BANK OF IRELAND UK HOLDINGS PLC

ANNUAL REPORT FOR THE
YEAR ENDED 31 DECEMBER 2014

REGISTERED IN NORTHERN IRELAND NUMBER NI 006941

DIRECTORS AND OTHER INFORMATION

Secretary
Hill Wilson Secretarial Limited

Registered Office
1 Donegall Square South
Belfast
BT1 5LR
Northern Ireland

Registered Number
NI 006941

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT
England

The Board of Directors at the date of signing were:

Desmond E Crowley, BA (Mod) Econ, FCMA

Desmond joined Bank of Ireland Group in 1988. In March 2000, became a member of the Group Executive Committee, on being appointed Chief Executive of Retail Banking Ireland. Appointed Chief Executive of UK Financial Services, Director of Bristol & West plc and Bank of Ireland UK Holdings plc in January 2006. Appointed Director of the Ultimate Parent in October 2006, until his retirement from this position in June 2011. Appointed as Chief Executive Officer – Retail (Ireland & UK) in May 2009 and Chief Executive - Retail UK Division in March 2012. Chief Executive Officer of Bank of Ireland (UK) plc. A Director of First Rate Exchange Services, the foreign exchange joint venture with UK Post Office. He is also a Director of New Ireland Assurance Company plc.

Jim Hickey, FCCA, MBA

Jim was appointed to the position of Director of Group Finance at Bank of Ireland Group in October 2012. Jim has significant Banking and Financial Services experience having joined the Bank of Ireland Group from Ulster Bank where he served as divisional Chief Financial Officer and prior to that, Group Financial Controller. Before joining Ulster Bank, Jim was EMEA Director of Operations at Hewlett Packard Financial Services where he led the operations teams across thirty five countries. Before that, Jim held a number of senior finance roles at GE Capital operating across Europe, the UK and Ireland. Jim is a Fellow of the Chartered Association of Certified Accountants and holds an MBA from the UCD Michael Smurfit Graduate Business School.

Andrew Keating, FCA

Andrew was appointed as a Director of Bank of Ireland UK Holdings plc in June 2011. He joined Bank of Ireland Group in 2004, prior to which he held a number of senior finance roles, including Chief Accountant with Ulster Bank, having qualified as a Chartered Accountant with Arthur Andersen. He was appointed Group Chief Financial Officer and as a Director of The Governor and Company of the Bank of Ireland in February 2012. He is also a Director of Bristol & West plc.

David McGowan, LLB

David was appointed as a Director of Bank of Ireland Holdings UK plc in February 2005. He joined Bank of Ireland Group in 1979 and has held various executive positions including as member of the Group Credit Committee. David has been a Director of a number of companies in the Group including CEO Northern Ireland (1998 - 2002) and CEO Business Banking UK (2002 - 2009). Appointed Director of Bristol & West plc in February 2005 and appointed to the board of Bank of Ireland (UK) plc in September 2009 and appointed to the Board of Directors of NIIB Group Limited in January 2012.

The Directors present their Strategic Report of Bank of Ireland UK Holdings plc (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2014.

Purpose of the Strategic Report

The Strategic Report is a requirement under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and is intended to be fair and balanced and to provide information that enables the Directors to be satisfied that they have complied with Section 172 of the Companies Act 2006 (which sets out the Directors' duty to promote the success of the Company).

Review of business

The primary functions of the Group are to raise capital funding for The Governor and Company of the Bank of Ireland (the 'Ultimate Parent') and its subsidiaries (together the 'Bank of Ireland Group') through the issuance of subordinated liabilities, to engage in lending in the UK and to provide finance to certain other Bank of Ireland Group companies. The loan book is declining as older debts get repaid which are not being replaced with new business lending.

The Group made a profit before taxation of £1.9 million in the year ended 31 December 2014 (year ended 31 December 2013: £3.3 million).

The component parts of the Group's result are as follows:

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Total operating income	1.1	3.5
Operating expenses	(0.2)	(0.7)
Operating profit before impairment charges	0.9	2.8
Impairment releases on loans and advances	1.0	0.5
Profit before taxation	**1.9**	**3.3**
Taxation credit/(charge)	**0.1**	**(2.0)**
Profit after taxation	**2.0**	**1.3**

Total operating income of £1.1 million for the year ended 31 December 2014 represents a decrease of £2.4 million compared to the year ended 31 December 2013. This decrease primarily relates to operating lease rental income earned during the year ended 31 December 2013 on a commercial property held by One Temple Quay Limited, a subsidiary within the Group. This rental was not generated in the current year as this property was transferred to the Ultimate Parent during 2013 at its net book value.

Profit before taxation of £1.9 million for the year ended 31 December 2014 represents a decrease of £1.4 million compared to the year ended 31 December 2013.

The taxation credit of £0.1 million for the year ended 31 December 2014 includes adjustments in respect of prior years of £0.9 million.

On 14 February 2014, a court judgment was issued partially in favour of Her Majesty's Revenue and Customs ('HMRC') in respect of an appeal that Bristol & West plc, a subsidiary company, had taken against an adverse court judgment issued in 2013 in relation to a tax dispute involving that company. Both parties have decided to appeal this decision, having been granted permission to appeal the judgment to the Court of Appeal. The Group continues to recognise the full potential liability in respect of tax and interest arising to the Group with a final judgment expected in 2015.

Key performance measures

Key performance measures are outlined below:

	Year ended 31 December 2014	Year ended 31 December 2013
Statement of Comprehensive Income:	**£m**	**£m**
Operating profit before impairment charges	0.9	2.8
Impairment releases on loans and advances	1.0	0.5
Profit before taxation	1.9	3.3
Balance Sheet:		
Loans and advances to banks	552.2	567.0
Loans and advances to customers	4.0	6.6
Liabilities to banks	435.5	451.2
Subordinated liabilities	24.9	26.7
Other borrowed funds	32.6	32.6

Risk management

The Group's risk management objectives and policies and the principal risk exposures facing the business are set out as follows:

Credit Risk

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

The Group is in the process of winding down its residual loan portfolio in an orderly manner to minimise any potential loss that the Group might incur from such a strategy. The credit risk management of the residual loan portfolio is outsourced to the Bank of Ireland Group and is managed by it in line with its established Risk Governance Framework.

Liquidity Risk

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and / or meeting its contractual payment obligations as they fall due. Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven, by the maturity structure of loans and investments held by the Group, while cash outflows are driven, inter alia, by the term of the debt issued by the Group and the outflows from liabilities to banks.

The Group's exposure to liquidity risk is governed by the Bank of Ireland Group's Risk Appetite Statement and associated limits and the Bank of Ireland Group's Funding and Liquidity policy, both of which are approved by the Bank of Ireland Court of Directors on the recommendation of the Bank of Ireland Group Risk Policy Committee ('GRPC') and the Court Risk Committee ('CRC'). The operation of this policy is delegated to the Bank of Ireland Group Asset and Liability Committee ('ALCO'). Bank of Ireland Group Treasury, on behalf of ALCO, is responsible for monitoring liquidity risk and for the development and monitoring of liquidity policy.

Market Risk

Market risk is the risk of loss in the Group's income or net worth arising from adverse change in interest rates, exchange rates, or other market prices.

The Group recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of shareholder value and the achievement of the Group's corporate objectives. The Group's exposure to market risk is governed by policy approved by the GRPC. This policy sets out the nature of risk that may be taken, the types of financial instrument that may be used to manage risk and the way in which risk is controlled.

Risk management (continued)

Market Risk (continued)
The Group considers that the two most significant aspects of market risk for the Group are interest rate risk and foreign currency risk:

- Interest rate risk arising from the Group’s funding activities is managed using fixed rate loans. As a result, the impact of movement in interest rates is not significant.
- Board policy requires that all foreign currency exposure is hedged to de-minimis levels as it arises.
- The Group’s policy is to avoid general interest rate risk and to match fund all currency positions so as to ensure no material currency exposure exists.

Operational Risk
The Group outsources its key operations to the Bank of Ireland Group and, as a result, operational risk is managed by the Bank of Ireland Group. The Bank of Ireland Group manages regulatory and compliance risk under an overall framework, which is implemented by accountable executives, monitored by the GRPC, the Bank of Ireland Group Audit Committee, the CRC and the Group Regulatory, Compliance and Operational Risk Committee (‘GRCORC’), and supported by the GRCORC function. The effective management of regulatory and compliance risk is primarily the responsibility of business management.

The operational dependence on the Bank of Ireland Group from a going concern perspective has been considered on pages 19 and 20.

In addition to the above, the Group is subject to income taxation where the ultimate taxation determination may be uncertain, in particular if taken to litigation, the outcome of which can be unpredictable. The Group recognises provisions for taxation based on estimates of the taxes that are likely to fall due, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice. There is a risk that the final taxation outcome could be different from the amounts that are currently recorded.

Signed on behalf of the Board:
David McGowan
Director
27 March 2015

The Directors present their Report and audited consolidated financial statements of the Company and the Group for the year ended 31 December 2014. A Statement of Directors' Responsibilities is included on page 9.

Principal activities

The Company's principal activity is to act as an intermediate holding and finance company. In this regard, the Company is an issuer of listed debt securities which are listed on the Luxembourg Stock Exchange. Additionally, the Group provides, credit and leasing products. The principal activities of the key subsidiaries undertakings are presented in note 13.

Financial performance

The Group's profit attributable to the owners of the Parent, for the year ended 31 December 2014 was £2.0 million (year ended 31 December 2013: £1.3 million). An analysis of performance is set out in the Strategic Report on pages 4 to 6.

Dividends

There were no dividends proposed or paid during the year ended 31 December 2014 by the Company (year ended 31 December 2013: £nil).

Directors

The names of the persons who were Directors of the Company at any time during the year ended 31 December 2014 and up to the date of the approval of the financial statements are set out below. Except where indicated, they served as directors for the entire period.

Desmond E Crowley	Chairman	
Jim Hickey	Director	Appointed 1 April 2014
Andrew Keating	Director	
Mary King	Director	Resigned 31 March 2014
Stephen Matchett	Director	Resigned 4 April 2014
David McGowan	Director	

Future developments

The Directors do not envisage any significant changes to the operating activities in the forthcoming financial year.

Risk management

The Group's risk management objectives and policies and the principal risk exposures facing the business are set out in notes 22, 23 and 24.

Going concern

The Directors have considered the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2014 on pages 19 and 20 which form part of the notes to the financial statements.

Directors' indemnities

A qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006) was in force for the financial year and remains so at the date of approval of the financial statements for the benefit of all Directors of the Company and former Directors who held office during the year. The indemnity is granted under article 160 of the Company's Articles of Association.

