Report & Accounts

for the year ended 31 March 2006

Bank of Ireland Group

clear strategy

delivering excellent results

Contents

Forward Looking Statement

This document contains certain forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995 with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance and the markets in which it operates. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to risks and uncertainties relating to profitability targets, prevailing interest rates, the performance of the Irish economy and the international capital markets, the Group's ability to expand certain of its activities, development and implementation of the Group's strategy, including the ability to achieve estimated cost reductions, competition, the Group's ability to address information technology issues and the availability of funding sources. Any forward-looking statements speak only as of the date they were made. The Bank of Ireland Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the Group has made or may make in documents it has filed or submitted or may file or submit to the U.S. Securities and Exchange Commission.

Court of Directors


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Non-Executive Officers

1 **Richard Burrows** ◇ ● **Governor**
Appointed to the Court in 2000. Deputy Governor 2002-2005, Senior Independent Director 2003-2005, Governor since July 2005. Former co-chief executive of Pernod Ricard S.A. (2000-2005) and former chief executive of Irish Distillers Group (1978-2000). A director of Pernod Ricard S.A. and chairman of Irish Distillers. (Age 60)

2 **Denis O'Brien** *BA MBA*, ♦ ★ ○ **Deputy Governor**
Appointed to the Court in 2000. Appointed Deputy Governor on 14 September 2005. Chairman of Digicel Group, the Governing Body of the National College of Ireland and the Irish Ernst & Young Entrepreneur of the Year Judging Panel. A director of Aergo Capital Ltd, Communicorp Group Ltd, Oakhill plc and Frontline – International Foundation for the Protection of Human Rights and a number of other companies. (Age 48)

Executive Directors

3 **Brian J Goggin** *M Sc (Mgt), FCCA* **Group Chief Executive**
Joined Bank of Ireland in 1969. Subsequently served in a variety of senior management positions within Bank of Ireland Group in the United States, Britain and Ireland. Appointed Chief Executive Corporate and Treasury in 1996, Chief Executive Wholesale Financial Services in 2002, Chief Executive Asset Management Services in 2003 and appointed Group Chief Executive in June 2004. Appointed to the Court in 2000. A director of Post Office Limited and President, Irish Chapter, The Ireland – U.S. Council. (Age 54)

4 **John O'Donovan** *B Comm, FCA* **Group Chief Financial Officer**
Joined the Group in 2001 as Group Chief Financial Officer. Appointed to the Court in 2002. Formerly Group Finance Director/ Company Secretary of Aer Lingus. (Age 54)

⬟ Senior Independent Director
▲ Chairman of Group Audit Committee
△ Member of Group Audit Committee
♦ Chairman of Group Remuneration Committee
◇ Member of Group Remuneration Committee
● Chairman of Group Nomination & Governance Committee
○ Member of Group Nomination & Governance Committee
Chairman, Board of Trustees of the Bank Staff Pension Fund
★ Trustee of the Bank Staff Pension Fund


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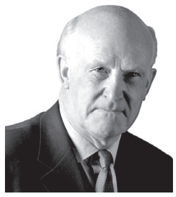
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Non-Executive Directors

5 **Roy E Bailie** *OBE* ▲
Appointed to the Court in 1999. Chairman of W&G Baird Holdings Ltd. A director of UTV plc and formerly a director of the Bank of England. Retires from the Court following the 2006 Annual General Court. (Age 62)

6 **David Dilger** *CBE BA, FCA* △○
Appointed to the Court in 2003. Chief Executive Officer of Greencore Group plc since 1995, Chief Operating Officer from 1992 and Chief Executive of Food Industries plc, which was acquired by Greencore, from 1988. (Age 49)

7 **Paul Haran** *M Sc, B Sc* ○#
Appointed to the Court in 2005. Chairman of the National Qualifications Authority of Ireland and of UCD Michael Smurfit School of Business and Principal, UCD College of Business & Law. A member of the Forum of the Economic and Social Research Institute, a Council member of the Irish Management Institute and a member of the Road Safety Authority. Appointed by the Minister for Justice and Law Reform to chair the Working Group on Legal Costs. Former Secretary General of the Department of Enterprise, Trade and Employment and a former member of the National Economic and Social Council and the Board of Forfas. A Director of Glanbia plc, the Mater Private Hospital and Edward Dillon & Company Ltd. (Age 48)

8 **Mike Hodgkinson** ○
Appointed to the Court in 2004. Chairman of Post Office Ltd and First Choice Holidays plc and a non executive director of FKI plc, Dublin Airport Authority plc, Royal Mail Holdings plc and Transport for London. Former Managing Director of Land Rover and Range Rover Ltd. Former Chief Executive - European Food Division, Grand Metropolitan Group plc, and of British Airports Authority plc. (Age 62)

9 **George Magan** *FCA* ⬟△◊
Appointed to the Court in 2003. Appointed Senior Independent Director in July 2005. A Partner in Rhône Group, a private equity company headquartered in New York and Chairman of Morgan Shipley, an investment banking company based in Dubai. Former director of Morgan Grenfell and former Chairman of JO Hambro Magan, NatWest Markets Corporate Finance and Hawkpoint Partners Limited. (Age 60)

10 **Caroline A Marland** ○
Appointed to the Court in 2001. A director of Virgin Mobile Holdings (UK) plc. Former Managing Director of Guardian Newspapers, a former member of the main board of directors of the Institute of Directors in the UK and a former director of Burberry Group plc and Arcadia Group plc. (Age 60)

11 **Declan McCourt** *BL MA MBA* △◊
Appointed to the Court in 2004. Chief Executive of automotive distributor, the OHM Group, Chairman of the Mater Hospital Foundation and of UCD Law School Development Council and a director of Fyffes plc, Blackrock International Land plc, Dublin Docklands Development Authority and a number of other companies. (Age 60)

12 **Thomas J Moran** *B Sc* ○△
Appointed to the Court in 2001. Chairman, President and Chief Executive Officer of Mutual of America Life Insurance Company. A member of the Taoiseach's Economic Advisory Board, the boards of the Irish Chamber of Commerce in the USA, the North American Board of the Michael Smurfit Graduate School of Business at UCD and the Ireland – US Council for Commerce. Chairman of Concern Worldwide (US). (Age 53)

13 **Terry Neill** *MA M Econ Sc* △◊
Appointed to the Court in 2004. Chairman of Meridea Oy and of the Council of Friends of Camerata Ireland. A member of the Governing Body and chairman of the Finance Committee of London Business School. A member of the Boards of CRH plc and Trinity Foundation. Former Senior Partner in Accenture and former chairman of its global Board.
(Age 60)

14 **Mary P Redmond** *BCL, LLM, PhD*
Appointed to the Court in 1994 and appointed Deputy Governor from 2000 to 2002. Consultant Solicitor in Employment Law at Arthur Cox. Honorary Fellow of Christ's College, Cambridge and Chairman of its Development Board. Fellow of the Royal Society of Arts. Council Member of the Institute of Directors UK. Appointed by the Taoiseach to the Taskforce on Active Citizenship. Founder of the Irish Hospice Foundation and of The Wheel, the Community and Voluntary Sector network. A director of Boardmatch Ireland and a former director of Jefferson Smurfit Group plc and of Campbell Bewley Group. Retires from the Court following the 2006 Annual General Court. (Age 55)

Governor's Statement

Bank of Ireland Group reports an improved performance in the year to 31 March 2006 showing strong returns for our stockholders.

Basic earnings per share grew by 31% to 136.4 cent while underlying earnings per share increased by 16%. Return on equity was 24%. The total dividend recommended to stockholders is 15% higher than last year.

The accounts have been prepared in line with the International Financial Reporting Standards now applying to all EU-listed companies. The transition from the old basis, Irish GAAP (Generally Accepted Accounting Policies), to IFRS is complex and requires restatement of historical figures for comparative purposes. Our objective in managing this transition has been to provide the maximum of clarity and transparency whilst showing clearly the strong growth and development of our business.

This is an exciting time to be in the financial services industry. Strong economic growth, positive demographics and a dynamic enterprise culture in our main markets provide growth opportunities in every facet of our business. Increasing levels of competition are a manifestation of these factors and also provide a stimulus to market growth. Your Court of Directors is closely monitoring the performance of the Group as compared to its key competitors and peer group.

Bank of Ireland Group is positioning itself to benefit from these opportunities and to manage the challenges they present. We are making excellent progress against our stated efficiency targets and we are differentiating ourselves on the basis of our trusted customer service. Our Irish retail and wholesale businesses continue to thrive and our restructured UK business is targeting strong growth. Our global reach is developing with our international niche businesses establishing new locations for growth in Europe and North America over the past year. Our Asset Management business had a difficult year, but is rebuilding its portfolio of products with the acquisition of Guggenheim Advisors.

Delivery of the performance in the year to end March 2006, while also driving the change and growth agenda, is due to the excellence and commitment of the management and staff of the Bank of Ireland Group led by our Group Chief Executive, Brian Goggin. On behalf of stockholders I thank Brian and his entire staff.

Dividend

The Court is recommending a final dividend of 34.3 cent. Together with the interim dividend of 18.2 cent, this will result in a total dividend of 52.5 cent for the year ended 31 March 2006, an increase of 15% on the previous year. This dividend will be paid on or after Friday, 28 July to stockholders who are registered as holding Ordinary Stock at the close of business on Friday, 30 June 2006.

Court

This is my first statement as Governor of Bank of Ireland. Laurence Crowley retired after the Annual General Court on 6 July 2005 and, on behalf of the Court and stockholders, I thank Laurence for his leadership and commitment during his period as Governor. George Magan was appointed Senior Independent Director in July 2005. Denis O'Brien was appointed Deputy Governor in September 2005, and also chairs the Remuneration Committee. Mary Redmond and Roy Bailie both retire from the Court following the forthcoming AGC having served as Directors since 1994 and 1999, respectively. Mary and Roy have served Bank of Ireland well and I thank them for the sustained quality of their contributions to the work of the Court and its committees. I wish them both well in the future.

Donal Geaney's death in October 2005 was a sad loss. Donal was a man of energy, intellect and business acumen who contributed considerably to the deliberations of the Court. He is greatly missed by us all. I thank my fellow Directors for their support and for their continuing diligence and commitment to the continuing work of the Court and its various committees.

The Future

Our ambition is to develop Bank of Ireland in its home markets and abroad so that we can generate value for our stockholders by providing excellent products and services to our customers. The continuing growth of the economies in our main markets, the improved level of our performance as evident in the results for 2005/06, and the emerging benefits of a sustained period of investment in growth businesses give us confidence for future years.

Richard Burrows, Governor

Group Chief Executive's Operating and Financial Review

The year to 31 March 2006 was one of strong profit growth for the Bank of Ireland Group.

We achieved this through record business levels in our main divisions, aggressive cost management and by reaping the emerging benefits of our focused investment strategy. We also met our goal of stepping up the implementation of our business strategy where we made significant progress on a number of fronts. We are ahead of target in Year 1 of our Strategic Transformation Programme and we are creating clear differentiation with our competitors through our "Changing for You" customer service programme. This highly satisfactory performance for the year has been achieved while maintaining excellent asset quality.

The progress we made is reflected in our financial results for the year where total profit before tax was up 31% to €1,599 million with basic earnings per share also up 31% to 136.4c. Underlying profit before tax, which excludes non-core items, was up 16% to €1,393 million with underlying earnings per share at 118.5 cent, also an increase of 16% on the previous year. The Group cost/income ratio reduced by almost 3% in line with our goal of improving efficiency and our impairment loss charge at 11 basis points (bps) reflects strong underwriting skills and the benign credit environment. These results continue a well-established trend making this our 15th consecutive year of profit growth and our 14th successive year of dividend growth.

The basis for these results is our positioning in Europe's two best performing economies with Ireland and the UK accounting for 86% of Group profits. Ireland has significantly outshone the rest of Europe in economic growth over the past decade while the UK has also consistently outperformed the eurozone. Both of these trends are forecast to continue giving us confidence for further profit growth in our two main markets.

Bank of Ireland Group has a well-established business strategy. We aim to be the number one bank in Ireland with dynamic businesses growing internationally by:

- maximising returns from our leading position in Ireland
- substantially growing our businesses in the UK
- growing our portfolio of niche, skill-based businesses internationally

Over the past year we have embarked on a programme of actions designed to step up the implementation of this strategy in order to deliver superior results and also to build an organisation capable of sustained growth in an efficient and streamlined manner. We have delivered on this objective against the committed timelines.

Our Retail business in Ireland had a very strong year made possible by our excellent distribution network and unique sales effectiveness model. We made good progress in achieving greater efficiency while also continuing to invest directly in customer service. We delivered on a key strategic commitment with the launch of our customer programme – "Changing for You". This underlines the Bank's commitment to real customer differentiation and includes additional staff in branches, improved branch layout, active queue management initiatives and enhanced phone and online services. In an increasingly competitive environment our broadly based multi channel distributions franchise and our superior products and services continue to deliver profitable growth.

Bank of Ireland Life is now a market leader for life and pensions new business and enjoyed a successful year with excellent new business volume. The Life business has consistently taken a leadership role in the development of SSIA products.
These products mature over the next year, and we have been first to market with an innovative set of competitive products to enable customers to gain the maximum benefit from their maturing savings.

Group Chief Executive's Operating and Financial Review


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Group Executive

1 **Brian J Goggin**
Group Chief Executive

2 **John O'Donovan**
Group Chief Financial Officer

3 **Richie Boucher**
Chief Executive, Retail Financial Services Ireland

4 **Des Crowley**
Chief Executive, UK Financial Services

5 **Denis Donovan**
Chief Executive, Wholesale Financial Services

6 **Kevin Dolan**
Chief Executive, Asset Management Services

7 **Cyril Dunne**
Group Transformation Director

8 **Michael Grealy**
Head of Group HR

9 **Ronan Murphy**
Group Chief Risk Officer

10 **Tony Wyatt**
Director, Group Manufacturing

We concluded the review of our UK Division during the year with the disposal of the Bristol & West branch network. At the same time we completed the Business Improvement Programme and continued our investment programme resulting in strong loan growth of 46% in our business banking activities in this market. We have also made good progress in our business relationship with the UK Post Office, as it continues to significantly build its customer base from 100,000 in May 2005 to 475,000 in May 2006 exceeding our ambitious target of 400,000 customers. With the restructuring of our business in the UK now complete, including the incorporation of both the Post Office Financial Services (POFS) and First Rate Travel Services (FRTS) into this Division, we now have a clear focus in the UK on business banking, mortgage lending and consumer financial services and we are targeting strong growth in this Division in the coming year.

The development of our international niche businesses also continued during the year with Corporate Banking opening offices in Paris and Frankfurt, Global Markets opening a Treasury operation in London and the acquisition of 71.5% of Guggenheim Advisors providing us with a greater product range for our distribution platform in Asset Management Services.

Our Strategic Transformation Programme has achieved cost savings of €35 million in Year 1 against a target of €30 million and we have clear line-of-sight on the delivery of the second year target of €75 million. Just as importantly we have made significant progress in transforming the organisation model in Bank of Ireland that will continue to deliver benefits as we grow the business.

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The Group has strong capital resources and our approach to capital management ensures that we have adequate capital to support our business plans. We constantly strive to provide a mix of capital that meets the objectives of both equity and debt investors and delivers superior returns from efficient capital management.

This has been a year of significant change for the Bank of Ireland Group. While delivering an excellent growth and profit performance, we have also taken significant steps in transforming the business for the future. We have made efficiency a core objective by starting to build an organisation capable of strong growth without adding costs in the same proportions. We undertook to invest in the business and spend “good” costs where there was a clear opportunity for our customers and stockholders. We committed to taking the quality of our customer service to a whole new level of excellence in an increasingly competitive and demanding environment. The core purpose of this strategy is to build a sustainably growing business for the future. We have made significant progress on achieving this objective in 2005/06.

Our employees in Bank of Ireland continue to be a key factor in the progress of the business. During a year of great change they have shown resilience, determination and, above all, an unrelenting commitment to putting the customer first. We are fortunate to benefit from this key differentiating factor where the quality of advice, service and product innovation helps us to win and retain ever-increasing numbers of satisfied customers.

Outlook

Continuing positive economic prospects in our main markets, the inherent strengths of our businesses, excellent cost and efficiency management and prudent, targeted investment will deliver strong growth across the Group whilst maintaining our robust capital position. We will continue to meet our strategic commitments, step up the pace of our delivery and I am confident of another year of strong performance in 2006/07.

“ We will continue to meet our strategic commitments, step up the pace of our delivery and I am confident of another year of strong performance in 2006/07.”

Divisional Performance

In preparing these results, the Group has applied IFRS extant at 31 March 2006. However, because of amendments to IAS 39 during 2004 and 2005 the Group has availed of the option in IFRS 1 (First-time Adoption of International Financial Reporting Standards) to implement IAS 39 (Financial Instruments: Recognition and Measurement), together with IAS 32 (Financial Instruments: Disclosure and Presentation) and IFRS 4 (Insurance Contracts), from 1 April 2005 without restating its March 2005 income statement and balance sheet. Accordingly, comparative information in respect of Financial Instruments and Insurance Contracts is prepared on the basis of the Group's accounting policies under Irish Generally Accepted Accounting Principles (IR GAAP).

However, given the importance of IAS 32, IAS 39 and IFRS 4, the Group is also providing detailed comparative information on a pro-forma basis that includes the estimated effect of these standards for the year ended 31 March 2005 to facilitate inter-period comparison. The pro-forma income statement for the year ended 31 March 2005 has been prepared as though the requirements of IAS 32, IAS 39 and IFRS 4 had been applied from 1 April 2004 except for the requirements relating to accounting for derivatives (hedge accounting) and impairment provisioning on transition to IFRS. The results for the year to 31 March 2006 with pro-forma comparatives for the year to March 2005 are presented on page 18. A reconciliation of the Group Income Statement for the twelve months to 31 March 2005 on a statutory IFRS basis to a pro-forma basis is set out on page 28.

The Group and divisional performances have been prepared on a pro-forma basis to ensure that the underlying performance trends inherent in the business are explained. To further enhance comparability between both periods certain non-core items are excluded from our analysis of Group and divisional performance.

Divisional Performance: Profit Before Tax

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Retail Republic of Ireland	550	465	18	474
Life	134	81	65	135
Wholesale Financial Services	386	325	19	334
UK Financial Services	349	332	5	356
Asset Management Services	85	125	(32)	125
Group Centre	(111)	(122)	9	(128)
Underlying profit before tax	1,393	1,206	16	1,296
Non-core items:				
Disposal of business activities	176	11	-	11
Gross up for policy holder tax in the Life business	69	26	-	26
Hedge ineffectiveness on transition to IFRS	(7)	-	-	-
Loan Loss Provision write back	-	100	-	100
Restructuring programmes	(32)	(123)	-	(123)
Profit before tax	1,599	1,220	31	1,310

Retail Republic of Ireland

Retail Republic of Ireland reported an excellent performance for the year to 31 March 2006 with pre-tax profit growth of 18% to €550 million. Total operating income rose by 11% and expenses rose by 6% representing a very satisfactory income/cost relative performance. This achievement reflects the continuing strength of our domestic franchise and customer proposition and has been driven by strong volume growth, higher fee income, well-managed costs and strong asset quality.

Retail Republic of Ireland: Income Statement

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Net interest income	1,119	1,020	10	1,019
Other income *	356	314	13	316
Total operating income	1,475	1,334	11	1,335
Total operating expenses	(871)	(818)	6	(810)
Impairment losses on loans and advances	(54)	(51)	6	(51)
Profit before tax	550	465	18	474

* Includes share of associates/joint ventures.

Performance was enabled by a continuing favourable economic environment and demographics in Ireland:

- clear strategic focus on service excellence delivered through our "Changing for You" Customer Programme
- highly effective and responsible sales model
- leading multi-channel distribution capability

Lending and resources volumes in the Division grew by 23% and 15%, respectively. In Business Banking, targeting of the Small and Medium Enterprise sector delivered impressive results with loan growth of 23% recorded for the year. We maintained our number one position in the mortgage market with book growth of 27%, while new advances also grew by 29%. Personal lending volumes increased by 13% for the year.

Net Interest Income rose by 10% reflecting volume growth as well as a further narrowing of net interest margin. Net interest margin in the Division continues to be impacted by:

- the affect of the low interest rate environment on liability margins
- the higher rate of loan growth compared with resources leading to higher wholesale borrowings
- changing product mix
- competition

Other Income, including the income from associated companies and joint ventures, rose by 13% driven particularly by strong growth in business banking, private banking and credit cards.

The impairment losses on loans and advances were €54 million or 15 bps as a percentage of advances, down from 18 bps in the prior year.

Costs were well managed with the cost/income ratio for the Division down over two percentage points to 59.1%. Cost growth of 6% included a significant increase in the pension charge arising from IAS 19. Excluding this IAS 19 impact, costs growth was 4% – a very satisfactory performance.

Bank of Ireland Life

Bank of Ireland Life, the Group's life and pensions business, reported a highly impressive IFRS profit performance with growth in operating profits of 43% to €113 million and growth in profit before tax of 65% to €134 million. The ongoing success of our sales effectiveness model and strength of our multi-channel distribution network increased our market share by a further one percentage point to 25%.

IFRS Performance

Bank of Ireland Life: Income Statement

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Income	208	172	21	212
Costs	(95)	(93)	2	(93)
Operating Profit	113	79	43	119
Investment variance	17	2	-	16
Discount rate change	4	-	-	-
Profit before tax	134	81	65	135

The life business achieved excellent APE (annual premium equivalent) sales volumes growth of 30% to €387 million, and experienced continued favourable mortality and persistency variances together with rising equity markets. Profitability benefited from a positive investment variance of €17 million, and a reduction in the risk discount rate (the rate at which we discount future insurance liabilities) of 0.5% to 7.5%. Bank of Ireland Life continues to invest significantly in its administrative platforms to improve efficiency and has recently completed the move to a single platform for administering our sales and applications processing for the life business.

The economic and demographic backdrop to our Life business in Ireland is very supportive: a strong economy, a growing population, significant job creation, rising incomes, an excellent savings ratio and the need for substantial investment in personal pension provision providing significant opportunities. The outlook remains very positive.

Embedded Value Performance

The alternative method (which is widely used by the life insurance industry) of presenting the performance of our Life business is on an embedded value basis. The embedded value basis translates estimated future distributable earnings to a present value and is set out in the following table. Under this treatment, our Life business also shows an excellent performance with operating profit up 22% and profit before tax up 51%. Both new business and existing business performed well, with growth of 32% and 16% respectively, in the year to 31 March 2006. The impact of economic environment changes, such as a strong equity market and low interest rates, also had a positive impact.

Bank of Ireland Life: Embedded Value Income Statement

	31 March 2006 € million	31 March 2005 € million	% Change 31 March 2006 over 31 March 2005
New business profits	78	59	32
Existing business profits	94	81	16
• Planned return on capital	66	59	12
• Experience variance	20	18	11
• Assumption changes	8	4	100
Investment income on free funds	5	5	-
Inter-company payments	(32)	(26)	23
Operating Profit	145	119	22
Investment variance	51	16	
Discount rate change	8	-	
Profit before tax	204	135	51

The Embedded Value for the Life business, includes a Value of Inforce asset both in respect of contracts classified as Insurance and contracts classified as Investment. In contrast, the IFRS statutory result, includes a Value of Inforce asset in respect of insurance contracts only. The Value of Inforce is the discounted value of future after tax profits that will arise from insurance and investment business in the long-term fund. The key assumptions used in the calculation of this asset are the discount rate of 7.5% (2005: 8.0%), the future growth rate on unit-linked assets of 5.5% (2005: 6.0%) and the rate of tax assumed to be levied on shareholder profits of 12.5% (2005:12.5%). Actuarial assumptions are also required in relation to mortality, morbidity and persistency rates and these have been derived from the Company's experience.

Wholesale Financial Services

Our Wholesale Division (WFS) comprises Corporate Banking, Global Markets, Davy Stockbrokers and IBI Corporate Finance.
Profit before tax in WFS increased by 19% to €386 million for the year to 31 March 2006.

Wholesale Financial Services: Income Statement

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Net interest income	454	325	40	302
Other income	243	278	(13)	310
Total operating income	697	603	16	612
Total operating expenses	(288)	(240)	20	(240)
Impairment losses on loans and advances	(23)	(38)	(39)	(38)
Profit before tax	386	325	19	334

Total operating income rose by 16% to €697 million for the year to 31 March 2006 driven by strong lending volumes and higher margin in Corporate Banking. In addition, income figures for Burdale, our UK asset-based lender that we acquired in January 2005, have been included for a full year for the first time. Lending volumes increased by 35% and margins improved reflecting a shift in loan mix towards the higher margin business in acquisition finance, property and asset-based lending.

The application of IAS 32 and IAS 39 in the current year has the effect of recognising certain income streams as Net Interest Income, which in the prior year would have been recognised as Other Income. Excluding the impact of IAS 32 and IAS 39 Net Interest Income rose by 28% with Other Income broadly in line with the prior year.

There were two main drivers of Operating Expenses within the Division; investment costs and staff related costs.

Investment costs in Corporate Banking and Global Markets added 8% to total cost growth with an increase in front line staff, opening of offices in Paris and Frankfurt, the expansion of our activities in the UK and the US and the inclusion of the costs of Burdale for a full year.

Increased staff costs across the Division arising from salary inflation and performance related pay added 8% to total Operating Expenses. Pension costs arising from IAS 19 and increased compliance costs arising from initiatives under IFRS, Basel II and Sarbanes-Oxley (SOx) added a further 2% to the operating costs of the Division. In total, these costs together with other volume related costs contributed cost growth within the Division of 20%.

Credit quality remains excellent with impairment losses on loans and advances of €23 million, or 12bps when expressed as a percentage of the loan portfolio. This compares to €38 million or 26bps in the prior year. Our continued strong credit performance is being driven by the benign credit environment supported by our active approach to credit management.

Wholesale Financial Services: Business Unit Profit Before Tax

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005
Corporate Banking	213	159	34
Global Markets	134	124	8
Other (including Davy & IBI Corporate Finance)	39	42	(7)
Total	386	325	19

Corporate Banking delivered particularly strong profit growth of 34% for the year. The strategy in Corporate Banking is to continue to grow both our domestic franchise and to broaden our international business by focusing on niche skills based activities. This is yielding results with the delivery of impressive loan and profit growth and improved customer satisfaction.

Our niche-lending teams are enabling the successful expansion into sectors such as media, asset-based lending and UK and European property. Our new offices in Paris and Frankfurt, together with the increased resources in the UK and US, provide us with greater presence and diversification in these important markets. In addition, we are increasingly taking lead roles in the arranging and structuring of syndicated transactions.

Our Global Markets business delivers a comprehensive range of risk management products to the Group's customer base and acts as Treasurer for the Group. Profit for the year increased by 8% and we retained our leading market position with 27% share of the commercial customer foreign exchange market in Ireland. Our focus for the year has been to broaden the geographic scope of our activities with the opening of a treasury operation in London, further build on our technical capability with the recruitment of highly-skilled teams and work closely with other Group divisions to deliver an integrated service to our customers.

The other businesses within the Division, Davy and IBI Corporate Finance continued to perform well.

UK Financial Services (UKFS)
(local currency)

UK Financial Services: Income Statement

	31 March 2006 £ million	Pro-forma 31 March 2005 £ million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 £ million
Net interest income	493	429	15	421
Other income	63	135	(53)	159
Total operating income	556	564	(1)	580
Total operating expenses	(329)	(366)	(10)	(366)
Impairment losses on loans and advances	(17)	7	-	7
Share of associates & JV (profit after tax)	28	22	27	22
Profit before tax	238	227	5	243

During the year some organisational changes were made to further streamline the management and reporting of our activities in the UK:

- Post Office Financial Services (POFS) was transferred to our UKFS Division.
- First Rate Travel Services (FRTS), our personal foreign exchange travel service joint venture with the UK Post Office, was transferred from our Wholesale Division to our UKFS Division.

The UKFS Division now comprises Mortgages, Business Banking and Consumer Financial Services. The latter represents a grouping of our businesses with the UK Post Office (POFS and our 50% share of FRTS). Profit before tax increased by 5% for the year.

The Divisional performance is not directly comparable, particularly at Income Statement line item level, as the disposal of the Bristol and West branch network in the current year and Chase de Vere in the prior year impact the year-on-year analysis of income and cost growth.

Net Interest Income rose by 15% to £493 million for the year to 31 March 2006. Excluding the impact of the disposals mentioned above and the impact of the application of IAS 32 and IAS 39 in the current year, Net Interest Income grew by 13%. Strong volume growth of 29% was a key driver of this performance, with volume gains being partially offset by margin attrition arising from the continuing impact of asset growth outpacing the growth of liabilities, the disposal of the Bristol and West branch network together with the impact of mortgage back book repricing which has now finished.

Other Income fell by 53%, and was again impacted by the effect of the disposals and our first time application of IAS 32 and IAS 39, which has seen income recognised as Net Interest Income which would have been recognised as Other Income in prior years. Excluding the impact of these items Other Income was up 7% compared to the prior year.

Operating Expenses fell by 10% to £329 million for the year to 31 March 2006. Excluding the impact of disposals, Operating Expenses grew by 10% in the year due to investment costs, marketing expenditure relating to new product launches in POFS and other volume related expenditure.

Impairment losses on loans and advances are £17 million for the twelve months to 31 March 2006 compared with a £7 million credit in the prior year, due to an impairment loss provision release. Excluding the impact of this impairment loss provision release the 31 March 2005 impairment loss represented a charge of £3 million. The current year's charge of £17 million represents 5 bps of the average advances in UKFS.

UK Financial Services: Business Unit Profit Before Tax

	31 March 2006 £ million	Pro-forma 31 March 2005 £ million	% Change March 2006 over Pro-forma March 2005
Mortgages	134	125	7
Business Banking	114	115	(1)
Consumer Financial Services:			
• POFS	(22)	(32)	31
• FRTS	28	26	8
	6	(6)	-
Disposed business activities: (BWFS & Chase de Vere)	(3)	(3)	-
Other*	(13)	(4)	-
Total	238	227	5

* Note: includes the amortisation of intangible assets associated with the UK Post Office Financial Services (March 2006: £8m, March 2005: £8m). The prior year also includes the benefit of £7 million gain on disposal of a loan book.

The Mortgage business delivered profit of £134 million, an increase of 7% for the year. The mortgage book increased by 22% with particularly strong growth in both our self-certified and buy-to-let specialist portfolios, which increased 48% and 36% respectively. The specialist book now represents 45% of the mortgage portfolio. Our commitment to service excellence, and a particular focus on the intermediary channel which represents 90% of our overall business, has resulted in this strong mortgage book growth. The book margin remained stable and the quality of our loan book remains high with loan arrears significantly below the industry average.

Profit before tax from Business Banking was broadly flat for the year to 31 March 2006 as a result of the inclusion of a £10 million technical impairment loss provision release in the year to 31 March 2005. Excluding the impact of this, profit before tax increased by 9%. Our investment in the recruitment of experienced relationship managers has delivered excellent results with year on year loan growth of 46% and resources growth of 10%. Throughout the year we have continued to focus on the achievement of balanced growth in the property, mid-corporate and SME markets and have further developed our expertise in selected niches including healthcare, hotels and debtor finance.

Consumer Financial Services comprises our joint venture businesses with the Post Office following the strategic divestment of the Bristol & West branch network during the year. It was a successful year for POFS as it continued to build its customer base from 100,000 in May 2005 to 475,000 in May 2006.
The insurance customer base reached 290,000 and there was a strong response to its new 2-in-1 credit card product, the first of its kind in the UK market. Operating losses reduced from the prior year by £10 million to £22 million as revenues grew strongly.
FRTS performed well during the year with the continued roll-out of the network expansion for the foreign exchange service through the UK Post Office branch network. The Bank of Ireland share of the profit of the joint venture was £28 million post-tax, an increase of 8% over the prior year. FRTS has firmly established a leading market position in the UK with 30% market share of the personal foreign exchange market.

Asset Management Services

Asset Management Services: Income Statement

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Net interest income	7	4	75	4
Other income	215	252	(15)	252
Total operating income	222	256	(13)	256
Total operating expenses	(137)	(131)	5	(131)
Profit before tax	85	125	(32)	125

Asset Management Services (AMS) comprises Bank of Ireland Asset Management (BIAM), Bank of Ireland Securities Services (BoISS) and our holdings in Iridian Asset Management (84%) and Guggenheim Advisors (71.5%). Profit before tax for the Division for the year to 31 March 2006 was €85 million, a decrease of 32% over the prior year, reflecting the full year impact of the mandate losses since September 2004.

