation is monitored regularly under an Asset Coverage Test (ACT) The ACT is required under the terms of the prospectus to ensure that the partnership's credit risk exposure is maintained within levels agreed from time to time based on the credit ratings of Bank of Ireland In the event of a breach of the ACT, the members are required to make good the deficit by providing capital contributions to rectify the breach before the next ACT calculation If there is a breach at the following calculation date, this

13. Financial risk management (continued)

will constitute a default event which would lead the Bond trustee to serve a notice requiring the partnership to pay all amounts outstanding on the Bonds, including principal and accrued interests

The credit enhancements in the partnership as at 31 March 2011 are as follows

	31 March 2011 **£000**
Mortgages	5,008,475
Notes in issue	(4,000,000)
Total Credit Enhancements	1,008,475

The partnership assesses its counterparties for credit risk before contracting with them Credit rating is the main method used to measure credit risk. Third party financial instrument counterparties are required to hold certain ratings and the partnership's exposure to them is subject to financial limits

The partnership has a concentration of risk to the originator (Bank of Ireland) The underlying mortgage assets of the securitisation are all in the UK market The nature of the residential mortgage portfolio means that the counterparty credit risk is widely diffused The maximum credit exposure is the carrying value of the loan to Bank of Ireland as per note 7

The credit ratings of Bank of Ireland as the date of signing of the financials statements are

	Long term debt obligation	**Short term debt obligation**
S&P	BB+	B
Moody's	Ba1	NP
Fitch	BBB	F2

The credit ratings of the Company's GIC account provider, Barclays Bank plc at date of signing of the financials statements are

Rating Agency	**Long Term**	**Short Term**
Standard and Poor's	A+	A-1
Moody's	Aa3	P-1
Fitch	A	F1

As explained above, the credit quality of the securitised mortgage book indicates the capacity of the partnership to service its payments, although the mortgages remain on the balance sheet of Bank of Ireland The following table indicates the payment status of the securitised mortgage book

	31 March 2011 **£'000**	**31 March 2010** **£'000**
Securitised mortgage balance	5,008,475	5,592,972
Split as follows:		
Up to date	4,901,207	5,382,867
< 3 months in arrears	69,149	132,621
> 3 months in arrears	38,119	77,484

13. Financial risk management (continued)

Interest rate risk

Interest rate risk is the risk of financial loss as a result of adverse movements in interest rates, and arises largely because of timing differences between the re-pricing of financial assets and liabilities

The partnership is exposed to minimal interest rate risk because it has a total return swap in place which swaps the income from the mortgages for a LIBOR based return which matches against the loan liability that also pays a LIBOR based return

Given this, no quantitative analysis of interest rate risk is presented

Liquidity risk

Liquidity risk is the risk that the partnership would experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due

The partnership is obliged only to repay the loan from its member once all amounts on the underlying Covered Bonds are repaid in full using proceeds from the underlying mortgage assets The deemed loan to Bank of Ireland is repaid in tranches in line with the maturities of the Covered Bonds so liquidity risk within the partnership is limited

Under the terms of the Trust Deed, the partnership provides a guarantee to investors of the Covered Bonds in respect of interest and capital repayments The guarantee would only be invoked in the event of an Asset Deficiency or a default by Bank of Ireland to service its obligation to the Covered Bonds holders The quality of the mortgage book, based on arrears and loan to value analysis, is evidence of a low risk of deficiency and default in relation to the underlying mortgage assets and ultimately liquidity In addition, there is no recourse to the partnership for any amounts in excess of those recovered from the securitised assets

Following the termination of the UKCB on 16 April 2012, the liquidity table below as at 31 March 2011 is presented based on the actual undiscounted cash flows in relation to the unwind of the partnership's principal liability, which is the loan from Bank of Ireland

As at 31 March 2011	Not more than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Loan – principal	1,252	1,300,000	3,751,421	-	5,051,421
Loan – interest	11,559	30,252	-	-	41,811

The liquidity table below as at 31 March 2010 is presented based the contractual undiscounted cash flows expected at that date

As at 31 March 2010	Not more than 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Loan – principal and interest	11,659	535,046	4,607,356	-	5,154,061