Post balance sheet events

There were no significant post balance sheet events identified requiring disclosure prior to the approval of the financial statements.

Provision of information to auditors

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

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

Directors' Statement Pursuant to the Disclosure and Transparency Rules

Each of the Directors, who were Directors of the Company at the date of signing these financial statements as shown in the Directors' Report confirm that, to the best of each person's knowledge and belief:

- The Financial Statements, prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the Group; and
- The Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board:
David McGowan
Director
27 March 2015

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors 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 Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the financial information relating to the Company and the Group on the Bank of Ireland Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the Board:
David McGowan
Director
27 March 2015

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

Report on the financial statements

Our opinion
In our opinion:

- Bank of Ireland UK Holdings plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited
Bank of Ireland UK Holdings plc's financial statements comprise:

- the consolidated and Company balance sheets as at 31 December 2014;
- the consolidated statement of comprehensive income for the year then ended;
- the Group and Company cash flow statements for the year then ended;
- the consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 9, the Directors 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) ("ISAs (UK & 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 Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Hamish Anderson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interest income	4	5.2	5.5
Interest expense	4	(3.9)	(4.0)
Net interest income		**1.3**	**1.5**
Fee and commission income	5	0.1	2.5
Fee and commission expense	5	(0.2)	(3.9)
Other operating (expense)/income	6	(0.1)	3.4
Total operating income		**1.1**	**3.5**
Operating expenses	7	(0.2)	(0.7)
Operating profit before impairment charges		**0.9**	**2.8**
Impairment reversals on loans and advances	12	1.0	0.5
Profit before taxation		**1.9**	**3.3**
Taxation credit/(charge)	9	0.1	(2.0)
Profit for the year and total comprehensive income		**2.0**	**1.3**
Profit attributable to:			
Owners of the Parent:			
Profit for the year		2.0	1.3
		2.0	**1.3**

The notes on pages 18 to 56 form an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	31 December 2014 £m	31 December 2013 £m
Assets			
Loans and advances to banks	11	552.2	567.0
Loans and advances to customers	12	4.0	6.6
Deferred taxation	18	2.5	1.5
Total assets		**558.7**	**575.1**
Liabilities			
Liabilities to banks	16	435.5	451.2
Other liabilities	17	14.2	14.9
Current taxation liabilities		4.9	5.1
Subordinated liabilities	19	24.9	26.7
Other borrowed funds	20	32.6	32.6
Total liabilities		**512.1**	**530.5**
Equity			
Share capital	21	2.5	2.5
Retained earnings		44.1	42.1
Total shareholders' equity		**46.6**	**44.6**
Total equity		**46.6**	**44.6**
Total equity and liabilities		**558.7**	**575.1**

The notes on pages 18 to 56 form an integral part of the financial statements.

The financial statements and accompanying notes on pages 18 to 56 were approved by the Board of Directors on 27 March 2015 and signed on its behalf by:

David McGowan
Director
27 March 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group –Year ended 31 December 2014

	Share capital £m	Retained earnings £m	Total shareholders' equity £m	Total equity £m
At 1 January 2014	2.5	42.1	44.6	44.6
Comprehensive income				
Profit for the year	-	2.0	2.0	2.0
Total comprehensive income	**-**	**2.0**	**2.0**	**2.0**
Transactions with owners				
Dividends paid	-	-	-	-
Total transactions with owners	-	-	-	-
At 31 December 2014	**2.5**	**44.1**	**46.6**	**46.6**

Group –Year ended 31 December 2013

	Share capital £m	Retained earnings £m	Total shareholders' equity £m	Total equity £m
At 1 January 2013	2.5	40.8	43.3	43.3
Comprehensive income				
Profit for the year	-	1.3	1.3	1.3
Total comprehensive income	**-**	**1.3**	**1.3**	**1.3**
Transactions with owners				
Dividends paid	-	-	-	-
Total transactions with owners	-	-	-	-
At 31 December 2013	**2.5**	**42.1**	**44.6**	**44.6**

The notes on pages 18 to 56 form an integral part of the financial statements.

COMPANY BALANCE SHEET

	Note	31 December 2014 £m	31 December 2013 £m
Assets			
Loans and advances to banks	11	395.4	396.2
Other assets	15	71.5	71.5
Current taxation assets		0.1	0.1
Investment in Group undertakings	13	3.2	1.6
Total assets		**470.2**	**469.4**
Liabilities			
Liabilities to banks	16	416.5	415.6
Other liabilities	17	1.9	1.8
Subordinated liabilities	19	24.9	26.7
Total liabilities		**443.3**	**444.1**
Equity			
Share capital	21	2.5	2.5
Retained earnings		24.4	22.8
Total equity		**26.9**	**25.3**
Total equity and liabilities		**470.2**	**469.4**

The notes on pages 18 to 56 form an integral part of the financial statements.

The financial statements and accompanying notes on pages 18 to 56 were approved by the Board of Directors on 27 March 2015 and signed on its behalf by:

David McGowan
Director
27 March 2015

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Note	Share capital £m	Retained earnings £m	Total equity £m
At 1 January 2014		2.5	22.8	25.3
Comprehensive income				
Profit for the year	10	-	1.6	1.6
Total comprehensive income		**-**	**1.6**	**1.6**
Transactions with owners				
Dividends paid		-	-	-
Total transactions with owners		-	-	-
At 31 December 2014		**2.5**	**24.4**	**26.9**

Year ended 31 December 2013

	Note	Share capital £m	Retained earnings £m	Total equity £m
At 1 January 2013		2.5	22.8	25.3
Comprehensive income				
Profit for the year	10	-	-	-
Total comprehensive income		**-**	**-**	**-**
Transactions with owners				
Dividends paid		-	-	-
Total transactions with owners		-	-	-
At 31 December 2013		**2.5**	**22.8**	**25.3**

The notes on pages 18 to 56 form an integral part of the financial statements.

CASH FLOW STATEMENT

	Note	Group		Company	
		Year ended 31 December 2014	Restated* Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
		£m	£m	£m	£m
Cash flows from operating activities					
Profit before taxation		1.9	3.3	1.6	-
Depreciation and amortisation	14	-	0.2	-	-
Net change in subsidiary undertakings	13	-	-	(1.6)	0.1
Impairment reversals on loans and advances to customers	12	(1.0)	(0.5)	-	-
Interest expense on subordinated liabilities	4	0.9	0.9	0.9	0.9
Interest expense on other borrowed funds		2.5	2.5	-	-
Cash flows from operating activities before changes in operating assets and liabilities		**4.3**	**6.4**	**0.9**	**1.0**
Net change in loans and advances to banks	11	14.8	(62.2)	0.5	(67.8)
Net change in loans and advances to customers	12	3.6	8.1	-	-
Net change in liabilities to banks	16	(15.7)	(35.0)	0.9	(16.1)
Net change in other liabilities	17	(0.5)	(0.9)	0.1	(0.1)
Net change in subordinated liabilities	19	(1.8)	0.6	(1.8)	0.6
Net cash inflow/(outflow) from operating assets and liabilities		**0.4**	**(89.4)**	**(0.3)**	**(83.4)**
Net cash inflow/(outflow) from operating activities before taxation		**4.7**	**(83.0)**	**0.6**	**(82.4)**
Taxation paid		(1.1)	(32.9)	-	(16.9)
Net cash inflow/(outflow) from operating activities		**3.6**	**(115.9)**	**0.6**	**(99.3)**
Investing activities (section a)		-	26.3	-	-
Financing activities (section b)		(3.6)	(3.6)	(0.9)	(0.9)
Net change in cash and cash equivalents		**-**	**(93.2)**	**(0.3)**	**(100.2)**
Opening cash and cash equivalents		60.0	153.2	5.3	105.5
Closing cash and cash equivalents	28	**60.0**	**60.0**	**5.0**	**5.3**

	Note	Group		Company	
		Year ended 31 December 2014	Year ended 31 December 2013	Year ended 31 December 2014	Year ended 31 December 2013
		£m	£m	£m	£m
(a) Investing activities					
Disposal of property, plant and equipment	14	-	26.3	-	-
Cash inflow from investing activities		**-**	**26.3**	**-**	**-**
(b) Financing activities					
Interest paid on subordinated liabilities		(0.9)	(0.9)	(0.9)	(0.9)
Interest paid on preference shares		(2.7)	(2.7)	-	-
Cash outflow from financing activities		**(3.6)**	**(3.6)**	**(0.9)**	**(0.9)**

*Cash and cash equivalents include the reclassification of a balance held with the Ultimate Parent of £11.7 million to reflect the contractual term of the loan.

The notes on pages 18 to 56 form an integral part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Bank of Ireland UK Holdings plc (the ‘Company’) and its subsidiaries (together the ‘Group’) are as follows and have been consistently applied to all periods presented unless otherwise stated.

1.1 Basis of preparation

The Company is incorporated and domiciled in the United Kingdom.

The financial statements comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Statement of Changes in Equity, the Consolidated and Company Cash Flow Statements and the notes to the financial statements.

The financial statements of the Company and the consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and the provisions of the Companies Act 2006. The consolidated and Company financial statements are prepared under the historical cost convention.

The financial statements are presented in Pounds Sterling (£) which is the functional and presentational currency of the Company, except where otherwise indicated. All figures are presented in millions, rounded to the nearest one hundred thousand unless indicated otherwise.

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

1.2 Going concern

The time period that the Directors have considered in evaluating the appropriateness of the going concern basis in preparing the financial statements for the year ended 31 December 2014 is a period of twelve months from the date of approval of these financial statements (the ‘period of assessment’).

The Group is a direct subsidiary of BoI European Holdings SARL incorporated as a “société à responsibilité limitée” under the laws of the Grand Duchy of Luxembourg, an intermediate holding company in The Governor and Company of the Bank of Ireland (the ‘Ultimate Parent’) and its subsidiaries (together the ‘Bank of Ireland Group’). BoI European Holdings SARL is a direct subsidiary of The Governor and Company of the Bank of Ireland.

The primary functions of the Group are to raise capital funding for the Bank of Ireland Group through the issuance of subordinated liabilities, to engage in lending in the UK and to provide finance to certain other Bank of Ireland Group companies.

In making their assessment of the Group’s ability to continue as a going concern, the Directors have evaluated projections of the profitability, capital, liquidity and funding position of the Group for the period of assessment as well as the going concern assessment made by the Bank of Ireland Group.