Fund outflows from BIAM continued, but at a slower pace, with funds under management at the year-end of €45.1 billion compared to €44 billion on 30 September 2005 and €46.9 billion on 31 March 2005. While the performance of equity markets broadly offset the impact of these fund outflows, the outflows from our international business have been at higher margins than the new assets flowing into our domestic business.

BoISS, the custody and fund administration arm of the Group, continued to develop its niche positioning in the securities services arena. During the year, BoISS added 10 new substantial relationships to its international client base, which is drawn from more than 20 countries globally.

Iridian Asset Management is our US based investment manager of large cap and mid cap US equities which focuses on foundations and the not-for-profit sector. Funds under management increased by 4% to US$10.7 billion. We acquired a further 8% of Iridian during the year and plan to acquire the remaining 16% in equal tranches over the next 2 fiscal years.

We completed the acquisition of 71.5% of Guggenheim Advisors on 31 January 2006, a US fund of hedge funds manager focusing on institutional and high net worth clients. Funds under management at Guggenheim Advisors were US$2.9 billion at 31 March 2006.

The Asset Management Division is an important part of the Group's ambition to broaden our activities in international skills-based businesses. Our strategy is to build a diversified portfolio of discrete investment boutiques and to distribute their products through the global distribution platform that we have built up over the years. Considerable progress has been made in achieving this ambition with a particular focus on alternative investments, as demonstrated by the investment in Guggenheim Advisors.

Group Centre

Group Centre, which comprises earnings on surplus capital, unallocated central and support costs and some smaller business units, had a net cost of €111 million in the year to 31 March 2006, compared to €122 million in the prior year.

Improved income of €22 million is driven by the impact of higher retentions partly offset by funding costs arising from additional capital raised during the year. Higher costs of €11 million are largely due to increased compliance-related spend (predominantly Sarbanes-Oxley and Basel II).

Review of Group Performance

Group Income Statement

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Net interest income	2,307	1,971	17	1,931
Other income	1,132	1,207	(6)	1,329
Total operating income (net of insurance claims)	3,439	3,178	8	3,260
Operating expenses	(1,988)	(1,923)	3	(1,915)
Impairment losses on loans and advances	(103)	(79)	30	(79)
Share of associates and joint ventures (post tax)	45	30	50	30
Underlying profit before tax	1,393	1,206	16	1,296
Disposal of business activities	176	11	-	11
Gross up for policy holder tax in the Life business	69	26	-	26
Hedge ineffectiveness on transition to IFRS	(7)	-	-	-
Impairment loss provision write back	-	100	-	100
Restructuring programmes	(32)	(123)	-	(123)
Total non-core items	206	14	-	14
Profit before tax	1,599	1,220	31	1,310
Taxation	(303)	(237)	28	(256)
Minority interest	9	7	29	1
Dividends to preference stockholders	(13)	(10)	30	(8)
Profit attributable to ordinary stockholders	1,292	980	32	1,047
Basic EPS c per share	136.4c	103.9c	31	111.1c
Underlying EPS c per share	118.5c	102.3c	16	-

The following commentary is based on the Group's performance excluding the impact of non-core items. A reconciliation of the impact of these non-core items on the income statement line items is shown on pages 25, 26 and 27 of this document.

Income

Total income increased by 8% to €3,439 million driven by strong lending growth across the Group, together with the excellent performance from our fee-earning businesses in our Life business, Retail Republic of Ireland, UK Financial Services and Wholesale Financial Services. Total income after adjusting for the impact of acquisitions and disposals increased 11% year on year.

Total Income

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Total operating income	3,439	3,178	8	3,260
Acquisitions:				
Burdale & Guggenheim Advisors	(27)	(4)	-	(4)
Disposals:				
Chase de Vere & Bristol & West branch network	(31)	(127)	-	(127)
Total income excluding impact of acquisitions and disposals	3,381	3,047	11	3,129

Net interest income increased by 17% for the year to 31 March 2006. This performance has been impacted by the distorting effect of income streams associated with acquisitions and disposals during the current and prior year together with the impact of the application of IAS 32 and IAS 39 in the current year. These standards had the effect of recognising certain income streams as Net Interest Income which in the prior year would have been recognised as Other Income. The financial reporting impact of our first time application of IAS 32 and IAS 39 was to increase Net Interest Income by €78 million with a corresponding decline in Other Income.

Net Interest Income

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Net interest income	2,307	1,971	17	1,931
• Acquisitions: Burdale & Guggenheim Advisors	(15)	(3)	-	(3)
• Disposals: Chase de Vere & Bristol & West branch network	(18)	(47)	-	(47)
• IAS 32 and IAS 39 impact	(78)	-	-	-
Net interest income excluding impact of acquisitions and disposals & IAS 32 and IAS 39	2,196	1,921	14	1,881

Net Interest Income, excluding the impact of the above items, increased by 14% to €2,196 million in the year to 31 March 2006. This was driven by strong loan and resource growth. Loans to customers increased by 27% and resources grew by 3% (15% excluding the impact of the disposal of Bristol & West branch network and its related deposit book). Loan growth was strong across all businesses in the Group. Exposure to strongly performing economies, together with the delivery from our investment in our UK Business Banking and Corporate Banking teams, have been key drivers of this performance. Strong resource growth in Ireland of 12% was largely offset by the disposal of the Bristol & West deposit book resulting in Group resource growth of 3% for the year to 31 March 2006. The strength of our domestic franchise, supported by the scale of our multi-channel distribution network, is key to the continued strong performance of our Retail volumes in Ireland.

Group Net Interest Margin

	31 March 2006	Pro-forma 31 March 2005	% Change March 2006 over Pro-forma March 2005
Average interest earning assets (€ billion)			
Domestic	84	64	31
Foreign	45	38	18
Total	129	102	26
Margin (%)			
Domestic net interest margin	1.87	2.09	(22 bps)
Foreign net interest margin	1.63	1.69	(6 bps)
Group net interest margin	1.79	1.94	(15 bps)
IAS 32 and IAS 39 impact	(0.06)	-	(6 bps)
Adjusted net interest margin	1.73	1.94	(21 bps)

The **Group net interest margin** decreased by 15bps to 1.79% at 31 March 2006 compared to 1.94% at 31 March 2005 on a pro-forma IFRS basis. Excluding the impact of IAS 32 and IAS 39, the margin decline was 21 bps. The main drivers of margin attrition are:

- Balance sheet structure where there was an increase in wholesale funding as loan growth continued to outpace deposit growth. Wholesale funding has increased from 35% to 46% of total funding over the year to 31 March 2006, with 6% of this increase due to the sale of Bristol & West branch network and its related deposit book.
- The lower returns being earned on the investment of credit balances (customer funds held in non interest-bearing current accounts) in the current low interest rate environment. The Bank of Ireland policy is to re-invest credit balances on average over a four year investment horizon. As interest rates remain low we are re-investing funds, that are maturing from a higher interest rate environment at lower rates. The low interest rate environment also has an impact on other liability margins.
- Product mix where the impact of volumes in lower margin products, including mortgages and corporate banking loans, growing faster than higher margin products.
- Competitive pressure impacting lending and deposit pricing in Ireland.

Net interest margin has also been impacted by the re-pricing of the UK mortgage back-book which is now complete and the sale of the Bristol & West deposit book. The pace of margin attrition going forward is expected to decline as the rate of loan growth relative to resource growth is likely to moderate and the increasing interest rate environment starts to positively impact liability margins.

Other Income fell by 6% during the year. This performance was affected by our application of IAS 32 and IAS 39 and the distorting effect on income streams from acquisitions and disposals. Excluding these items Other Income has increased by 5% to €1,185 million in the year to 31 March 2006.

Other Income

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Other Income	1,132	1,207	(6)	1,329
• Acquisitions: Burdale & Guggenheim Advisors	(12)	(1)	-	(1)
• Disposals: Chase de Vere & Bristol & West branch network	(13)	(80)	-	(80)
• IAS 32 and 39 impact	78	-	-	-
Other income excluding impact of acquisitions and disposals & IAS 32 and IAS 39	1,185	1,126	5	1,248

The main drivers of this increase are the excellent performance from our Life business, fee growth from our Retail businesses in Ireland where the branch network, Private Banking and Credit Card businesses performed particularly well. Our joint ventures with the UK Post Office delivered an excellent sales performance. This overall strong performance was partly offset by the decline in income from BIAM.

Operating Expenses

Total Operating Expenses increased 3% in the year to 31 March 2006, or by 8% excluding the impact of disposals and acquisitions.

Our focus on cost management has delivered a significant reduction in our cost/income ratio which is down 2.8 percentage points from 59.9% to 57.1%.

Total Operating Expenses

	31 March 2006 € million	Pro-forma 31 March 2005 € million	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005 € million
Underlying operating expenses	1,988	1,923	3	1,915
• Acquisitions: Burdale & Guggenheim Advisors	(18)	(2)	-	(2)
• Disposals: Chase de Vere & Bristol & West branch network	(37)	(131)	-	(131)
Total operating expenses excluding the impact of acquisitions and disposals	1,933	1,790	8	1,782

The cost base in the prior year included €131 million relating to businesses that were sold including Chase de Vere and the Bristol & West branch network. The cost base in the current year to 31 March 2006 included costs of €18 million associated with operations that were acquired including Guggenheim Advisors and Burdale, our UK asset-based finance operation.

Operating Expenses during the year were also impacted by:

a) **Increased compliance costs** associated with the introduction of the Basel II and Sarbanes-Oxley (SOx) initiatives. The increase in expenditure relating to the introduction of these programmes is one percentage point of the increase in total Operating Expenses in the current year. Increased expenditure relating to these initiatives is expected to continue into next year.

b) **Increased pension costs** arising from IAS 19 added two percentage points to total Operating Expenses as a result of the lower discount rate applied to the value of pension liabilities. Under IFRS, the accounting deficit relating to the liabilities of the pension fund are carried on the balance sheet, and the costs associated with this deficit are charged through the income statement and equity.

c) **Investment costs.** The Group continues to exploit growth opportunities both in our domestic markets and internationally. In Business Banking UK we expanded our Relationship Management Team. Wholesale Financial Services continued to expand the geographic scope of its operations with investment in the UK, Paris, Frankfurt and the US. These investment costs contributed two percentage points to cost growth for the year.

Excluding these items, our "business as usual" cost growth for the year was 5%. The main drivers of this cost growth during the year were salary inflation, performance-related pay and volume-related cost increases.

The **Strategic Transformation Programme** has delivered cost savings at Group level of €35 million against our target for the year of €30 million for the year to 31 March 2006.

A new streamlined operating model is now firmly established, consolidating previously fragmented though analogous activities into unified management and operating structures. These include the creation of the Group Manufacturing function and the consolidation of previously disparate support functions, including HR & Learning, Procurement and Facilities, under distinct leadership structures.

In our Irish Retail Division we have realised cost efficiencies in our back office and closed 8 outlets. In addition new technology has enabled the streamlining of services, for example, our branch cashier system which eliminates errors and speeds up end of day processes. The process of consolidating specialist underwriting activities in our UK mortgage business into scale-efficient locations is also well underway.

This year the creation of our Group Manufacturing function brought together all employees in our customer operations and IT areas under one management structure. Within Manufacturing the consolidation of our Contact Centre and Credit Operations is progressing well, and a number of further optimisation, consolidation and automation initiatives are now underway. This consolidation enables business growth to be supported on lower employee numbers.

In relation to the Group's support infrastructure, we have outsourced our Learning and Procurement functions to achieve significant efficiencies and build strategic capability. In addition, the Group has reached an agreement in principle to outsource Facilities Management services for Ireland. We have also made progress at consolidating and streamlining our Human Resources function and have delivered significant efficiencies within a number of other Head Office functions.

During the year we successfully concluded consultation with employee representatives, to facilitate implementation of staff aspects of the Strategic Transformation Programme.

Impairment of Loans and Advances

Asset quality across all loan portfolios remains excellent in the continuing benign credit environment.

The impairment charge for the year to 31 March 2006 amounts to €103 million or 11 bps when expressed as a percentage of average loans. Impairment losses on loans and advances are at historically low levels, while advances and loans to customers continue to grow strongly. We continue to maintain a satisfactory level of provisions against impaired loans, with a coverage ratio of 45%, a level we are comfortable with as mortgages represent 47% of our total lending.

Total balance sheet provisions were €360 million at 31 March 2006, compared to €319 million in March 2005.

Asset Quality

	31 March 2006	Pro-forma 31 March 2005	% Change March 2006 over Pro-forma March 2005	Statutory 31 March 2005
Total average customer advances (€ bn)	93	74	26	74
Impaired loans (€ m)	796	710	12	710
Impairment provision (€ m)	360	319	13	319
Coverage ratio	45%	45%	-	45%
Impairment losses on loans and advances (€ m)	103	79	30	79
Impairment losses on loans and advances – bps	11bps	11bps	-	11bps

Share of Associates and Joint Ventures

Profit after tax from associated undertakings and joint ventures increased by 50% to €45 million. FRTS, our personal foreign exchange travel service joint venture with the UK Post Office, is the largest contributor and continued to perform strongly during the year.

Balance Sheet – Capital and Funding

The favourable economic backdrop, together with the investment in our business building capability, in particular in our Wholesale and UK Financial Services Divisions, has driven strong loan growth across all Divisions. Growth was particularly strong in Corporate Banking, UK Business Banking and mortgages in Ireland.

Total assets increased 27% from €128 billion to €162 billion in the year to 31 March 2006. Customer loans and advances increased by 27% and total resources increased by 3%. Resources were significantly impacted by the disposal of the Bristol & West branch network and its associated deposit base. Excluding this impact, resources grew by 15%.

Risk weighted assets grew 28% from €75.9 billion to €97.5 billion.

Division	**% Growth March 2006 over March 2005**		
	Risk Weighted Assets	**Loans and advances to customers**	**Resources**
Retail Ireland	22	23	15
Wholesale (corporate loans)	32	35	15
UK Financial Services	31	29	(27)
Group	28	27	3

Capital

Bank of Ireland has maintained a strong capital position. In March 2006, our Total Capital Ratio was 11.4% compared to 10.9% in March 2005. Our Tier 1 Ratio at 31 March 2006 was 7.5% compared to 7.9% in March 2005. Our capital raising programme continued during the year with both Tier 1 and Tier 2 issues being raised across a range of currencies and maturity horizons. The competitive pricing achieved reflects the high level of demand for subordinated capital issued by Bank of Ireland.

	31 March 2006	**31 March 2005**
Tier 1 – € billion	7.3	6.0
Tier 1 Ratio – %	7.5	7.9
Total Capital Ratio – %	11.4	10.9
Non-equity Tier 1 Ratio – € billion	2.6	1.8
Risk-weighted Assets – € billion	98	76

The Group has strong capital resources and our approach to capital management ensures that we have adequate capital to support our business plans.

Funding

Funding sourced from the wholesale markets has increased from 35% to 46% of total balance sheet (excluding Bank of Ireland Life assets held on behalf of policyholders) between 31 March 2005 and 31 March 2006. This increase results from the strength of loan growth in our core markets and also from the one-off impact of the sale of the Bristol & West branch network and the loss of the associated deposit book of £4.4 billion.

Balance Sheet Funding	**31 March 2006 %**	31 March 2005 %
Deposits by banks	*23*	*18*
CP/CDs	*12*	*10*
Senior Debt/ACS	*11*	*7*
Wholesale Funding	46	35
Customer Deposits	41	50
Capital/Sub Debt	8	7
Other	5	8
Total	100	100

Wholesale Funding is managed to ensure maximum diversification across maturity, investor type and geography and to minimise the concentration of funding within each particular market segment. The wholesale market continues to be characterised by strong investor demand for Bank of Ireland paper as demonstrated by the success of this year's new issuance programmes. These initiatives included:

- A Canadian Commercial Paper Programme
- A French Certificate of Deposit Programme
- A US Extendible Note Transaction

Within our existing Asset Covered Security Programme, we launched a second successful tranche of €2 billion with approximately 10% of the issue placed into Asia, where we also successfully completed a Private Placement of Medium Term Notes.

The Group remains well placed to access wholesale funding sources. The Group funding strategy remains to grow core customer deposits and to access wholesale funding in a prudent, diversified and efficient manner.

Effective Tax Rate

The Group taxation charge was €303 million for the year ending 31 March 2006. This compares with €237 million on an IFRS pro-forma basis for the year to 31 March 2005. The effective tax rate for 2006 was 18.9%, compared to 19.4% in the prior year (19.5% on a statutory basis).

The Group taxation charge on our core activities was €238 million for the year to 31 March 2006. This compares with €213 million on an IFRS pro-forma basis for the year to 31 March 2005. The effective tax rate on our core activities for 2006 was 17.1%, compared to 17.7% in the prior year (17.9% on a statutory basis).

The taxation charge for 31 March 2006 includes €20 million (2005: €26 million) in respect of the Government levy. This levy was introduced by the Irish Government for a three-year period commencing January 2003 and expired in December 2005.

Dividend

The Court has recommended a final dividend of 34.3 cent.
The recommended final dividend together with the interim dividend of 18.2 cent results in a total dividend of 52.5 cent for the year ended 31 March 2006, an increase of 15%.

The final dividend will be paid on or after 28 July 2006 to stockholders who are registered as holding ordinary stock at the close of business on 30 June 2006.

ROE

Return on equity, excluding the impact of non-core items was 24% for the year to 31 March 2006, compared with 23% in the previous year.

Income Statement 31 March 2006 – Business Segments

Year ended 31 March 2006

	Net Interest Income	Insurance net premium income	Other Income	**Total Income**	Insurance Claims	**Total income, net of insurance claims**	Operating expenses	Impairment losses on loans & advances	Share of income from associates	**Profit before taxation**
Retail Republic of Ireland	1,119	-	351	**1,470**	-	**1,470**	(871)	(54)	5	**550**
BOI Life	8	1,264	612	**1,884**	(1,655)	**229**	(95)	-	-	**134**
Wholesale Financial Services	454	-	243	**697**	-	**697**	(288)	(23)	-	**386**
UK Financial Services	722	-	94	**816**	-	**816**	(481)	(26)	40	**349**
Asset Management Services	7	-	215	**222**	-	**222**	(137)	-	-	**85**
Group Centre	(3)	34	(15)	**16**	(11)	**5**	(116)	-	-	**(111)**
Group - underlying	2,307	1,298	1,500	**5,105**	(1,666)	**3,439**	(1,988)	(103)	45	**1,393**
Sale of business activities	-	-	176	**176**	-	**176**	-	-	-	**176**
Gross up of policyholder tax in the Life business	-	-	69	**69**	-	**69**	-	-	-	**69**
Hedge ineffectiveness on transition to IFRS	-	-	(7)	**(7)**	-	**(7)**	-	-	-	**(7)**
Restructuring programme	-	-	-	**-**	-	**-**	(32)	-	-	**(32)**
Group - total	2,307	1,298	1,738	**5,343**	(1,666)	**3,677**	(2,020)	(103)	45	**1,599**

The reconciliation shows the Group and Divisional underlying income statements with a reconciliation of the impact of the non-core items in arriving at the Group Total Income Statement.

Pro-forma Income Statement 31 March 2005 – Business Segments

Year ended 31 March 2005

	Net Interest Income	Other Income including insurance net premium income	**Total Income**	Insurance Claims	**Total income, net of insurance claims**	Operating expenses	Depreciation and amortisation	Impairment losses on loans & advances	Share of income from associates	**Profit before taxation**
Retail Republic of Ireland	1,020	316	**1,336**	-	**1,336**	(737)	(81)	(51)	(2)	**465**
BOI Life	6	914	**920**	(746)	**174**	(89)	(4)	-	-	**81**
Wholesale Financial Services	325	278	**603**	-	**603**	(227)	(13)	(38)	-	**325**
UK Financial Services	628	198	**826**	-	**826**	(489)	(47)	10	32	**332**
Asset Management Services	4	252	**256**	-	**256**	(128)	(3)	-	-	**125**
Group Centre	(12)	1	**(11)**	(6)	**(17)**	(80)	(25)	-	-	**(122)**
Group - underlying	1,971	1,959	**3,930**	(752)	**3,178**	(1,750)	(173)	(79)	30	**1,206**
Profit on sale of business activities	-	11	**11**	-	**11**	-	-	-	-	**11**
Gross up of policyholder tax in the Life business	-	26	**26**	-	**26**	-	-	-	-	**26**
Impairment loss write back	-	-	**-**	-	**-**	-	-	100	-	**100**
Restructuring programme	-	13	**13**	-	**13**	(136)	-	-	-	**(123)**
Group - total	1,971	2,009	**3,980**	(752)	**3,228**	(1,886)	(173)	21	30	**1,220**

The reconciliation shows the Group and Divisional underlying income statements with a reconciliation of the impact of the non-core items in arriving at the Group Total Income Statement.

Statutory IFRS Income Statement 31 March 2005 – Business Segments

Year ended 31 March 2005

	Net Interest Income	Other Income including insurance net premium income	**Total Income**	Insurance Claims	**Total income, net of insurance claims**	Operating expenses	Depreciation and amortisation	Impairment losses on loans & advances	Share of income from associates	**Profit before taxation**
Retail Republic of Ireland	1,019	318	**1,337**	-	**1,337**	(729)	(81)	(51)	(2)	**474**
BOI Life	6	2,438	**2,444**	(2,216)	**228**	(89)	(4)	-	-	**135**
Wholesale Financial Services	302	310	**612**	-	**612**	(227)	(13)	(38)	-	**334**
UK Financial Services	617	233	**850**	-	**850**	(489)	(47)	10	32	**356**
Asset Management Services	4	252	**256**	-	**256**	(128)	(3)	-	-	**125**
Group Centre	(17)	-	**(17)**	(6)	**(23)**	(80)	(25)	-	-	**(128)**
Group - underlying	1,931	3,551	**5,482**	(2,222)	**3,260**	(1,742)	(173)	(79)	30	**1,296**
Profit on sale of business activities	-	11	**11**	-	**11**	-	-	-	-	**11**
Gross up of policyholder tax in the Life business	-	26	**26**	-	**26**	-	-	-	-	**26**
Impairment loss write back	-	-	**-**	-	**-**	-	-	100	-	**100**
Restructuring programme	-	13	**13**	-	**13**	(136)	-	-	-	**(123)**
Group - total	1,931	3,601	**5,532**	(2,222)	**3,310**	(1,878)	(173)	21	30	**1,310**

The reconciliation shows the Group and Divisional underlying income statements with a reconciliation of the impact of the non-core items in arriving at the Group Total Income Statement.

Reconciliation of IFRS Statutory to Pro-forma IFRS

Consolidated Income Statement for Year Ended 31 March 2005

€ million	IFRS Statutory	Effective Interest Rate	Debt/ Equity	Life	IFRS Pro-forma
Net interest income	1,931	44	(4)	-	1,971
Other income	3,601	(68)	-	(1,524)	2,009
Total operating income	5,532	(24)	(4)	(1,524)	3,980
Insurance claims	(2,222)	-	-	1,470	(752)
Total operating income net of Insurance Claims	3,310	(24)	(4)	(54)	3,228
Operating expenses	(2,051)	(8)	-	-	(2,059)
Impairment losses on loans & advances	21	-	-	-	21
Income from associates and joint ventures	30	-	-	-	30
Profit before taxation	1,310	(32)	(4)	(54)	1,220
Non core items					
Disposal of business activities	(11)	-	-	-	(11)
Grossing up for policyholder tax in the Life business	(26)	-	-	-	(26)
Restructuring programme	123	-	-	-	123
Write back of impairment loss provision	(100)	-	-	-	(100)
Profit before tax – excluding non core items	1,296	(32)	(4)	(54)	1,206

The Pro-forma accounts restate the IFRS statutory performance, as if the effective interest method, accounting for investment contracts in the Life assurance business and classification of financial instruments, had been applied for the year to 31 March 2005. The Pro-forma income statement has not been restated for the impact of accounting for derivatives (hedge accounting) and impairment provisions. The Pro-forma adjustments are described below.

Effective Interest Rate (EIR)

On transition to IFRS, IAS 32 and IAS 39 required the recognition of interest income and expenses to the income statement using the effective interest rate. The application of IFRS has resulted in certain upfront fees and expenses being included in interest income and spread over the expected life of the underlying asset, rather than being taken upfront. This reclassification can be seen in the table above, with net interest income increasing by €44 million and other income being reduced by €68 million. The overall impact of our application of EIR in the Pro-forma accounts to 31 March 2005 was to reduce profit before tax by €32 million.

Debt/Equity (IAS 32)

IAS 32 requires that instruments that have the characteristics of debt must be classified as liabilities, with the associated interest costs taken to income statement. The profit before tax impact of the application of this standard was to reduce profit before tax by €4 million.

Life (IFRS 4/ IAS 39)

On transition to IFRS certain long-term contracts written by the Life business were required to be classified as either insurance or investment contracts. Income recognition for those contracts which meet the IFRS 4 criteria for insurance contracts was unaffected on transition to IFRS. Those contracts which meet the IFRS 4 criteria for investment contracts are accounted for on the basis of IAS 39. IAS 39 requires that income earned and costs incurred will be recognised over the life of the investment contract. The overall impact of our application of IFRS 4/IAS 39 was to reduce the 31 March 2005 profit before tax by €54 million.

Risk Management and Control

Proactive identification and management of risk is central to delivery of the Bank of Ireland Group strategy and underpins operations throughout the Group. Prudent risk management, as evidenced by the Group's excellent risk experience, has traditionally been and continues to be synonymous with the Group's management style. It is firmly embedded in our corporate culture as a key competence and provides a solid foundation for sustained growth in earnings and shareholder value.

The role of the Group's risk management function is to assist the Court and senior management in setting high level risk parameters and to ensure that risk is actively managed in a controlled way within a strong governance framework. The Group manages risk by identifying and assessing sources of risk and establishing frameworks to monitor and mitigate them in accordance with Group policy. In the normal course of business the Group is exposed to a number of classes of risk, the most significant of which are credit risk, market risk, operational risk and regulatory and compliance risk.

Risk Management Approach

The Group Risk function is headed by the Group Chief Risk Officer (GCRO) who is a member of the Group Executive Committee. The GCRO reports directly to the Group Chief Executive and is responsible for the management and oversight of risk and the integration of risk management throughout the Group. As owner of the integrated risk management framework, the GCRO leads a team of functional experts who work together to identify, analyse, measure, monitor, control and report risks in the Bank of Ireland Group.

The Group's approach to risk management is based on line management being primarily responsible for management of risk in their businesses. Risk is subject to independent oversight and analysis by four centrally based risk management functions reporting to the Group Chief Risk Officer: Group Credit (including Group Credit Review), Group Market Risk, Group Operational Risk and Group Regulatory Risk & Compliance. This risk management approach balances individual responsibility and collective oversight.

Risk Specialists within the Risk Management functions assist the GCRO in the formulation of risk policy and strategy which are approved through the Group Risk Governance Framework (see below) prior to business unit implementation. Risk measurement systems are in place where appropriate to facilitate monitoring and analysis of risk.

Group Finance and Group Internal Audit, which both report to the Group Chief Financial Officer, are also critical control functions.

Group Risk Governance Framework

The Court of Directors is responsible for approving high-level policy and strategic direction in relation to the nature and scale of risk that the Group is permitted to assume to achieve its corporate objectives.

The Group Risk Policy Committee (GRPC), which is chaired by the GCRO, is the most senior executive committee with responsibility for risk management. Its membership includes Executive Directors and it is formally constituted as a sub-committee of the Court. The GRPC exercises authority delegated by the Court to approve business initiatives which have material implications for the level or composition of risk, consistent with high level policy as approved by the Court. In addition to considering specific risk issues, the GRPC is responsible for reviewing overall Group risk on a portfolio basis.

The GRPC, in turn, delegates specific responsibility for oversight of the major classes of risk (credit, market, liquidity, operational, regulatory) to specific committees and individuals which are accountable to it. These committees include:

- Group Credit Committee – all large credit transactions
- Group Asset and Liability Committee – market and liquidity risk
- Group Operational Risk Committee – operational risk
- Group Regulatory Risk and Compliance Committee – regulatory risk and compliance
- Portfolio Review Group – composition of the Group's loan portfolio
- Risk Measurement Group – credit risk measurement and risk model validation

The Group continues to follow the regulatory developments of Basel II under the Basel Committee on Banking Supervision as interpreted in the EU through the Capital Requirements Directive. Preparations for the changes to risk management practices necessary to comply with the forthcoming regulations have continued throughout the year. It is the Group's intention to leverage the enhancements being made to the sound risk management capabilities in place today in order not only to meet the new compliance requirements, but additionally to better manage our risk appetite and capital utilisation in order to generate improved risk adjusted returns for our stockholders.

Credit Risk

Credit risk reflects the risk that a counterparty will be unable to meet its contractual obligations to the Group in respect of loans or other financial transactions, thereby causing the Group to incur a loss. The Group's exposure to credit risk is governed by policy approved by the Court of Directors and the GRPC.

Lending Authorities

The Group has a credit risk management system which operates through a hierarchy of authorities which are related to internal loan ratings. All exposures above certain levels require the approval of the Group Credit Committee. Exposures below Group Credit Committee's authority are approved according to a system of tiered authorities. Individuals are allocated lending limits according to credit competence, proven judgment, experience and the nature and scale of lending in their business unit. Lending proposals above the relevant limits are referred to a divisional credit department or to Group Credit for independent assessment, formulation of a recommendation and subsequent adjudication by the appropriate authorities which include Heads of Divisions, Senior Executives and the Group Credit Committee. Existing credit risk is reviewed periodically with lower quality exposures subject to greater intensity of supervision and management.

Credit Policy

The core values governing the provision of credit are contained in Group and Unit Credit Policies which are approved and reviewed by Group Risk Policy Committee and, where appropriate, by the Court of Directors.

The Unit Credit Policies define in greater detail the credit approach appropriate to the units concerned, taking account of the markets in which they operate and the products they provide. Procedures for the approval and monitoring of exceptions to policy are clearly set out in each document. In a number of cases these unit policies are supplemented by Sectoral Credit Policies. Lending caps are put in place when it is considered appropriate to limit exposure to certain sectors. An independent function (within Group Credit), Group Credit Review, reviews the quality and management of risk assets across the Group and reports to Group Risk Policy Committee on a quarterly basis.

Country/Bank Limits

The Group is exposed to country risk predominantly through Global Markets' counterparty exposures to banks and as a result of the increasing international focus of its specialist niche businesses. Country risk exposures are managed within a framework approved by the Court. Maximum exposure limits and maturity limits are approved annually by the Group Risk Policy Committee on the basis of external ratings supported by internal country risk models.
Maximum limits on exposures to banks are approved annually by the Group Risk Policy Committee on the basis of an assessment of each bank's creditworthiness.

Rating Methodologies

The use of credit rating models, which measure the degree of risk inherent in lending to specific counterparties, is central to Credit Risk Management within Bank of Ireland. The primary measures by which credits are assessed are probability of default (PD), exposure at default (EAD) and loss given default (LGD), which are complemented by expert judgment. Rating models are also used to guide effective risk pricing. During the past year, in line with preparations for Basel II, significant progress has been made to enhance and upgrade pre-existing loan rating and credit risk measurement systems to meet evolving developments. The Group has also reviewed the risk-adjusted returns of a number of key Group portfolios.

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

In addition to providing a solid basis for Basel II compliance, a key objective of these initiatives is to allow the Group to further integrate the advances in credit risk measurement into pricing for credit risk and advanced portfolio management.

Statistical scoring techniques are used by the Group to assess the quality of consumer loans, both at the application stage and for ongoing portfolio management. The scoring system is continuously refined and validated to ensure that all new and existing lending meets predefined criteria, which ensures that the level of risk incurred is acceptable to the Group.

Our rating system for larger transactions utilises financial and non-financial information to determine the level of transaction risk and ensure that an appropriate level of return is earned.

An Independent Control Unit validates risk rating models to ensure that they are compliant with Basel II requirements. This unit reports to the Risk Measurement Group which is a sub-committee of GRPC and is responsible for governing the measurement of credit risk and the implementation of risk measurement models across the Group.

Impairment Provisions

With effect from 1 April 2005 the Group has adopted and applied impairment provisioning methodologies that are in compliance with International Financial Reporting Standards (IFRS). International Accounting Standard (IAS) 39 requires that an incurred loss approach be taken to impairment provisioning.