13. Financial risk management (continued)

Fair value of financial assets and liabilities

Fair value of financial assets
On 16 April 2012, financial assets were repaid to the partnership at their balance sheet carrying value Therefore in the opinion of the members, the fair values of the financial assets are equal to their carrying values as at the balance sheet date

Fair value of financial liabilities
On 16 April 2012, financial liabilities were re paid by the Partnership at their balance sheet carrying value Therefore in the opinion of the partnership, the fair values of these financial liabilities equal the carrying values as at the 31 March 2011

The table below summaries the carrying amounts and fair values of those financial liabilities presented on the partnership's Balance Sheet at their fair value

	Carrying amount	Fair values
	£000	£000
Financial liabilities		
Loan from member	4,000,169	4,000,169
Capital Contribution	1,050,000	1,050,000
	5,050,169	5,050,169

The loan from member is comprised of a series of term loans from Bank of Ireland (equivalent to the amounts raised under its Covered Bonds programme) On 16 April 2012 the loan from member was be re-paid by the partnership at the balance sheet carrying value

The capital contribution represents a commitment by Bank of Ireland at the onset of the Covered Bonds transaction programme, hence, the fair value was determined at the initial stage of the transaction The fair value of the capital contribution was therefore equal to the value of the cash consideration transferred to the partnership by Bank of Ireland On 16 April 2012, the capital contribution was repaid by the partnership at the balance sheet carrying value

14. Parent company

The member companies of the partnership are Bank of Ireland and Bank of Ireland Covered Bonds Finance Limited The ultimate holding company of the partnership is Capita Trust Nominees No 1 Limited while the ultimate controlling party is Bank of Ireland

The results of Bank of Ireland Covered Bonds LLP are included in the consolidated financial statements of the Bank of Ireland Group which are prepared under International Financial Reporting Standards as adopted by the European Union These can be obtained from Bank of Ireland's Head Office at 40 Mespil Road, Dublin 4

15. Voting rights

The partnership is managed by a management committee which includes a minimum of four representatives from Bank of Ireland as well as an optional representative of Bank of Ireland Covered Bonds Finance Limited Each member of the committee has one vote and in the event of no majority the chairman has the casting vote

16. Events after the balance sheet date

On 13 April 2011, Fitch downgraded the UK Covered Bonds from AA+ to AA- On 21 December 2011, Fitch placed the UK Covered Bonds on Ratings Watch Negative (RWN) outlook AA- On 2 February 2012, Fitch changed the RWN outlook to Stable The downgrades all followed the downgrade of Bank of Ireland's Issuer Default Rating (IDR) during this period

On 18 July 2011, S&P downgraded the UK Covered Bonds from A+ to A- On 8 December 2011 S&P placed UK Covered Bonds on A- Credit Watch Negative (CWN) outlook, these downgrades followed the application of revised S&P Asset Liability Mismatch (ALM) criteria

On 18 August 2011, Bank of Ireland cancelled £300m of the Series 2008-3 Covered Bonds in issue, this cancellation was required to meet new S&P asset coverage requirements

On 25 November 2011, to meet strategic requirements of the Bank of Ireland Group, £500m of the Series 2008-1 Covered Bonds in issue, £200m of the Series 2008-2 UK Covered Bonds in issue and £300m of the 2008-3 UK Covered Bonds in issue were cancelled In addition the partnership re-paid £967m of mortgages to Bank of Ireland (the mortgage originator)

On 7 March 2012, Bank of Ireland Management approved the termination of the UKCB This decision was based on the strategic requirements of Bank of Ireland Group to unwind mortgages from the UKCB pool as well as commercial decisions taken on viability of the UKCB following these unwinds

The UKCB was terminated on 16 April 2012 Before termination date the UK Covered Bonds were rated by S&P A- and by Fitch AA-

17. Contingent liabilities

The partnership guaranteed the obligations of Bank of Ireland to repay interest and capital to the Covered Bonds holders as disclosed in note 11 In the event that Bank of Ireland was unable to fulfil these obligations, recourse against the partnership was limited to its assets, being principally the beneficial interest in mortgages acquired from Bank of Ireland

The guarantee comprised a contingent liability at the balance sheet date as it was not probable that the partnership would be required to make payments under the guarantee The Covered Bonds were held by Bank of Ireland as at 31 March 2011

It is now known that this contingent liability will not occur as the UKCB was terminated on 16 April 2012 and all of the bonds were cancelled on that date