Profitability
The Group has a number of wholly-owned subsidiary undertakings. Financial projections for trading entities have been prepared which show that these companies will continue to generate sufficient income to at least cover their costs for the period of assessment.

Capital
At 31 December 2014, the Group had total equity of £46.6 million, comprising share capital of £2.5 million and consolidated retained earnings of £44.1 million. The Directors do not currently anticipate that the Group has any further capital requirements during the period of assessment. However should any requirement arise The Governor and Company of the Bank of Ireland has confirmed that it will continue to support the Group for a period of thirteen months from the date of approval of the financial statements by the Directors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Going concern (continued)

Liquidity and Funding
At 31 December 2014, the Group had deposits with Bank of Ireland Group of £551.9 million, £0.3 million in external deposits and borrowings from Bank of Ireland Group of £435.5 million.

The Governor and Company of the Bank of Ireland has confirmed that it will continue to fund and support the Group for a period of thirteen months from the date of approval of the financial statements by the Directors.

On the basis of the above the Directors of the Group believe that the funding and liquidity requirements will continue to be met for the period of assessment.

Going concern assessment of the Bank of Ireland Group
The Group is reliant on the Bank of Ireland Group for liquidity, funding and for the provision of operational services.

The Directors note that during 2014 there were a number of developments regarding profitability, capital, liquidity and funding that further enhanced the position of the Ultimate Parent.

On the basis of the above, the Court of Directors of The Governor and Company of the Bank of Ireland has concluded that there are no material uncertainties that may cast significant doubt about the Bank of Ireland Group's ability to continue as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

The audit report on the financial statements of the Bank of Ireland Group for the year ended 31 December 2014 (signed on 26 February 2015) is not qualified and does not contain an emphasis of matter paragraph in respect of going concern. Taking into account the above, the Directors of the Group are satisfied that any risk attaching to the continued ability of the Bank of Ireland Group to support the Group is satisfactorily addressed.

On the basis of the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern over the period of assessment.

1.3 Adoption of new and amended accounting standards

The following new standards and amendments to accounting standards have been adopted by the Group during the year ended 31 December 2014. The application of these amendments had no impact on the financial position of the Group.

IFRIC Interpretation 21: Levies
IFRIC 21 deals with accounting for levies imposed by governments. It principally addresses the question of when an entity should recognise a liability to pay a levy. The interpretation provides that a levy is provided for on the date identified by the legislation that triggers the obligation to pay the levy.

Amendments to IAS 32, 'Financial Instruments' on asset and liability offsetting
These amendments give additional application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement.

Amendments to IAS 36 'Recoverable Amount Disclosures for Non- Financial Assets' on impaired assets disclosures
These amendments specifically require disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal, e.g. recoverable amount, level of fair value hierarchy, valuation technique, key assumptions etc.

Amendments to IAS 19 'Defined benefit plans employee contributions'
These amendments apply to contributions from employees or third parties to defined benefit plans. It simplifies the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.3 Adoption of new and amended accounting standards (continued)

IFRS 10, 'Consolidated Financial Statements'
This standard replaces IAS 27, 'Consolidated and Separate Financial Statements' and SIC-12, 'Consolidation – Special Purpose Entities'. It establishes a single control model that applies to all entities, including those that were previously considered special purpose entities under SIC-12. An investor controls an investee when it is exposed, or has rights, to variable returns from the investee, and has the ability to affect those returns through its power over the investee. The assessment of control is based on all facts and circumstances and the conclusion is reassessed if there is an indication that there are changes in facts and circumstances.

IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures
IFRS 11 supersedes IAS 31, 'Interests in Joint Ventures' and SIC-13, 'Jointly-controlled Entities – Nonmonetary Contributions by Venturers'. IFRS 11 classifies joint arrangements as either joint operations or joint ventures and focuses on the nature of the rights and obligations of the arrangement. IFRS 11 requires the use of the equity method of accounting for joint arrangements by eliminating the option to use the proportionate consolidation method, which was not applied by the Group.

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

Annual improvements 2010-2012 and 2011-2013
The annual improvements process provides a vehicle for making non-urgent but necessary amendments to IFRSs.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

1.4 Group financial statements

Subsidiaries
Subsidiary undertakings are investees (including structured entities) controlled by the Group. The Group controls an investee when it has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control.

A structured entity is an entity designed so that its activities are not governed by way of voting rights. The Group assesses whether it has control over such entities by considering factors such as the purpose and design of the entity; the nature of its relationship with the entity; and the size of its exposure to the variability of returns from the entity.

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

The existence and effect of potential voting rights are considered when assessing whether the Group controls an investee only if the rights are substantive.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Group financial statements (continued)

Subsidiaries (continued)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. In addition, foreign exchange gains and losses which arise on the retranslation to functional currency of intercompany monetary assets and liabilities are not eliminated.

Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

1.5 Foreign currency translation

Items included in the financial statements of each entity of the Group are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pounds Sterling (£), which is the functional and presentation currency of the Parent Company.

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

1.6 Interest income and expense

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

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Where the Group revises its estimates of payments or receipts on a financial instrument measured at amortised cost, the carrying amount of the financial instrument (or group of financial instruments) is adjusted to reflect actual and revised estimated cash flows. The Group recalculates the carrying amount by computing the present value of estimated future cash flows at the financial instrument's original effective interest rate. The adjustment is recognised in the profit or loss as income or expense.

1.7 Fee and commission income

Fees and commissions, which are not an integral part of the effective interest rate of a financial instrument, are generally recognised as the related services are provided.

1.8 Operating profit

Operating profit includes the Group's earnings from ongoing activities after impairment charges and loss on disposal/liquidation of business activities.

1.9 Other operating income

Other operating income includes net gains/(losses) arising from foreign exchange.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Financial assets

(1) Classification, Recognition and Measurement
The Group classifies its financial assets as loans and receivables. The Group determines the classification of its financial assets 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 Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recorded at fair value plus transaction costs when cash is advanced to the borrowers. They are subsequently accounted for at amortised cost using the effective interest method.

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

1.11 Financial liabilities

Financial liabilities are initially recognised at fair value, (normally the issue proceeds, i.e. fair value of consideration received) less, in the case of financial liabilities subsequently carried at amortised cost, transaction costs. For liabilities carried at amortised cost, any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income using the effective interest method. All financial liabilities are carried at amortised cost.

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

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

1.12 Valuation of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, in an arm's length transaction, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which uses only observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price. Any day one profit is deferred and recognised in the statement of comprehensive income to the extent that it arises from a change in a factor that market participants would consider in setting a price. Straight line amortisation is used where it approximates to that amount. Subsequent changes in fair value are recognised immediately in the statement of comprehensive income without the reversal of deferred day one profits or losses.

Where a transaction price in an arm's length transaction is not available, the fair value of the instrument at initial recognition is measured using a valuation technique.

The fair values of the Group's financial assets and liabilities are disclosed within note 24 together with a description of the valuation technique used for each asset or liability category.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 Impairment of financial assets

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

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

(i) delinquency in contractual payments of principal or interest;
(ii) cash flow difficulties;
(iii) breach of loan covenants or conditions;
(iv) deterioration of the borrower's competitive position;
(v) deterioration in the value of collateral;
(vi) external rating downgrade below an acceptable level;
(vii) initiation of bankruptcy proceedings; and
(viii) granting a concession to a borrower, for economic or legal reasons relating to the borrower's financial difficulty that would otherwise not be considered.

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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

When a loan is deemed uncollectible, it is derecognised and the provision for impairment is utilised. Subsequent recoveries decrease the amount of the charge for loan impairment in the statement of comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.14 Property, plant and equipment

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

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

Increases in the carrying amount arising on the revaluation of land and buildings are recognised in other comprehensive income. Decreases that offset previous increases on the same asset are recognised in other comprehensive income: all other decreases are charged to the statement of comprehensive income.

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

Depreciation is calculated on the straight line method to write down the carrying value of other items of property, plant and equipment to their residual values over their estimated useful lives as follows:

- Adaptation works on freehold and leasehold property - fifteen years, or the remaining period of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

1.15 Leases

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.16 Provisions

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

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. A levy payable to a Government is provided for on the occurrence of the event identified by the legislation that triggers the obligation to pay the levy.

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

1.17 Employee benefits

(a) Pension obligations
The Group is a minority participating employer in the Bank of Ireland Staff Pensions Fund. The scheme is a defined benefit scheme based on final pensionable pay and operated for eligible employees of Bank of Ireland.

Whilst the scheme is a defined benefit scheme, there is no policy or stated agreement for charging the net defined benefit cost. Therefore the Group recognises a cost equal to its contributions payable for the period in the statement of comprehensive income.

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

Where an option is cancelled, the Group immediately recognises, as an expense, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period. When options are exercised, new shares are issued.

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

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

1.18 Taxation

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

Tax provisions are provided on a transaction by transaction basis using a best estimate approach.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Taxation (continued)

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised and by reference to the expiry dates (if any) of the relevant unused tax losses or tax credits. Deferred tax assets and liabilities are not discounted.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to taxations levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

Deferred tax on items taken to other comprehensive income is also recognised in other comprehensive income. Such items are subsequently reclassified to the statement of comprehensive income together with the deferred gain or loss.

1.19 Offsetting financial instruments

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

1.20 Dividend income

Dividends from Group undertakings are recognised when the Company’s right to receive the payment is established either through the declaration of a final dividend or receipt of cash for interim dividends.

1.21 Issued debt and equity securities

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

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 as a gain or loss in the statement of comprehensive income.

1.22 Comparatives

Cash and cash equivalents include the reclassification of a balance held with the Ultimate Parent of £11.7 million to reflect the contractual term of the loan.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.23 Operating segments

The segmental analysis of the Group's results and financial position is set out in note 3. The Group has identified two reportable operating segments: Lending and Divisional Centre (including funding). These segments have been identified on the basis that the chief operating decision-maker uses information based on these segments to make decisions about assessing performance and allocating resources. The analysis of results by operating segment is based on management accounts information. Transactions between the operating segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each segment. Revenue sharing agreements are used to allocate external customer revenues to operating segments on a reasonable basis.

1.24 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise loans and advances to banks which can be withdrawn on demand and loans and advances to banks with an original maturity of less than three months.

1.25 Investment in Group undertakings

The Company's investment in Group undertakings is stated at cost less impairment.

1.26 Impact of new accounting standards

The following standards, interpretations and amendments to standards will be relevant to the Group but were not effective at 31 December 2014 and have not been applied in preparing these financial statements. The Group's initial view of the impact of these accounting changes is outlined below.