All credit exposures, either individually or collectively, are regularly reviewed for objective evidence of impairment; where such evidence of impairment exists, the exposure is measured for an impairment provision.

Specific provisions are created where there is a shortfall between the amount of the Group's exposure and the likely recoverable amount. The recoverable amount is calculated by discounting the value of expected future cash flows by the exposure's original effective interest rate.

Impairment provisions are also recognised for potential losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. These are described as Incurred but not Reported (IBNR) provisions. Statistical models are used to determine the appropriate level of IBNR provisions. These models are regularly reviewed, and revised where necessary.

All Units regularly review and confirm the appropriateness of their provisioning methodologies and the adequacy of their impairment provisions.

Market Risk

Market risk is the potential adverse change in Group income or the value of Group net worth arising from movements in interest rates, exchange rates or other market prices. Market risk arises from the structure of the balance sheet, the Group's business mix and discretionary risk-taking. The Group recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of stockholder value and the achievement of the Group's corporate objectives.

The Group's exposure to market risk is governed by policy approved by the Court of Directors and the GRPC. This policy sets out the nature of risk which can be taken, the types of financial instruments which can be used to increase or reduce risk and the way in which risk is measured and controlled.

The Court approves an overall Value at Risk (VaR) limit, which is a quantification of the Group's appetite for market risk (VaR is defined below). ALCO in turn approves VaR sub-limits for Bank of Ireland Global Markets (BoIGM) and Davy. These limits are set by principal risk type (interest rate, foreign exchange, equity and credit spread) and by currency. In addition, ALCO approves small risk limits for the retail business units which are solely intended to facilitate efficient hedging. Market risk limits are rigorously enforced and compliance is monitored by ALCO.

Trading Book

The Group's Trading Book includes BoIGM's mark-to-market interest rate and foreign exchange books as well as a small portfolio of positions in corporate credits and credit indices held for trading purposes. The Trading Book also includes positions arising from Davy's market-making and broking activities in equities and debt securities. The Banking Book incorporates all other assets and liabilities.

In the year ended 31 March 2006, Trading Book risk arose predominately from positions in securities, interest rate futures, interest rate swaps, foreign exchange and, in Davy's case, equities. A VaR approach is used to measure and limit market risk in BoIGM and Davy. VaR provides an estimate of the potential mark-to-market loss on a set of exposures over a specified time horizon at a defined level of statistical confidence. In the Group's case, the horizon is 1 day and the confidence level is 97.5%. This implies that, on any given day, VaR provides an estimate of potential mark-to-market loss which has no more than a 2.5% probability of being exceeded.

VaR is measured using a variance-covariance matrix approach. Matrices are updated weekly using the Exponentially Weighted Moving Average (EWMA) methodology, which is widely employed in the industry. Management recognises that VaR is subject to certain inherent limitations. The past will not always be a reliable guide to the future and the statistical assumptions employed may understate the probability of very large market moves. For this reason, VaR limits are supplemented by a range of controls which include position limits and loss tolerances. In addition scenario-based stress testing is used to calculate the profit and loss impact of major market moves.

The Group uses a variety of ex-post tests to assess the reliability of its VaR modelling and these tests have been supportive of the methodology and techniques used.

The table below provides summary statistics for the level of Trading Book VaR in the year ended 31 March 2006 and in the preceding year. The aggregate Trading Book VaR is the (undiversified) simple summation of the figures for interest-rate, equity and credit-spread VaR.

Trading Book VaR for years ended 31 March 2006 and 31 March 2005

	2005/2006	2004/2005
End Year Trading Book VaR	€1.3m	€1.1m
Average Trading Book VaR	€ 2.1m	€ 2.0m
Lowest Trading Book VaR	€1.3m	€ 1.0m
Highest Trading Book VaR	€ 4.1m	€ 3.6m

Interest rate risk in BoIGM was the predominant source of Trading Book VaR in 2005/2006. The average VaR for this component of risk in the year ended 31 March 2006 was €1.4m and the corresponding figure for the previous year was €1.2m.

Banking Book

The Group's Banking Book consists of its retail and corporate deposit and loan books, as well as BoIGM's interbank money market books and its holdings of investment securities.

For risk measurement and control purposes, VaR is applied to BoIGM's Banking Book risk. The Group's corporate and retail businesses are required to hedge their interest-rate risk with BoIGM. Where customer risk is hedged on a portfolio (as opposed to on a transaction-by-transaction) basis, the business units concerned are assigned small limits to facilitate efficient hedging. In the case of these books, sensitivity analysis is used to measure and control interest rate risk. This involves calculating exposure in net present value (NPV) terms to a 1% parallel shift of the yield curve. This is supplemented by estimates of maturity mismatch exposure using a methodology which provides estimates of exposure to non-parallel shifts in the yield curve.

The Group's Banking Book also includes its non interest-bearing free funds and assets held against these liabilities. Free funds consist principally of non interest-bearing current account liabilities, equity and reserves. It is Group policy to invest its free funds, net of non interest-bearing assets, in a portfolio of fixed-rate assets with an average life of 4 years and a maximum life of between 7 and 8 years. This portfolio is continuously re-invested to maintain a 4-year average life.

All of the Group's material Banking Book exposure is in euro, sterling and US Dollars.

At end March 2006, a 1% parallel downward shift in the euro, sterling and US Dollar yield curves would have generated gains in NPV terms of €6.6m, €22.1m and €1.0m respectively.

The table in Note 33 to the Accounts (page 116) provides an indication of the re-pricing mismatch in the Non Trading Books at 31 March 2006.

Derivatives

A derivative is a financial contract whose value is linked to movements in interest rates, exchange rates, equity or commodity prices or, more generally, to any objectively measured variable agreed between the parties. Derivative markets are an efficient mechanism for the transfer of risk. The Group uses derivatives to manage the market risks that arise naturally in its retail and wholesale banking activities. In addition, it transacts in derivatives with its business and corporate clients for the purpose of assisting these clients in managing their exposure to changes in interest and foreign-exchange rates. Finally, the Group takes discretionary trading risk in derivative markets (in addition to discretionary risk taken in money and securities markets).

The Group also uses credit derivatives, on a limited basis, within its Trading Book to take exposure to specific and general credit spread movements and in its Banking Book to provide default protection on specific credit exposures.

Further details can be found in Note 15 and an accounting policy is set out on page 74.

Policy

The Group's participation in derivatives markets is subject to policy approved by the Court of Directors and, at a more detailed level, by the Group Risk Policy Committee. The Group makes a clear distinction between derivatives which must be transacted on a perfectly-hedged basis, deal by deal, and those whose risks can be managed within broader interest rate or foreign exchange books. Since these broader books can be structured to assume some degree of proprietary risk, derivative positions held within them will not necessarily be exactly hedged.

Market risk can only be assumed in clearly-defined categories of derivative which are traded in well established, liquid markets, supported by industry standard conventions and documentation and valued in accordance with generally accepted methods. Positions can only be taken in instruments which the business can settle, administer and value, and where the risks can be accurately measured and reflected within exposure against limits.

Bank of Ireland Global Markets (BoIGM) and Davy are the only Group businesses permitted to transact on the Group's behalf in derivative markets.

BoIGM is permitted to take risk in non-option derivatives, such as interest rate futures, bond futures, FRAs, interest rate swaps, credit derivatives, forward foreign exchange and currency swaps. In addition, it is permitted to take exposure in the most widely traded option markets, principally options on futures, caps, floors, swap options (swaptions) and conventional currency options.

Davy is permitted to use fixed-interest derivatives to manage the risks arising on its bond positions.

Transactions in other, more complex derivatives are almost entirely on a perfectly-matched, back-to-back basis. This category consists predominantly of equity index derivatives, used for the purposes of constructing retail savings products whose performance is linked to equity markets.

Collateral Agreements

BoIGM has executed Collateral Support Agreements (CSAs) with its principal interbank derivatives counterparties and, as a result, a very high proportion of its total interbank derivatives book is covered by CSAs. The purpose of a CSA is to limit the potential cost of replacing derivative contracts at market prices in the event of default by the original counterparty. Under the terms of a CSA, if the aggregate market value of a set of derivative contracts between the two parties exceeds an agreed threshold figure, the party which would be exposed to loss in the event of default receives a deposit of cash or eligible securities equal to the excess aggregate value over the threshold. In BoIGM's case, valuations are agreed and collateral is exchanged on a weekly basis.

It is a requirement of policy that BoIGM must be able to value all derivative contracts that are subject to a CSA or obtain valuations from independent third parties. This is to ensure that the correct collateral is exchanged and the CSA provides the appropriate measure of protection against loss.

Structural Foreign Exchange

Structural foreign exchange risk is defined as the Group's non-trading net asset position in foreign currencies. Structural risk arises almost entirely from the Group's net investments in its sterling-based subsidiaries. A structural open position in a particular currency can also be considered to be a measure of that part of the Group's capital which is denominated in that currency. In considering the most appropriate structural foreign exchange position, the Group takes account of the currency composition of its risk-weighted assets and the desirability of maintaining a similar currency distribution of capital. Doing so will ensure that capital ratios are not excessively exposed to changes in exchange rates.

At 31 March 2006, the Group's structural foreign exchange position was as follows:

	31 March 2006 €m	**31 March 2005 €m**
GBP	3,373	2,908
USD	264	248
Total structural FX position	3,637	3,156

The positions indicate that a 10% depreciation in the value of the euro against all other currencies at 31 March 2006 would result in a gain taken to reserves of €363m (2005: €315m).

Liquidity Risk

Liquidity risk is the risk that a bank will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at substantially above the prevailing market cost of funds. Liquidity distress is almost invariably associated with a severe deterioration in financial performance, but it can also result from unexpected adverse events or systemic difficulties.

The Group complies with a number of liquidity limits and minimum requirements set by policy and intended to maintain a prudent liability profile at all times. These include measures designed to ensure that the Group's wholesale funding is diversified across instruments and markets and balanced in its maturity structure.

In addition, the Group measures the projected short-term cash flow mismatch arising from the refinancing of its existing wholesale book and potential net new funding. This measure of potential recourse to wholesale markets must be covered in part by holdings of liquid assets.

The Group also complies with prudential liquidity requirements set by the Financial Regulator (FR) and, in respect of its UK operations, by the Financial Services Authority (FSA).

Operational Risk

The Basel Committee on Banking Supervision defines Operational Risk for regulatory and supervisory purposes as: "the risk of loss resulting from inadequate internal processes, people or systems or from external events."

Operational Risk Governance

It is the responsibility of the Court to ensure that the assets of the Group are safeguarded and that attempted fraud or other irregularities is prevented or detected. To discharge this responsibility, the Court has approved a set of policies and controls that the GRPC oversees on its behalf.

These controls include the Group Operational Risk Committee (GORC), an Operational Risk Management Framework and the activities of the Group Operational Risk function.

Operational Risk Management Approach

The Group has established a formal approach to the management of Operational Risk in the form of the "Operational Risk Management Framework". The objective of this framework is the identification, assessment, monitoring and management of operational risks which may impact the achievement of the Group's business objectives.

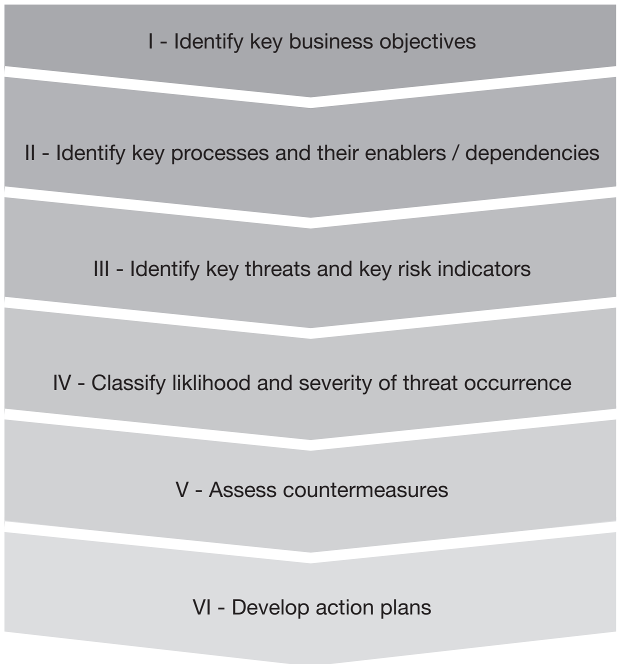
The Operational Risk Management Framework is designed to meet the requirements of good Corporate Governance (e.g. Turnbull), Basel II Capital Requirements Directive (CRD) and the Bank for International Settlements (BIS) Sound Practices Guidance.
It consists of:

- Formulation and dissemination of the Group Operational Risk Policy
- The establishment of organisational structures for the oversight, monitoring and management of operational risk throughout the Group
- Embedding the Operational Risk Management Process in all business and support units throughout the Group
- Creating awareness throughout the Group of the need to manage operational risk and training of relevant staff in the Operational Risk Management Process

The Operational Risk Management Process

The Operational Risk Management Process is in six-stages and provides a roadmap from the identification of threats to the achievement of business objectives, through the mitigating effect of controls, to action plans where weaknesses have been identified. It is designed to be iterative in nature to ensure it is continually updated and reflects the current risk profile of the Group.

The Operational Risk Management Process



Operational Risk Reporting

At an Entity Level, monitoring of Operational Risk is primarily achieved through the drafting and presentation of two formal reports each year which must be completed by each reporting unit. The reporting consists of a number of elements including Risk Maps, Action Plans for the highest rated risks and a Loss Events register.

This reporting is supplemented by the submission of Monthly Operational Risk Scorecards by the business and support units. These scorecards are used to give an overview of progress against Action Plans, Key Risk Indicators and critical events. A programme to extend the scorecard whereby the units measure and report their performance against pre-defined limits for operational risk has been piloted successfully during the year.

The Group's Operational Risk Management Framework, Operational Risk Policy and any incidents are subject to regular audit by Group Internal Audit.

Regulatory Risk & Compliance

Regulatory compliance risk arises from a failure to comply with the laws, regulations or codes applicable to the financial services industry in the jurisdictions within which the Group operates. Non-compliance has adverse reputation implications and may lead to fines, public reprimands, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate. The Group is subject to extensive supervisory and regulatory regimes principally in Ireland and the UK. Effective management of regulatory compliance risk is the primary responsibility of business management. This requires the conduct of business in accordance with applicable regulations and with an awareness of compliance risk.

The Group continues to upgrade its risks and compliance framework to manage these risks and the Group Regulatory Risk and Compliance function manages the Group's risks associated with legal compliance, tax compliance, and compliance with anti-money laundering legislation, health and safety and environmental regulations.

This function reports to the Group Chief Risk Officer with oversight by the Group Regulatory Risk and Compliance Committee (sub committee of the Group Risk Policy Committee (GRPC)). The objective of the committee is to define and identify regulatory and compliance risks, devise and implement a framework for their management, report on their status, make recommendations and escalate to senior management as appropriate. The Committee also promotes awareness of regulatory and compliance risks throughout the Group.

The Head of Regulatory Risk and Compliance is responsible for formulating and communicating the risk control framework for the management of regulatory and compliance risks and for monitoring the reporting framework to assist business management in discharging its responsibilities.

Capital Management

The objectives of Bank of Ireland Group's capital management policy are to:

- Align capital management to the Group's strategy.
- Meet the requirements of equity and debt investors.
- Achieve the optimal mix of capital to meet the Group's regulatory requirements and rating ambitions.
- Manage capital in aggregate and at business level, ensuring that capital is only invested in businesses meeting or exceeding the Group's hurdle rates of return.

It is the Group's policy to maintain a strong capital base, to seek to expand this where appropriate and to utilise it efficiently in the Group's development as a diversified international financial services group. Long-term debt, undated capital notes, preferred securities and preference stock are raised in various currencies in order to align the composition of capital and risk weighted assets. Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting.

Capital Resources

The following table sets out the Group's capital resources at 31 March 2006 and 31 March 2005.

	31 March 2006 €m	31 March 2005 €m
Stockholders' funds		
Equity (including other equity reserves)	5,263	4,212
Non-cumulative preference stock	65	65
Minority interests	45	135
Undated capital notes	2,880	1,980
Dated capital notes	3,613	2,106
Total capital resources	11,866	8,498

In the year ended 31 March 2006 total Group Capital Resources increased by €3,368 million to €11,866 million following retentions of €824 million, the issue of non-cumulative perpetual preferred securities to raise €945 million (US$800 million and US$400 million) and the issue of €1,443 million of dated subordinated capital (€600 million, C$400 million and stg£400 million), increased revaluation reserves – property of €187 million, translation differences of €(19) million (€(17) million in respect of stockholder funds) and other miscellaneous movements of €(12) million net. The increase in equity primarily reflects retentions and the increased revaluation reserves – property. The €73 million previously included under minority interests – non-equity is now included under undated capital notes.

As at 31 March 2006, Bank of Ireland Group had €2,880 million of Undated Loan Capital and €3,613 million of Dated Loan Capital, a total of €6,493 million in aggregate of subordinated liabilities. Of the Dated Loan Capital €2,815 million is repayable in five or more years. The cost and availability of subordinated debt are influenced by credit ratings. A reduction in the ratings assigned to the Group's securities could increase financing costs and reduce market access. The credit ratings of Bank of Ireland Group at 30 May 2006 are as follows:

	Senior Debt
Moodys	Aa3
Standard & Poors	A+
Fitch	AA-

Depending on the degree of subordination the ratings assigned to Loan Capital may be one or more notches below the level for senior debt. These credit ratings are not a recommendation to buy, hold or sell any security and each rating should be evaluated independently of every other rating. These ratings are based on current information furnished to the rating agencies by Bank of Ireland and information obtained by the rating agencies from other sources. The ratings are accurate only as of 30 May 2006.

Capital Adequacy Requirements

Bank of Ireland Group's capital resources policy has been developed within the supervisory requirements of the Financial Regulator, which applies a risk-asset ratio as the measure of capital adequacy, and with reference to guidelines issued in 1988 by the Basel Committee and capital adequacy requirements set by the European Union.

The basic instrument of capital monitoring is the risk-asset ratio as developed by the Basel Committee. This ratio derives from a consideration of capital as a cover for the credit and market risks inherent in Group assets. Capital is defined by reference to the European Union Own Funds Directive ("OFD") and Capital Adequacy Directive ("CAD"), and is divided into "Tier 1" capital consisting largely of stockholders' equity, "Tier 2" capital including general provisions and debt capital instruments, and "Tier 3" capital including short-term subordinated loan capital and net trading book profits. Assets (both on- and off-balance sheet) are weighted to allow for relative risk according to rules derived from the European Union Solvency Ratio Directive.

The target standard risk-asset ratio set by the Basel Committee is 8%, of which the Tier 1 element must be at least 4%. The minimum risk-asset ratio is set by the Financial Regulator and satisfies capital adequacy requirements of the EU, which took effect on 1 January 1993.

Capital Adequacy Data

In the year to 31 March 2006 the Tier 1 Capital Ratio decreased from 7.9% to 7.5%, which compares favourably to the Group's internal target of 6.5% to 7% reflecting pre-funding of the Group's capital needs at favourable levels. The Total Capital Ratio increased from 10.9% to 11.4% compared to the internal target range of 10.0% to 10.5%, which also reflected pre-funding.

These changes in the Tier 1 ratio largely arose from retained earnings and the issue of non-cumulative perpetual preferred securities offset by risk-weighted asset growth and goodwill associated with the acquisition of Guggenheim Alternative Asset Management.

Tier 1 funds increased by €1,314 million with the main reasons for the change being retained earnings (€824 million), incorporating the gain on the sale of the Bristol & West branch network together with the issue of preferred securities (€966 million – an element of the issues (€130 million) will qualify as Tier 1 when the total quantum of Tier 1 increases). Offsetting this was goodwill/ intangible assets concerning the acquisition of Guggenheim Alternative Asset Management (now Guggenheim Advisors) and of additional Iridian Asset Management holdings (€(174) million) with other items having a net €(172) million negative impact.

The following table shows the components and basis of calculation of the Group's Tier 1 and Total Capital ratios for 31 March 2006 together with comparative figures for 1 April 2005.

	31 March 2006 €m	1 April 2005 €m
Adjusted Capital Base		
Share Capital	656	656
Eligible reserves	3,941	3,073
Minority Interests	45	135
Non-Cumulative Preference stock	65	65
Preferred securities	2,516	1,686
Bristol & West preference shares	72	-
Regulatory adjustments (net)	39	405
Total Tier 1	7,334	6,020
Revaluation reserves – property and other reserves	690	454
IBNYR/Impairment provisions	127	137
Subordinated Perpetual debt capital	431	294
Subordinated Dated debt capital	3,405	2,106
Total Tier 2	4,653	2,991
Supervisory Deductions	(870)	(768)
Total Capital	11,117	8,243
Risk Weighted Assets		
Banking book	93,398	73,251
Trading book	4,112	2,635
Total	97,510	75,886
Capital Ratios		
Tier 1 capital	7.5%	7.9%
Total capital	11.4%	10.9%

The Total capital ratio increased by 0.5% to 11.4% following the raising of additional dated subordinated debt capital (€1.4 billion) during the year.

Total Capital funds increased by €2,874 million including €1,314 million relating to the movement in Tier 1 funds described above together with €1,453 million (€600 million, C$400 million and stg£400 million) for dated subordinated debt capital, €131 million preferred securities currently treated as Tier 2 capital, €184 million relating to an increase in revaluation reserves – property and (€208) million of other movements.

Brian J Goggin
30 May 2006

Corporate Governance Statement

The Court of Directors is accountable to stockholders for the overall direction and control of the Group's business. It is committed to high standards of governance designed to achieve sustained business growth, enhanced shareholder value and protection of the interests of customers, employees and other stakeholders while promoting a culture of the highest standards of integrity, transparency and accountability.

A key objective of the governance framework is to ensure compliance with applicable legal and regulatory requirements and with best governance practice as set out in "The Combined Code on Corporate Governance" ("the Combined Code"). The Directors believe that the Group has delivered on these objectives and expects to continue to do so. Specifically, the Group has complied with the provisions of the Combined Code throughout financial year 2005/2006 except in relation to membership of the Group Remuneration Committee. Further details are set out in the Remuneration section of this Statement. In addition, two of our then 17 Directors were unable to attend the Annual General Court in July 2005.

The Court of Directors

At 31 March 2006, the Court consisted of 14 Directors, 12 of whom were non-executive Directors. It held nine scheduled meetings during 2005/2006 and one additional out-of-course meeting. Agendas and papers are circulated in the week prior to each meeting to provide the Directors with relevant information to enable them to discharge their duties.

The Court has the following schedule of matters specifically reserved for its decision:

- the determination of strategy;
- overseeing the management of the business;
- approving material acquisitions, disposals and investment decisions;
- overseeing corporate governance, succession planning, control and risk management systems.

Management is responsible for the execution of agreed strategy and for all operational matters.

Details of the number of scheduled meetings of the Court and its Committees and attendance by individual Directors are set out on page 42. The terms of reference of the Committees are reviewed annually by the relevant Committee and by the Court and are available on the Bank's website (www.bankofireland.ie) or by request to the Group Secretary. The non-executive Directors meet at least once annually without the executive Directors present. The Bank has taken out Directors and Officers liability insurance in respect of legal actions against its Directors; this insurance cover does not extend to fraudulent or dishonest behaviour.

Governor and Group Chief Executive

The respective roles of the Governor, who is Chairman of the Court, and the Group Chief Executive, are set out in writing and have been agreed by the Court.

The Governor oversees the operation and effectiveness of the Court of Directors. He also ensures that there is effective communication with stockholders and promotes compliance with the highest standards of corporate governance.

The Group Chief Executive is responsible for execution of agreed strategy and has delegated authority from the Court for the day-to-day management of the business.

Richard Burrows succeeded Laurence Crowley as Governor on Mr Crowley's retirement following the Annual General Court on 6 July 2005. On his appointment as Governor, Mr Burrows met the independence criteria set out in the Combined Code. It is a provision of the Combined Code that changes to a chairman's other significant commitments should be included in the next annual report. Mr Burrows retired as co-chief executive of Pernod Ricard S.A. in December 2005.

George Magan was appointed Senior Independent Director on 6 July 2005 and Denis O'Brien was appointed Deputy Governor on 14 September 2005. The role of the Deputy Governor is to deputise for the Governor in his absence and to undertake whatever duties are agreed with, or requested by, the Governor.

Board Balance and Independence

Each of the non-executive Directors bring considerable business and/or professional experience, independent challenge and rigour to the deliberations of the Court of Directors.

With the exception of Mike Hodgkinson, the Court has determined that each non-executive Director is independent within the meaning of the Combined Code. Mike Hodgkinson, who is Chairman of Post Office Ltd, with which the Group has a significant business arrangement to distribute financial services products through Post Office branches in the UK, is not regarded as independent within the meaning of the Combined Code.

In considering the independence of Dr Mary Redmond, the Court had regard to the fact that she has served on the Court for more than nine years and that she is a consultant solicitor at Arthur Cox which is one of the Group's suppliers of legal services. The Court determined that Dr Redmond is an independent Director in light of her integrity, strength of character and objectivity. As previously stated, Dr Redmond will retire from the Court immediately following the Annual General Court on 21 July 2006.

In considering the independence of Mr Terry Neill, the Court had regard to the fact that he is a shareholder in Accenture which provides services to the Group. Notwithstanding this, the Court determined that Mr Neill is an independent Director having regard to his objectivity, integrity and strength of character.

Appointments to the Court

The Group Nomination and Governance Committee is chaired by the Governor and consists of a majority of independent non-executive Directors. The Committee is responsible for leading the process for Court and key subsidiary Board appointments and renewals.

The Committee regularly reviews succession plans for the Court in the context of the Group's strategy and the skills, knowledge and experience of current Directors and makes appropriate recommendations to the Court. Prior to any appointment, the Committee approves a job specification, an assessment of the time involved and identifies the skills and experience required for the role. All newly appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the term of their appointment and the expected time commitment for the role. A copy of the standard terms and conditions of appointment of non-executive Directors can be inspected during normal business hours by contacting the Group Secretary.

In addition the Committee, with the support of the Group Secretary, monitors developments in corporate governance, assesses the implications for the Group and advises the Court accordingly. It is also charged with overseeing the Group's Corporate Responsibility Programme.

Information and Professional Development

On appointment, all non-executive Directors receive comprehensive briefing documents designed to familiarise them with the Group's operations, management and governance structures; these include the functioning of the Court and the role of the key Committees. In addition, new Directors undertake an induction programme, including visits to Group businesses and briefings with senior management and the Group will facilitate any major stockholder who wishes to meet with any new non-executive Director. On an ongoing basis special training/briefing sessions appropriate to the business of the Group are provided to all non-executive Directors.

The Directors have access to the advice and services of the Group Secretary, who is responsible for advising the Court on all governance issues and for ensuring that the Directors are provided with relevant information on a timely basis to enable them to consider issues for decision and to discharge their oversight responsibilities. The Directors also have access to the advice of the Group Legal Adviser and to independent professional advice, at the Group's expense, if and when required. Committees of the Court have similar access and are provided with sufficient resources to undertake their duties.

Performance Evaluation

Each Committee of the Court reviews its performance and discusses its conclusions with the Court. The Court evaluates its own performance and that of individual Directors annually and also reviews the conclusions of the Group Nomination and Governance Committee in relation to the performance of individual Directors standing for election or re-election. The objective of all these evaluations is to identify any scope for improvement and, in the case of the individual evaluations, to determine whether each Director continues to contribute effectively and to demonstrate commitment to the role.

The Court and individual Director performance evaluation process involves completion of questionnaires by Directors; one-to-one discussions between the Governor and each Director; a collective discussion among non-executive Directors on issues identified and presentation of the overall findings to the Court for its consideration and action as required.

As part of the overall performance evaluation process, the non-executive Directors, led by the Senior Independent Director, meet annually without the Governor present to appraise the Governor's performance, having taken the views of the executive Directors and Group Secretary into account. They may also meet on such other occasions as are deemed appropriate.

Re-Election

All Directors are submitted to stockholders for election at the first Annual General Court following their appointment and for re-election at intervals of no more than three years.

Biographical details of all Directors are provided in this Report and Accounts, and the reasons why the Court believes that an individual should be elected or re-elected are provided in the Governor's Letter to Stockholders to enable stockholders to take an informed decision on their election or re-election.

At the forthcoming Annual General Court, David Dilger, George Magan, Caroline Marland, Tom Moran and Declan McCourt are standing for re-election. Following formal performance evaluation, the Court has confirmed that the performance of each of these Directors continues to be effective and recommends that stockholders vote in favour of their re-election.

All non-executive Directors are appointed for an initial three year term with an expectation of a further term of three years assuming satisfactory performance. Where a Director is invited to remain beyond six years, his/her performance is subject to rigorous review. Should any non-executive Directors be invited to serve longer than nine years they are subject to annual re-election by stockholders.

Remuneration

The Group Remuneration Committee comprises the Deputy Governor as chairman, the Governor and three other independent non-executive Directors. Notwithstanding the Code provision that all members of the Remuneration Committee should be independent non-executive Directors, the Court is of the view that the Governor has a significant contribution to make to any discussion on matters pertinent to remuneration and that this can best be achieved by him being a member of the Committee. The Court strongly supports the proposal by the Financial Reporting Council, as part of its review of the Combined Code, to relax the existing provision in the Code to allow company chairmen to sit on the Remuneration Committee.

A statement confirming that the remuneration consultants appointed by the Group Remuneration Committee have no other connections with the Group is available on the Group's website (www.bankofireland.ie) or by request to the Group Secretary. The Group's long-term incentive schemes have been approved by stockholders.

The Remuneration Report, incorporating the responsibilities of the Group Remuneration Committee, is set out on pages 51 to 58.

Accountability and Audit

The Statement of Directors' Responsibilities, including a going concern statement, is on page 59.

Internal Controls

The Directors acknowledge their overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. Such systems are designed to control, rather than eliminate, the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Court, which support the maintenance of a strong control environment;
- establishment of Committees with responsibility for core policy areas;
- a comprehensive set of policies and procedures relating to financial controls, asset and liability management (including interest, currency and liquidity risk), operational risk and credit risk management, (further details are given in the Operating and Financial Review on pages 6 to 37);
- monthly reporting by business units which enables progress against business objectives to be monitored, trends to be evaluated and variances to be acted upon;
- a semi-annual detailed operational risk assessment by all Group businesses with reports to Divisional Management on the effectiveness of their risk management systems. Heads of business units are required to certify the accuracy of the self-assessment and the results arising from this process are noted by the Group Risk Policy Committee.

These controls, which are embedded within the operations of the Group, are reviewed by Group Internal Audit. In these reviews, emphasis is focused on areas of greater risk as identified by risk analysis.

The Directors confirm that the Court, through its committees, has reviewed, in accordance with the Combined Code, the effectiveness of the Group's systems of internal control for the year ended 31 March 2006. This review involved consideration of the reports of internal audit and the risk management functions, including operational risk, regulatory risk and compliance and establishing that appropriate action is being taken by management to address issues highlighted. In addition, the reports of the external auditors, which contain details of any material control issues identified arising from their work, are reviewed by the Group Audit Committee. After each meeting of the Group Audit Committee, its Chairman reports to the Court on all significant issues considered by the Committee, and the minutes of meetings are circulated to all members of the Court.

Following the end of the financial year, the Court reviewed the Group Audit Committee's conclusions in relation to the Group's systems of internal control and the appropriateness of the structures in place to manage and monitor them. This process involved a confirmation that a system of internal control according with the Turnbull Guidance was in place throughout the financial year and up to the date of the signing of these accounts.
It also involved an assessment of the on-going process for the identification, evaluation and management of individual risks and of the role of the various committees and group risk management functions and the extent to which various significant challenges facing the Group are understood and are being addressed.

The Court recognises its obligations as a non-US registrant under US securities laws and regulations, including the requirement to comply, where applicable, with the Sarbanes-Oxley Act of 2002 ('SOx'). A Disclosure Committee, comprising senior management, has been established since 2003 to verify the accuracy and completeness of the Group's financial and certain other public disclosures and to evaluate the effectiveness of the Group's disclosure controls and processes. The Committee met four times during the year ended 31 March 2006. The Group has undertaken significant work in 2005/2006 to document and test its internal control structures and procedures in line with the requirements of Section 404 of SOx, which requires, among other things, certification by management regarding the effectiveness of internal controls over financial reporting.