Pronouncement	Nature of Change	Effective Date	Impact
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'	The amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	Financial periods beginning on or after 1 January 2016.	These amendments are not expected to have a significant impact on the financial position of the Group.
Amendment to IFRS 11 'Accounting for Acquisitions of Interests in Joint Operations'	IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.	Financial periods beginning on or after 1 January 2016.	This amendment is not expected to have a significant impact on the financial position of the Group.
Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	Financial periods beginning on or after 1 January 2016.	These amendments are not expected to have a significant impact on the financial position of the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.26 Impact of new accounting standards (continued)

Pronouncement	Nature of Change	Effective Date	Impact
Amendments to IAS 27 'Separate financial statements'	These amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors.	Financial periods beginning on or after 1 January 2016.	These amendments are not expected to have a significant impact on the financial position of the Group.
IFRS 15 'Revenue from Contracts with Customers'	IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.	Financial periods beginning on or after 1 January 2017.	These amendments are not expected to have a significant impact on the financial position of the Group.
IFRS 9, 'Financial instruments'	IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. IFRS 9 contains a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there are no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.	Financial periods beginning on or after 1 January 2018.	The Group is assessing the impact of adopting IFRS 9.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

At 31 December 2014, the Group had a net deferred tax asset of £2.5 million (31 December 2013: £1.5 million).

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

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

The Group is subject to income taxation and significant judgement can be required in determining the provision for taxation. There are many calculations for which the ultimate taxation determination may be uncertain in particular in light of HMRC focus on the Group's industry and an increased risk of litigation, the outcome of which can be unpredictable. The Group recognises provisions for taxation based on estimates of the taxes that are likely to become due. There is a risk that the final taxation outcome could be significantly different from the amounts that are currently recorded and any such differences will impact the current income taxation and deferred taxation provisions in the period in which such outcome is determined.

3. OPERATING SEGMENTS

The Group has two operating segments as detailed below. These segments reflect the internal financial and management reporting structure and are organised as follows:

Lending
The Lending business provided a variety of lending services ranging from banking advances, leasing and term loans for consumer and commercial customers.

Divisional Centre (including funding)
Divisional Centre mainly acts as an intermediate holding and capital management unit.

The analysis of results by operating segment is based on the information used by the chief operating decision maker to allocate resources and assess performance. Transactions between the operating 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 operating segments on an arm’s length basis.

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in note 1 to the financial statements. Segment profitability is measured by deducting operating expenses and impairment charges from total operating income.

All income is generated in the United Kingdom.

Revenues derived from transactions with the Bank of Ireland Group are as set out in note 27 Related Party Transactions.

3. OPERATING SEGMENTS (continued)

Group	**Lending**	**Divisional Centre (including funding)**	**Eliminations**	**Group totals**
Year ended 31 December 2014	**£m**	**£m**	**£m**	**£m**
Interest income	0.3	4.9	-	5.2
Interest expense	(0.5)	(3.4)	-	(3.9)
Net interest (expense)/income	**(0.2)**	**1.5**	**-**	**1.3**
Other net expense	(0.2)	-	-	(0.2)
Total operating (expense)/income	**(0.4)**	**1.5**	**-**	**1.1**
Operating expenses	-	(0.2)	-	(0.2)
Depreciation and amortisation	-	-	-	-
Operating expenses	**-**	**(0.2)**	**-**	**(0.2)**
Impairment reversals on loans and advances to customers	1.0	-	-	1.0
Profit before taxation	**0.6**	**1.3**	**-**	**1.9**
Capital expenditure	-	-	-	-
External assets	14.1	544.6	-	558.7
Inter segment assets	0.6	-	(0.6)	-
Total assets	**14.7**	**544.6**	**(0.6)**	**558.7**
External liabilities	11.7	500.4	-	512.1
Inter segment liabilities	-	0.6	(0.6)	-
Total liabilities	**11.7**	**501.0**	**(0.6)**	**512.1**
Gross revenue by operating segment				
External customers	0.3	5.0	-	5.3
Total gross external revenue	**0.3**	**5.0**	**-**	**5.3**

Other net expense above comprises fee and commission income and expense and other operating income and expense.

Gross external revenue comprises interest income, fee and commission income and other operating income and is generated by the business with external retail customers and the related financial assets and liabilities.

Revenues deriving from transactions with the Ultimate Parent amounted to 10% or more of the Group’s revenues. See notes 4 and 5 for details of income from the Ultimate Parent which is across both operating segments.

Bristol & West plc has been reclassified from “Lending” to “Divisional Centre (including funding)” in line with the way the business is managed for the year ended 31 December 2014 and 31 December 2013.

External assets and external liabilities are external to the Group, but include balances with other entities in the Bank of Ireland Group.

3. OPERATING SEGMENTS (continued)

Group **Year ended 31 December 2013**	Lending £m	Divisional Centre (including funding) £m	Eliminations £m	Group totals £m
Interest income	0.6	4.9	-	5.5
Interest expense	(0.5)	(3.5)	-	(4.0)
Net interest income	**0.1**	**1.4**	**-**	**1.5**
Other net (expense)/income	(0.3)	2.3	-	2.0
Total operating (expense)/income	**(0.2)**	**3.7**	**-**	**3.5**
Operating expenses	(0.2)	(0.3)	-	(0.5)
Depreciation and amortisation	-	(0.2)	-	(0.2)
Operating expenses	**(0.2)**	**(0.5)**	**-**	**(0.7)**
Impairment reversals on loans and advances to customers	0.5	-	-	0.5
Profit before taxation	**0.1**	**3.2**	**-**	**3.3**
Capital expenditure	-	-	-	-
External assets	20.4	554.7	-	575.1
Inter segment assets	-	-	-	-
Total assets	**20.4**	**554.7**	**-**	**575.1**
External liabilities	17.2	513.3	-	530.5
Inter segment liabilities	-	-	-	-
Total liabilities	**17.2**	**513.3**	**-**	**530.5**
Gross revenue by operating segment				
External customers	0.9	7.2	-	8.1
Total gross external revenue	**0.9**	**7.2**	**-**	**8.1**

4. INTEREST INCOME AND EXPENSE

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interest income		
Loans and advances to customers	0.3	0.6
Amounts due from the Ultimate Parent and fellow Bank of Ireland Group companies	4.9	4.9
	5.2	**5.5**

Included within interest income is £0.01 million (year ended 31 December 2013: £0.03 million) of interest on impaired loans and advances to customers on which specific provisions have been recognised. Included within interest income is finance lease income of £0.2 million (year ended 31 December 2013: £0.2 million).

4. INTEREST INCOME AND EXPENSE (continued)

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Interest expense		
Amounts due to the Ultimate Parent and fellow Bank of Ireland Group companies	0.3	0.6
Subordinated liabilities	0.9	0.9
Preference share dividends net of unclaimed dividends	2.5	2.5
Other	0.2	-
	3.9	**4.0**

5. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Fee and commission income		
Other fees receivable	-	0.3
Fee and commission income from the Ultimate Parent	0.1	2.2
Total fee and commission income	**0.1**	**2.5**
Fee and commission expense		
Fee and commission expense to the Ultimate Parent	0.2	3.9
Total fee and commission expense	**0.2**	**3.9**

Fee and commission income from the Ultimate Parent related primarily to operating rental lease income which ceased following the disposal of the asset on 3 October 2013 (see note 14).

Fee and commission expense to the Ultimate Parent above includes £nil (year ended 31 December 2013: £3.4 million) for the reimbursement of funding costs incurred by the Group in its role as a funding intermediary for the Ultimate Parent.

6. OTHER OPERATING (EXPENSE)/INCOME

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Foreign currency translation (loss)/gain	(0.1)	3.4
	(0.1)	**3.4**

Foreign exchange
The foreign currency translation loss includes £0.1 million (year ended 31 December 2013: £3.4 million gain) relating to currency positions undertaken on behalf of the Bank of Ireland Group. Such gains and losses are refunded by the Ultimate Parent and are included in fee and commission income and expense as appropriate in note 5 above.

7. OPERATING EXPENSES

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Staff costs (note 8)	-	0.1
Depreciation (note 14)	-	0.2
Other administrative expenses	0.2	0.4
	0.2	**0.7**

7. OPERATING EXPENSES (continued)

	Group		Company	
	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Auditors' remuneration				
Statutory audit fees	97.1	106.7	58.1	63.8
Other assurance services	-	-	-	-
Taxation compliance services	-	-	-	-
Other taxation advisory services	-	-	-	-
Other non-audit services	-	-	-	-
	97.1	**106.7**	**58.1**	**63.8**

Audit fees in respect of the Group and Company are borne by the Bank of Ireland Group.

8. STAFF COSTS

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Wages and salaries	-	0.1
	-	**0.1**

The average monthly number of persons including Directors employed by the Group during the year ended 31 December 2014 was nil (year ended 31 December 2013: 1).

The Group participates in the Bank of Ireland Staff Pensions Fund pension scheme. This is a defined benefit scheme, the Group's share of the plan in which risks are shared with other entities under common control, is based on the respective payrolls. This plan is included in the consolidated financial statements of the Bank of Ireland Group.

Contributions paid to The Governor and Company of the Bank of Ireland on behalf of the Group's employees amounted to £nil for the year ended 31 December 2014 (2013: £nil). There were no outstanding amounts to be paid to the scheme by the Group as at 31 December 2014 (2013: £nil).

Refer to note 29 on page 54 for details of Directors' emoluments.

9. TAXATION

	Group	
	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Current tax:		
Current year	0.1	4.1
Adjustments in respect of prior years	0.8	0.4
	0.9	4.5
Deferred tax (note 18):		
Current year	0.7	(2.5)
Adjustments in respect of prior years	(1.7)	-
	(1.0)	(2.5)
Taxation (credit)/charge	**(0.1)**	**2.0**

9. TAXATION (continued)

The reconciliation of tax on profits at the standard UK corporation tax rate to the Group's actual tax credit for the year ended 31 December 2014 and tax charge for the year ended 31 December 2013 is as follows:

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Profit before taxation	1.9	3.3
Tax calculated at a rate of 21.50% (2013: 23.25%)	0.4	0.8
Expenses not deductible for tax purposes	0.4	0.6
Adjustments in respect of prior years	(0.9)	0.4
Other adjustments	-	0.2
Taxation (credit)/charge	**(0.1)**	**2.0**

The adjustments in respect of prior years for both the current and comparative year represents an increase/(decrease) in the amounts payable to the Bank of Ireland Group in respect of group relief and other tax attributes. Expenses not deductible for tax purposes also include preference share dividends not deductible.

10. COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by the Companies Act 2006 Section 408, the Company’s Statement of Comprehensive Income has not been included in these consolidated financial statements.

The Company’s profit after tax for the year ended 31 December 2014 is £1.6 million (31 December 2013: £nil).

11. LOANS AND ADVANCES TO BANKS

	Group		Company	
	31 December 2014 £m	31 December 2013 £m	31 December 2014 £m	31 December 2013 £m
Placements with other banks included in cash and cash equivalents	0.3	-	-	-
Due from the Ultimate Parent and fellow Group undertakings:				
- Balances with less than 3 months original maturity included in cash equivalents	59.7	60.0 *	5.0	5.3
- Balances with over 3 months original maturity	492.2	507.0 *	390.4	390.9
	552.2	**567.0**	**395.4**	**396.2**

*These balances include the reclassification of an amount held with the Ultimate Parent of £11.7 million to reflect the contractual term of the loan.

Loans and advances to banks with a contractual maturity of less than twelve months from the balance sheet date total £425.9 million (31 December 2013: £412.7 million) for the Group and total £370.5 million (31 December 2013: £369.5 million) for the Company.

12. LOANS AND ADVANCES TO CUSTOMERS

	Group	
	31 December 2014	31 December 2013
	£m	£m
Loans and advances to customers	0.5	1.1
Finance lease and hire purchase receivables	3.6	5.7
Gross loans and advances to customers	4.1	6.8
Less: allowance for impairment on loans and advances to customers	(0.1)	(0.2)
	4.0	**6.6**

A further analysis of loans and advances to customers is disclosed in note 22 Credit Risk.

Finance lease and hire purchase receivables

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

	Group	
	31 December 2014	31 December 2013
	£m	£m
Gross investment in finance leases:		
Not later than 1 year	1.4	2.8
Later than 1 year and not later than 5 years	1.1	2.0
Later than 5 years	2.2	2.2
	4.7	7.0
Unearned future finance income on finance leases	(1.1)	(1.3)
Net investment in finance leases	**3.6**	**5.7**
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	1.1	2.3
Later than 1 year and not later than 5 years	0.8	1.6
Later than 5 years	1.7	1.8
	3.6	**5.7**

Allowance for impairment on loans and advances to customers

	Group	
	31 December 2014	31 December 2013
	£m	£m
At beginning of year	0.2	0.9
Impairment reversals	(1.0)	(0.5)
Provisions utilised	-	(0.3)
Recoveries	0.9	0.1
At end of year	**0.1**	**0.2**

Loans and advances to customers with a remaining period to contractual maturity of less than twelve months as at the balance sheet date is £1.1 million (31 December 2013: £2.6 million).

The Group's material leasing arrangements include the provision of instalment credit and leasing finance for both consumer and commercial customers.

At 31 December 2014, the accumulated allowance for uncollectible minimum lease payments receivable was £nil (31 December 2013: £nil). At 31 December 2014 and 31 December 2013, there was no unguaranteed residual value accruing to the benefit of the lessor.

13. INVESTMENT IN GROUP UNDERTAKINGS

	Company	
	31 December 2014	31 December 2013
	£m	£m
At beginning of year	1.6	1.7
Reversal of impairment of investment in subsidiaries	1.6	-
Liquidation of subsidiaries	-	(0.1)
At end of the year	**3.2**	**1.6**

(a) Valuation of investment in Group undertakings

The Company's investments in Group undertakings are reviewed if events or circumstances indicate that impairment may have occurred, by comparing the carrying value of each investment to its recoverable amount. An impairment charge arises if the carrying value exceeds the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, where the value in use is the present value of the future cash flows expected to be derived from the asset. The calculation of the recoverable amount for each cash generating unit is based upon a value in use calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the cash generating unit. The determination of both require the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows.

The recoverable amount calculations performed for the significant amount of shares in Group undertakings are sensitive to changes in the following key assumptions:

Cash flow forecasts
Cash flow forecasts are based on internal management information for a period of up to five years, after which a long term growth rate appropriate for the business is applied (see below). The next five years' cash flows are consistent with approved plans for each business.

Discount rate
The discount rates applied is the pre-tax weighted average cost of capital for the Bank increased to include a risk premium to reflect the specific risk profile of the cash generating unit to the extent that such risk is not already reflected in the forecast cash flows.

A review of the carrying amount of investments in Group undertakings has been performed at 31 December 2014. A reversal of impairment of £1.6 million was identified in the Company's Divisional Centre (including funding) segment in the year ended 31 December 2014 (year ended 31 December 2013: £nil) due to improved future forecasted cash flows. This reversal of impairment is credited to the Company's statement of comprehensive income only (note 10).

Principal subsidiary undertakings
The principal subsidiary undertakings are listed below. Information is only given for those subsidiaries that in the Directors' opinion materially affect the figures shown in the financial statements.

All shares in subsidiary undertakings are ordinary shares. The Company owns the total issued share capital in all its subsidiary undertakings as at 31 December 2014 and 31 December 2013, and so retains all voting rights.

Principal subsidiary undertakings	Principal activity	Country of incorporation	Statutory year end
Bank of Ireland Britain Holdings Limited	Holding Company	UK	31 December
Bank of Ireland Business Finance Limited	Leasing	Northern Ireland	31 December
BOI GP No 1 Limited	Holding Company	UK	31 December
Bristol & West plc	Investment Company	UK	31 December
One Temple Quay Limited	Property Management	UK	31 December

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

13. INVESTMENT IN GROUP UNDERTAKINGS (continued)

(a) Valuation of investment in Group undertakings (continued)

Principal subsidiary undertakings (continued)
The Group avails of the exemption provided under Regulation 7 of The Partnerships (Accounts) Regulations 2008. Under this exemption, the financial statements of the Limited Partnerships which BOI GP No 1 Limited manages are not required to be filed as appended to the annual financial statements of BOI GP No 1 Limited as the Limited Partnerships are consolidated within the financial statements of the Group.

(b) Interests in other entities

Management has assessed its involvement in all entities in accordance with the definitions and guidance in:

- IFRS 10: Consolidated Financial Statements;
- IFRS 11: Joint Arrangements;
- IAS 28: Investments in Associates and Joint Ventures; and
- IFRS 12: Disclosure of interests in other entities.

The Group controls an entity when it has power over the entity, is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Generally, control or significant influence is identified by the level of ownership of ordinary shares and the level of management involvement in the relevant activities of the entity. There are no structured entities, consolidated or unconsolidated within the Group. There are no associates and joint arrangements within the Group.

Significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group
There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group.

14. PROPERTY, PLANT AND EQUIPMENT

(a) Group

As at 31 December 2014 and 31 December 2013 the Group did not hold any property, plant and equipment.

On 3 October 2013 One Temple Quay Limited, a subsidiary within the Group, sold a commercial property to The Governor and Company of the Bank of Ireland at its net book value by way of a signed deed of transfer.

There was no depreciation charge for the year ended 31 December 2014 (31 December 2013: £0.2 million).

(b) Operating Lease

The Group leased the property above to the Bank of Ireland Group until 3 October 2013. There were two 15 years leases expiring on 28 September 2015. As noted above, this property was sold to The Governor and Company of the Bank of Ireland and the two 15 year leases were merged as operating leaseholder and freeholder thereby ceasing to exist.

15. OTHER ASSETS

	Group		**Company**	
	31 December 2014 £m	**31 December 2013 £m**	**31 December 2014 £m**	**31 December 2013 £m**
Amounts due from Bank of Ireland UK Holdings plc subsidiaries	-	-	71.5	71.5
	-	**-**	**71.5**	**71.5**

Other assets above relate primarily to an amount advanced to a subsidiary company. This advance is interest free, does not have a fixed repayment date and is repayable on demand.

16. LIABILITIES TO BANKS

	Group		Company	
	31 December 2014 £m	31 December 2013 £m	31 December 2014 £m	31 December 2013 £m
Due to Ultimate Parent and fellow Bank of Ireland Group undertakings	435.5	451.2	416.5	415.6
	435.5	**451.2**	**416.5**	**415.6**

Liabilities to banks with a contractual maturity of less than twelve months from the balance sheet date total £435.5 million (31 December 2013: £451.2 million) for the Group and total £416.5 million (31 December 2013: £415.6 million) for the Company.

17. OTHER LIABILITIES

	Group		Company	
	31 December 2014 £m	31 December 2013 £m	31 December 2014 £m	31 December 2013 £m
Amounts due to subsidiaries	-	-	1.8	1.7
Accruals and deferred income	0.4	0.4	0.1	0.1
Other sundry payables	13.8	14.5	-	-
	14.2	**14.9**	**1.9**	**1.8**

Included in other sundry payables is accrued interest payable of £12.9 million (31 December 2013: £12.7 million) relating to non trading interest payable to a third party creditor.

Other liabilities of the Group with a remaining period to contractual maturity of less than 12 months as at the balance sheet date are £14.2 million (31 December 2013: £14.9 million).

Other liabilities of the Company with a remaining period to contractual maturity of less than 12 months as at the balance sheet date are £1.9 million (31 December 2013: £1.8 million). All other liabilities are unsecured and interest free.

18. DEFERRED TAXATION

	Group	
	31 December 2014 £m	31 December 2013 £m
The movement on the deferred tax account is as follows:		
At beginning of year	1.5	(1.0)
Statement of comprehensive income credit	1.0	2.5
At end of year	**2.5**	**1.5**

Deferred tax assets are attributable to the following items:

	Group	
	31 December 2014	31 December 2013
Deferred tax assets	£m	£m
Leased assets	2.5	1.5
Represented on the balance sheet as follows:		
Deferred tax assets	2.5	1.5

18. DEFERRED TAXATION (continued)

In presenting the deferred tax balances above, under IAS 12, the Group offsets tax assets and liabilities where:

- an entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
- the deferred tax assets and the deferred tax liabilities relate to taxation levied by the same taxation authority on the same taxable entity.

The deferred tax asset has been recognised on the basis that it is probable it will be recovered as the Directors are satisfied that it is probable that the Group will have sufficient future taxable profits against which the deferred tax asset can be utilised. The Directors do not expect the deferred tax asset to reverse within the next twelve months.

The deferred taxation credit in the statement of comprehensive income comprises the following temporary differences:

	Group	
	31 December 2014	**31 December 2013**
	£m	**£m**
Accelerated tax depreciation	0.7	(2.8)
Impact of changes in tax rates	-	0.3
Adjustments in respect of prior years	(1.7)	-
Deferred tax credit	**(1.0)**	**(2.5)**

The UK Government announced that the main rate of corporation tax would reduce to 21% from 1 April 2014 to be followed by a further reduction to 20% for years beginning on or after 1 April 2015. The reduction in the corporation tax rate to 20% from 1 April 2015 was substantively enacted at 31 December 2013 and the effect of this change was to reduce the deferred tax asset at that date by £0.3 million. The application of this rate had no impact on the financial position of the Group during the year ended 31 December 2014.