Audit Committee and Auditors

The Group Audit Committee, which comprises only independent non-executive Directors, assists the Court in fulfilling its responsibilities relating to:

- the integrity of the financial statements and any formal announcements relating to the Group's financial performance;
- overseeing the relationship between the Group and its external auditors;
- the review of the Group's internal controls, including financial controls;
- the effectiveness of the internal audit, compliance and risk management functions;
- the review of the internal and external audit plans and subsequent findings;
- the selection of accounting policies;
- the review of the auditors' report;
- obligations under applicable laws and regulations including the Sarbanes-Oxley Act; and
- the review of the effectiveness of the services provided by the external auditors and other related matters.

During the year under review the Committee gave detailed consideration to the implementation of International Financial Reporting Standards ("IFRS"). The Committee has conducted a formal evaluation of the effectiveness of the external audit process and has reported on its findings to the Court. It conducts an annual review of the procedures and processes by which non-audit services are provided by the external auditors in order to ensure, among other things, that auditor objectivity and independence are not compromised. In this regard, a key procedural control requires that any engagement of the external auditors to provide non-audit services must be pre-approved by the Committee, which also receives reports on the performance of such services.

The Committee has put arrangements in place, should the need arise, for the independent investigation and resolution of any concerns raised by staff regarding matters of financial reporting or other matters and for the regular review of these arrangements. The Court has satisfied itself that at least one member of the Committee has recent and relevant financial experience.

The external auditors and the Group Chief Internal Auditor have full and unrestricted access to the Group Audit Committee as well as to the Group Chief Executive and the Governor. The Group Chief Executive, the Group Chief Financial Officer, the Group Chief Risk Officer, the external auditors and the Group Chief Internal Auditor attend meetings of the Group Audit Committee and the Committee meets separately, at least annually, with the Group Chief Internal Auditor and the external auditors – in both cases without management present. The Committee also meets annually with management with no auditors present.

Corporate Governance Statement

Attendance at scheduled meetings during the year ended 31 March 2006

Name	Court		Group Audit Committee		Group Nomination & Governance Committee		Group Remuneration Committee		
	A	B	A	B	A	B	A	B	
Roy E Bailie	9	9	6	6	-	-	-	-	
Richard Burrows	9	9	-	-	5	5	6	5	
Laurence G Crowley	3	3	-	-	2	2	2	2	Retired 6 July 2005
David Dilger	9	8	6	5	5	4	-	-	
Donal Geaney	4	3	-	-	-	-	3	2	Died 7 October 2005
Brian J Goggin	9	9	-	-	-	-	-	-	
Paul Haran	9	9	-	-	5	5	-	-	
Mike Hodgkinson	9	8	-	-	5	5	-	-	
George Magan	9	9	6	6	-	-	2	2	Appointed to Remuneration Committee 22 November 2005
Caroline Marland	9	6	-	-	5	3	-	-	
Declan McCourt	9	8	6	6	-	-	6	5	
Tom Moran	9	6	1	1	5	3	-	-	Appointed to Audit Committee 14 February 2006
Terry Neill	9	9	6	6	-	-	6	6	
Ray MacSharry	3	3	-	-	-	-	-	-	Retired 6 July 2005
Denis O'Brien	9	8	-	-	4	4	6	6	
John O'Donovan	9	8	-	-	-	-	-	-	
Mary Redmond	9	8	-	-	1	1	-	-	

Column A indicates the number of scheduled meetings held and Column B indicates the number of scheduled meetings attended during the period the Director was a member of the Court and/or the Committee and was eligible to attend.

Court Sub-Committees

Group Risk Policy Committee – The Group Risk Policy Committee is responsible for recommending high-level risk policy and risk strategy to the Court for its approval and for overseeing management of risk within approved policy parameters.

Group Investment Committee – The Group Investment Committee is responsible for evaluating all material investment/divestment/capital expenditure proposals, determining those within its authority and recommending those outside its authority to the Court. It is also responsible for monitoring the progression of such proposals and ensuring satisfactory delivery of expected benefits.

Membership of the above committees at 31 March 2006 was as follows:

Group Risk Policy Committee

Ronan Murphy (Chairman)
Richie Boucher
John Clifford
Des Crowley
Denis Donovan
Brian J Goggin (Court member)
Roy Keenan
Brian Lillis
Vincent Mulvey
John O'Donovan (Court member)
Mick Sweeney

Group Investment Committee

Brian J Goggin (Chairman) (Court member)
Richie Boucher
John Clifford
Des Crowley
Kevin Dolan
Denis Donovan
Cyril Dunne
Michael Grealy
Roy Keenan
Ronan Murphy
John O'Donovan (Court member)
Tony Wyatt

Relations with Stockholders

Communication with stockholders is given high priority. The Group seeks to provide through its Annual Report a balanced, clear assessment of the Group's performance and prospects. It also uses its internet website (www.bankofireland.ie) to provide investors with the full text of the Annual and Interim reports, the Form 20-F (which is filed annually with the US Securities and Exchange Commission) and with copies of presentations to analysts and investors as they are made, so that information is available to all stockholders. Annual and interim results presentations are webcast live so that all stockholders can receive the same information at the same time. Additionally, the "Investor Information" section on the Group's website is updated with all Stock Exchange releases as they are made by the Group. The outcome of every general meeting of the Group, including detailed voting results, is published on the Group's website.

The Group has an active and well developed Investor Relations programme, which involves regular meetings between the Group Chief Executive, members of his senior executive team, the Head of Investor Relations and the Group's principal institutional stockholders and with financial analysts and brokers. The Directors are kept informed on investor issues through regular reports from Group Investor Relations on the outcome of these meetings. Following his appointment in July 2005, the Governor has commenced a series of meetings with major stockholders independently of the executive team. All meetings with stockholders are conducted in such a way so as to ensure that price sensitive information is not divulged. The Governor also gathers the views of institutional stockholders, through the Group's brokers and advisers, and presents feedback to the Court. In addition, all Directors are encouraged and facilitated to hear the views of investors and analysts at first hand through their participation in conference calls following major announcements. The Court concluded that the objective of keeping Directors fully informed on stockholder views was achieved in 2005/2006.

The Governor and/or the Senior Independent Director are available to stockholders if they have concerns that cannot be resolved through the normal channels and it is Group policy to facilitate any major stockholder who wishes to discuss any issue with the Governor or the Senior Independent Director.

The Group's policy is to make constructive use of the Annual General Court and all stockholders are encouraged to participate. Stockholders are given the opportunity to ask questions at the Annual General Court or to submit written questions in advance. The notice of the Annual General Court is issued at least 20 working days before the meeting in line with the requirements of the Combined Code. At the Annual General Court separate resolutions are proposed on each substantially separate issue and when an issue has been determined at the meeting on a show of hands, the Chairman indicates to the meeting the proportion of proxy votes for, against and abstaining from that resolution to demonstrate what the voting position would have been if the votes of those not in attendance at the meeting were taken into account. It is usual for all Directors to attend the Annual General Court and to be available to meet stockholders and for the chairmen of the Group Audit Committee, the Group Nomination and Governance Committee and the Group Remuneration Committee to be available to answer relevant questions at the Annual General Court. In addition a 'Help Desk' facility is available at the meeting to assist stockholders to resolve any specific queries they may have.

New York Stock Exchange (NYSE) Corporate Governance Requirements

All non-US companies listed on the NYSE are required to disclose any significant differences between their corporate governance practices and the requirements of the NYSE applicable to US companies.

As an Irish incorporated company listed on the Irish and London Stock Exchanges, the Group's corporate governance practices reflect Irish company law, the Listing Rules of the Irish Stock Exchange and the UK Listing Authority and the Combined Code. The Group believes the following to be the significant differences between its corporate governance practices and NYSE corporate governance rules applicable to US companies.

The NYSE rules set out five tests for Director independence and also require that "the Board of Directors affirmatively determines that the Director has no material relationship with the listed company (either directly or as a partner, shareholder or officer of any organisation that has a relationship with the company)". The Court of Directors follows the terms of the Combined Code together with developing best practice in corporate governance and regulation in its annual review of the independence of its non-executive Directors.

It is a requirement of the NYSE Rules that all members of the Nomination/Corporate Governance and Compensation Committees should be independent. The Group's Nomination and Governance Committee consists of a majority of independent Directors as provided for in the Combined Code. The Group Remuneration Committee comprises the Deputy Governor as Chairman, the Governor and three other non-executive Directors determined by the Court to be independent by reference to the Combined Code as described earlier in the 'Remuneration' section of this Statement.

Under NYSE Corporate Governance rules, the duties and responsibilities of the Audit Committee should include discussion of the Company's earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies. In the Group's case, these matters are considered by the Court.

Corporate Responsibility

In Bank of Ireland Group, we recognise the importance of building and maintaining sustainable relationships with our stakeholders. In addition to Stockholders, these include customers, employees, regulators and business partners.

In last year's report, we described the policy and governance framework we have in place to underpin our Corporate Responsibility programme. These developments have achieved independent external recognition, including membership of the FTSE4Good index. Through this index, the FTSE Group provides recognition to companies that, in their view, manage their social, ethical and environmental impacts and are better positioned to capitalise on the benefits of responsible business practice.

During 2005/2006, further progress has been made in the following areas:

Playing our part in the Marketplace

Quality customer service is a hallmark of the Bank of Ireland approach. In an increasingly competitive environment, this is a key differentiator for all Group businesses which are working on plans to enhance the customer experience under our programme entitled *Changing for you*.

- In our Retail Financial Services Division, *Changing for You* aims to significantly enhance customers' experiences and achieve differentiation through excellent customer service. The programme comprises initiatives designed to reduce queues, enhance our Bank of Ireland 365 phone and online banking services and make our branches more user-friendly. In addition to this, 500 new customer service employees are deployed in front-line roles and extensive training and development for our people is underway to deliver top class customer service.

- In response to the changing profile of Irish society, Bank of Ireland launched its *Migrant Worker Initiative* in July 2005. This initiative included the translation of 10 key product/service brochures, and a welcome pack with information on account opening, into foreign languages (currently Polish, Russian and Chinese). These are available through our branch network and on our website. To reflect the growing diversity of our customers, 30 foreign language speakers have been recruited into key branch locations to better serve the needs of our evolving customer base.

- As part of our commitment to delivering excellent customer service, we have launched a *Service First Excellence* programme in all branches in Ireland. Customer satisfaction scores on branch service are up 15% in the last two years and in our telephone/internet banking service, 9 out of 10 customers say that they would recommend the service to a friend.

- In our UK Division, we continued to develop a range of financial products specifically tailored for our Muslim customers. Newly introduced product options brought home ownership and investment opportunities to those traditionally excluded from property ownership in the UK.

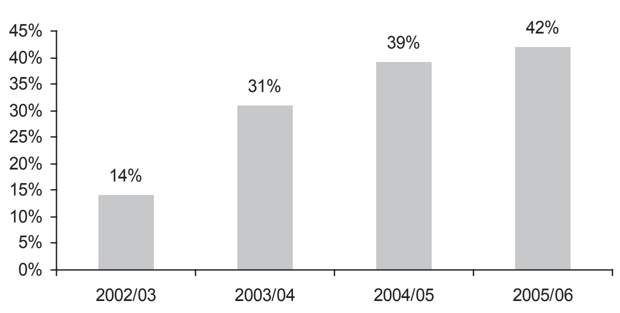
> "I believe passionately in the primacy of the customer. In Bank of Ireland we constantly strive to innovate around customer needs, put the customer first in the service equation and empower our people to deal fully with problems whenever they arise. All banks are not the same. I want customers to see the difference when they deal with Bank of Ireland."
>
> Brian J Goggin, Group CEO

"Bank of Ireland Customer Operations is outstanding for the depth of its commitment to equality for people with disabilities. Its policies have been driven forward with an impressive energy that seems to permeate the whole organisation, from the board and top management through the staff and outwards to the broader community. It embodies an understanding that inclusion is good for business, good for morale and good for society." Judging Panel, O2 Ability Award Judges

Playing our part in the Workplace

- Our fourth successive Group Survey to measure Employee Engagement, took place in January 2006. An 'engaged' employee is someone who is fully committed to their role in the organisation. We know that engaged employees form better work teams, deliver more satisfying outcomes for customers and consequently for our business. Engaged teams also achieve a better working environment in which staff have more opportunities to achieve their potential. It is therefore encouraging to see that close to half of all teams in Bank of Ireland Group are in the 'Best Practice' category relative to an External Industry Benchmark. The chart below illustrates the improvement in the percentage of work teams, which feature in the 'best practice' category over the past four surveys.

% Best Practice Teams in Group



- In December, we announced a new Learning model which will deliver high quality, consistent training to staff in a more timely and cost effective way through a combination of e-learning and instructor led training. This will provide staff with control over their career development by providing better access to training.

- As part of the Group's *Strategic Transformation Programme*, employees leaving the group are provided with an Employee Orientation Outplacement Service. Participants select the module that best addresses their current needs and future plans. The modules include ' Start your own business', 'Career Continuation' and 'Retirement Success'. There has been very positive feedback from participants on the benefits and practical application of the service.

- At Bank of Ireland we focus on the ability of our employees and are not put off by disabilities. This is evidenced by our *I Can* recruitment programme and our work with disability advocacy groups. Bank of Ireland Customer Operations has a long track record of recruiting people with a disability and in recognition of this was awarded the 'Overall O2 Ability Award Best Practice - Private Sector' Company in 2006. During 2006/07 we will provide six-month, mentored, work experience placements through the WAM (Willing Able Mentoring) programme, which aims to ease and accelerate the transition of graduates with disabilities to careers appropriate to their skills and abilities.

Playing our part in the Community

- Bank of Ireland employees continue to demonstrate their commitment and support for charitable causes whether by raising funds or otherwise giving of their time and skills. The Bank operates a scheme, which matches staff fundraising efforts with a similar amount thus making such efforts even more effective. Over €950,000 has been disbursed by the matching fund over the last six years, benefiting a wide range of charities and community organisations. In addition, a high proportion of employees make charitable donations on a regular basis through long-established payroll deduction schemes, which raise significant funds for projects in the Third World and for the St. Vincent de Paul Society.

- As the *Millennium Scholars Trust* (MST) enters its sixth year, it has awarded over 300 scholarships and allocated over €5.5 million to date. To help these scholarship winners make a successful transition into third-level education, the Trust has created a mentoring programme whereby Bank of Ireland staff, who receive special training for the purpose, support the students in practical ways ranging from advice to help on the academic front. Almost 200 Bank of Ireland employees have volunteered their time in this regard. The Trust was honoured to receive the 2005 Business 2 Arts Award for its contribution to the arts, through the financial support of students studying fine art, film, dance and theatre. It also received a citation in the Chambers of Commerce of Ireland President's award to acknowledge its contribution to the community.

- Bank of Ireland UK has pledged stg£200,000 to build and develop an Academy in Withywood – a disadvantaged area in South Bristol. The Withywood community and its secondary school have experienced decades of disadvantage and challenging circumstances. The aspirations of young people and families are low. Unemployment levels are high and the attendance at the school is poor. Once the Academy is in operation the Bank will be giving staff the opportunity to work in this community, by mentoring and providing workshops to help develop the students' skills.

- We actively participate in the *The Schools' Business Partnership,* a menu of programmes run by Business in the Community Ireland (BITC). The Partnership has been developed to address key educational issues for disadvantaged schools across the country. One of the programmes involves our employees in one to one mentoring with individual students. These mentoring relationships provide support and guidance to students and foster a belief in their own ability to achieve and understand the benefits of completing their second level education.

> "My mentor is always there if I need somebody who is not a teacher or a parent to talk to. She is a really good friend who is always trying her hardest to get me where I want to go in life."
>
> Mentored student, Schools Business Partnership.

"We are delighted to write and congratulate Bank of Ireland Group for taking part in Business in the Community's 10th Environment Index. Your participation reinforces your company's leadership and transparency in managing, measuring and reporting on your business practices."

Business in the Community

Playing our part for the Environment

- In 2005 we put in place a new Group-wide *Environmental Management System* (EMS) to establish baseline data regarding our impacts on the environment. During 2006/07 we will establish targets and put a programme in place to achieve them.

- In November 2005 the Group's Customer Operations Centre successfully achieved certification to ISO14001. This is the first time that an Irish Financial Services Company was awarded this accreditation. It recognises our demonstrated focus and commitment to the continual improvement of environmental management.

- In May 2005, Bank of Ireland Global Markets became the first domestic bank to develop a capability in the new emissions market aimed specifically at the Irish Market. Through the *EU Emissions Trading Scheme* (EUETS) the Bank provides essential transaction and hedging services to Irish companies working with the National Allocation. The scheme arose from the Kyoto Protocol, with the aim of limiting the global emissions of carbon dioxide. To date, trades totalling circa half a million tonnes of CO2 have been transacted.

- The Bank continues to fund the development of renewable energy, waste and water management. Current lending is in the order of €85m supporting, amongst others; wind-farms, small scale hydro-electric and waste to energy facilities.

- For the second year running the Group completed the *Business in the Community Environmental Index*, and showed improved results.

In summary, 2005/06 marked further progress in our Corporate Responsibility Programme. The Group's activities in the four key areas of Marketplace, Workplace, Community and Environment have received external recognition and accreditation and we look forward to reporting continued progress in the coming year.

Report of the Directors

The Directors present their report and financial statements for the year ended 31 March 2006.

Results

The Group profit attributable to the Ordinary Stockholders was €1,292m after Non-Cumulative Preference Stock dividends of €13m amounting to €1,305m as set out in the consolidated income statement on page 62.

Dividends

The Directors have recommended a Final Dividend of 34.3 cent per unit of €0.64 Ordinary Stock in respect of the year ended 31 March 2006 to be paid on 28 July 2006 to stockholders on the Register at the close of business on 30 June 2006. The recommended Final Dividend together with the Interim Dividend of 18.2 cent per unit of €0.64 Ordinary Stock paid in January 2006 results in a total of 52.5 cent for the year ended 31 March 2006 and compares with a total of 45.6 cent for the previous year. If approved by stockholders, this would amount to €511m (2004/2005; €442m).

Group Activities

The Bank and its group undertakings (the "Group") provide an extensive range of banking and other financial services. The Governor's Statement and the Group Chief Executive's Operating and Financial Review on pages 4 and pages 6 to 37 respectively, describe the operations and the development of the Group. Additional disclosures required by the International Financial Reporting Standards and Fair Value Regulations are contained in the Group Chief Executive's Operating and Financial Review and in the financial statements and notes thereto. Information concerning the principal risks and uncertainties facing the Group is set out in the Risk Management and Control section of the Operating and Financial Review.

Capital Stock and Subordinated Liabilities

1,025,115,489 units of Ordinary Stock, of nominal value of €0.64 each, were in issue at 1 April 2005 of which 82,077,349 were held in Treasury Stock.

During the year, the Bank re-issued Treasury Stock under staff stock schemes. As at 31 March 2006, the Bank had 1,025,115,489 units of ordinary stock of €0.64 each of which 77,212,319 were held in Treasury Stock.

The authorities granted at the Annual General Court in July 2005 to purchase up to 95,732,060 units of the Bank's Ordinary Stock, up to 1,876,090 units of the Bank's Sterling Preference Stock and up to 3,026,598 units of the Bank's euro Preference Stock have not been exercised.

Full details of the changes during the year in the capital stock and subordinated liabilities are displayed in Note 39 and Note 29.

Directors

The names of the members of the Court of Directors as at 31 March 2006 together with a short biographical note on each Director appear on pages 2 to 3.

David Dilger, George Magan, Caroline Marland, Tom Moran and Declan McCourt retire at the 2006 Annual General Court and, being eligible, offer themselves for re-election at the Annual General Court. None of these Directors has a directors' service contract with the Group.

Directors' Interests

The interests of the Directors and Secretary, in office at 31 March 2006 and of their spouses and minor children, in the stock issued by the Bank are shown in the Remuneration Report on pages 51 to 58.

In relation to the Group's business, no contracts of significance to the Group in which the Directors of the Bank had any interest, subsisted at any time during the year ended 31 March 2006 except as described in Note 44.

Substantial Stockholdings

There were 64,548 registered holders of the Ordinary Stock of the Bank at 31 March 2006. An analysis of these holdings is shown on page 189.

As 24 May 2006 the Bank had received notification of the following substantial interests in its Issued Ordinary Stock:

Name	%
Bank of Ireland Asset Management Limited *	6.8%

* This stockholding is not beneficially owned but is held on behalf of a range of clients, none of whom hold, so far as the Directors have been notified, more than 3% of the Issued Ordinary Stock.

So far as the Directors have been notified there were no other holdings of 3% or more of the Issued Ordinary Stock of the Bank.

Report of the Directors

Corporate Governance

Statements by the Directors in relation to the Group's compliance with the Combined Code on Corporate Governance and the Group's system of internal controls are set out in the Corporate Governance Statement on pages 38 to 44.

The Remuneration Report is set out on pages 51 to 58.

Environment

The facilitation of a clean environment and effective environmental protection is a fundamental aspect of good business operations. Bank of Ireland Group recognises that its business activities have an impact on the environment, both globally and locally. Therefore, it is our policy to minimise the impact of our operations on the environment. An environmental management system was implemented, and data collected for the first time, during 2005. This will allow the identification and prioritisation of local and Group wide programmes to reduce the Group's environmental impacts. The full text of the environmental policy is accessible on the web at www.bankofireland.ie

Political Donations

The Directors, on enquiry, have satisfied themselves that there were no political donations which require disclosure under the Electoral Acts, 1997 to 2002.

Branches Outside the State

The Bank has established branches, within the meaning of Regulation 25 of the European Communities (Accounts) Regulations, 1993 (which gave effect to EU Council Directive 89/666/EEC), in the United Kingdom, France and Germany.

Going Concern and Books of Account

The Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the 'going concern' basis for the preparation of the accounts.

The Directors ensure that proper books and account records are kept at the Bank's registered office, through the appointment of suitably qualified personnel, the implementation of appropriate computerised systems and the use of financial and other controls over the systems and the data.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Richard Burrows
Governor

Denis O'Brien
Deputy Governor

Bank of Ireland
Head Office
Lower Baggot Street
Dublin 2

30 May 2006

Remuneration Report

This Remuneration Report has been prepared in accordance with the requirements of the Combined Code on Corporate Governance.

The Group Remuneration Committee holds delegated responsibility for setting policy on the remuneration of the Governor and senior management (including executive Directors) and approves specific remuneration packages for the Governor, each of the executive Directors, the Group Secretary and those senior executives who report directly to the Group Chief Executive ("Group Executive Committee").

The remuneration of non-executive Directors is determined by the executive Directors and approved by the Court. Neither the Governor nor any Director participate in any decisions relating to their own remuneration.

Remuneration policy

Group remuneration policy is to ensure that the remuneration arrangements for Directors and senior management are competitive and designed to attract, retain and motivate people of the highest calibre, who are expected to perform to the highest standards.

Reward policies are aligned with the objective of maximising stockholder value. In determining remuneration levels account is taken of such factors as each individual's responsibilities and performance and levels of remuneration in comparable businesses both in Ireland and the United Kingdom and the general pay awards made to staff overall.

Executive Directors are expected, over time, to build up a Group stock ownership equivalent to a minimum of 100% of salary.

The reward package for executive Directors and senior management

The total remuneration package is reviewed by the Group Remuneration Committee with external assistance from remuneration consultants who act as advisors to provide remuneration advice and analysis to the Group Remuneration Committee. Currently the key elements of the remuneration package are salary, a performance related bonus, the Long Term Incentive Plan, stock options, participation in the Employee Stock Issue and in the Sharesave schemes and membership of a defined benefit pension scheme. These various elements are summarised below:

- **Salary** – Is payable monthly and is set at a level to recognise an individual's market worth. Salaries are reviewed annually by the Group Remuneration Committee.

- **Performance-related bonus scheme** – The level earned by each executive Director is a function of the Remuneration Committee's assessment of that Director's performance against pre-determined goals, required leadership behaviours and the overall performance of the Group in any year in absolute terms. The maximum bonus potential of executive Directors and Group Executive Committee members is currently 125% of salary. 25% of the actual bonus awarded is deferred until the earlier of March 2009 or the completion of the Strategic Transformation Programme.

- **Long Term Incentive Plan** – Since 2004 the Group has operated a Long Term Incentive Plan ("LTIP"), with stockholder approval, for key senior executives who are best placed to maximise stockholder value. This replaced the Long Term Performance Stock Plan ("LTPSP"), which operated from 1999 to 2003. Under this Plan, and its predecessor, the LTPSP, which is described in more detail in Note 39 on page 142, conditional awards have been made to the executive Directors as set out in the table on page 56.

- **Stock options** – In 2004, the Group updated the Executive Stock Option Scheme, with stockholder approval. This involved amending the previous Executive Stock Option Scheme introduced in 1996. It is policy to grant stock options under the terms of the Stock Option Scheme to executive Directors and senior executives across the Group to encourage identification with the interests of stockholders in general. The exercise of all options granted since 2004 is conditional upon underlying earnings per share achieving a cumulative growth of at least 5% per annum compound above the increase in the Consumer Price Index over the three-year performance period. If this performance condition is not achieved, the options lapse. (See also Note 39 on page 142).

Remuneration Report

- **Employee Stock Issue Scheme** – The Bank operates an Employee Stock Issue Scheme under which the Court of Directors may set aside an element of 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. The amount set aside is related to overall Group performance (See also Note 39 on page 142). Executive Directors participate on the same basis as staff generally.

- **Sharesave Scheme** – In 1999 the Group established a Sharesave Scheme ("SAYE scheme"). Under this scheme the executive Directors who participated in the scheme were granted options over units of Ordinary Stock as set out in the table on page 55 (see Note 39 on page 142). Under the scheme, first offered in 2000, participants could save for three, five or seven years. The three year scheme matured in May 2003 and the five year scheme matured in May 2005. A further offer under the scheme was made in December 2003. Under the 2003 offer, participants could save for three or five years. It is the Group's practice to consider further offers under the scheme from time to time.

- **Pensions** – The executive Directors are members of the Bank Staff Pensions Fund and have a normal retirement age of 60. This pension plan is contributory at the rate of 2.5% of salary and is a defined benefit plan based on an accrual rate of 1/60th of pensionable salary for each year of pensionable service with a maximum of 40/60ths payable at age 60. Of the executive Directors' total remuneration package, only their salary is pensionable. The Finance Act 2006 has introduced an additional tax, at 42%, on the "excess capital value" of pensions over a specified 'cap' of €5m, or the value of individual pension entitlements at 7 December 2005, if greater. For members of defined benefit schemes, the capital value is calculated as 20 times the annual pension, and the tax is payable at the first "benefit crystallisation event" (in effect, when the pension first becomes payable). These provisions have an immediate impact on the value of the pension benefits accruing to one executive Director (see Director's pension entitlements page 57) and a potential impact on a second executive Director.

- **Service contracts** – No service contract exists between the Bank and any Director which provides for a notice period from the Group of greater than one year.

Directors' remuneration 2005/2006

(all figures in €'000's)

(audited)	Salary (1)	Court fees (2)	Perf. bonus (3)	Other remun. (4)	Benefits (5)	Pension contribs. (6)	Total remun. 2005/2006	Total remun. 2004/2005
Governor								
R Burrows (apt, Governor 06.07.2005)	336						336	148
Deputy Governor								
D O'Brien (apt, Deputy Governor 14.09.2005)	124						124	77
Executive Directors								
B J Goggin*	1,000		1,280	27	50	168	2,525	1,919
J O'Donovan	450		405	13	31	216	1,115	847
Non – Executive Directors								
R E Bailie		112					112	107
L Crowley (retired 6.7.2005)	106					10	116	419
D J Dilger		80					80	77
D J Geaney (Deceased 7.10.2005)		42					42	77
P Haran		80					80	17
M Hodgkinson (7)		-					-	-
R MacSharry (retired 6.7.2005)		21					21	77
D McCourt		80					80	76
G M Magan		80					80	77
C A Marland		80					80	77
T Moran		80					80	77
T Neill		80					80	76
M Redmond		80					80	77
Totals	**2,016**	**815**	**1,685**	**40**	**81**	**394**	**5,031**	**4,225**
Ex gratia payments paid to former Directors/Dependents							**474**	**545**

Notes:

(1) The Governor and Deputy Governor, as non-executive Officers of the Bank, are not paid Court fees but are remunerated by way of non-pensionable salary.

(2) Court fees are paid only to non-executive Directors and are subject to review annually at June each year.

(3) Payments under the performance bonus scheme are linked to individual performance and overall Group performance versus targets over the financial year. Under the rules of the performance bonus plan, 25% of any actual bonus awarded is deferred until the earlier of March 2009 or the completion of the Strategic Transformation Programme. For the year 05/06 Brian Goggin is awarded a total performance bonus of €1,200,000 of which €900,000 is payable in June 2006 and €300,000 (25%) is deferred. In addition to this performance bonus, under the Asset Management Services ("AMS") 2003 Long Term Incentive Programme, Brian Goggin will receive a payment of €380,000 in June 2006. For the year 2005/06 John O'Donovan was awarded a total performance bonus of €540,000 of which €405,000 is payable in June 2006 and €135,000 (25%) is deferred.

(4) Includes the cash value of Ordinary Stock receivable under the Employee Stock Issue Scheme.

(5) Benefits include car allowance and interest on any loans at staff rates.

(6) Contributions to defined benefit pension schemes. The fees paid or payable to non-executive Directors appointed post April 1991 are not pensionable. As Laurence Crowley was appointed a Director pre April 1991, an element of his salary, equivalent to the standard directors fee, has been treated as pensionable.

(7) Mike Hodgkinson receives no emoluments from the Bank of Ireland Group in line with the agreement with Post Office Ltd. Brian Goggin who sits on the Board of the UK Post Office Ltd. also receives no emoluments from that Board.

* Prior to his appointment as Group Chief Executive in June 2004, Brian Goggin, while Chief Executive Asset Management Services Division, participated in that Division's Deferred Cash Incentive Scheme and a Long Term Incentive Programme, in lieu of the Bank of Ireland Group's Executive Long Term Performance Stock Plan.

Deferred Cash Incentive Scheme – provided certain conditions are met over the three-year performance period, Brian Goggin will receive a minimum payment of ¤157,500 in April 2007. Further amounts may be paid based on the achievement of stretching profit before tax targets over the relevant performance period.

Under the AMS Long Term Incentive Programme, Brian Goggin will receive a minimum payment of ¤350,000 in June 2007. Further amounts may be paid based on the achievement of investment performance, business growth and profit targets over the relevant performance period.

Remuneration Report

Stock options held by Directors and Secretary

(a) Executive stock options

Options to subscribe for Ordinary Stock in the Bank granted and exercised during the year to 31 March 2006 are included in the table below:

(audited)	Date of grant	Earliest exercise date	Expiry date	Exercise price €	Options at 1 April 2005 or date of appointment if later	Granted in year	Exercised in year	Market price at exercise date €	Options at 31 March 2006
Directors									
B J Goggin	28 Nov 1996	28 Nov 1999	28 Nov 2006	3.24	80,000		80,000	12.08	
	13 Jul 1999	13 Jul 2002	13 Jul 2009	8.93	20,000				20,000
	21 May 2001	21 May 2004	24 May 2011	11.05	25,000				25,000
	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.5	25,000				25,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000				50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	92,000				92,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85		77,500			77,500
					292,000	**77,500**	**80,000**		**289,500**
J O'Donovan	26 Nov 2001	26 Nov 2004	26 Nov 2011	10.54	15,000		10,000	13.02	
							5,000	15.28	
	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.5	25,000				25,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000				50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	35,000				35,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85		32,500			32,500
					125,000	**32,500**	**15,000**		**142,500**
Secretary									
J B Clifford	05 Jun 1996	05 Jun 1999	05 Jun 2006	2.82	60,000		60,000	15.05	
	25 May 2000	25 May 2003	25 May 2010	6.96	15,000		15,000	15.05	
	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.5	10,000				10,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	20,000				20,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	21,500				21,500
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85		13,000			13,000
					126,500	**13,000**	**75,000**		**64,500**

No other Directors have been granted options to subscribe for units of ordinary stock of the Bank or of other Group entities. The performance condition attached to the grant of stock options made in June 2002, under the 1996 Executive Stock Option Scheme, was met in June 2005 and the options became capable of exercise from that date.

(b) Sharesave Scheme options 2000

Under the terms of the Sharesave Scheme offered in 2000, options were granted to all participating Group employees, who elected to participate, on 28 February 2000 at an option price of €5.40 per unit of Ordinary Stock. (This price was set at a discount of 20% of the then market price as permitted by the Rules). The options held under this scheme by the Directors and Secretary are set out below. Under the terms of the 2000 Sharesave offer, participants could save for three, five or seven years. The three-year scheme matured in May 2003 and the five-year scheme matured in May 2005.