19. SUBORDINATED LIABILITIES

		Group		Company	
		31 December 2014	**31 December 2013**	**31 December 2014**	**31 December 2013**
Undated Loan Capital	**Note**	**£m**	**£m**	**£m**	**£m**
Bank of Ireland UK Holdings plc €600m 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities [1]	a, b	24.9	26.7	24.9	26.7
		24.9	26.7	24.9	26.7

[1] Listed on the Luxembourg Stock Exchange.

All subordinated liabilities of the Group and Company are expected to be settled more than 12 months after the balance sheet date.

The Group and Company has €32.01 million nominal (31 December 2013: €32.01 million) of the €600 million 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities in issue. The undated loan capital is as follows:

(a) The securities are redeemable in whole or in part at the option of the Company (the 'Issuer') subject to the prior consent of the Central Bank of Ireland and of the Ultimate Parent, at their principal amount together with any outstanding payments on 7 June 2012, or any coupon payment date thereafter. They bear interest of 3 month Euribor plus 3.26% per annum, reset quarterly.

(b) The rights and claims of the holder of the Preferred Securities are subordinated to the claims of the senior creditors of the Issuer or of the Ultimate Parent (as the case may be) in that no payment in respect of the Preferred Securities or the guarantee in respect of them shall be due and payable except to the extent that the Issuer or the Ultimate Parent (as applicable) is solvent and could make such payment and still be solvent immediately thereafter. Upon any winding up of the Issuer or the Ultimate Parent (in respect of claims under the guarantee), the holders of the Preferred Securities will rank pari passu with the holders of the most senior class or classes of preference shares or Share (if any) of the Issuer or of the Ultimate Parent then in issue and in priority to all other shareholders of the Issuer and of the Ultimate Parent.

20. OTHER BORROWED FUNDS

		Group	
	Rate	31 December 2014	31 December 2013
	%	£m	£m
Preference shares	8.125	32.6	32.6

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

These preference shares, which are non-redeemable, non-equity shares, rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc.

Holders of the preference shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative dividend at a fixed rate per annum payable in equal half year instalments in arrears on 15 May and 15 November each year. The preference dividend on the preference shares will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Act.

On 1 October 2007, in connection with the transfer of the business of Bristol & West plc to the Bank of Ireland Group, the Ultimate Parent entered into a Guarantee and Capital Maintenance Commitment (the ‘Guarantee’) with respect to the preference shares. Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of the business would be protected. Under the Guarantee, the Ultimate Parent agreed, subject to certain conditions, to (i) ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends of the preference shares and, to the extent required, repay the preference share capital and (ii) guarantee Bristol & West plc’s obligations to make repayment of the dividends and preference share capital.

21. SHARE CAPITAL

Group and Company	31 December 2014	31 December 2013
	£m	£m
Authorised		
100,000,000 units (2013: 100,000,000 units) of ordinary shares of £1 each	100	100
Allotted and fully paid		
2,477,841 units (2013: 2,477,841 units) of ordinary shares of £1 each	2.5	2.5

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

22. CREDIT RISK

Credit risk

The Bank of Ireland Group’s approach to risk is set out in its Group Risk Framework which identifies the Bank of Ireland Group’s formal governance process (‘Risk Governance Framework’), its framework for setting Risk Appetite and its approach to risk identification, assessment, measurement, management and reporting.

Credit risk is defined as the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. Apart from exposures to entities within the Bank of Ireland Group, credit exposures arise from lending to customers.

The Group is in the process of winding down its residual loan portfolio in an orderly manner to minimise any potential loss that the Group might incur from such a strategy. The credit risk management of the residual loan portfolio is outsourced to the Bank of Ireland Group, and is managed by it in line with its established Risk Governance Framework, and subject to the Bank of Ireland Group Credit Policy & Group Credit Framework (which is approved by the Bank of Ireland Group’s Court of Directors) and other relevant Bank of Ireland business unit and sector/product credit policies.

22. CREDIT RISK (continued)

Credit risk in Bank of Ireland Group is controlled within the Risk Governance Framework which incorporates the Court of Directors, risk committees appointed by the Court of Directors (e.g. Court Risk Committee, Group Audit Committee), and also the Group Risk Policy Committee and its appointed committees (i.e. Group Credit Committee, Risk Measurement Committee, Portfolio Review Committee).

The Risk Governance Framework is supported by the Bank of Ireland Group's management body, with credit risk responsibilities extending throughout the organisation based on the three lines of defence approach.

The organisational structure for credit risk management is designed to facilitate reporting and escalation of credit risk concerns from business units and credit risk functions upwards to Group Risk Policy Committee ('GRPC'), the Court Risk Committee ('CRC'), the Group Audit Committee ('GAC') and the Court of Directors ('Court'), and conveying approved credit risk management policies and decisions to business units.

Impairment criteria and provisions

Loan loss provisioning or impairment allowances required under IAS 39 are based on losses that have been incurred at the balance sheet date and requires that there is objective evidence of impairment and that the loss has been incurred. The standard does not permit the recognition of expected losses, no matter how likely these expected losses may appear.

For further information on the Group's policy on impairment provisions see section 1.13 on page 24 in the summary of significant accounting policies.

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

Industry analysis	**31 December 2014 £m**	**31 December 2013 £m**
Business and other services	3.7	5.1
Manufacturing	-	0.3
Distribution	-	0.1
Transport	0.4	1.3
Gross loans and advances to customers	**4.1**	**6.8**

The tables below and on the next page summarise the Group's financial assets over the following categories: neither past due nor impaired, past due but not impaired and impaired. Exposures are based on the gross amount, before provisions for impairment. Other financial instruments are loans and advances to banks.

31 December 2014	**Commercial £m**	**Other financial instruments £m**	**Total £m**
Financial assets neither past due nor impaired	3.9	552.2	556.1
Financial assets past due but not impaired	-	-	-
Impaired financial assets	0.2	-	0.2
Total	**4.1**	**552.2**	**556.3**

31 December 2013	**Commercial £m**	**Other financial instruments £m**	**Total £m**
Financial assets neither past due nor impaired	6.5	567.0	573.5
Financial assets past due but not impaired	-	-	-
Impaired financial assets	0.3	-	0.3
Total	**6.8**	**567.0**	**573.8**

22. CREDIT RISK (continued)

Financial assets neither past due nor impaired

31 December 2014	Commercial £m	Other financial instruments £m	Total £m
High quality	3.9	552.2	556.1
Satisfactory quality	-	-	-
Acceptable quality	-	-	-
Total	**3.9**	**552.2**	**556.1**

31 December 2013	Commercial £m	Other financial instruments £m	Total £m
High quality	6.3	567.0	573.3
Satisfactory quality	0.2	-	0.2
Acceptable quality	-	-	-
Total	**6.5**	**567.0**	**573.5**

Financial assets past due but not impaired

The Group has no financial assets past due but not impaired at 31 December 2014 or 31 December 2013.

Impaired financial assets

31 December 2014	Commercial £m	Total £m
Impaired financial assets	0.2	0.2
Allowance at the beginning of the year	0.2	0.2
Provisions utilised	-	-
Impairment reversal	(1.0)	(1.0)
Recoveries	0.9	0.9
Allowance at the end of the year	**0.1**	**0.1**

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

31 December 2013	Commercial £m	Total £m
Impaired financial assets	0.3	0.3
Allowance at the beginning of the year	0.9	0.9
Provisions utilised	(0.3)	(0.3)
Impairment reversal	(0.5)	(0.5)
Recoveries	0.1	0.1
Allowance at the end of the year	**0.2**	**0.2**

Repossessed collateral

During the year ended 31 December 2014 the Group took possession of collateral held as security of £nil (year ended 31 December 2013: £nil). Repossessed assets are sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

22. CREDIT RISK (continued)

Company

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

31 December 2014	Other financial instruments £m	Total £m
Financial assets neither past due nor impaired	466.9	466.9
Financial assets past due but not impaired	-	-
Impaired financial assets	-	-
Total	**466.9**	**466.9**

31 December 2013	Other financial instruments £m	Total £m
Financial assets neither past due nor impaired	467.7	467.7
Financial assets past due but not impaired	-	-
Impaired financial assets	-	-
Total	**467.7**	**467.7**

Financial assets neither past due nor impaired

31 December 2014	Other financial instruments £m	Total £m
High quality	466.9	466.9
Satisfactory quality	-	-
Acceptable quality	-	-
Lower quality but not past due nor impaired	-	-
Total	**466.9**	**466.9**

31 December 2013	Other financial instruments £m	Total £m
High quality	467.7	467.7
Satisfactory quality	-	-
Acceptable quality	-	-
Lower quality but not past due nor impaired	-	-
Total	**467.7**	**467.7**

23. LIQUIDITY RISK

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and/or meeting its contractual payment obligations as they fall due, or will only be able to do so at substantially above the prevailing market cost of funds. Liquidity risk arises from differences in timing between cash inflows and outflows. Cash inflows are driven, among other things, by the maturity structure of loans and investments held by the Group, while cash outflows are driven, inter alia, by the term of the debt issued by the Group and the outflows from deposit accounts held for customers. Liquidity risk can increase due to the unexpected lengthening of maturities or non-repayment of assets, a sudden withdrawal of deposits or the inability to refinance maturing debt. These factors are often associated with times of distress or adverse events such as a credit rating downgrade(s) or economic or financial turmoil.

The Group's exposure to liquidity risk is governed by the Bank of Ireland Group's Risk Appetite Statement and associated limits and the Bank of Ireland Group's Funding and Liquidity policy, both of which are approved by the Bank of Ireland Court of Directors on the recommendation of the GRPC and the Court Risk Committee. The operation of this policy is delegated to the Bank of Ireland Group Asset and Liability Committee ('ALCO'). The Bank of Ireland Group Treasury, on behalf of ALCO, is responsible for monitoring liquidity risk and for the development and monitoring of liquidity policy. In addition to its internal liquidity risk management processes, the Group complies with the requirements of the Financial Services Authority in respect of liquidity management.

The table below summarises the maturity profile of the Group's financial instrument liabilities at 31 December 2014 and 31 December 2013 based on contractual undiscounted repayment obligations. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The balances will not agree directly to the balances in the balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

Group

As at 31 December 2014	**Demand**	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Liabilities to banks [1]	435.5	-	-	-	-	435.5
Subordinated liabilities and other capital instruments [2]	-	0.2	0.6	3.4	29.2	33.4
Other borrowed funds [3]	-	-	2.6	10.6	32.6	45.8
Total	**435.5**	**0.2**	**3.2**	**14.0**	**61.8**	**514.7**

As part of the Bank of Ireland Group's capital management activities, the Group may repurchase certain of its subordinated liabilities earlier than the maturity dates listed in the above table. The Group matches the maturity of subordinated liabilities with the maturity of its placements with other Bank of Ireland entities. Therefore any such capital management activities would not impact the liquidity position of the Group.

As at 31 December 2013	**Demand**	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Liabilities to banks [1]	451.2	-	-	-	-	451.2
Subordinated liabilities and other capital instruments [2]	-	0.2	0.7	3.7	31.3	35.9
Other borrowed funds [3]	-	-	2.6	10.6	32.6	45.8
Total	**451.2**	**0.2**	**3.3**	**14.3**	**63.9**	**532.9**

[1] Liabilities to banks primarily relates to non-interest bearing loans.
[2] Interest cash flows included for 10 years.
[3] Interest cash flows included for 5 years.

23. LIQUIDITY RISK (continued)

Company

As at 31 December 2014	Demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
Liabilities to banks (1)	416.5	-	-	-	-	416.5
Subordinated liabilities and other capital instruments (2)	-	0.2	0.6	3.4	29.2	33.4
Total	**416.5**	**0.2**	**0.6**	**3.4**	**29.2**	**449.9**

As at 31 December 2013	Demand £m	Up to 3 months £m	3-12 months £m	1-5 years £m	Over 5 years £m	Total £m
Liabilities to banks (1)	415.6	-	-	-	-	415.6
Subordinated liabilities and other capital instruments (2)	-	0.2	0.7	3.7	31.3	35.9
Total	**415.6**	**0.2**	**0.7**	**3.7**	**31.3**	**451.5**

(1) Liabilities to banks primarily relates to non-interest bearing loans.
(2) Interest cash flows included for 10 years.

24. FINANCIAL RISK MANAGEMENT

Measurement basis of financial assets and liabilities

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

	Group		Company	
	31 December 2014 £m	31 December 2013 £m	31 December 2014 £m	31 December 2013 £m
Financial assets held at amortised cost				
Loans and advances to banks	552.2	567.0	395.4	396.2
Loans and advances to customers	4.0	6.6	-	-
Other assets	-	-	71.5	71.5
	556.2	**573.6**	**466.9**	**467.7**
Financial liabilities held at amortised cost				
Liabilities to banks	435.5	451.2	416.5	415.6
Subordinated liabilities	24.9	26.7	24.9	26.7
Other borrowed funds	32.6	32.6	-	-
	493.0	**510.5**	**441.4**	**442.3**

There are no held to maturity investments or financial assets and liabilities at fair value through profit and loss at 31 December 2014 and 31 December 2013.

24. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities

The fair value of a financial instrument is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group or at recent arm's length market transactions. These fair values are classified within a three-level fair value hierarchy, based on the inputs used to value the instrument. Where the inputs might be categorised within different levels of the fair value hierarchy, the fair value measurement in its entirety is categorised in the same level of the hierarchy as the lowest level input that is significant to the entire measurement. The levels are defined as:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

Transfers between different levels are assessed at the end of all reporting periods.

(a) Financial assets and liabilities recognised and subsequently measured at fair value
All financial instruments are initially recognised at fair value. The Group does not have any financial assets and liabilities subsequently measured at fair value at 31 December 2014 or 31 December 2013.

(b) Financial assets and liabilities not subsequently measured at fair value
For financial assets and liabilities which are not subsequently measured at fair value on the balance sheet, the Group discloses their fair value in a way that permits them to be compared to their carrying amounts. The methods and assumptions used to calculate the fair values of these assets and liabilities are set out below.

Loans and advances to banks
The estimated fair value of floating rate placements and overnight placings is their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing money market interest rates for assets with similar credit risk and remaining maturity (level 2 inputs).

Loans and advances to customers
Loans and advances are carried net of provisions for impairment. The fair value of both fixed and variable rate loans and advances to customers is estimated using valuation techniques which include:

- the discounting of estimated future cash flows at current market rates, incorporating the impact of current credit spreads and margins. The fair value reflects both loan impairments at the balance sheet date and estimates of market participants' expectations of credit losses over the life of the loans (level 3 inputs); and
- recent arm's length transactions in similar assets (level 2 inputs).

Liabilities to banks
The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand. The estimated fair value of other borrowings without quoted market prices is based on discounted cash flows using interest rates for new deposits with similar remaining maturity (level 2 inputs).

Subordinated liabilities and other borrowed funds
The fair values of these instruments are calculated based on quoted market prices where available (level 1 inputs). In the absence of quoted market prices the fair value is calculated based on quoted broker prices (level 2 inputs).

Exclusion from fair value disclosures
Items where the carrying amount is a reasonable approximation of fair value are not included, as permitted by IFRS 7. This applies to the Company's loans and advances to banks, other assets and liabilities to banks.

24. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Group **At 31 December 2014**	**Quoted prices in active market Level 1 £m**	**Valuation techniques observable inputs Level 2 £m**	**Valuation techniques unobservable inputs Level 3 £m**	**Total £m**
Fair value of financial assets held at amortised cost				
Loans and advances to banks	-	566.2	-	566.2
Loans and advances to customers	-	-	3.9	3.9
	-	**566.2**	**3.9**	**570.1**
Fair value of financial liabilities held at amortised cost				
Liabilities to banks	-	435.1	-	435.1
Subordinated liabilities	-	17.1	-	17.1
Other borrowed funds	39.9	-	-	39.9
	39.9	**452.2**	**-**	**492.1**

Company **At 31 December 2014**	**Quoted prices in active market Level 1 £m**	**Valuation techniques observable inputs Level 2 £m**	**Valuation techniques unobservable inputs Level 3 £m**	**Total £m**
Fair value of financial liabilities held at amortised cost				
Subordinated liabilities	-	17.1	-	17.1
	-	**17.1**	**-**	**17.1**

Group **At 31 December 2013**	**Quoted prices in active market Level 1 £m**	**Valuation techniques observable inputs Level 2 £m**	**Valuation techniques unobservable inputs Level 3 £m**	**Total £m**
Fair value of financial assets held at amortised cost				
Loans and advances to banks	-	563.3	-	563.3
Loans and advances to customers	-	-	5.8	5.8
	-	**563.3**	**5.8**	**569.1**
Fair value of financial liabilities held at amortised cost				
Liabilities to banks	-	450.5	-	450.5
Subordinated liabilities	-	21.4	-	21.4
Other borrowed funds	-	35.5	-	35.5
	-	**507.4**	**-**	**507.4**

24. FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities (continued)

Company **At 31 December 2013**	**Quoted prices in active market Level 1 £m**	**Valuation techniques observable inputs Level 2 £m**	**Valuation techniques unobservable inputs Level 3 £m**	**Total £m**
Fair value of financial liabilities held at amortised cost				
Subordinated liabilities	-	21.4	-	21.4
	-	**21.4**	**-**	**21.4**

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

Group	**31 December 2014**		**31 December 2013**	
	Carrying Amount £m	**Fair Values £m**	**Carrying Amount £m**	**Fair Values £m**
Assets				
Loans and advances to banks	552.2	566.2	567.0	563.3
Loans and advances to customers	4.0	3.9	6.6	5.8
Total assets	**556.2**	**570.1**	**573.6**	**569.1**
Liabilities				
Liabilities to banks	435.5	435.1	451.2	450.5
Subordinated liabilities	24.9	17.1	26.7	21.4
Other borrowed funds	32.6	39.9	32.6	35.5
Total liabilities	**493.0**	**492.1**	**510.5**	**507.4**

Company	**31 December 2014**		**31 December 2013**	
	Carrying Amount £m	**Fair Values £m**	**Carrying Amount £m**	**Fair Values £m**
Liabilities				
Subordinated liabilities	24.9	17.1	26.7	21.4
Total liabilities	**24.9**	**17.1**	**26.7**	**21.4**

The fair value of floating rate loans and advances to banks is estimated to be their carrying amount in line with the Bank of Ireland Group approach. The fair value disclosures for current and prior year reflect this approach.

The Group's financial instruments comprise of lending that arose in the course of the Group's ordinary activities, supported by wholesale financial instruments for funding and investment purposes; these instruments included deposits and debt and capital instruments. In addition, when required derivative financial instruments are held for non-trading activities to manage market and credit risks.

The principal risks and uncertainties arising from the Group's operations were credit risk (note 22), liquidity risk (note 23), market risk and operational risk. The Group had minimal residual foreign currency exposure.

24. FINANCIAL RISK MANAGEMENT (continued)

Market Risk

Market risk is the risk of loss in the Group's income or net worth arising from adverse change in interest rates, exchange rates, or other market prices.

Market risk arises in customer facing banking units mainly on the asset side of the balance sheet through fixed rate lending.

Market risk also arises where variable rate assets and liabilities re-price at different frequencies (monthly, quarterly, semi-annually) and where lending reprices with changes in central bank rates but is funded at short dated market rates. The latter is termed basis risk and while it has always been a feature of retail and commercial banking, it is more material now as the volatility of spreads between central bank rates and short term market rates increased significantly.

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

The Group considers that the two most significant aspects of market risk for the Group are interest rate risk and foreign currency risk. These are discussed in detail below.

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

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

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arising from the Group's funding activities is managed using fixed rate loans. As a result, the impact of movement in interest rates is not significant therefore a sensitivity analysis is not presented in the current year.

The Group employs a number of measures to quantify and control market risk. Because of the requirement of the Bank of Ireland that business units eliminate their interest rate risk with it, there is negligible interest rate risk in the Group. Details of Market Risk Measurement are set out on pages 101 to 104 of the Bank of Ireland Group's Annual Report for the year ended 31 December 2014. A copy of this report may be obtained from Bank of Ireland, 40 Mespil Rd, Dublin 4 or www.bankofireland.com.

Currency risk

Board Policy requires that all foreign currency exposure is hedged to de-minimis levels as it arises.

The Group has issued subordinated liabilities denominated in Euro that are hedged with Euro currency loans to Bank of Ireland Group. The Group's policy is to avoid general interest rate risk and to match fund all currency positions so as to ensure no material currency exposure exists therefore a sensitivity analysis is not presented in the current year.