(audited) Name	2000 Sharesave options granted at 28 February 2000	Market value at date of Grant (28 February 2000)	Options Exercised	Date of Exercise	Market value at date of exercise	2000 Sharesave options held at 31 March 2006
Directors:						
B J Goggin	4,261	€6.07				4,261

(c) Sharesave Scheme options 2003

Under the terms of the Sharesave Scheme offered in 2003, options were granted to all participating Group employees, who elected to participate, on 15 December 2003 at an option price of €7.84 in Ireland and €8.37 in the UK, per unit of Ordinary Stock. This price was set at a discount of 25% of the then market price as permitted by the Rules in Ireland and at a discount of 20% of the then market price permitted by the Rules in the UK. The options held under this scheme by the Directors and Secretary are set out below. Under the terms of the 2003 Sharesave offer, participants could save for three or five years. The three-year scheme matures in February 2007.

(audited) Name	2003 Sharesave options granted at 15 December 2003	Market value at date of Grant (15 December 2003)	2003 Sharesave options held At 31 March 2006
Directors:			
J O'Donovan	2,653	€10.60	2,653
Secretary:			
J B Clifford	1,522	€10.60	1,522

(d) Long Term Incentive Plan ("LTIP")

Conditional awards of units of Ordinary Stock have been made on 18 June 2003, 8 December 2003 (under the terms of the LTPSP), 26 July 2004 and 21 June 2005 (under the terms of the LTIP), to senior executives. These awards do not vest in the executives unless demanding performance criteria are achieved (see description of LTIP in Note 39 on page 142). The performance conditions attached to the award of conditional units of stock, made in June 2002, under the Long Term Performance Stock Plan 1999, were met in June 2005 and, based on the Group's TSR performance versus the various Peer Groups, 50% of the award vested in the participants. The conditional awards of units of Ordinary Stock made to date to the executive Directors are as follows:

Long Term Incentive Plan ("LTIP")

(audited)	Date of Award	No. of shares conditionally held at 1 April 2005	Conditionally awarded in the year*	Vested in the year**	Retained in Scheme ***	Lapsed in the year	Potential interest in shares at 31 March 2006	Original Maturity Date	Maturity Date
Directors									
B J Goggin	13 July 99				9,221		11,526	13 July 02	13 July 09
	25 May 00				16,249		20,311	25 May 03	25 May 10
	21 May 01				8,649		10,379	21 May 04	21 May 06
	24 June 02	13,763		6,882	6,882	6,881	8,258	24 June 05	24 June 07
	26 July 04	139,000					139,000	26 July 07	
	21 June 05		116,500				116,500	21 June 08	
		152,763	**116,500**	**6,882**	**41,001**	**6,881**	**305,974**		
J O'Donovan	24 June 02	10,055		5,028	5,028	5,027	6,034	24 June 05	24 June 07
	18 June 03	14,058					14,058	18 June 06	
	26 July 04	35,000					35,000	26 July 07	
	21 June 05		32,500				32,500	21 June 08	
		59,113	**32,500**	**5,028**	**5,028**	**5,027**	**87,592**		
Secretary									
J B Clifford	13 July 99				7,648		11,472	13 July 02	13 July 09
	25 May 00				12,271		15,339	25 May 03	25 May 10
	21 May 01				4,803		5,764	21 May 04	21 May 06
	24 June 02	5,703		2,852	2,852	2,851	3,422	24 June 05	24 June 07
	18 June 03	8,330					8,330	18 June 06	
	26 July 04	15,000					15,000	26 July 07	
	21 June 05		9,500				9,500	21 June 08	
		29,033	**9,500**	**2,852**	**27,574**	**2,851**	**68,827**		

* Market price at date of award €12.85

** Market price at date of vesting €12.95

*** Only applies to awards made under the LTPSP. Minimum of 80% of the vested stock must be retained for two years from maturity of award. After the two year retention period, an additional award of 20% is made. If the award is retained for an additional 5 years, a further award of 30% is made.

Changes in the directorate during the period

	Executive Directors	Non-executive Directors and Officers
Number at 31 March 2005	2	15
Changes during year		- LG Crowley (06/07/2005) - R MacSharry (06/07/2005) - DJ Geaney (07/10/2005)
Number at 31 March 2006	2	12
Average number during 2005/2006 (2004/2005)	2 (2.2)	13 (15.1)

Directors' pension entitlements

Set out below are details of the pension benefits earned by the Directors during the year ended 31 March 2006.

(audited)	(a) Additional pension earned in the year €000	(b) Increase /decrease in transfer value €000	(c) Accrued pension entitlement at 31 March 2006 €000
Executive Directors			
B J Goggin	(2.3) (note 1)	(66.5) (note 1)	606.9
J O'Donovan	24.3	370.8	183.1
Non-executive Officer			
L G Crowley	1.5	28.8	34.6

Column (a) above is the increase/decrease in pension built up during the year. Increases/decreases are after adjustment for inflation and comprise allowance for additional pensionable service; increases in pensionable earnings; and any agreed adjustment in the individual's pension accrual.

Column (b) is the additional capital value of column (a) which could arise if the pension were to be transferred to another pension plan on the Director leaving the Group and is based on factors supplied by the actuary in accordance with actuarial guidance notes GN11 (ROI), less each Director's contributions.

Column (c) is the aggregate pension entitlement based on each Director's pensionable service with the Group at 31 March 2006, or at date of leaving if earlier, but payable at normal retirement age.

Executive Directors have the option to pay additional voluntary contributions to their pension plan; neither the contributions nor the resulting benefits are included in the above table.

(Note 1) Brian Goggin's pension accruals have been capped from the 7 December 2005 at the level of the statutory maximum permitted under the pension provisions of the Finance Act 2006 (see Note 36, Retirement Benefit Obligations on page 138). The effect of the pension provisions of the Finance Act 2006 on Brian Goggin's pension is that the pension accrued at the 7 December 2005 is less than the pension accrued at the 31 March 2005 after allowance for inflation of the 31 March 2005 accrued pension.

Directors' interests in stock

In addition to their interests in the Ordinary Stock through their holding of stock options and the conditional awards of stock they have received under the LTPSP and LTIP as set out above, the interests of the Directors and Secretary in office at 31 March 2006, and of their spouses and minor children, in the stocks issued by the Bank are set out below:

(audited)	UNITS OF €0.64 OF ORDINARY STOCK	
	As at 31 March 2006 Beneficial	As at 1 April 2005 Beneficial
DIRECTORS		
R E Bailie	4,267	3,808
R Burrows	99,598	46,590
D J Dilger	2,850	2,523
B J Goggin	424,676	334,126
P M Haran	2,259	2,000
M S Hodgkinson	2,000	2,000
J D McCourt	25,527	5,200
G M Magan	1,750	1,423
C A Marland	2,031	1,705
T J Moran	2,046	1,720
T V Neill	94,153	83,826
D O'Brien	302,078	301,705
J O'Donovan	74,351	53,363
M P Redmond	3,204	2,877
SECRETARY		
J B Clifford	124,541	58,684

There have been no changes in the stockholdings of the above Directors and Secretary between 31 March 2006 and 30 May 2006.

Apart from the interests set out above and in the previous section, the Directors and Secretary and their spouses and minor children have no other interests in the stocks of the Bank or its group undertakings at 31 March 2006.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations endorsed by the European Union and with those parts of the Companies Acts, 1963 to 2005 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and the Group 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 estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements are prepared in accordance with IFRS and IFRIC interpretations endorsed by the European Union and with those parts of the Companies Acts, 1963 to 2005 applicable to companies reporting under IFRS and Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the Bank 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 corporate and financial information included on the Bank's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Richard Burrows	**Denis O'Brien**	**Brian J Goggin**	**John B Clifford**
Governor	Deputy Governor	Group Chief Executive	Secretary

Independent Auditors’ Report

Independent Auditors’ Report to the Members of the Governor and Company of the Bank of Ireland

We have audited the Group and Bank accounts (the “accounts”) of the Bank of Ireland for the year ended 31 March 2006 which comprise the Consolidated Income Statement, the Consolidated and the Bank Balance Sheets, the Consolidated and the Bank Statement of Recognised Income and Expense, the Consolidated and the Bank Cash Flow Statements, and the related notes set out on pages 62 to 184. These accounts have been prepared under the accounting policies set out therein. We have also audited the information in the Remuneration Report set out on pages 51 to 58 that is described as having been audited.

Respective responsibilities of directors and auditors

The directors’ responsibilities for preparing the Report & Accounts in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, are set out in the Statement of Directors’ Responsibilities on page 59.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and Internati onal Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the members of the Governor and Company of the Bank of Ireland as a body in accordance with Section 193 of the Companies Act, 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union. We report to you our opinion as to whether the Bank accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2005. We also report to you whether the accounts have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2005, Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit, and whether the Bank’s balance sheet is in agreement with the books of account.

We also report to you our opinion as to:

- whether the Bank has kept proper books of account;
- whether proper returns adequate for the purposes of our audit have been received from branches of the Bank not visited by us,
- whether the directors’ report is consistent with the accounts; and
- whether at the balance sheet date there existed a financial situation which may require the Bank to convene an extraordinary general Court of the Bank; such a financial situation may exist if the net assets of the Bank, as stated in the Bank balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding directors’ remuneration and directors’ transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate Governance Statement reflects the Bank’s compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Directors’ statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group’s corporate governance procedures or its risk and control procedures.

We read the other information contained in the Report & Accounts and consider whether it is consistent with the audited accounts. The other information comprises only the Governor’s Statement, the Group Chief Executive’s Operating and Financial Review, the Corporate Governance Statement and the Report of the Directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the Group's accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2006 and of its profit and cash flows for the year then ended;
- the Bank's accounts give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Acts 1963 to 2005, of the state of the Bank's affairs as at 31 March 2006 and cash flows for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Acts, 1963 to 2005, Article 4 of the IAS Regulation and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Bank. The Bank's balance sheet is in agreement with the books of account.

In our opinion the information given in the directors' report is consistent with the accounts.

The net assets of the Bank, as stated in the Bank balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 March 2006 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general Court of the Bank.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

30 May 2006

Consolidated Income Statement

for the year ended 31 March 2006

	Notes	31-3-2006 €m	31-3-2005 €m
Interest Income	3	5,954	4,263
Interest Expense	3	(3,647)	(2,332)
Net Interest Income		2,307	1,931
Insurance net premium income		1,298	1,791
Fees and commissions income		912	1,163
Fees and commissions expense		(170)	(263)
Net trading income	4	30	66
Life assurance investment income and gains		625	695
Other operating income	5	165	138
Profit on disposal of business activity	6	176	11
Total Operating Income		5,343	5,532
Increase in insurance contract liabilities and claims paid		(1,666)	(2,222)
Total Operating Income, net of Insurance Claims		3,677	3,310
Total Operating Expenses	7	(2,020)	(2,051)
Operating Profit before Impairment Losses		1,657	1,259
Impairment losses	17, 18	(103)	21
Operating Profit		1,554	1,280
Share of profit of associated undertakings and joint ventures		45	30
Profit before Taxation		1,599	1,310
Taxation	11	(303)	(256)
Profit for the Period		1,296	1,054
Attributable to minority interests		(9)	(1)
Attributable to stockholders		1,305	1,055
Profit for the Period		1,296	1,054
Earnings per unit of €0.64 ordinary stock	12	136.4c	111.1c
Diluted earnings per unit of €0.64 ordinary stock	12	135.4c	110.2c

Richard Burrows	*Denis O'Brien*	*Brian J Goggin*	*John B Clifford*
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Consolidated Balance Sheet

as at 31 March 2006

	Notes	31-3-2006 €m	31-3-2005 €m
ASSETS			
Cash and balances at central banks		1,899	1,613
Items in the course of collection from other banks		930	560
Central government and other eligible bills	13	8	1,607
Trading securities	14	620	-
Derivative financial instruments	15	2,085	-
Other financial assets at fair value through P/L	14	10,580	-
Loans and advances to banks	16	10,576	8,347
Available-for-sale financial assets	18	28,205	-
Loans and advances to customers	17	101,246	79,836
Debt securities	19	-	22,711
Equity shares		-	5,716
Interest in associated undertakings	20	21	17
Interest in joint ventures	21	75	61
Intangible assets – Goodwill	23	375	219
Intangible assets – Other	23	590	573
Investment property		807	503
Property, plant & equipment	24	860	720
Deferred tax asset	32	30	99
Other assets	25	3,447	5,198
Total assets		162,354	127,780
EQUITY AND LIABILITIES			
Deposits by banks	26	32,312	20,865
Customer accounts	27	61,710	60,185
Items in the course of transmission to other banks		284	230
Derivative financial instruments	15	1,647	-
Liabilities to customers under investment contracts		6,650	-
Debt securities in issue	28	36,814	21,217
Life assurance liabilities attributable to policy holders		-	8,713
Insurance contract liabilities		5,192	-
Other liabilities	30	4,711	6,757
Deferred tax liabilities	32	207	212
Provisions	31	153	179
Retirement benefit obligations	36	808	924
Subordinated liabilities	29	6,493	4,086
Total liabilities		156,981	123,368
Equity			
Share capital	39	663	663
Share premium account	40	767	767
Retained profit	40	3,330	2,424
Other reserves	40	803	629
Own shares held for the benefit of life assurance policyholders		(235)	(206)
Stockholders' equity		5,328	4,277
Minority interests	38	45	135
Total equity		5,373	4,412
Total equity and liabilities		162,354	127,780

Richard Burrows	*Denis O'Brien*	*Brian J Goggin*	*John B Clifford*
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Bank Balance Sheet

as at 31 March 2006

	Notes	The Bank	
		31-3-2006 €m	31-3-2005 €m
ASSETS			
Cash and balances at central banks		1,892	1,481
Items in the course of collection from other banks		930	560
Trading securities	14	502	-
Derivative financial instruments	15	2,060	-
Other financial assets at fair value through P/L	14	15	-
Loans and advances to banks	16	55,352	37,471
Available-for-sale financial assets	18	22,785	-
Loans and advances to customers	17	57,128	43,949
Debt securities	19	-	16,515
Equity shares		-	18
Shares in Group undertakings	22	1,965	1,959
Intangible assets – Other	23	387	375
Property, plant & equipment	24	711	546
Deferred tax asset	32	4	30
Other assets	25	1,024	2,743
Total assets		144,755	105,647
EQUITY AND LIABILITIES			
Deposits by banks	26	44,953	29,868
Customer accounts	27	57,575	48,928
Items in the course of transmission to other banks		284	230
Derivative financial instruments	15	1,646	-
Debt securities in issue	28	31,279	17,784
Other liabilities	30	2,205	3,846
Provisions	31	91	136
Retirement benefit obligations		652	648
Subordinated liabilities	29	3,498	2,111
Total liabilities		142,183	103,551
Equity			
Share capital	39	663	663
Share premium account	40	767	767
Retained profit	40	621	526
Other reserves	40	521	140
Stockholders' equity		2,572	2,096
Total equity and liabilities		144,755	105,647

Richard Burrows	*Denis O'Brien*	*Brian J Goggin*	*John B Clifford*
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Statement of Recognised Income and Expense

	The Group		The Bank	
	2006 €m	2005 €m	2006 €m	2005 €m
Net gain on property revaluation	187	43	173	38
Net change in cash flow hedge reserve	(7)	-	(7)	-
Net change in Available for Sale reserve	(104)	-	(101)	-
Net actuarial gains/losses in defined benefit pension schemes	113	(386)	22	(319)
Foreign exchange translations	(17)	(108)	-	(67)
Income/expense recognised in equity	172	(451)	87	(348)
Profit for the period	1,296	1,054	670	640
Total recognised income/expense for the year	1,468	603	757	292
Attributable to:				
Equity holders of the parent	1,477	604	757	292
Minority interests	(9)	(1)	-	-
	1,468	603	757	292
Implementation of IAS32/39 and IFRS 4 as at 1 April 2005	28	-	146	-
Attributable to:				
Equity holders of the parent	28	-	146	-
Minority interests	-	-	-	-
	28	-	146	-

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Cash Flow Statement

	The Group		The Bank	
	31-3-2006 €m	31-3-2005 €m	31-3-2006 €m	31-3-2005 €m
Cash flows from operating activities				
Operating Profit	1,554	1,280	506	450
Profit on disposal of business activity	(176)	(11)	-	(26)
Profit on disposal of property	(4)	(8)	(1)	(2)
Depreciation and amortisation	166	177	124	123
Decrease/increase in prepayments and accrued income	61	(188)	(24)	(142)
Increase in accruals and deferred income	132	160	88	173
Provisions for impairment of loans and advances	103	(21)	74	(5)
Loans and advances written off net of recoveries	(64)	(123)	(49)	(77)
Revaluation of investment property	(53)	-	-	-
Profit on disposal of investment property	(49)	-	-	-
Interest on subordinated liabilities and other capital instruments	256	225	120	119
Profit on disposal of available for sale financial instruments	(4)	(2)	(3)	(1)
Charge for share based payments	11	11	9	9
Amortisation of premiums and discounts	(98)	15	(98)	15
Amortisation of debt issue expenses	2	2	1	-
	1,837	1,517	747	636
Net increase in deposits by banks	11,484	3,135	15,121	9,730
Net increase in customer accounts	1,852	6,844	9,013	7,241
Net increase in loans and advances to customers	(21,925)	(13,471)	(13,497)	(1,394)
Net (increase)/decrease in loans and advances to banks	(1,574)	714	(17,350)	(14,072)
Net increase in non investment debt & equity securities	499	(1,594)	9	(1,584)
Net increase in derivative financial instruments	(340)	-	(382)	-
Net (increase)/decrease in assets at fair value through P/L	(2,442)	-	34	-
Net increase/decrease in items in course of collection	(319)	19	(319)	19
Net increase in debt securities in issue	15,604	7,541	13,538	4,994
Net increase in other assets	(571)	(86)	(187)	(214)
Increase in other liabilities	2,763	475	125	468
Effect of exchange translation and other adjustments	(20)	306	(332)	(215)
Net cash inflow from operating assets and liabilities	5,011	3,883	5,773	4,973
Net cash inflow from operating activities before taxation	6,848	5,400	6,520	5,609
Taxation paid	(230)	(155)	(100)	(96)
Net cash inflow from operating activities	6,618	5,245	6,420	5,513
Investing activities (note a)	(7,391)	(4,037)	(6,360)	(4,190)
Financing activities (note b)	1,739	(213)	907	(683)
Increase in cash and cash equivalents	966	995	967	640
Opening cash and cash equivalents	5,217	4,242	4,179	3,553
Effect of exchange translation adjustments	(21)	(20)	(24)	(14)
Closing cash and cash equivalents	6,162	5,217	5,122	4,179

	The Group		The Bank	
	31-3-2006 €m	**31-3-2005 €m**	**31-3-2006 €m**	**31-3-2005 €m**
(a) Investing activities				
Net increase in financial investments	(7,217)	(3,992)	(6,539)	(4,014)
Additions to tangible fixed assets	(50)	(187)	(29)	(122)
Disposal of tangible fixed assets	60	55	9	22
Additions to intangible fixed assets	(106)	-	(89)	-
Disposal of intangible fixed assets	8	-	-	-
Purchase of investment property	(353)	-	-	-
Disposal of investment property	151	-	-	-
Disposal of business activity	227	-	-	-
Acquisition of Group undertaking	(120)	-	-	-
Dividends received from joint ventures	25	14	-	-
Decrease/(increase) in investments in associated undertakings	1	(3)	-	-
Increase in investment in Iridian	(18)	(33)	-	-
Net cash balances of Group undertakings acquired	1	142	-	-
Sale of EuroConex Technologies Limited	-	35	-	35
Sale of UK IFA Balances	-	28	-	-
Cash balances of UK IFA businesses disposed	-	(24)	-	-
Acquisition of Burdale	-	(72)	-	-
Net increase in investment in subsidiaries	-	-	(14)	(414)
Dividend received from Group undertakings	-	-	302	303
Cash flows from investing activities	(7,391)	(4,037)	(6,360)	(4,190)
(b) Financing activities				
Re issue of Treasury stock	36	7	36	7
Issue of new subordinated liabilities	2,414	587	1,450	-
Repayment of subordinated liabilities	-	(145)	-	(145)
Interest paid on subordinated liabilities	(233)	(223)	(107)	(120)
Equity dividends paid	(459)	(417)	(459)	(417)
Dividends on other equity interests	(13)	(8)	(13)	(8)
Dividends paid to minority interests	(6)	(14)	-	-
Cash flows from financing activities	1,739	(213)	907	(683)

Richard Burrows	*Denis O'Brien*	*Brian J Goggin*	*John B Clifford*
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Group Accounting Policies

Index to Accounting Policies

Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A Basis of Preparation

Up to 31 March 2005 the Bank of Ireland Group ("the Group") prepared its Report and Accounts in accordance with Irish Generally Accepted Accounting Principles (IR GAAP). From 1 April 2005 the Report and Accounts have been prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act, 1963 to 2005 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

In preparing these results, the Group has applied IFRS extant at 31 March 2006. However because of amendments to IAS 39 during 2004 and 2005 the Group has availed of the option in IFRS 1 'First-time Adoption of International Financial Reporting Standards' to implement IAS 39 "Financial Instruments: Recognition and Measurement", together with IAS 32 'Financial Instruments: Disclosure and Presentation' and IFRS 4 'Insurance Contracts', from 1 April 2005 without restating its March 2005 profit and loss account and balance sheet. Accordingly comparative information in respect of Financial Instruments and Insurance Contracts is prepared on the basis of the Group's accounting policies under IR GAAP, see pages 81 and 82 for these policies.

The preparation of the Accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Accounts 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 estimates and judgements is set out on pages 84 and 85.

Transition to IFRS

IFRS1 applies when an entity first adopts IFRSs and provides certain transition provisions upon first time adoption.

The Bank of Ireland Group has used the following exemptions granted under IFRS1:

- Business combinations: The Group has availed of the exemption and has not restated the group accounts for any acquisitions or business combinations that took place prior to 1 April 2004.
- Fair value or revaluation as deemed cost: The Group has availed of the exemption to treat fair value as deemed cost at transition on 1 April 2004 in respect of adaptations to the properties existing at that date.
- Employee benefits: The Group has elected to recognise all cumulative actuarial gains and losses on defined benefit pension schemes at 1 April 2004.
- Cumulative translation differences: The Group has availed of the exemption to deem all accumulated balances arising from translation of foreign subsidiaries to be nil on transition to IFRS at 1 April 2004.
- Share-based payment transactions: The Group has availed of the exemption only to apply IFRS2 to share based payments granted on or after 7 November 2002 that have not vested before 1 January 2005.
- Comparative restatement: The Group has availed of the option not to apply IAS32 Financial Instruments: Disclosure and Presentation, IAS39 Financial Instruments: Recognition and Measurement and IFRS4 Insurance Contracts to the comparative figures for the year ended 31 March 2005.

B Group Accounts

(1) Subsidiaries
Subsidiaries, which are those companies and other entities (including Special Purpose Entities) in which the Group, directly or indirectly, has power to govern the financial and operating policies, are consolidated.

Assets, liabilities and results of all group undertakings have been included in the Group Accounts on the basis of accounts made up to the end of the financial year.

The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

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 purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given up, equity instruments issued or liabilities undertaken at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets of the subsidiary acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. (See note N 'Intangible Assets' for the accounting policy on goodwill.)

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

(2) Associates and Joint Ventures
Associates are entities over which the Group has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control.

Joint ventures are contractual arrangements whereby the Group and another party undertake an economic activity that is subject to joint control.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. Under this method, the Group's share of the post-acquisition profits or losses of associates and joint ventures is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associate/joint venture; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates and joint ventures includes goodwill (net of any accumulated impairment losses) on acquisition.

Accounting policies of the associate/joint venture have been changed where necessary to ensure consistency with the policies adopted by the Group.

(3) Minority Interests
Transactions with minorities where the Group has control over the entity are accounted for using the "Economic entity model". This accounting model requires that any surplus or deficit that arises on any transaction(s) with minorities to dispose of or to acquire additional interests in the entity are settled through equity.

C 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 euro, which is the functional and presentation currency of the parent.

Foreign currency transactions are translated into euro 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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. Translation differences on non-monetary items, such as equities held at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale are included in the fair value reserve in equity.

The results and financial position of all the group entities that have a functional currency different from the presentation currency have been translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken directly to a separate component of stockholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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

	31 March 2006		31 March 2005	
	Average	**Closing**	Average	Closing
€/US$	1.2126	1.2104	1.2647	1.2964
€/Stg£	0.6826	0.6964	0.6834	0.6885

D Interest Income and Expense

Interest income and expense are recognised in the income statement 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 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 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 purposes of measuring the impairment loss.

E Fees and Commission Income

Fees and commissions which are not an integral part of the effective interest rate are generally recognised on an accrual basis when the service has been provided. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts usually on a time – apportionate basis. Asset management fees related to investment funds are recognised rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective yield on the loan once drawn.

F Leases

(1) A group company is the lessee
The total payments made under operating leases are charged to the income statement 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 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 income statement 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) A group company is the lessor
When assets are held subject to 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 recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

G Financial Assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

A financial asset may be designated as at fair value through the profit and loss account only when

(i) it eliminates or significantly reduces a measurement or recognition inconsistency, "an accounting mismatch", that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy.

(iii) If a contract contains one or more embedded derivatives that either significantly change the cash flows of the contract or the separation of the embedded derivative(s) is prohibited.

(b) Loans and receivables
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.

(c) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and would need to be reclassified as available for sale.

(d) Available-for-sale
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by 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.

H Financial Liabilities

Financial liabilities are initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Financial liabilities are subsequently measured at either amortised cost or fair value through profit and loss. For liabilities subsequently carried at amortised cost, any difference between the proceeds net of transaction costs and the redemption value is recognised in the income statement using the effective interest method.

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

A liability may be designated as at fair value through the profit and loss account only when

(i) it eliminates or significantly reduces a measurement or recognition inconsistency, “an accounting mismatch”, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on a different basis; or

(ii) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy.

(iii) If a contract contains one or more embedded derivatives that either significantly change the cash flows of the contract or the separation of the embedded derivative(s) is prohibited.

I Sale and Repurchase Agreements and Lending of Securities

Securities sold subject to repurchase agreements (‘repos’) are retained on the balance sheet and reclassified as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or customer accounts, as appropriate. Securities purchased under agreements to resell (‘reverse repos’) are treated as collateralised loans and recorded as loans and advances to banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained on the balance sheet.

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

J 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 and are presented in other borrowed funds. The dividends on these instruments are recognised in the income statement as interest expense. Where the Group has discretion in relation to the payments, the instrument is classified as equity and the payments are included as preference dividends.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in net trading income.

K Derivative Financial Instruments and Hedge Accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) 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 whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day one.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

(b) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(c) Net investment hedge
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(d) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

L Impairment of Financial Assets

(a) 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) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  – adverse changes in the payment status of borrowers in the group; or
  – national or local economic conditions that correlate with defaults on the assets in the group.

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 receivables or held-to-maturity investments carried at amortised cost 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 income statement. If a loan or held-to-maturity investment 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 (ie, 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 income statement.

When a loan is uncollectible, it is written off against the related provision for loan-impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

(b) Available-for-sale assets
The Group assesses at each balance sheet date whether there is objective evidence that an available-for-sale asset is impaired. In addition to the factors set out above, a significant or prolonged decline in the fair value of the asset below its cost is considered in determining whether an impairment loss has been incurred. If an impairment loss has been incurred, the cumulative loss measured as the difference between the original cost and the current fair value, less any impairment loss on that asset previously recognised, is removed from equity and recognised in the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

M Property, Plant and Equipment

Freehold land and buildings are initially recognised at cost, and subsequently are revalued annually to open market value. 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, is 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 income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on the revaluation of land and buildings are credited to revaluation reserves in shareholders' equity. Decreases that offset previous increases on the same asset are charged against property revaluation reserve; all other decreases are charged to the income statement.

The directors consider that residual values of freehold and long leasehold property based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not material.

Depreciation is calculated on the straight-line method to write down the carrying value of assets to their residual values over their estimated useful lives as follows:

Adaptation works on freehold & leasehold property	15 years, or the remaining period of the lease
Computer and other equipment	Maximum of ten years

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 recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The estimated 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 operating profit.

N Intangible Assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives, which is normally five years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, which is normally five years.

(c) Other intangible assets

Included within other intangible assets are payments made for the use of the UK Post Office brand and for customer distribution rights associated with the use of the UK Post Office network. These are amortised on a straight-line basis over its useful life.

O 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.

P Employee Benefits

(a) Pension obligations

The Group companies operate various pension schemes. The schemes are funded and the assets of the schemes are held in separate trustee administered funds. The Group has both defined contribution and defined benefit plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The asset/liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognised past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to reserves through the statement of recognised income and expense. Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, once the contributions have been paid, the company has no further payment obligations. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Equity compensation benefits
The Group has a number of equity share based payment schemes. The fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or shares granted, excluding the impact of any non-market vesting conditions (for example, growth in EPS). 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 entity 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 income statement, and a corresponding adjustment to equity over the remaining vesting period.

Where new shares are issued, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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.

Q Income Taxes

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

The rates enacted or substantively enacted at the balance sheet date are used to determine deferred income tax. However, the deferred income tax 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 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.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries and associates/joint ventures, 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 related to fair value re-measurement of available for sale investments and cash flow hedges, or related to the revaluation of land and buildings, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax 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.

R Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and balances with central banks and post office banks which can be withdrawn on demand. It also comprises balances with an original maturity of less than three months.

S Share Capital and Treasury Stock

(1) Share issue costs
Incremental external costs directly attributable to the issue of new shares or options or to the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds.

(2) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year which are declared after the balance sheet date are dealt with in the dividends per share (Note 41).

(3) Treasury shares
Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

T Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

U Life Assurance Operations

In accordance with IFRS4, the Group classifies all life assurance products as either insurance or investment contracts for accounting purposes. Insurance contracts are those contracts that transfer significant insurance risk. These contracts are accounted for using an embedded value basis.

Investment contracts are accounted for in accordance with IAS39. All of the Group's investment contracts are unit-linked in nature. These contracts are accounted for as financial liabilities whose value is linked to the fair value of the financial assets within the policyholders' unit-linked funds. The Group will recognise an asset for deferred acquisition costs relating to investment contracts. Up-front fees received for investment management services will be deferred.

The Group recognises the value of in-force life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance under IFRS 4. The asset is determined by projecting the future statutory surpluses attributable to stockholders estimated to arise from insurance contracts. The surpluses are projected using appropriate assumptions as to future investment returns, persistency, mortality and expense levels. These surpluses are then discounted at a risk-adjusted rate.

The value of in-force asset in the consolidated balance sheet and movements in the asset in the income statement are presented on a gross of tax basis. The tax charge comprises both current and deferred tax expense and includes tax attributable to both stockholders and policyholders for the period.

Premiums and claims
Premiums received in respect of non-unit linked insurance contracts are recognised as revenue when due. Premiums received in respect of unit linked insurance contracts are recognised in the same period in which the related policyholder liabilities are created.

Claims are recorded as an expense when they are incurred.

Reinsurance
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group are dealt with as insurance contracts. Outward reinsurance premiums are accounted for in accordance with the contract terms when due for payment.

V Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is 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.

W Collateral

The Group enters into master agreements with counterparties, to ensure that if an event of default occurs, all amounts outstanding with those counterparties will be settled on a net basis.

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future liabilities. The collateral is, in general, not recorded on the Group balance sheet.

The Group also receives collateral in the form of cash or securities in respect of other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce credit risk. Collateral received in the form of securities is not recorded on the balance sheet. Collateral received in the form of cash is recorded on the balance sheet with a corresponding liability. These items are assigned to deposits received from banks and other counterparties in the case of cash collateral received. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

In certain circumstances, the Group will pledge collateral in respect of liabilities or borrowings. Collateral pledged in the form of securities or loans and receivables continues to be recorded on the balance sheet. Collateral paid away in the form of cash is recorded in loans and advances to banks or customers. Any interest paid or receivable arising is recorded as interest expense or interest income respectively.

X Financial Guarantees

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities ('facility guarantees'), and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties. Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee is given. Subsequent to initial recognition, the bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

Any increase in the liability relating to guarantees is taken to the income statement in provisions for undrawn contractually committed facilities and guarantees.

Y Accounting Policies applying to March 2005

The Group has taken advantage of the transitional arrangements of IFRS, not to restate corresponding amounts in accordance with the above policies on financial assets; financial liabilities; derivatives and hedge accounting; impairment of financial assets; and collateral & netting. Comparative information was prepared under Irish GAAP and the relevant accounting policies for these are set out as follows:

Provisions for impairment of loans and receivables

Group policy is to provide for bad and doubtful debts to reflect the losses inherent in the loan portfolio at the balance sheet date. There are two types of provisions, specific and general.

Specific provisions are made for loans and advances when the Group consider that the credit-worthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt. The amount of the specific provision is equivalent to the amount necessary to reduce the carrying value of the advance to its expected ultimate net realisable value. The calculation of specific provisions is inherently subjective and is based on the Group's assessment of the likelihood of default and the estimated loss arising to the Group in that instance. The assessments are performed on an individual basis and take into account factors such as the financial condition of the borrower, nature and value of collateral held and the costs associated with obtaining repayment and realisation of collateral.

For a number of the Group's retail portfolios, which comprise small balance homogeneous loans, specific provisions are calculated based on formulae driven approaches taking into account factors such as the length of time that payments from borrowers are overdue and historic loan loss experience.

A general provision is also made against loans and advances to cover latent loan losses which are known from experience to be present in any portfolio of loans and advances but have yet to be specifically identified. Grading systems are used to rate the credit quality of borrowers. The general provision is calculated by reference to the underlying grade profile.

The aggregate specific and general provisions which are made during the year, less amounts released and net of recoveries of loans previously written off, are charged against profits for the year. Loans and advances are stated on the balance sheet net of aggregate specific and general provisions.

Debt Securities and Equity Shares

Investment Securities
Debt securities and equity shares held for use on a continuing basis in the Group's activities are classified as investment securities. Such securities and shares are stated at cost less provision for any permanent diminution in value. The cost of dated securities is adjusted for the amortisation of premiums or discounts over the period to maturity. The amortisation of premiums or discounts is included in interest income. When an investment security is sold prior to maturity, profits and losses are recognised when realised and included in other operating income.

Other Securities
Other securities and other equity shares are stated at fair value using mid-market values, except for those securities maintained for the purpose of hedging, which are accounted for on the same basis as the item hedged. Changes in the fair value of securities marked to market are recognised in the profit and loss account as they arise and included in dealing profits. Profits and losses on disposal are recognised when realised and included in dealing profits, except for those securities maintained for hedging purposes, which are amortised over the lives of the underlying transactions and included in Net Interest Income.

Derivatives

Derivative instruments used for trading purposes or used to manage risk in the trading portfolios include swaps, futures, forwards, forward rate agreements and options contracts in the interest rate, foreign exchange and equity markets. These derivatives, which include all customer and proprietary transactions together with any associated hedges are measured at fair value and the resultant profits and losses are included in dealing profits. In the event of a market price not being readily available internally generated prices will be used. These prices are calculated using recognised formulae for the type of transaction. Unrealised gains and losses are reported in Other Assets or Other Liabilities on a gross basis.

Derivatives used for hedging purposes include swaps, forwards, futures, forward rate agreements and options in interest rate, foreign exchange and equity markets. Gains and losses on these derivatives which are entered into for specifically designated hedging purposes against assets, liabilities, other positions and cash flows accounted for on an accruals basis, are taken to the profit and loss account in accordance with the accounting treatment of the underlying transaction. Accrued income or expense is reported in prepayments and accrued income or accruals and deferred income on a gross basis. Profits and losses related to qualifying hedges of firm commitments and anticipated transactions are deferred and taken to the profit and loss account when the hedged transactions occur.

The criteria required for a derivative instrument to be classified as a designated hedge are:

(i) Adequate evidence of the intention to hedge must be established at the outset of the transaction.
(ii) The transaction must match or eliminate a proportion of the risk inherent in the assets, liabilities, positions or cash flows being hedged and which results from potential movements in interest rates, exchange rates or market prices. Changes in the derivatives fair value must be highly correlated with changes in the fair value of the underlying hedged item for the entire life of the contract.

Where these criteria are not met, transactions are measured at fair value.

Hedge transactions which are superseded, cease to be effective or are terminated early are measured at fair value. Any profit or loss arising is deferred and reported in Other Assets or Other Liabilities. This profit or loss is amortised over the remaining life of the asset, liability, position or cash flow previously being hedged.

When the underlying asset, liability or position is terminated, or an anticipated transaction is no longer likely to occur, the hedging transaction is measured at fair value and any profit or loss arising is recognised in full in dealing profits. The unrealised profit or loss is reported in Other Assets or Other Liabilities.

Z Prospective Accounting Changes/Impact of New Accounting Policies

The following standards/amendments to standards have been approved by the IASB, and were adopted by the EU in January 2006 but not early adopted by the Group. These will be adopted in 2006 and thereafter:

Amendment to IAS 1– Capital disclosures (effective 1 January 2007). This amendment requires disclosure, both quantitative and qualitative, of an entity’s objectives, policies and processes for managing capital. The impact is not expected to be material in terms of Group reporting.

Amendments to IAS 39 – Cash Flow Hedge Accounting of Forecast Intragroup transactions (effective 1 January 2006). This amendment, which is not expected to have a material impact on Group reporting, will allow the foreign currency risk of intragroup monetary items qualify as the hedge item in certain circumstances in the consolidated financial statements.

Amendments to IAS 39 and IFRS 4: Financial Guarantee Contracts (effective 1 January 2006). This amendment will be adopted by the Group in the accounting period commencing on 1 April 2006 and requires financial guarantee contracts to be accounted for as financial instruments under IAS 39 unless they have been explicitly dealt with as insurance contracts in the past in which case the previous accounting may continue. This standard is not expected to have a material impact on the Group.

IFRS 7 – Financial Instrument disclosures (effective 1 January 2007). This standard updates and augments the disclosure requirements of IAS 30, IAS 32 and IFRS 4 and will require additional disclosures relating to risk management policies and processes.

Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios at least on a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio, when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(b) Fair value of derivatives

The fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (e.g. models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

(c) Retirement Benefits

The Group operates a number of defined benefit pension schemes. In determining the actual pension cost, the actuarial value of the assets and liabilities of the scheme are calculated. This involves modelling their future growth and requires management to make assumptions as to price inflation, dividend growth, salary and pensions increases, return on investments and employee mortality. There are acceptable ranges in which these estimates can validly fall. The impact on the results for the period and financial position could be materially different if alternative assumptions were used.

(d) Life Assurance Operations

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

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

(e) 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.

(f) Goodwill

The Group capitalises goodwill arising on the acquisition of businesses, as disclosed in the Accounting policies. The carrying value of goodwill as at 31 March 2006 was €375m (2005: €219m). Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

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

Impairment testing inherently involves a number of judgemental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

Notes to the Consolidated Financial Statements

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1 Transition to IFRS

As set out in the basis of preparation, the financial information has been prepared in accordance with IFRS as endorsed by the E.U. Bank of Ireland has availed of transitional provisions for IAS 32 'Financial instruments: Disclosure and Presentation' ('IAS 32'), IAS 39 'Financial Instruments: Recognition and Measurement' ('IAS 39') and IFRS 4 'Insurance Contracts' ('IFRS 4') and has not presented comparative information in accordance with these standards. Accordingly, comparative information for 2005 in respect of financial instruments and insurance contracts is prepared on the basis of the Group's accounting policies under IR GAAP.

A description of the differences between IR GAAP and IFRS accounting policies is set out in pages 176-184 of this document. Reconciliations of balance sheets prepared under IR GAAP and IFRS at 31 March 2005 and 1 April 2005 for both the Group and the Bank are also included in the Report and Accounts on pages 164-175. A reconciliation of the profit and loss account prepared in accordance with IR GAAP and prepared in accordance with IFRS for the period ending 31 March 2005 is included in page 163. In addition, a reconciliation of the amount of stockholders' equity at 1 April 2005, before and after the application of IAS 32, IAS 39 and IFRS 4 is included on page 161 and is summarised below.

The following table sets out the reconciliation from previously reported Irish GAAP information for profit after taxation and stockholders' equity for 31 March 2005, and the reconciliation to stockholders' equity at 1 April 2005 after the application of IAS 32, IAS 39 and IFRS 4.

	The Group		The Bank
	Profit after taxation	Stockholders' equity	Stockholders' equity
	31 March 2005 €m	31 March 2005 €m	31 March 2005 €m
As reported under Irish GAAP	1,080	4,789	2,350
Reconciliation adjustments to IFRS excluding IAS 32, IAS 39 and IFRS 4:			
Consolidation of new entities and insurance businesses	8	(55)	-
Leasing	(8)	44	(2)
Retirement benefit obligations	(23)	(695)	(449)
Property, plant and equipment	-	(102)	(88)
Intangible assets & goodwill	13	12	-
Dividends	-	282	282
Employee benefits	(8)	3	3
Other	(8)	(1)	-
IFRS excluding IAS 32, IAS 39 and IFRS 4	1,054	4,277	2,096
Reconciliation adjustments to IAS 32, IAS 39 and IFRS 4:			
Reclassification of financial instruments		127	85
Hedging		15	23
Write down of VIF in Life business		(251)	-
Debt/equity reclassification		114	114
Effective interest rate		20	(38)
Other		3	(38)
1 April 2005		4,305	2,242

2 Segmental Reporting

The segmental analysis of the Group's results and financial position is set out opposite by business class and by geographic segment. For the geographic analysis Ireland (excluding Northern Ireland) includes profits generated in the International Financial Services Centre. Revenue is defined as gross interest income, non interest income, insurance net premium income, net of insurance claims and income from associates and joint ventures. The Group has six business classes detailed in the table below. During the year the divisional segments were restructured with the PO Joint Venture and First Rate Enterprises moving into UK Financial Services from Group Centre and Wholesale Financial Services respectively. Prior year results have been adjusted to reflect this change.

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

Business Segments

Year ended 31 March 2006	Retail Republic of Ireland €m	BOI Life €m	Wholesale Financial Services €m	UK Financial Services €m	Asset Management Services €m	Group Centre €m	Eliminations €m	Group €m
Net interest income	1,119	8	454	722	7	(3)	-	2,307
Insurance net premium income	-	1,264	-	-	-	34	-	1,298
Other income	351	681	243	94	215	(22)	-	1,562
Profit on disposal of business activities	-	-	-	176	-	-	-	176
Total income	1,470	1,953	697	992	222	9	-	5,343
Insurance claims	-	(1,655)	-	-	-	(11)	-	(1,666)
Total income, net of insurance claims	1,470	298	697	992	222	(2)	-	3,677
Operating expenses	(790)	(92)	(271)	(448)	(133)	(120)	-	(1,854)
Depreciation and amortisation	(81)	(3)	(17)	(33)	(4)	(28)	-	(166)
Impairment losses	(54)	-	(23)	(26)	-	-	-	(103)
Income from associates and joint ventures	5	-	-	40	-	-	-	45
Profit before taxation	550	203	386	525	85	(150)	-	1,599
Sale of business activities	-	-	-	(176)	-	-	-	(176)
Gross up of policyholder tax in the Life business	-	(69)	-	-	-	-	-	(69)
Hedge ineffectiveness on transition to IFRS	-	-	-	-	-	7	-	7
Restructuring programme	-	-	-	-	-	32	-	32
Group profit before tax excluding the impact of above items	550	134	386	349	85	(111)	-	1,393
Total assets	77,935	12,326	136,774	54,580	2,906	19,533	(141,700)	162,354
Total liabilities	76,320	12,210	135,896	52,501	2,506	19,248	(141,700)	156,981
Capital expenditure[1]	55	-	10	58	26	30	-	179

[1] Capital expenditure comprises additions to property and equipment (Note 24) and intangible assets (Note 23) including additions resulting from acquisitions through business combinations.

2 Segmental Reporting (continued)

Business Segments

Year ended 31 March 2005	Retail Republic of Ireland €m	BOI Life €m	Wholesale Financial Services €m	UK Financial Services €m	Asset Management Services €m	Group Centre €m	Eliminations €m	Group €m
Net interest income	1,019	6	302	617	4	(17)	-	1,931
Insurance net premium income	-	1,755	-	-	-	36	-	1,791
Other income	318	709	310	246	252	(36)	-	1,799
Profit on disposal of business activities	-	-	-	(20)	-	31	-	11
Total income	1,337	2,470	612	843	256	14	-	5,532
Insurance claims	-	(2,216)	-	-	-	(6)	-	(2,222)
Total income, net of insurance claims	1,337	254	612	843	256	8	-	3,310
Operating expenses	(729)	(89)	(227)	(504)	(128)	(197)	-	(1,874)
Depreciation and amortisation	(85)	(4)	(13)	(47)	(3)	(25)	-	(177)
Impairment losses	(51)	-	(38)	10	-	100	-	21
Income from associates and joint ventures	(2)	-	-	32	-	-	-	30
Profit before taxation	470	161	334	334	125	(114)	-	1,310
Sale of business activities	-	-	-	20	-	(31)	-	(11)
Gross up of policyholder tax in the Life business	-	(26)	-	-	-	-	-	(26)
Hedge ineffectiveness on transition to IFRS	-	-	-	-	-	-	-	-
Loan loss write back	-	-	-	-	-	(100)	-	(100)
Restructuring programme	4	-	-	2	-	117	-	123
Group profit before tax excluding the impact of above items	474	135	334	356	125	(128)	-	1,296
Total assets	57,830	8,977	101,203	42,941	2,980	18,113	(104,264)	127,780
Total liabilities	56,427	8,876	100,473	41,221	2,600	18,035	(104,264)	123,368
Capital expenditure[1]	59	7	14	88	4	15	-	187

2 Segmental Reporting (continued)

Geographical Segments

	2006				
	Ireland €m	**United Kingdom €m**	**Rest of World €m**	**Inter - segment Revenue €m**	**Total €m**
Revenue	5,327	3,861	234	(1,883)	7,539
Profit before taxation	1,078	478	43	-	1,599
	Ireland €m	**United Kingdom €m**	**Rest of World €m**	**Eliminations €m**	**Total €m**
Total assets	143,484	63,680	3,885	(48,695)	162,354
Capital expenditure[1]	95	58	26	-	179

	2005				
	Ireland €m	United Kingdom €m	Rest of World €m	Inter-segment Revenue €m	Total €m
Revenue	3,594	3,170	192	1,021	5,935
Profit before taxation	991	273	46	-	1,310
	Ireland €m	United Kingdom €m	Rest of World €m	Eliminations €m	Total €m
Total assets	109,606	50,551	4,262	(36,639)	127,780
Capital expenditure[1]	95	87	5	-	187

Notes to the Consolidated Financial Statements

3 Net Interest Income

	The Group	
	2006 €m	2005 €m
Interest and similar income		
Loans and advances to banks	238	215
Loans and advances to customers	4,576	3,353
Financial assets – available for sale	934	483
Finance leasing	197	212
Other	9	-
Total interest income	5,954	4,263
Interest expense and similar charges		
Interest on subordinated liabilities	250	225
Other interest payable	3,397	2,107
Total interest expense	3,647	2,332

4 Net Trading Income

	The Group	
	2006 €m	2005 €m
Foreign exchange	24	26
Securities and interest rate contracts	49	40
Equities and equity derivative contracts	(29)	-
Hedge ineffectiveness	(14)	-
	30	66

Included within net trading income are gains and losses including interest of €29m relating to those financial instruments that were designated as at fair value through profit or loss on initial recognition.

5 Other Operating Income

	Note	The Group	
		2006 €m	2005 €m
Profit on disposal of financial assets – available for sale	18	4	2
Other insurance income		151	84
Other income		10	52
		165	138

6 Disposal of Business Activity

On 21 September 2005 the Group disposed of the Bristol and West branch network.

	2006 €m
Carrying value of net tangible assets	8
Cost of disposal	43
Gain on disposal of branch operations	176
Cash consideration received	227

7 Other Operating Expenses

	Notes	The Group 2006 €m	2005 €m
Staff costs	9	1,167	1,109
Administrative expenses		687	765
Depreciation			
– Intangibles	23	106	101
– Property, plant and equipment	24	60	76
		2,020	2,051

8 Auditors' Remuneration (excluding VAT)

		The Group			
		2006			2005
	Notes	**ROI**	**Overseas (i)**	**Total**	Total
		(in € millions)			
Audit and assurance services					
Statutory audit (including expenses)		3.0	1.1	4.1	3.1
Other audit and assurance services	(ii)	2.1	0.6	2.7	0.7
		5.1	1.7	6.8	3.8
Other services					
Transaction services	(iii)	0.0	0.1	0.1	0.7
Taxation services		0.7	1.5	2.2	3.9
Other services		0.0	0.2	0.2	0.7
		0.7	1.8	2.5	5.3
		5.8	3.5	9.3	9.1

The Audit Committee has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors.

(i) Fees to overseas auditors principally consist of fees to PwC in the United Kingdom.

(ii) Other audit and assurance services consist primarily of fees in connection with reporting to regulators, letters of comfort, transition to IFRS, preparation for Sarbanes Oxley and accountancy advice.

(iii) Transaction service costs relate primarily to financial due diligence and other assignments.

It is Group policy to subject all major consultancy assignments to a competitive tender process.

9 Staff Costs

	The Group 2006 €m	2005 €m
Wages and salaries	911	895
Social security costs	81	80
Pension costs – defined contribution plans	5	2
Pension costs – defined benefit plans (Note 36)	139	97
Share based payment schemes	11	11
Other	20	24
	1,167	1,109

10 Staff Numbers

In the year ended 31 March 2006 the average full time equivalents was 16,190 (2005:16,960), categorised as follows in line with the business classes as stated in Note 2.

	2006	2005
Retail Republic of Ireland	7,987	7,927
BOI Life	1,063	1,051
Wholesale Financial Services	1,436	1,263
UK Financial Services	3,930	4,963
Asset Management Services	655	634
Group Centre	1,119	1,122
	16,190	16,960

11 Income Tax Expense

	The Group	
	2006 €m	2005 €m
Current Tax		
Irish Corporation Tax		
Current Year	191	142
Prior Year	8	2
Double Taxation Relief	(20)	(19)
Foreign Tax		
Current Year	86	75
Prior Year	(3)	3
	262	203
Deferred Tax		
Origination & reversal of temporary differences	41	53
	303	256

The tax charge for the year, at an effective rate of 18.9% (2005: 19.5%) is higher than the standard Irish Corporation tax rate mainly because of higher tax rates applying in other jurisdictions, and the levy on certain financial institutions.

The reconciliation of income tax on profit on ordinary activities at the standard Irish Corporation tax rate to the Group's actual income tax charge for years ended 31 March 2006 and 2005 is shown as follows:

	The Group	
	2006 €m	2005 €m
Profit on ordinary activities before tax multiplied by the Standard rate of Corporate tax in Ireland of 12.5% (2005: 12.5%)	200	165
Effects of:		
Levy on certain financial institutions	20	26
Foreign earnings subject to different rates of tax	78	49
Life Assurance – different basis of tax	61	31
Tax exempted profits and income at a reduced Irish tax rate	(71)	(18)
Non-deductible expenses	12	1
Prior year under provision	5	5
Share of Associates profits shown post tax in income statement	(6)	(5)
Other adjustments for income tax purposes	4	2
Income tax charge	303	256

12 Earnings per Share

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

	The Group	
	2006	2005
Basic		
Profit attributable to Ordinary Stockholders	1,292m	1,047m
Weighted average number of shares in issue excluding Treasury stock and own shares held for the benefit of life assurance policyholders	947m	942m
Basic earnings per share	136.4c	111.1c

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

	2006	2005
Diluted		
Profit attributable to Ordinary Stockholders	1,292m	1,047m
Weighted average number of shares in issue excluding Treasury stock and own shares held for the benefit of life assurance policyholders	947m	942m
Effect of all dilutive potential Ordinary Stock	7m	8m
	954m	950m
Diluted earnings per share	135.4c	110.2c

13 Central Government and Other Eligible Bills

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
At fair value	-	1,607	-	-
Available for sale	8	-	-	-
	8	1,607	-	-

14 Financial Assets at Fair Value through Profit and Loss (including trading)

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Trading				
Government bonds	156	-	78	-
Other debt securities				
– Listed	440	-	424	-
– Unlisted	-	-	-	-
Equity securities				
– Listed	23	-	-	-
– Unlisted	1	-	-	-
Total trading	620	-	502	-
Financial assets at fair value through profit and loss (designated at initial recognition)				
Government bonds	2,033	-	-	-
Debt securities	725	-	-	-
Equity securities	7,822	-	15	-
	10,580	-	15	-

€10,459m of the assets classified at fair value through the profit and loss relate to the life business.

15 Derivative Financial Instruments

Risk Management

The role of the Group's risk management function is to assist the Court and senior management in setting high level risk parameters and to ensure that risk is actively managed in a controlled way within a strong governance framework. The Group manages risk by identifying and assessing sources of risk and establishing frameworks to monitor and mitigate them in accordance with Group policy. In the normal course of business the Group is exposed to a number of classes of risk, the most significant of which are credit risk, market risk, operational risk and regulatory and compliance risk.

The Group Risk function is headed by the Group Chief Risk Officer (GCRO) who is a member of the Group Executive Committee. The GCRO reports directly to the Group Chief Executive and is responsible for the management and oversight of risk and the integration of risk management throughout the Group. As owner of the integrated risk management framework, the GCRO leads a team of functional experts who work together to identify, analyse, measure, monitor, control and report risks in the Bank of Ireland Group.

The Group Risk Policy Committee (GRPC), which is chaired by the GCRO, is the most senior executive committee with responsibility for risk management. Its membership includes Executive Directors and it is formally constituted as a sub-committee of the Court. The GRPC exercises authority delegated by the Court to approve business initiatives which have material implications for the level or composition of risk, consistent with high level policy as approved by the Court. In addition to considering specific risk issues, the GRPC is responsible for reviewing overall Group risk on a portfolio basis.

The following sections describe the risk factors and policies relating to the management of financial instruments.

15 Derivative Financial Instruments (continued)

Credit Risk

Credit risk reflects the risk that a counterparty will be unable to meet its contractual obligations to the Group in respect of loans or other financial transactions, thereby causing the Group to incur a loss. The Group's exposure to credit risk is governed by policy approved by the Court of Directors and the GRPC.

The Group has a credit risk management system which operates through a hierarchy of authorities which are related to internal loan ratings. All exposures above certain levels require the approval of the Group Credit Committee. Exposures below Group Credit Committee's authority are approved according to a system of tiered authorities.

The core values governing the provision of credit are contained in Group and Unit Credit Policies which are approved and reviewed by Group Risk Policy Committee and, where appropriate, by the Court of Directors.

The use of credit rating models, which measure the degree of risk inherent in lending to specific counterparties, is central to Credit Risk Management within Bank of Ireland. The primary measures by which credits are assessed are probability of default (PD), exposure at default (EAD) and loss given default (LGD), which are complemented by expert judgment. Rating models are also used to guide effective risk pricing. During the past year, in line with preparations for Basel II, significant progress has been made to enhance and upgrade pre-existing loan rating and credit risk measurement systems to meet evolving developments. The Group has also reviewed the risk-adjusted returns of a number of key Group portfolios.

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

Market Risk

The Group's exposure to market risk is governed by policy approved by the Court of Directors and the GRPC. This policy sets out the nature of risks which can be taken, the types of financial instruments which can be used to increase or reduce risk and the way in which risk is measured and controlled.

The Court approves an overall Value at Risk (VaR) limit, which is a quantification of the Group's appetite for market risk (VaR is defined below). ALCO in turn approves VaR sub-limits for Bank of Ireland Global Markets (BoIGM) and Davy. These limits are set by principal risk type (interest rate, foreign exchange, equity and credit spread) and by currency. In addition, ALCO approves small risk limits for the retail business units which are solely intended to facilitate efficient hedging. Market risk limits are rigorously enforced and compliance is monitored by ALCO.

Trading Book

The Group's Trading Book includes BoIGM's mark-to-market interest rate and foreign exchange books as well as a small portfolio of positions in corporate credits and credit indices held for trading purposes. The Trading Book also includes positions arising from Davy's market-making and broking activities in equities and debt securities. The Banking Book incorporates all other assets and liabilities.

In the year ended 31 March 2006, Trading Book risk arose predominately from positions in securities, interest rate futures, interest rate swaps, foreign exchange and, in Davy's case, equities.

A VaR approach is used to measure and limit market risk in BoIGM and Davy. VaR provides an estimate of the potential mark-to-market loss on a set of exposures over a specified time horizon at a defined level of statistical confidence. In the Group's case, the horizon is 1 day and the confidence level is 97.5%. This implies that, on any given day, VaR provides an estimate of potential mark-to-market loss which has no more than a 2.5% probability of being exceeded.

15 Derivative Financial Instruments (continued)

Banking Book

The Group's Banking Book consists of its retail and corporate deposit and loan books, as well as BoIGM's interbank money market books and its holdings of investment securities.

For risk measurement and control purposes, VaR is applied to BoIGM's Banking Book risk.

The Group's corporate and retail businesses are required to hedge their interest-rate risk with BoIGM. Where customer risk is hedged on a portfolio (as opposed to on a transaction-by-transaction) basis, the business units concerned are assigned small limits to facilitate efficient hedging. In the case of these books, sensitivity analysis is used to measure and control interest rate risk. This involves calculating exposure in net present value (NPV) terms to a 1% parallel shift of the yield curve. This is supplemented by estimates of maturity mismatch exposure using a methodology which provides estimates of exposure to non-parallel shifts in the yield curve.

Structural Foreign Exchange

Structural foreign exchange risk is defined as the Group's non-trading net asset position in foreign currencies. Structural risk arises almost entirely from the Group's net investments in its sterling-based subsidiaries. A structural open position in a particular currency can also be considered to be a measure of that part of the Group's capital which is denominated in that currency. In considering the most appropriate structural foreign exchange position, the Group takes account of the currency composition of its risk-weighted assets and the desirability of maintaining a similar currency distribution of capital. Doing so will ensure that capital ratios are not excessively exposed to changes in exchange rates.

At 31 March 2006, the Group's structural foreign exchange position was as follows:

	31 March 2006 €m	31 March 2005 €m
GBP	3,373	2,908
USD	264	248
Total structural FX position	3,637	3,156

The positions indicate that a 10% depreciation in the value of the euro against all other currencies at 31 March 2006 would result in a gain taken to reserves of €363m (2005: €315m).

Liquidity Risk

Liquidity risk is the risk that a bank will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at substantially above the prevailing market cost of funds. Liquidity distress is almost invariably associated with a severe deterioration in financial performance, but it can also result from unexpected adverse events or systemic difficulties.

The Group complies with a number of liquidity limits and minimum requirements set by policy and intended to maintain a prudent liability profile at all times. These include measures designed to ensure that the Group's wholesale funding is diversified across instruments and markets and balanced in its maturity structure.

15 Derivative Financial Instruments (continued)

Derivative Policy

The Group's participation in derivatives markets is subject to policy approved by the Court of Directors and, at a more detailed level, by the Group Risk Policy Committee. The Group makes a clear distinction between derivatives which must be transacted on a perfectly-hedged basis, deal by deal, and those whose risks can be managed within broader interest rate or foreign exchange books. Since these broader books can be structured to assume some degree of proprietary risk, derivative positions held within them will not necessarily be exactly hedged.

Market risk can only be assumed in clearly-defined categories of derivative which are traded in well established, liquid markets, supported by industry standard conventions and documentation and valued in accordance with generally accepted methods. Positions can only be taken in instruments which the business can settle, administer and value, and where the risks can be accurately measured and reflected within exposure against limits.

Bank of Ireland Global Markets (BoIGM) and Davy are the only Group businesses permitted to transact on the Group's behalf in derivative markets.

Within the Group the following derivative instruments are utilised for both hedging and non-hedging purposes:

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or buy or sell foreign currency or a financial instrument on a future date at a specified price established in an organised financial market. Since futures contracts are collateralised by cash or marketable securities and changes in the futures contract value are settled daily with the exchange, the credit risk is negligible. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swaps, no exchange of principal takes place. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. In consideration for the assumption of foreign exchange or interest rate risk, the seller receives a premium from the purchaser. Options may be either exchange-traded or negotiated between the Group and a customer (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. The fair values of derivative instruments held are set out in the following table.

15 Derivative Financial Instruments (continued)

The Group Year ended 31 March 2006	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	18,880	113	69
Currency swaps	630	22	37
OTC currency options	1,659	3	3
Currency futures	31	-	-
Total foreign exchange derivatives held for trading	21,200	138	109
Interest rate derivatives			
Interest rate swaps	89,830	394	446
Cross-currency interest rate swaps	9,065	132	48
Forward rate agreements	9,402	2	4
OTC interest rate options	2,385	6	8
Interest rate futures	5,378	-	-
Total interest rate derivatives held for trading	116,060	534	506
Equity index linked contracts held	8,294	915	615
Credit derivatives	60	-	-
Total derivative assets / liabilities held for trading	145,614	1,587	1,230
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	11,917	215	187
Cross currency interest rate swaps	616	4	14
Total fair value hedges	12,533	219	201
Derivatives designated as cash flow hedges			
Interest rate swaps	78,021	279	216
Total derivative assets / liabilities held for hedging	90,554	498	417
Total recognised derivative assets / liabilities	236,168	2,085	1,647

15 Derivative Financial Instruments (continued)

This note presents March 2005 information for the Group prepared under IR GAAP and therefore has not changed from the March 2005 Report and Accounts.

Trading Instruments

Bank of Ireland Group maintains trading positions in a variety of financial instruments including derivatives. Most of these positions are a result of activity generated by corporate customers while others represent trading decisions of the Group's derivative and foreign exchange traders with a view to generating incremental income. The following table represents the underlying principal amounts, fair values and average fair values by class of derivative trading instrument for the Group at 31 March 2005:

15 Derivative Financial Instruments (continued)

The Group

	31 March 2005 Underlying Principal Amount [1] €m	Fair Value €m	Average Fair Value €m
Interest rate contracts:			
Interest rate swaps	70,180		
in a favourable position		785	782
in an unfavourable position		(394)	(402)
Interest rate caps, floors & options held	10,728		
in a favourable position		2	3
in an unfavourable position		-	-
Interest rate caps, floors & options written	967		
in a favourable position		1	1
in an unfavourable position		(1)	(2)
Forward rate agreements	12,361		
in a favourable position		5	5
in an unfavourable position		(5)	(4)
Financial futures	3,012		
in a favourable position		-	-
in an unfavourable position		-	-
	97,248	393	
Foreign exchange contracts:			
Forward foreign exchange	11,571		
in a favourable position		125	127
in an unfavourable position		(91)	(158)
Currency Swaps	1,062		
in a favourable position		54	33
in an unfavourable position		(32)	(24)
	12,633	56	
Credit Contracts:			
Credit Default Swaps	60		
in a favourable position		-	-
in an unfavourable position		-	(1)
	109,941	449	

[1] The underlying principal amount represents the notional amount upon which the instruments are based and does not generally represent the amounts exchanged by the parties to the instruments.

15 Derivative Financial Instruments (continued)

Non Trading Derivatives

The Group has significant business activities in a range of currencies and the details are outlined in the Operating and Financial Review.

The operations of the Group are exposed to risk of interest rate fluctuations to the extent that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives allow the Group to modify the repricing or maturity characteristics of assets and liabilities in a cost efficient manner. This flexibility helps the Group to achieve liquidity and risk management objectives.

Derivatives fluctuate in value as interest or exchange rates rise or fall just as on-balance sheet assets and liabilities fluctuate in value. If the derivatives are purchased or sold as hedges of balance sheet items, the appreciation or depreciation of the derivatives, as interest or exchange rates change, will generally be offset by the unrealised appreciation or depreciation of the hedged items.

To achieve its risk management objectives, the Group uses a combination of derivative financial instruments, particularly interest rate and currency swaps, futures and options, as well as other contracts.

The following tables represent the underlying principal amounts, average maturities and fair values by class of instrument utilised for non trading activities for the Group at 31 March 2005.