Operational Risk

The Group outsources its key operations to the Bank of Ireland Group and, as a result, operational risk is managed by the Bank of Ireland Group. The Bank of Ireland Group manages regulatory and compliance risk under an overall framework, which is implemented by accountable executives, monitored by the GRPC, the Bank of Ireland Group Audit Committee, the Court Risk Committee and the Group Regulatory, Compliance and Operational Risk Committee ('GRCORC'), and supported by the GRCORC function. The effective management of regulatory and compliance risk is primarily the responsibility of business management.

The Bank of Ireland Group has established a formal approach to the management of regulatory and compliance risk and the objective is the identification, assessment, monitoring and management of regulatory and compliance risks.

25. CAPITAL MANAGEMENT

Capital management objectives and policies

Capital management for the Group is carried out in the context of the Bank of Ireland Group's capital management policy.

The objectives of the Bank of Ireland Group's capital management policy are to at all times comply with regulatory capital requirements and to ensure that the Group has sufficient capital to cover the risks of its business and support its strategy. It seeks to minimise refinancing risk by managing the maturity profile of non equity capital whilst the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised.

The following table sets out the Group's and the Company's capital resources (shareholders' equity and subordinated liabilities):

Group

Shareholders' equity	31 December 2014 £m	31 December 2013 £m
Total shareholders' equity	46.6	44.6
Undated loan capital	24.9	26.7
Total capital resources	**71.5**	**71.3**

Company

Shareholders' equity	31 December 2014 £m	31 December 2013 £m
Total shareholders' equity	26.9	25.3
Undated loan capital	24.9	26.7
Total capital resources	**51.8**	**52.0**

The Group and Company are not regulated in their own right and do not have their own regulatory capital requirements.

26. 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.

Guarantees and letters of credit may be 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 customers default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

There is no contingent liability or commitment as at 31 December 2014 or 31 December 2013.

27. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both. The definition includes subsidiaries, the Parent, as well as other persons.

a) Ultimate Parent
The Company's Ultimate Parent is The Governor and Company of the Bank of Ireland, a corporation established in Ireland in 1783 under Royal Charter with a primary listing on the Irish Stock Exchange and a premium listing on the London Stock Exchange. This is the ultimate controlling party of the Group and the Bank of Ireland Group. The results of the Group are consolidated in the Bank of Ireland Group financial statements, which are available at Bank of Ireland, Head Office, 40 Mespil Road, Dublin 4, Ireland. The Governor and Company of the Bank of Ireland is the smallest and largest group to consolidate these financial statements.

The Group's immediate parent is BoI European Holdings SARL, a wholly owned subsidiary of The Governor and Company of Bank of Ireland.

The Governor and Company of the Bank of Ireland has given an undertaking that, as long as the Company remains a subsidiary of The Governor and Company of the Bank of Ireland, it will provide all necessary funding as and when required.

b) Pledged assets
A floating charge registered over certain property held by One Temple Quay Limited, a subsidiary company, in favour of the trustees of the Bank of Ireland Staff Pensions Fund was released in 2013. Following the sale of this property to The Governor and Company of the Bank of Ireland during the year ended 31 December 2013, a deed of release was received by One Temple Quay Limited from the trustees of the Bank of Ireland Staff Pensions Fund in respect of the floating charge over this property. One Temple Quay Limited received an indemnity from the Governor and Company of the Bank of Ireland in respect of any liabilities and expenses arising from the floating charge created over the property held by it.

c) Subsidiaries
Transactions between the Group and its subsidiaries also meet the definition of related party transactions. A list of the Group's principal subsidiary undertakings is shown in note 13.

d) Transactions with key management personnel
For the purposes of the Companies Act disclosures, Directors mean the Board of Directors and any past Directors who were Directors during the relevant period. For the purposes of IAS 24 Related Party Disclosures, 'key management personnel' (KMP) comprise the Directors of the Board, any KMP of the immediate parent and of the Ultimate Parent and any past KMP who was a KMP during the relevant period. Compensation of key management personnel is paid by The Governor & Company of Bank of Ireland. The Group provides a range of services to related parties entered into in the normal course of business. These included loans, deposits and foreign currency transactions.

The Group receives a range of services from its Ultimate Parent and related parties, including loans and deposits, interest rate cover and various administrative services.

27. RELATED PARTY TRANSACTIONS (continued)

Amounts included in the financial statements at 31 December 2014 in aggregate, by category of related party are as follows:

Group	Directors and key management personnel		Ultimate Parent		Fellow Group undertakings	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets	£m	£m	£m	£m	£m	£m
At the beginning of the year	-	-	561.8	486.9	5.2	111.1
Net amount (repaid)/advanced	-	-	(18.4)	74.9	3.3	(105.9)
At the end of the year	-	-	543.4	561.8	8.5	5.2
Interest income	-	-	4.9	4.9	-	-

Company	Ultimate Parent		Fellow Group undertakings		Subsidiaries	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets	£m	£m	£m	£m	£m	£m
At the beginning of the year	396.1	196.8	0.1	-	71.5	171.8
Net amount (repaid)/advanced	(0.8)	199.3	-	0.1	-	(100.3)
At the end of the year	395.3	396.1	0.1	0.1	71.5	71.5
Interest income	0.9	1.0	-	-	-	-

Assets comprise loans and advances to banks (note 11) and other assets (note 15).

Group	Directors and key management personnel		Ultimate Parent		Fellow Group undertakings	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Liabilities	£m	£m	£m	£m	£m	£m
At the beginning of the year	-	-	451.0	458.2	0.2	35.8
Net amount (repaid)/advanced	-	-	(22.6)	(7.2)	6.9	(35.6)
At the end of the year	-	-	428.4	451.0	7.1	0.2
Interest expense	-	-	0.3	0.6	-	-

Company	Ultimate Parent		Fellow Group undertakings		Subsidiaries	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Liabilities	£m	£m	£m	£m	£m	£m
At the beginning of the year	415.6	308.2	-	-	1.7	0.8
Net amount advanced/(repaid)	0.9	107.4	-	-	0.1	0.9
At the end of the year	416.5	415.6	-	-	1.8	1.7
Interest expense	-	-	-	-	-	-

27. RELATED PARTY TRANSACTIONS (continued)

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

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

Other revenues received from Bank of Ireland Group entities are as follows:

	31 December 2014 £m	31 December 2013 £m
Net fee and commission expense	0.1	1.7

Directors' emoluments are set out in note 29 Directors' Emoluments.

28. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	31 December 2014 £m	31 December 2013 £m	31 December 2014 £m	31 December 2013 £m
Loans and advances to banks (note 11)	60.0	60.0 *	5.0	5.3

*This balance includes the reclassification of an amount held with the Ultimate Parent of £11.7 million to reflect the contractual term of the loan.

29. DIRECTORS' EMOLUMENTS

No Directors exercised share options during the year ended 31 December 2014 or in the year ended 31 December 2013.

No Directors received Bank of Ireland shares under a long-term incentive scheme during the year ended 31 December 2014 or the year ended 31 December 2013.

There were no retirement benefits accruing to Directors from the Group under defined benefit schemes at 31 December 2014 or 31 December 2013.

No compensation for loss of office in respect of former Directors was paid by the Group and no excess retirement benefits in respect of Directors and former Directors were paid during the year ended 31 December 2014 or the year ended 31 December 2013.

The Directors do not receive any Directors' fees in respect of the services provided to the Company. The emoluments of the Directors of the Group are paid by the Bank of Ireland Group. A copy of the Bank of Ireland Group financial statements may be obtained from Bank of Ireland, 40 Mespil Road, Dublin 4 or www.bankofireland.com. All Directors are Directors of a number of subsidiaries of Bank of Ireland Group and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly no Directors' emoluments have been separately disclosed for any of the Directors in these financial statements.

30. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events identified requiring disclosure prior to the approval of the financial statements.

31. SHARE BASED PAYMENTS

The following section covers potential elements of the remuneration packages for employees, including executives, of the Bank of Ireland Group. The information below in respect of share based payment schemes are presented in Euro.

Use of ordinary shares in employee schemes

(a) Employee Stock Issue Scheme

Under this scheme, each year the Court of Directors of The Governor and Company of Bank of Ireland may set aside an element of Bank of Ireland Group profit before taxation for allocation to the trustees of the scheme to enable them to acquire units of ordinary stock on behalf of the scheme participants.

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

The maximum award permitted under the scheme is 6% of a participant's salary. There have been no awards to employees under the employee stock issue scheme since 2008.

(b) Executive Stock Option Scheme (ESOS)

The last grant of options under the scheme were made in 2008. Options granted in 2006, 2007 and 2008 lapsed as the performance conditions were not achieved. The performance conditions for options granted in 1996 up to and including 2005 were satisfied. Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant. No options were either granted or exercised in the year ended 31 December 2014 or in the year ended 31 December 2013.

Under this scheme, which was approved by stockholders, key executives may be granted options to subscribe for units of ordinary stock at the discretion of the Remuneration Committee. Under this scheme, the total value of options granted in a year may not exceed 100% of an executive's annual salary at the time of the award. The subscription price per unit of stock shall not be less than the market value of the stock at the date of grant.

The options below are before the Bank of Ireland Group's 2010 and 2011 Rights Issues. The Bank of Ireland Group's Remuneration Committee exercised its discretion not to make any technical adjustments to these grants.

	31 December 2014		31 December 2013	
	Number of options	**Weighted average exercise price (€)**	**Number of options**	**Weighted average exercise price (€)**
Outstanding at beginning of year	1,230,014	11.79	2,686,513	11.45
Expired during year	(738,877)	11.08	(1,456,499)	11.17
Outstanding at end of year	491,137	12.87	1,230,014	11.79
Exercisable at end of year	491,137	12.87	1,230,014	11.79

Exercise Price Range (€)	Number of Options
12.85 – 13.68	491,137
Total	**491,137**

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

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

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

32. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of BOI European Holdings SARL. The Governor and Company of the Bank of Ireland is the parent company of BOI European Holdings SARL, and therefore the Ultimate Parent of Bank of Ireland UK Holdings. These financial statements are included in the consolidated financial statements of the Bank of Ireland Group. BOI European Holdings SARL does not prepare consolidated financial statements. A copy of the Bank of Ireland Group financial statements may be obtained from Bank of Ireland, 40 Mespil Road, Dublin 4 or www.bankofireland.com.

Registered office of Bank of Ireland UK Holdings plc :
Bank of Ireland UK Holdings plc
1 Donegall Square South
Belfast
BT1 5LR
Northern Ireland

33. APPROVAL OF FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on 27 March 2015.