The Group			31 March 2005		
	Underlying Principal Amount €m	Weighted Average Maturity in Years	Weighted Average Receive Rate %	Weighted Average Pay Rate %	Fair Value €m
Interest rate contracts:					
Interest Rate Swaps					
– receive fixed					
1 year or less	13,235	0.36	3.29	3.31	65
1-5 years	3,342	2.76	2.23	3.98	15
5 -10 years	1,837	6.39	4.05	4.46	(9)
Over 10 years	115	22.05	5.45	4.92	7
Interest Rate Swaps					
– pay fixed					
1 year or less	13,855	0.26	4.13	4.18	(48)
1-5 years	10,783	2.47	4.70	4.98	(41)
5-10 years	1,614	7.65	3.53	4.93	(73)
Over 10 years	731	15.09	3.29	5.46	(81)
Interest Rate Swaps					
– pay and receive floating					
1 year or less	20	0.57	2.44	2.22	-
1-5 years	390	3.32	3.19	2.83	10
5-10 years	122	7.32	3.79	2.23	5
Over 10 years	254	26.57	2.20	2.20	2
Interest Rate Caps					
1 year or less	3	0.68	7.5	0.0	-
1-5 years	89	1.17	6.14	0.0	-
Interest Rate Floors					
1-5 years	73	1.01	5.0	0.0	-
	46,463				(148)

15 Derivative Financial Instruments (continued)

The Group	31 March 2005 Underlying Principal Amount €m	Weighted Average Maturity in Years	Fair Value €m
Exchange rate contracts:			
Forward Foreign Exchange			
1 year or less	2,502	0.15	(6)
1-5 years	63	1.41	-
Currency Swaps			
1 year or less	1,070	0.56	50
1-5 years	1,896	1.55	(52)
5-10 years	96	6.78	(1)
Currency Options			
1 year or less	530	0.42	-
	6,157		(9)
Credit Contracts:			
Credit Default Swaps			
1-5 years	55	2.7	1
Equity and commodity contracts:			
Equity Index Linked Contracts held			
1 year or less	397	0.59	(8)
1-5 years	3,073	2.95	40
5-10 years	858	5.91	47
	4,328		79
	57,003		(77)

15 Derivative Financial Instruments (continued)

The Bank Year ended 31 March 2006	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	18,880	113	69
Currency swaps	607	22	37
OTC currency options	1,659	3	3
Currency futures	31	-	-
Total foreign exchange derivatives held for trading	21,177	138	109
Interest rate derivatives			
Interest rate swaps	89,230	372	446
Cross-currency interest rate swaps	9,065	132	48
Forward rate agreements	9,402	2	4
OTC interest rate options	2,385	6	8
Interest rate futures	5,378	-	-
Total interest rate derivatives held for trading	115,460	512	506
Equity index linked contracts held	8,294	915	615
Credit derivatives	60	-	-
Total derivative assets / liabilities held for trading	144,991	1,565	1,230
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	11,862	215	186
Cross-currency interest rate swaps	616	4	14
Total fair value hedges	12,478	219	200
Derivatives designated as cash flow hedges			
Interest rate swaps	78,021	276	216
Total derivative assets / liabilities held for hedging	90,499	495	416
Total recognised derivative assets / liabilities	235,490	2,060	1,646

15 Derivative Financial Instruments (continued)

This note presents March 2005 information for the Bank prepared under Irish GAAP and therefore has not changed from the March 2005 Report and Accounts.

Trading Instruments

Bank of Ireland Group maintains trading positions in a variety of financial instruments including derivatives. Most of these positions are a result of activity generated by corporate customers while others represent trading decisions of the Group's derivative and foreign exchange traders with a view to generating incremental income. The following table represents the underlying principal amounts, fair values and average fair values by class of derivative trading instrument for the Group at 31 March 2005:

The Bank	31 March 2005		
	Underlying Principal Amount [1] €m	Fair Value €m	Average Fair Value €m
Interest rate contracts:			
Interest rate swaps	70,180		
in a favourable position		785	782
in an unfavourable position		(394)	(402)
Interest rate caps, floors & options held			
in a favourable position		2	3
in an unfavourable position		-	-
Interest rate caps, floors & options written			
in a favourable position		1	1
in an unfavourable position		(1)	(2)
Forward rate agreements	12,361		
in a favourable position		5	5
in an unfavourable position		(5)	(4)
Financial futures	3,012		
in a favourable position		-	-
in an unfavourable position		-	-
	97,248	393	
Foreign exchange contracts:			
Forward foreign exchange	11,571		
in a favourable position		125	127
in an unfavourable position		(91)	(158)
Currency Swaps	1,062		
in a favourable position		54	33
in an unfavourable position		(32)	(24)
	12,633	56	
Credit Contracts:			
Credit Default Swaps	60		
in a favourable position		-	-
in an unfavourable position		-	(1)
	109,941	449	

[1] The underlying principal amount represents the notional amount upon which the instruments are based and does not generally represent the amounts exchanged by the parties to the instruments.

15 Derivative Financial Instruments (continued)

Non Trading Derivatives

The Group has significant business activities in a range of currencies and the details are outlined in the Operating and Financial Review.

The operations of the Group are exposed to risk of interest rate fluctuations to the extent that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives allow the Group to modify the repricing or maturity characteristics of assets and liabilities in a cost efficient manner. This flexibility helps the Group to achieve liquidity and risk management objectives.

Derivatives fluctuate in value as interest or exchange rates rise or fall just as on-balance sheet assets and liabilities fluctuate in value. If the derivatives are purchased or sold as hedges of balance sheet items, the appreciation or depreciation of the derivatives, as interest or exchange rates change, will generally be offset by the unrealised appreciation or depreciation of the hedged items.
To achieve its risk management objectives, the Group uses a combination of derivative financial instruments, particularly interest rate and currency swaps, futures and options, as well as other contracts.

The following tables represent the underlying principal amounts, average maturities and fair values by class of instrument utilised for non trading activities for the Group at 31 March 2005.

The Bank			31 March 2005		
	Underlying Principal Amount €m	Weighted Average Maturity in Years	Weighted Average Receive Rate %	Weighted Average Pay Rate %	Fair Value €m
Interest rate contracts:					
Interest Rate Swaps					
– receive fixed					
1 year or less	13,235	0.36	3.29	3.31	65
1-5 years	3,342	2.76	2.23	3.98	15
5 -10 years	1,837	6.39	4.05	4.46	(9)
Over 10 years	115	22.05	5.45	4.92	7
Interest Rate Swaps					
– pay fixed					
1 year or less	13,855	0.26	4.13	4.18	(48)
1-5 years	10,783	2.47	4.70	4.98	(41)
5-10 years	1,614	7.65	3.53	4.93	(73)
Over 10 years	731	15.09	3.29	5.46	(81)
Interest Rate Swaps					
– pay and receive floating					
1 year or less	20	0.57	2.44	2.22	-
1-5 years	390	3.32	3.19	2.83	10
5-10 years	122	7.32	3.79	2.23	5
Over 10 years	254	26.57	2.20	2.20	2
Interest Rate Caps					
1 year or less	3	0.68	7.5	0.0	-
1-5 years	89	1.17	6.14	0.0	-
Interest Rate Floors					
1-5 years	73	1.01	5.0	0.0	-
	46,463				(148)

15 Derivative Financial Instruments (continued)

The Bank

	31 March 2005		
	Underlying Principal Amount €m	Weighted Average Maturity in Years	Fair Value €m
Exchange rate contracts:			
Forward Foreign Exchange			
1 year or less	2,115	0.18	(1)
1-5 years	63	1.41	-
Currency Swaps			
1 year or less	620	0.44	(22)
1-5 years	1,896	1.55	(52)
5-10 years	96	6.78	(1)
Currency Options			
1 year or less	530	0.42	-
	5,320		(76)
Equity and commodity contracts:			
Equity Index Linked Contracts held			
1 year or less	394	0.59	(8)
1-5 years	3,073	2.95	40
5-10 years	858	5.91	47
	4,325		79
	56,108		(145)

16 Loans and Advances to Banks

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Funds placed with central banks	131	117	89	69
Mandatory deposit with central banks	870	52	813	18
Securities purchased with agreement to resell	3,773	1,101	3,773	1,101
Placements with other banks	5,803	7,077	50,678	36,283
	10,577	8,347	55,353	37,471
Provision for impairment on loans and advances to banks	(1)	-	(1)	-
	10,576	8,347	55,352	37,471
Amounts include:				
Due from group undertakings			45,906	30,288

17 Loans and Advances to Customers

(a) Loans and advances to customers	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Loans and advances to customers	98,497	77,076	56,057	42,967
Loans and advances to customers – finance leases and hire purchase receivables	3,108	3,079	1,331	1,204
Gross loans and advances	101,605	80,155	57,388	44,171
Less allowance for losses on loans and advances	(359)	(319)	(260)	(222)
	101,246	79,836	57,128	43,949
Amounts include:				
Due from group undertakings			16,271	13,347

(b) Allowance for losses on loans and advances to customers and banks	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Movement in allowance for losses on loans and advances as follows:				
Opening balance	319	472	222	318
Exchange adjustments	(1)	(9)	(1)	(5)
Implementation of IAS 32/39 on 1 April 2005	-	-	13	-
Charge against profits	100	(21)	73	(5)
Amounts written off	(85)	(144)	(65)	(91)
Recoveries	21	21	16	14
Transfer of provisions to subsidiary undertakings	-	-	-	(9)
Other movements	6	-	3	-
Closing balance	360	319	261	222
Of which relates to:				
Loans and advances to customers	359	319	260	222
Loans and advances to banks	1	-	1	-
	360	319	261	222

17 Loans and Advances to Customers (continued)

(c) Concentration of exposure to credit risk

The Group's exposure to credit risk from its lending activities does not exceed 10% of loans and advances to customers after provisions in any individual sector or industry with the exception of residential mortgages, property and construction and services.

The Group's residential mortgage portfolio is widely diversified by individual borrower and amounts to 50% (2005: 50%) of the total loans and advances to customers, 36% (2005: 35%) of the loans and advances in Ireland and 66% (2005: 69%) in the United Kingdom.

Total impaired loans amount to €796m (2005: €710m).

(d) Finance Leases

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

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Gross investment in finance leases:				
Not later than 1 year	1,513	1,419	855	773
Later than 1 year and not later than 5 years	1,708	1,788	577	538
Later than 5 years	212	207	33	19
	3,433	3,414	1,465	1,330
Unguaranteed residual values accruing to the lessor	-	-	-	-
Unearned future finance income on finance leases	(325)	(335)	(134)	(126)
Net investment in finance leases	3,108	3,079	1,331	1,204
The net investment in finance leases may be analysed as follows:				
Not later than 1 year	1,373	1,288	777	701
Later than 1 year and not later than 5 years	1,540	1,594	524	486
Later than 5 years	195	197	30	17
	3,108	3,079	1,331	1,204

18 Available for Sale Financial Assets

From 1 April 2005 debt securities have been classified and measured in accordance with IAS 39. This involved reclassifying these securities as either trading, available for sale or loans and receivables. The comparative note for last year has not been restated.

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Investment Securities available-for-sale				
Government bonds	5,881	-	5,881	-
Other debt securities				
– Listed	20,062	-	16,816	-
– Unlisted	2,237	-	72	-
Equity securities				
– Listed	3	-	-	-
– Unlisted	22	-	16	-
Total securities available-for-sale	28,205	-	22,785	-

Listed debt securities available-for-sale at fair value of €10,049 (2005: €3,276) had been pledged to third parties in sale and repurchase agreements for periods not exceeding six months.

The movement on investment securities available-for-sale may be summarised as follows:

	The Group	The Bank
At 1 April 2005	20,752	16,041
Revaluation, exchange and other adjustments	150	107
Additions	27,784	25,426
Disposals (sale and redemption)	(20,576)	(18,886)
Amortisation	98	98
Provision for impairment	(3)	(1)
At 31 March 2006	28,205	22,785

19 Debt Securities

Debt securities were reclassified at 1 April 2005 under IAS 39 as either trading, available-for-sale or loans and receivables. The following tables show the Irish GAAP analysis for debt securities for the year ended 31 March 2005. Details of the IFRS impact and reclassifications as at 31 March 2005 and 1 April 2005 are set out on pages 160 to 184.

The Group	At 31 March 2005			
	Book Value €m	Gross Unrealised Gains €m	Gross Unrealised Losses €m	Fair Value €m
Issued by public bodies				
Investment securities				
– government securities	394	17	(4)	407
Other securities				
– government securities	5,774			5,774
	5,774			5,774
Issued by other issuers				
Investment securities				
– bank and building society certificates of deposit	1,126	12	-	1,138
– other debt securities	13,556	100	(43)	13,613
	14,682	112	(43)	14,751
Other securities				
– bank and building society certificates of deposit	-			-
– other debt securities	471			471
	471			471
	21,321	129	(47)	21,403

Notes to the Consolidated Financial Statements

The Bank	At 31 March 2005			
	Book Value €m	Gross Unrealised Gains €m	Gross Unrealised Losses €m	Fair Value €m
Issued by public bodies				
Investment securities				
– government securities	394	17	(4)	407
Other securities				
– government securities	4,809			4,809
	4,809			4,809
Issued by other issuers				
Investment securities				
– bank and building society certificates of deposit	1,126	12	-	1,138
– other debt securities	9,885	65	(6)	9,944
	11,011	77	(6)	11,082
Other securities				
– bank and building society certificates of deposit	-			-
– other debt securities	287			287
	287			287
	16,501	94	(10)	16,585

20 Interest in Associated Undertakings

	The Group	
	2006 €m	2005 €m
At 1 April	17	14
Share of results after tax	5	(1)
Increase in investments	4	5
Decrease in investments	(5)	(1)
At 31 March	21	17

In presenting details of the associated undertakings of the Bank of Ireland Group the exemption permitted by Regulation 10 of the European Communities (Credit Institutions: Accounts) Regulations, 1992 has been availed of and Bank of Ireland will annex to its annual return to the Companies Office a full listing of associated undertakings.

21 Interest in Joint Ventures

	The Group	
	2006 €m	2005 €m
At 1 April	61	243
Disposals	-	(4)
Share of results after tax	40	31
Exchange adjustments	(1)	(9)
Dividends received	(25)	(14)
Transfer to Group undertakings	-	(186)
At 31 March	75	61

The joint ventures are: First Rate Exchange Services
Enterprise 2000 Fund

On 19 March 2004 Bank of Ireland UK Holdings plc signed the contract to acquire a 50.01% holding in the entity, Midasgrange Limited (trading as Post Office Financial Services). This was accounted for as a joint venture using the gross equity method until 31 July 2004. Due to the change in the shareholdings, Midasgrange Limited was fully consolidated in the Group's accounts from 1 August 2004. The unamortised goodwill and the intangible assets on acquisition previously shown in "Interest in Joint Ventures" is now recorded in "Intangible Assets" (note 23) and the related minority interest is recorded in "Minority Interest".

22 Shares in Group Undertakings

	The Bank	
	2006 €m	2005 €m
At 1 April	1,959	1,573
Exchange adjustments	(8)	(28)
Net increase during year	14	414
At 31 March	1,965	1,959
Group undertakings of which		
– Credit Institutions	576	518
– Others	1,389	1,441
	1,965	1,959

23 Intangible Assets

The Group	Goodwill €m	Computer Software €m	Other externally purchased intangibles €m	Total €m
Cost				
At 1 April 2005	219	868	124	1,211
Implementation of IAS 32/39 as at 1 April 2005	53	-	-	53
Goodwill/intangibles arising on acquisitions during the year	92	-	23	115
Exchange adjustments	11	(2)	(1)	8
Reclassifications	-	14	-	14
Additions	-	106	-	106
Disposals	-	(16)	-	(16)
At 31 March 2006	375	970	146	1,491
Accumulated impairment and amortisation losses				
At 1 April 2005	-	(404)	(15)	(419)
Exchange adjustments	-	-	1	1
Reclassifications	-	(10)	-	(10)
Disposals	-	8	-	8
Charge for period	-	(93)	(13)	(106)
At 31 March 2006	-	(499)	(27)	(526)
Net Book Value	375	471	119	965
Cost				
At 1 April 2004	147	733	44	924
Goodwill arising on acquisitions during the year	81	-	-	81
Additions	-	138	80	218
Exchange adjustments	(6)	(3)	-	(9)
Impairment loss reversed in equity	(3)	-	-	(3)
At 31 March 2005	219	868	124	1,211
Accumulated impairment and amortisation losses				
At 1 April 2004	-	(320)	-	(320)
Amortisation charge for year	-	(86)	(15)	(101)
Exchange adjustments	-	2	-	2
At 31 March 2005	-	(404)	(15)	(419)
Net Book Value	219	464	109	792

23 Intangible Assets (continued)

The Bank

	Computer Software €m	Total €m
Cost		
At 1 April 2005	696	696
Exchange adjustments	-	-
Reclassifications	7	7
Additions	89	89
Disposals	(9)	(9)
At 31 March 2006	783	783
Accumulated impairment and amortisation losses		
At 1 April 2005	(321)	(321)
Exchange adjustments	-	-
Reclassifications	(4)	(4)
Disposals	8	8
Charge for the period	(79)	(79)
At 31 March 2006	(396)	(396)
Net Book Value	387	387
Cost		
At 1 April 2004	624	624
Exchange adjustment	(2)	(2)
Additions	79	79
Disposal	(5)	(5)
At 31 March 2005	696	696
Accumulated impairment and amortisation losses		
At 1 April 2004	(249)	(249)
Exchange adjustments	2	2
Disposals	2	2
Charge for the year	(76)	(76)
At 31 March 2005	(321)	(321)
Net Book Value	375	375

23 Intangible Assets (continued)

Intangible Assets Impairment Review

Division	Acquisition	Goodwill 2006 €m	Goodwill 2005 €m	Basis of Valuation	Key Assumptions
AMS	Iridian	219	156	Earnings	Constant
AMS	Guggenheim	92	-	Earnings	rate after
AMS	Burdale	54	55	Earnings	year 5

The impairment model uses forecasted earnings projected out over a 5 year period based on the expected performance of the entity. Thereafter, a constant run rate is assumed out to 30 years, this run rate can vary between different entities depending on the sector, expected growth and the historical returns achieved by the entity.

These cash flows are then discounted at the Group's current cost of capital to today. When the present value exceeds the carrying value no impairment occurs.

24 Property, Plant and Equipment

The Group	Freehold land and buildings and long leaseholds (at valuation) €m	Adaptations (at cost) €m	Computer and other equipment (at cost) €m	Finance lease assets (at cost) €m	Payments on account and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 April 2005	440	120	682	10	28	1,280
Exchange adjustments	(1)	-	(2)	-	-	(3)
Additions	16	4	24	-	6	50
Disposals	(39)	(7)	(51)	-	-	(97)
Revaluation	212	-	-	-	-	212
Reclassifications	(1)	7	23	-	(28)	1
At 31 March 2006	627	124	676	10	6	1,443
Accumulated depreciation and amortisation						
At 1 April 2005	-	(22)	(531)	(7)	-	(560)
Exchange adjustments	-	-	2	-	-	2
Disposals	-	3	42	-	-	45
Charge for year	-	(15)	(44)	(1)	-	(60)
Reclassifications	-	1	(11)	-	-	(10)
At 31 March 2006	-	(33)	(542)	(8)	-	(583)
Net book value						
At 31 March 2006	627	91	134	2	6	860
At 31 March 2005	440	98	151	3	28	720

24 Property, Plant and Equipment (continued)

The Bank	Freehold land and buildings and long leaseholds (at valuation) €m	Computer and other equipment (at cost) €m	Adaptations (at cost) €m	Finance lease assets (at cost) €m	Payments on account and assets in the course of construction (at cost) €m	Total €m
Cost or valuation						
At 1 April 2005	333	515	86	5	26	965
Exchange adjustments	-	(1)	-	-	-	(1)
Additions	4	17	3	-	5	29
Disposals	(5)	(3)	(1)	-	-	(9)
Reclassifications	-	3	11	-	(26)	(12)
Revaluation	196	-	-	-	-	196
At 31 March 2006	528	531	99	5	5	1,168
Accumulated depreciation and amortisation						
At 1 April 2005	-	(403)	(11)	(5)	-	(419)
Exchange adjustments	-	1	-	-	-	1
Disposals	-	2	-	-	-	2
Charge for year	-	(32)	(13)	-	-	(45)
Reclassifications	-	5	(1)	-	-	4
At 31 March 2006	-	(427)	(25)	(5)	-	(457)
Net book value						
At 31 March 2006	528	104	74	-	5	711
At 31 March 2005	333	112	75	-	26	546

Property and Equipment

A revaluation of all Group property was carried out as at 31 March 2006. All freehold and long leasehold (50 years or more unexpired) commercial properties were valued by Lisneys as external valuers, who also reviewed the valuation carried out by the Bank's professionally qualified staff of all other property. Valuations were made on the basis of open market value.

24 Property, Plant and Equipment (continued)

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Future capital expenditure				
– contracted but not provided in the accounts	17	10	16	10
– authorised by the Directors but not contracted	28	14	26	7

Minimum future rentals under non cancellable operating leases are as follows:

	Payable €m	**Receivable €m**
Year ended 31 March		
Not later than 1 year	48	3
Later than 1 year and not later than 5 years	161	5
Later than 5 years	542	2

25 Other Assets

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Foreign exchange and interest rate contracts	-	1,849	-	1,866
Sundry debtors and other	2,045	1,665	344	228
Value of life assurance business in force (Note 47)	513	751	-	-
Accounts receivable and prepayments	889	933	680	649
	3,447	5,198	1,024	2,743

26 Deposits by Banks

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Securities sold under agreement to repurchase	9,927	3,326	9,809	3,276
Deposits from other banks	21,896	16,897	35,144	26,562
Other bank borrowings	489	642	-	30
	32,312	20,865	44,953	29,868
Amounts include:				
Due to group undertakings			13,297	9,677

27 Customer Accounts

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Current accounts	15,876	13,422	21,647	16,541
Demand deposits	18,344	21,316	15,448	15,680
Term deposits and other products	25,877	24,785	20,240	16,173
Other short term borrowings	1,373	662	-	534
Securities sold under agreement to repurchase	240	-	240	-
	61,710	60,185	57,575	48,928
Amounts include:				
due to group undertakings			5,866	3,233

28 Debt Securities in Issue

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Bonds & medium term notes	20,249	6,956	15,924	4,961
Other debt securities in issue	16,565	14,261	15,355	12,823
	36,814	21,217	31,279	17,784

29 Subordinated Liabilities

Undated Loan Capital	The Group 2006 €m	The Group 2005 €m	The Bank 2006 €m	The Bank 2005 €m
Bank of Ireland				
US$150m Undated Floating Rate Primary Capital Notes	-	114	-	114
Bank of Ireland UK Holdings plc				
€600m 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	636	596	-	-
Stg£350m 6.25% Guaranteed Callable Perpetual Preferred Securities	461	503	-	-
BOI Capital Funding (No 1) LP				
€600m Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	588	587	-	-
BOI Capital Funding (No 2) LP				
US$800m Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	627	-	-	-
BOI Capital Funding (No 3) LP				
US$400m Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	318	-	-	-
Bristol & West				
Stg£75m 13$^3/_8$ % Perpetual Subordinated Bonds	178	180	-	-
Stg £50.4m 8 $^1/_8$ per cent Non-Cumulative Preference Shares	72	-	-	-
	2,880	1,980	-	114
Dated loan capital				
Bank of Ireland				
€750m 6.45% Subordinated Bonds 2010	798	748	798	748
€600m Subordinated Floating Rate Notes 2013	595	599	595	599
€650m Fixed/Floating Rate Subordinated Notes 2019	662	650	662	650
€600m Subordinated Floating Rate Notes due 2017	598	-	598	-
Can$400m Fixed/Floating Rate Subordinated Notes 2015	275	-	275	-
Stg£400m Fixed/Floating Rate Subordinated Notes 2018	570	-	570	-
Bristol & West				
Stg£75m 10¾% Subordinated Bonds 2018	115	109	-	-
	3,613	2,106	3,498	1,997
	6,493	4,086	3,498	2,111

29 Subordinated Liabilities (continued)

The US$150m Undated Floating Rate Primary Capital Notes included in Subordinated Liabilities in 2005 are now included under Other Equity Reserve in Stockholders Equity having been reclassified under IAS32.

On 7 March 2001 Bank of Ireland UK Holdings plc (the Issuer) issued €600m 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities (the Preferred Securities) which have the benefit of a subordinated guarantee by the Bank.

The Preferred Securities are perpetual securities and have no maturity date. However, they are redeemable in whole or in part at the option of the Issuer subject to the prior consent of the Financial Regulator and of the Bank, at their principal amount together with any outstanding payments on 7 March 2011 or any coupon payment date thereafter. The Preferred Securities bear interest at a rate of 7.40% per annum to 7 March 2011 and thereafter at a rate of three month EURIBOR plus 3.26% per annum, reset quarterly.

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 Bank (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 Bank (as applicable) is solvent and could make such payment and still be solvent immediately thereafter. Upon any winding up of the Issuer or the Bank (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 stock (if any) of the issuer or of the Bank then in issue and in priority to all other shareholders of the Issuer and of the Bank.

On 17 March 2003 Bank of Ireland UK Holdings plc (the Issuer) issued Stg£350m 6.25% Guaranteed Callable Perpetual Preferred Securities (the Preferred Securities) which have the benefit of a subordinated guarantee by the Bank.

The Preferred Securities are Perpetual Securities and have no maturity date. However they are redeemable in whole but not in part at the option of the Issuer subject to the prior consent of the Financial Regulator and of the Bank, at their principal amount together with any outstanding payments on 7 March 2023 or any coupon date thereafter.

The Preferred Securities bear interest at a rate of 6.25% per annum to 7 March 2023 and thereafter at a rate of 6 month Libor plus 1.70 per cent per annum, reset semi annually.

The rights and claims of the holders of the Preferred Securities are subordinated to the claims of the senior creditors of the Issuer or the Bank (as the case may be) in that no payment in respect of the preferred securities or the guarantee shall be due and payable except to the extent that the Issuer or the Bank (as applicable) is solvent and could make such payment and still be solvent immediately thereafter.

Upon winding up of the Issuer or the Bank (in respect of claims under the guarantee), the holder of the Preferred Securities will rank pari passu with holders of the most senior class or classes of preference shares or stock or other preferred securities (if any) of the Issuer or the Bank then in issue and in priority to all other shareholders of the Issuer and the Bank.

On 2 March 2005 BOI Capital Funding (No.1) LP (the Issuer) issued €600m Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the Preferred Securities) having the benefit of a subordinated guarantee by the Bank.

The Preferred Securities, comprising limited partnership interests in BOI Capital Funding (No. 1) LP, are perpetual securities with no maturity date. However they are redeemable, subject to the prior approval of the Financial Regulator, on 3 March 2010 or any distribution payment date thereafter, in whole but not in part, at the option of BOI G.P. No. 1 Limited, which is the General Partner of the Issuer, at their principal amount plus any outstanding payments due.

The Preferred Securities bear interest at a rate of 6.25% per annum to 3 March 2007 and thereafter at a variable rate of interest per annum which is the lesser of (i) the aggregate of 0.10% per annum and the annual spot 10 year EUR fixed versus 6 month EUR/EURIBOR swap rate and (ii) 8% per annum.

The Issuer will not pay any Distributions and the Guarantor will not make any payment in respect of Distributions under the Subordinated

29 Subordinated Liabilities (continued)

Guarantee to the extent that such payment would exceed Adjusted Distributable Reserves or even if Adjusted Distributable Reserves are sufficient to the extent that such payment would breach or cause a breach of Capital Adequacy Regulations then applicable to the Group as determined by the Guarantor's Court of Directors; or to the extent that the Guarantor is not meeting its minimum capital requirements or is not meeting its solvency ratios; or provided a Deemed Declaration Notice has not been delivered, if the Guarantor's Court of Directors has resolved no Distributions should be made; or if the Regulator has instructed the General Partner or the Guarantor not to make such payment.

The Preferred Securities, together with the Subordinated Guarantee, are intended to provide holders with rights on liquidation equivalent to non-cumulative preference shares of the Guarantor. Claims under the Preferred Securities in respect of any liquidation distributions will rank senior to the rights of the General Partner in respect of other partnership interests issued by the Issuer and pari passu with claims of the holders of all other preferred securities issued by the Issuer which rank pari passu with the Preferred Securities.

The rights and claims of the holders of the Preferred Securities rank (a) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes Tier 1 Capital or which is referred to in (b) or (c) below and any other liability expressed to rank pari passu with or junior to the Subordinated Guarantee), (b) pari passu with parity securities issued by the Guarantor and any guarantee of the Guarantor ranking pari passu with the Subordinated Guarantee and (c) senior to Junior Share Capital.

On 27 January 2006 BOI Capital Funding (No.2) LP (the Issuer) issued US$800m Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the Preferred Securities) having the benefit of a subordinated guarantee by the Bank, each with a liquidation preference of US$1,000.

The Preferred Securities, comprising limited partnership interests in BOI Capital Funding (No. 2) LP, are perpetual securities with no maturity date. However they are redeemable, subject to the prior approval of The Financial Regulator, on 1 February 2016 or any distribution payment date thereafter, in whole but not in part, at the option of BOI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference plus any additional amounts and outstanding payments due.

The Preferred Securities bear interest at a rate of 5.571% per annum to but excluding 1 February 2016 and thereafter at a floating rate of interest of 1.68% per annum above the rate for US$ Libor three month US dollar deposits.

The Issuer will not pay any Distributions and the Guarantor will not make any payment in respect of Distributions under the Subordinated Guarantee to the extent that such payment would exceed Adjusted Distributable Reserves or even if Adjusted Distributable Reserves are sufficient to the extent that such payment would breach or cause a breach of Capital Adequacy Regulations then applicable to the Group as determined by the Guarantor's Court of Directors; or to the extent that the Guarantor is not meeting its minimum capital requirements or is not meeting its solvency ratios; or provided a Deemed Declaration Notice has not been delivered, if the Guarantor's Court of Directors has resolved no Distributions should be made; or if the Financial Regulator has instructed the General Partner or the Guarantor not to make such payment.

The Preferred Securities, together with the Subordinated Guarantee, are intended to provide holders with rights on liquidation equivalent to non-cumulative preference shares of the Guarantor. Claims under the Preferred Securities in respect of any liquidation distributions will rank senior to the rights of the General Partner in respect of other partnership interests issued by the Issuer and pari passu with claims of the holders of all other preferred securities issued by the Issuer which rank pari passu with the Preferred Securities.

The rights and claims of the holders of the Preferred Securities rank (a) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes Tier 1 Capital or which is referred to in (b) or (c) below and any other liability expressed to rank pari passu with or junior to the Subordinated Guarantee), (b) pari passu with parity securities issued by the Guarantor and any guarantee of the Guarantor ranking pari passu with the Subordinated Guarantee and (c) senior to Junior Share Capital.

On 3 February 2006 BOI Capital Funding (No.3) LP (the Issuer) issued US$400m Fixed Rate/Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities (the Preferred Securities) having the benefit of a subordinated guarantee by the Bank, each with a liquidation preference of US$1,000.

The Preferred Securities, comprising limited partnership interests in BOI Capital Funding (No. 3) LP, are perpetual securities with no maturity date. However they are redeemable, subject to the prior approval of the Financial Regulator, on 4 February 2016 or on every subsequent tenth anniversary date of 4 February 2016, in whole but not in part, at the option of BOI G.P. No. 1 Limited, which is the General Partner of the Issuer, at the liquidation preference amount plus any additional amounts and outstanding payments due.

The Preferred Securities bear interest at a rate of 6.107% per annum to but excluding 4 February 2016 and thereafter at a floating rate of interest of 1.06% per annum above the rate for US$ LIBOR three-month US dollar deposits.

The Issuer will not pay any Distributions and the Guarantor will not make any payment in respect of Distributions under the Subordinated Guarantee to the extent that such payment would exceed Adjusted Distributable Reserves or even if Adjusted Distributable Reserves are sufficient to the extent that such payment would breach or cause a breach of Capital Adequacy Regulations then applicable to the Group as determined by the Guarantor's Court of Directors; or to the extent that the Guarantor is not meeting its minimum capital requirements or is not meeting its solvency ratios; or provided a Deemed Declaration Notice has not been delivered, if the Guarantor's Court of Directors has resolved no Distributions should be made; or if the Financial Regulator has instructed the General Partner or the Guarantor not to make such payment.

The Preferred Securities, together with the Subordinated Guarantee, are intended to provide Holders with rights on liquidation equivalent to non-cumulative preference shares of the Guarantor. Claims under the Preferred Securities in respect of any liquidation distributions will rank senior to the rights of the General Partner in respect of other partnership interests issued by the Issuer and pari passu with claims of the holders of all other preferred securities issued by the Issuer which rank pari passu with the Preferred Securities.

The rights and claims of the holders of the Preferred Securities rank (a) junior to all liabilities of the Guarantor including subordinated liabilities (in each case other than any liability of the Guarantor which constitutes Tier 1 Capital or which is referred to in (b) or (c) below and any other liability expressed to rank pari passu with or junior to the Subordinated Guarantee), (b) pari passu with parity securities issued by the Guarantor and any guarantee of the Guarantor ranking pari passu with the Subordinated Guarantee and (c) senior to Junior Share Capital.

The Bristol & West $13\frac{3}{8}$% Perpetual Subordinated Bonds have a nominal value of Stg£75m and were revalued as part of the fair value adjustments on acquisition.

The Bristol & West $8\frac{1}{8}$% Non-Cumulative Preference Shares were previously included as Minority Interests – Non-Equity until 2005 under IR GAAP and have been reclassified to Subordinated Liabilities on the introduction of IAS32.

Rate Notes due 2009 on 11 February 1997. These notes were redeemed on 19 February 2004. The Programme was increased to Stg£1bn in July 1997. On 9 November 1999 the Programme was redenominated from sterling to euro and increased to €4bn. On 10 February 2000 the Bank issued €600m 6.45 per cent Subordinated Bonds due 2010. On 22 January 2001 the Bank issued an additional €150m 6.45 per cent Subordinated Bonds due 2010 which are fungible and form a single series with the €600m issued in February 2000.

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 preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. Bank of Ireland Group holds 35.8% of these shares.

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 Acts.

The Bank set up a Stg£500m Euro Note Programme ("the Programme") in July 1995 and issued Stg£200m Subordinated Floating Rate Notes due 2009 on 11 February 1997. These notes were redeemed on 19 February 2004. The Programme was increased to Stg£1bn in July 1997. On 9 November 1999 the Programme was redenominated from sterling to euro and increased to €4bn. On 10 February 2000 the Bank issued €600m 6.45 per cent Subordinated Bonds due 2010. On 22 January 2001 the Bank issued an additional €150m 6.45 per cent Subordinated Bonds due 2010 which are fungible and form a single series with the €600m issued in February 2000.

The Bonds and Notes constitute unsecured obligations of the Bank subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves. In April 2001 the Programme was increased from €4bn to €8bn. In February 2003 the Programme was again increased from €8bn to €10bn and on 18 December 2003 €600m Subordinated floating rate notes were issued. In February 2004 the Programme was increased from €10bn to €15bn and on February 25, 2004 the bank issued €650m, Fixed/Floating Rate Subordinated Notes due 2019.

The bank issued on 29 June 2005 €600m Floating Rate Subordinated Notes due 2017 and on 21 September 2005 Can$400m of Fixed/Floating Rate Subordinated bonds due 2015. On 22 December 2005 the bank issued Stg£400m of Fixed/Floating Rate subordinated bonds due 2018.

Interest rates on the floating rate and fixed rate subordinated liabilities (accommodated through swaps) are determined by reference to the London Inter-Bank Offered Rate (LIBOR).

The subordinated liabilities in Bristol & West are redeemable in whole, at the option of Bristol & West plc, in the event of certain tax changes affecting the treatment of payments of interest on capital securities in the United Kingdom, and provided prior relevant supervisory consent has been obtained and adequate notice has been given, at their principal amount plus accrued interest to the date of redemption.

30 Other Liabilities

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Current taxation	75	91	45	20
Notes in circulation	791	785	791	785
Foreign exchange and interest rate contracts	-	1,831	-	1,878
Sundry creditors	1,792	1,931	470	455
Other	1,131	1,349	319	221
Accruals and deferred income	922	770	580	487
	4,711	6,757	2,205	3,846

The Bank is authorised to issue bank notes in Northern Ireland under the Bankers (Ireland) Act 1845 and the Bankers (Northern Ireland) Act, 1928 as amended by Section 11 of Bankers (NI) Act 1928.

31 Provisions

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
At 1 April	179	63	136	7
Exchange differences	(1)	(2)	-	-
Additional provisions charged to income statement	47	164	15	135
Utilised during year	(64)	(23)	(52)	(6)
Unused amounts reversed during the period	-	(23)	-	-
Other movements	(8)	-	(8)	-
At 31 March	153	179	91	136

Other provisions include €76m (2005: €117m) relating to the strategic transformation programme.

32 Deferred Income Taxes

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
The movement on the deferred income tax account is as follows:				
Opening balance	113	118	(30)	7
Income Statement Charge for Year	41	53	(2)	5
Available for Sale Securities – Fair Value Gain on transition as at 1 April 2005	18	-	18	-
Available for Sale Securities – Transferred to Net Profit	(15)	-	(14)	-
Cash Flow Hedges – Fair Value Gain on transition as at 1 April 05	12	-	12	-
Cash Flow Hedges – Transferred to Net Profit	(1)	-	(1)	-
Revaluation of Property During Year	25	5	23	4
Other Movements	(16)	(63)	(10)	(46)
Closing balance	177	113	(4)	(30)

(See Note 40 for further information on deferred tax charged directly to equity)

Deferred income tax assets and liabilities are attributable to the following items:

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Deferred Tax Liabilities				
Accelerated Capital Allowances:				
– on finance leases	62	80	-	4
– on equipment used by the Group	26	26	16	19
Available for Sale Securities	3	-	4	-
Cash Flow Hedges	11	-	11	-
Property Revaluation Surplus	69	44	67	44
Life Companies	134	123	-	-
Other temporary differences	22	9	9	11
Deferred Tax Liabilities	327	282	107	78
Deferred Tax Assets				
Pensions and Other Post Retirement Benefits	116	130	81	81
Provision for Loan Impairment	6	24	7	20
Other provisions	15	13	1	5
Other	13	2	22	2
Deferred Tax Assets	150	169	111	108
Represented on the balance sheet as follows:				
Deferred tax assets	(30)	(99)	(4)	(30)
Deferred tax liabilities	207	212	-	-
	177	113	(4)	(30)

32 Deferred Income Taxes (continued)

The deferred tax charge in the Income Statement comprises the following temporary differences:

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Accelerated Tax Depreciation	(8)	3	(3)	(2)
Pensions and other post Retirement Benefits	-	4	(4)	1
Provision for Loan Losses	(1)	26	-	9
Other Provisions	(2)	(1)	4	(3)
Other Temporary Differences	52	21	1	-
	41	53	(2)	5

33 Interest Rate Risk

Interest sensitivity of assets, liabilities and off balance sheet items – repricing analysis

The table opposite provides an indication of the repricing mismatch in the non Trading assets and liabilities at 31 March 2006. For the major categories of assets and liabilities, this ‘gap’ table shows the volumes maturing in selected maturity bands, taking account of any amortisation of principal. Items are allocated to time bands by reference to the earlier of the next interest rate repricing date and the maturity date.

The tables show actual balance sheet volumes together with the nominal value of any hedging derivatives. In the case of undrawn fixed rate lending where the Group is effectively committed in price terms and there is a high degree of predictability in relation to the expected drawdown – notably in relation to the mortgage pipeline – the expected volumes have been included in the table. The Group manages interest rate risk on a consolidated basis. Therefore the interest rate sensitivity table of the Bank does not provide meaningful information. Accordingly it has not been presented.

The Group Interest Rate Repricing	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	31 March 2006 Over one year but not more than five years	Over five years	Non interest bearing	Trading Book	Total
				(in € millions)				
Assets								
Cash and balances with central banks	1,615	-	-	-	-	284	-	1,899
Central Government bills and other eligible bills	8	-	-	-	-	-	-	8
Trading securities	-	-	-	-	-	-	620	620
Loans and advances to banks	7,777	1,434	454	51	-	860	-	10,576
Derivative financial instruments	-	-	-	-	-	552	1,533	2,085
Loans and advances to customers	67,640	3,874	5,382	21,153	2,966	231	-	101,246
Investment Securities - AFS	17,781	2,260	2,164	3,892	2,095	13	-	28,205
Other assets at fair value through P/L*	265	15	-	26	28	10,246	-	10,580
Other assets	495	-	-	-	-	5,465	1,145	7,105
Total assets	95,581	7,583	8,000	25,122	5,089	17,651	3,298	162,324
Liabilities								
Deposits by banks	27,352	2,576	1,763	79	20	12	510	32,312
Customer accounts	44,334	1,728	1,501	3,055	1,214	9,878	-	61,710
Derivative financial instruments	-	-	-	-	-	456	1,191	1,647
Debt securities in issue	27,609	2,835	2,044	2,115	2,211	-	-	36,814
Subordinated liabilities	599	-	-	806	5,164	(76)	-	6,493
Other liabilities*	522	1	3	27	43	16,029	1,343	17,968
Total equity	122	-	-	-	-	5,258	-	5,380
Total liabilities	100,538	7,140	5,311	6,082	8,652	31,557	3,044	162,324
Net derivative financial instrument nominal values	8,395	10,086	(1,698)	(16,401)	(372)	-	(10)	-
Interest rate repricing gap	3,438	10,529	991	2,639	(3,935)	(13,906)	244	-
Cumulative interest rate repricing gap	3,438	13,967	14,958	17,597	13,662	(244)	-	-
Euro Cumulative interest rate repricing gap 31 March 2006	382	5,032	6,230	7,057	4,684	(365)	365	-
Sterling Cumulative interest rate repricing gap 31 March 2006	10,783	17,834	17,629	18,518	18,968	4,490	(4,490)	-

** Long term assets and liabilities associated with the life business are measured on a different basis and the underlying cashflows are not directly subject to interest rate risk. Therefore these assets and liabilities have been included in non-interest bearing items in the Table above. Details of the sensitivity of the impact of these items on the Group income statement are set out in Note 47.*

Notes to the Consolidated Financial Statements

33 Interest Rate Risk (continued)

As permitted by IFRS 1 the comparative interest rate sensitivity table for 31 March 2005 is disclosed as previously reported in the March 2005 reports and accounts.

The Group — **31 March 2005**

Non Trading Interest Rate Repricing – Total	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than five years	Over five years	Non interest bearing	Total
			(in € millions)				
Assets							
Central Government bills and other eligible bills	92	-	-	-	-	-	92
Loans and advances to banks	4,667	2,140	271	19	-	243	7,340
Loans and advances to customers	52,359	3,817	6,108	14,235	2,611	526	79,656
Investment securities – AFS	11,378	1,539	306	1,657	1,026	31	15,937
Other assets	1,909	-	-	-	-	3,792	5,701
Total assets	70,405	7,496	6,685	15,911	3,637	4,592	108,726
Liabilities							
Deposits by banks	17,869	1,129	1,174	7	22	-	20,201
Customer accounts	42,012	1,787	2,633	2,092	1,107	10,379	60,010
Debt securities in issue	15,156	1,514	1,461	2,387	21	-	20,539
Other liabilities	633	34	6	54	70	2,916	3,713
Subordinated liabilities	714	-	-	1,397	1,975	-	4,086
Minority interests and shareholders' funds	-	-	-	-	-	4,924	4,924
Total liabilities	76,384	4,464	5,274	5,937	3,195	18,219	113,473
Net amounts due from / to Group units	63	(1,306)	(225)	2,681	3,101	650	4,964
Off balance sheet items	1,038	3,025	1,658	(6,797)	791	-	(285)
Interest rate repricing gap	(4,878)	4,751	2,844	5,858	4,334	(12,977)	(68)
Cumulative interest rate repricing gap	(4,878)	(127)	2,717	8,575	12,909	(68)	
Euro							
Cumulative interest rate repricing gap 31 March 2005	772	2,624	4,517	8,615	11,202	863	
Sterling							
Cumulative interest rate repricing gap 31 March 2005	(3,545)	(2,783)	(1,741)	(30)	1,685	(848)	

34 Liquidity Risk

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The comparative information is presented in accordance with IR GAAP.

Maturities of financial assets and liabilities **The Group**

As at 31 March 2006

	Demand	**Up to 3 months**	**3-12 months**	**1-5 years (in € millions)**	**Over 5 years**	**Equity Shares**	**Total**
Assets							
Cash and balances at central banks	287	1,612	-	-	-	-	1,899
Treasury and other eligible bills	-	8	-	-	-	-	8
Loans and advances to banks	2,937	5,321	2,225	54	39	-	10,576
Loans and advances to customers	3,999	3,597	6,577	25,052	62,021	-	101,246
Trading securities	11	155	22	269	163	-	620
Derivative financial instruments	13	185	175	301	1,411	-	2,085
Financial assets at fair value through P/L	2	314	49	472	9,743	-	10,580
Investment securities – available for sale	70	3,608	4,484	13,921	6,097	-	28,180
Equity shares – available for sale	-	-	-	-	-	25	25
Liabilities							
Deposits by banks	1,699	26,195	3,608	709	101	-	32,312
Customer accounts	34,389	18,381	5,112	2,380	1,448	-	61,710
Debt securities in issue	174	17,714	4,708	11,212	3,006	-	36,814
Derivative financial instruments	23	136	159	195	1,134	-	1,647
Subordinated debt – dated	-	-	-	806	2,807	-	3,613

Maturities of financial assets and liabilities The Group

As at 31 March 2005

	Demand	Up to 3 months	3-12 months	1-5 years (in € millions)	Over 5 years	Equity Shares	Total
Assets							
Cash and balances at central banks	451	1,149	-	-	-	-	1,600
Treasury and other eligible bills	-	92	-	-	-	-	92
Loans and advances to banks	1,382	3,662	2,682	23	34	-	7,783
Loans and advances to customers	2,990	3,670	6,152	18,156	49,268	-	80,236
Debt securities	-	-	5,887	15,434	-	-	21,321
Equity shares	-	-	-	-	-	52	52
Liabilities							
Deposits by banks	4,186	13,217	2,100	661	90	-	20,254
Customer accounts	32,847	16,724	4,643	4,776	1,275	-	60,265
Debt securities in issue	-	11,445	4,529	2,546	2,019	-	20,539
Derivative financial instruments	-	-	-	-	-	-	-
Subordinated debt - dated	-	-	-	748	1,358	-	2,106

34 Liquidity Risk (continued)

Maturities of financial assets and liabilities — **The Bank**

As at 31 March 2006	**Demand**	**Up to 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Equity Shares**	**Total**
				(in € millions)			
Assets							
Cash and balances at central banks	280	1,612	-	-	-	-	1,892
Loans and advances to banks	2,901	27,967	8,699	15,072	713	-	55,352
Loans and advances to customers	5,166	12,232	6,503	17,634	15,593	-	57,128
Trading securities	-	143	-	246	113	-	502
Derivative financial instruments	10	185	175	301	1,389	-	2,060
Investment securities – available for sale	56	3,411	4,004	11,578	3,720		22,769
Financial assets at fair value through P/L	-	-	15	-	-	-	15
Equity shares – available for sale	-	-	-	-	-	16	16
Liabilities							
Deposits by banks	1,708	31,605	4,136	4,268	3,236	-	44,953
Customer accounts	32,135	16,055	4,712	1,920	2,753	-	57,575
Debt securities in issue	174	16,936	4,675	9,198	296	-	31,279
Derivative financial instruments	23	136	159	195	1,133	-	1,646
Subordinated debt - dated	-	-	-	806	2,692	-	3,498

Maturities of financial assets and liabilities — The Bank

As at 31 March 2005	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Equity Shares	Total
Assets							
Cash and balances at central banks	329	1,149	-	-	-	-	1,478
Loans and advances to banks	1,736	21,409	5,473	8,797	59	-	37,474
Loans and advances to customers	4,226	10,170	5,736	11,790	12,250	-	44,172
Debt securities	-	-	5,174	11,327	-	-	16,501
Equity shares	-	-	-	-	-	18	18
Liabilities							
Deposits by banks	4,280	18,900	2,760	3,574	354	-	29,868
Customer accounts	26,694	15,272	2,421	2,961	1,580	-	48,928
Debt securities in issue	-	10,685	4,529	2,546	24	-	17,784
Derivative financial instruments	-	-	-	-	-	-	-
Subordinated debt – dated	-	-	-	748	1,249	-	1,997

35 Fair Values of Financial Assets and Liabilities

The Group has estimated fair value wherever possible using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by Group. In certain cases, however, including some advances to customers, there are no ready markets. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be. These estimation techniques are necessarily extremely subjective in nature and involve assumptions which are based upon management's view of market conditions at 31 March 2006 which may not necessarily be indicative of any subsequent fair value. Furthermore, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values, and, as a result, readers of these financial statements are advised to use caution when using this data to evaluate the Group's financial position.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in many cases, particularly in respect of lending to customers, the Group intends to realise assets through collection over time. As such the fair values calculated do not represent the value of the Group as a going concern at 31 March 2006.

The following table represents the carrying amount and the fair value of both the trading and non trading financial assets and liabilities as at 31 March 2006 and 2005.

Notes to the Consolidated Financial Statements

	2006 Carrying Amount €m	2006 Fair Values €m	2005 Carrying Amount €m	2005 Fair Values €m
Financial instruments held for trading				
Debt securities [(1)]	596	596	6,264	6,264
Equity shares [(1)]	24	24	23	23
Trading derivative financial instruments				
Interest rate contracts	28	28	393	393
Foreign exchange contracts	29	29	56	56
Equity and commodity contracts	300	300	-	-
Non trading financial instruments				
Assets				
Cash and balances at central banks [(1)]	1,899	1,899	1,600	1,600
Items in course of collection [(1)]	930	930	560	560
Central government bills and other eligible bills [(1)]	8	8	92	92
Loans and advances to banks	10,576	10,576	7,783	8,013
Loans and advances to customers	101,246	101,516	79,917	79,950
Securitisation and loan transfers [(1)]	-	-	16	16
Debt securities	-	-	15,057	15,139
Financial assets available for sale	28,205	28,205	-	-
Securitisation	-	-	19	19
Equity shares	-	-	29	29
Financial assets at fair value through P/L	10,580	10,580	-	-
Liabilities				
Deposits by banks	32,312	32,315	20,254	20,262
Customer accounts	61,710	61,751	60,265	60,259
Debt securities in issue	36,814	36,879	20,539	20,577
Items in course of transmission [(1)]	284	284	230	230
Subordinated liabilities	6,493	6,654	4,086	4,434
Minority interests: non equity	-	-	73	103
Liabilities to customers under investment contracts	6,650	6,650	-	-
Insurance contract liabilities	5,192	5,199	-	-
Derivative financial instruments - Hedging				
Interest rate contracts	81	81	-	(148)
Exchange rate contracts	-	-	-	(9)
Equity and commodity contracts	-	-	-	79
Credit contracts	-	-	-	1

(1) The fair value of these financial instruments is equal to the carrying value. These instruments are either carried at market value, or have minimal credit losses and are either short term in nature or repriced frequently.

35 Fair Values of Financial Assets and Liabilities (continued)

The following notes summarise the methods and assumptions used in estimating the fair values of financial instruments shown above.

Due from other banks

Due from other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Investment securities

Investment securities include only interest-bearing assets held to maturity, as assets available-for-sale are measured at fair value. Fair value for held to maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or in some cases by reference to the net tangible asset backing of the investee.

Deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

Debt securities in issue

The aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

36 Retirement Benefit Obligations

The Group operates a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. The most significant defined benefit scheme is the “Bank of Ireland Staff Pension Fund” which accounts for approximately 80% of the pension liability on the Group balance sheet.

In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement the Group has been advised by independent actuaries, Watson Wyatt. The most recent approximate valuation of the schemes using the projected unit method, was carried out on 31 March 2006. The projected unit method measures liabilities taking account of the projected future levels of pensionable earnings at the time of commencement of benefits i.e. at normal retirement date. The actuary considers that the methodology used for the formal valuation as at 31 March 2004 continues to be appropriate.

The approximate valuation discloses that the assets after allowing for expected future increases in earnings and pensions represented 108% of the benefits that have accrued to members. The actuary has recommended that the existing funding programme be maintained until the results of the next formal valuation of the fund, which will be made as at 31 March 2007, are available.

The financial assumptions used in deriving the valuation are set out in the table below.

Financial assumptions	**31 March 2006 % pa**	31 March 2005 % pa
Irish Schemes		
Inflation rate	2.10	2.25
Discount rate	4.60	4.85
Rate of general increase in salaries	3.26*	2.99
Rate of increase in pensions in payment	2.93*	2.66
Rate of increase to deferred pensions	2.10	2.25
UK Schemes		
Inflation rate	2.75	2.75
Discount rate	4.95	5.40
Rate of general increase in salaries	3.97*	3.50
Rate of increase in pensions in payment	3.33*	2.74
Rate of increase to deferred pensions	2.75	2.75

** Allows for additional 0.5% for 5 years beginning 1 April 2005 for Staff Pension Fund*

Mortality assumptions
The main mortality assumptions used in estimating the actuarial value of the liabilities below are based on the PMA92/PFA92 (c=2020) tables for actives and deferreds and PMA92/PFA92 (C=2000) for pensioners. These tables have been adjusted to allow for any regional differences (where appropriate).

36 Retirement Benefit Obligations (continued)

The expected long term rates of return and market value of assets of the material defined benefit plans on a combined basis as at 31 March 2006 and 31 March 2005 were as follows:

	31 March 2006		31 March 2005	
	Expected long term rate of return %	**Market Value €m**	Expected long term rate of return %	Market Value €m
Equities	7.5	2,687	7.8	2,177
Bonds	4.2	860	4.1	752
Property	6.5	487	6.8	400
Cash	3.3	36	3.5	88
Total market value of schemes assets	6.6	4,070	6.8	3,417
Actuarial value of liabilities of funded schemes		(4,866)		(4,341)
Aggregate deficit in schemes		(796)		(924)
Unfunded schemes		(12)		-
Net pension deficit		(808)		(924)

As at 31 March 2006, the pension scheme assets within equities included BOI shares amounting to €58m (31 March 2005: €55m) and property to the value of €150m (31 March 2005: €138m) which relate to the Head Office in Baggot Street and the computer centre in Cabinteely.

The following table sets out the components of the defined benefit cost for the years ended 31 March 2006 and 31 March 2005.

Components of pension expenses	**2006 €m**	2005 €m
Current service cost	158	119
Past service cost	14	1
Curtailments	(11)	(7)
Expected return on pension scheme assets	(232)	(209)
Interest on pension scheme liabilities	210	193
Cost of providing defined retirement benefits	139	97

Actual return on scheme assets	**2006 €m**	2005 €m
Expected return on scheme assets	232	209
Asset gain/(loss) on scheme assets	401	114
Actual return on scheme assets	633	323

Reconciliation of defined benefit obligations during the year	**2006 €m**	2005 €m
Defined benefit obligation at beginning of year	4,341	3,554
Current service cost	158	119
Actual member contributions	13	12
Past service cost	14	1
Interest cost	210	193
Actuarial gains and losses	270	579
Benefits paid	(120)	(99)
Curtailments	(11)	(7)
Settlements	6	-
Currency gain/(loss)	(3)	(11)
Defined benefit obligation at end of year	4,878	4,341

Notes to the Consolidated Financial Statements

36 Retirement Benefit Obligations (continued)

Reconciliation of the fair value of scheme assets during the year	**2006 €m**	2005 €m
Fair value of scheme assets at beginning of year	3,417	3,102
Expected return	232	209
Actual member contributions	13	12
Actuarial gains and losses	401	114
Contributions by employer	124	87
Benefits paid	(120)	(99)
Settlements	6	-
Currency gain/(loss)	(3)	(8)
Fair value of scheme assets at end of year	4,070	3,417

Analysis of the amount recognised in Statement of Recognised Income and Expense (SORIE)

	2006 €m	2005 €m
Actuarial gain/(loss) on scheme assets	401	114
Experience gain/(loss) on liabilities	(46)	43
(Loss)/gain on change of assumptions (financial and demographic)	(224)	(622)
Currency gain/(loss)	-	3
Total gains/(losses) recognised in the SORIE during the year before adjustment of tax	131	(462)
Cumulative amount of gains/(losses) recognised in SORIE to end of year	(331)	(462)

History of experience gains and losses	**2006 €m**	2005 €m
Actuarial gain/(loss) on scheme assets:		
Amount	401	114
Percentage of scheme assets	9.9%	3.3%
Experience gains/(losses) on scheme liabilities:		
Amount	(46)	43
Percentage of scheme liabilities	0.9%	1.0%
Total actuarial gain/(loss) recognised in SORIE:		
Amount	131	(462)
Percentage of scheme liabilities	2.7%	10.6%

Defined benefit pension plans	**2006 €m**	2005 €m
Present value of funded obligations	4,866	4,341
Scheme assets	4,070	3,417
Deficit / (Surplus) within schemes	796	924

Additional information

For year ending:	**31 March 2007 €m**
Expected employer contributions	106
Expected employee contributions	13

37 Contingent Liabilities and Commitments

The tables below give, for the Group, the contract amounts and risk weighted amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contract amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security proved worthless. The risk weighted amounts have been calculated in accordance with the Irish Financial Services Regulatory Authority guidelines implementing the Basel agreement on capital adequacy (i).

	The Group			
	2006		2005	
The Group – Contingent Liabilities	**Contract Amount €m**	**Risk Weighted Amount €m**	Contract Amount €m	Risk Weighted Amount €m
Acceptances and endorsements	37	21	34	17
Guarantees and assets pledged as collateral security				
– Assets pledged	-	-	-	-
– Guarantees and irrevocable letters of credit	1,354	1,321	1,268	1,222
Other contingent liabilities	675	327	643	302
	2,066	1,669	1,945	1,541
The Group - Commitments				
Sale and option to resell transactions	-	-	-	-
Other commitments				
– Documentary credits and short-term trade-related transactions	160	36	62	18
– Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	-	-	-	-
– Undrawn note issuance and revolving underwriting facilities	409	-	498	-
– Undrawn formal standby facilities, credit lines and other commitments to lend				
– irrevocable with original maturity of over 1 year	8,006	3,790	7,367	3,425
– revocable or irrevocable with original maturity of 1 year or less (ii)	22,362	-	21,369	-
	30,937	3,826	29,296	3,443
The Bank – Contingent Liabilities				
Acceptances and endorsements	37	21	34	17
Guarantees and assets pledged as collateral security				
– Assets pledged	-	-	-	-
– Guarantees and irrevocable letters of credit	1,485	1,060	3,211	1,186
Other contingent liabilities	675	327	643	302
	2,197	1,408	3,888	1,505
The Bank – Commitments				
Sale and option to resell transactions	-	-	-	-
Other commitments				
– Documentary credits and short-term trade-related transactions	160	36	62	18
– Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	-	-	-	-
– Undrawn note issuance and revolving underwriting facilities	409	-	498	-
– Undrawn formal standby facilities, credit lines and other commitments to lend:				
– irrevocable with original maturity of over 1 year	4,252	1,913	4,114	1,799
– revocable or irrevocable with original maturity of 1 year or less (ii)	15,481	-	16,680	-
	20,302	1,949	21,354	1,817

37 Contingent Liabilities and Commitments (continued)

(i) Under the Basel agreement, a credit conversion factor is applied to the contract amount to obtain the credit equivalent amount, which is then risk weighted according to counterparty.

(ii) Undrawn loan commitments which are unconditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.

38 Minority Interest

	2006 €m	2005 €m
At 1 April	135	130
Implementation of IAS 32/39/ IFRS 4	(76)	-
	59	130
Exchange adjustments	(1)	(5)
Share of net profit/(losses)	(9)	(1)
Dividends paid to minority interest	(6)	(14)
Acquisition of minority interest	2	67
Disposal of minority interest	-	(42)
	45	135

39 Share Capital, Share Premium and Treasury Stock

Capital Stock

The Bank	**2006 €m**	2005 €m
Authorised		
1,500m units of €0.64 of Ordinary Stock	960	960
8m units of Non-Cumulative Preference Stock of US$25 each	165	154
100m units of Non-Cumulative Preference Stock of Stg£1 each	144	145
100m units of Non-Cumulative Preference Stock of €1.27 each	127	127
100m units of Undesignated Preference Stock of US$0.25 each	21	-
100m units of Undesignated Preference Stock of Stg£0.25 each	36	-
100m units of Undesignated Preference Stock of €0.25 each	25	-
	1,478	1,386
Allotted and fully paid	**2006 €m**	2005 €m
947.9m units of €0.64 of Ordinary Stock	607	604
77.2m units of €0.64 of Treasury Stock	49	52
1.9m units of Non-Cumulative Preference Stock of Stg£1 each	3	3
3.0m units of Non-Cumulative Preference Stock of €1.27 each	4	4
	663	663

The weighted average Ordinary Stock in issue at 31 March 2006, used in the earnings per unit of Ordinary Stock calculation, excludes the Treasury Stock which does not represent Ordinary Stock in issue. All Treasury Stock, excluding Bank of Ireland stock purchased by the Life Assurance company, does not rank for dividend

39 Share Capital, Share Premium and Treasury Stock (continued)

Movements in issued Ordinary Stock

	Ordinary	Treasury
At 1 April 2005	943,038,140	82,077,349
Stock Option Schemes	1,014,111	(1,014,111)
Sharesave Scheme	4,885,238	(4,885,238)
Long Term Performance Stock Plan	124,385	(124,385)
Stock purchased and held for the benefit of life assurance policyholders	(1,158,704)	1,158,704
At 31 March 2006	947,903,170	77,212,319

The total authorised number of ordinary stock is 1,500 million units with a par value of €0.64 per unit of ordinary stock. All issued stock is fully paid.

During the year the total Ordinary Stock in issue increased from 943,038,140 units of nominal value of €0.64 each to 947,903,170 units of nominal value of €0.64 each as a result of:

1,014,111 units of Ordinary Stock were issued to option holders on the exercise of their options under the terms of the Senior Executive Stock Option Scheme at prices ranging between €2.819 and €12.50, by the re-issue of units of Treasury Stock.

4,885,238 units of Ordinary Stock were issued to Sharesave option holders on the exercise of their options under the terms of the SAYE Scheme at prices of €5.40, €7.84 and €8.37, by the re-issue of units of Treasury Stock.

124,385 units of Ordinary Stock were issued to option holders on the vesting of their options under the terms of the Long Term Performance Stock Plan ('LTPSP') at prices of €6.92 and €12.73 per unit, by the re-issue of units of Treasury Stock.

23,836,094 units of Ordinary Stock held by the Group's life assurance company as at 31 March 2005 are categorised as "own shares" and a further 1,158,704 units of Ordinary Stock were purchased by the life assurance company and held for the benefit of policyholders during the year to 31 March 2006.

All units of Ordinary Stock in issue carry the same voting rights.

Preference Stock

The Preference Stock is non-redeemable. The holders of Preference Stock are entitled to receive a non-cumulative preferential dividend, which in the case of the Sterling Preference Stock will be payable in Sterling, in a gross amount of Stg£1.2625 per unit and in the case of euro Preference Stock will be payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on February 20 and August 20 in each year.

On a winding up of, or other return of capital by the Bank (other than on a redemption), the holders of Preference Stock will be entitled to receive an amount equal to the amount paid up on each unit of the Preference Stock held (including the premium) out of the surplus assets available for distribution to the holders of Ordinary Stock.

The Preference Stockholders are not entitled to vote at any General Court except in certain exceptional circumstances when a restricted vote may apply.

The Bank has an obligation to increase the cash dividend payable on each unit of Preference Stock so that the sum of the cash dividend paid or payable together with the associated dividend tax credit shall equal the appropriate gross amounts.

As at 31 March 2006 1,876,090 units of Sterling Preference Stock and 3,026,598 units of Euro Preference Stock were in issue.

39 Share Capital, Share Premium and Treasury Stock (continued)

Use of Ordinary Stock in employee stock schemes

(a) Employee Stock Issue Scheme

At the 1997 Annual General Court the stockholders approved the establishment of a new Employee Stock Issue Scheme to replace the scheme originally approved by the stockholders in 1984. Under this scheme, which has an Irish and a UK version in order to conform with the relevant taxation legislation in both jurisdictions, all employees of the Bank and certain subsidiaries are eligible to participate, provided they had an existing contract of employment with a participating company on the last day of the Group's financial year and their employment contract existed for a period of at least 12 months as at that date and is still in existence on the date on which a stock issue announcement is made. Each year the Court of Directors may set aside an element of 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. The amount set aside is related to overall Group performance assessed in terms of real growth in underlying earnings per share ("EPS") and cost savings achieved under the Group's Strategic Transformation Programme (STP).

Real growth in underlying EPS is the growth in underlying EPS over the financial year adjusted to take account of inflation.

In addition, as is permitted by Irish taxation rules, Irish participants may, subject to certain constraints, forego up to an equivalent amount of their salary towards the acquisition by the trustees on their behalf of up to an amount equal to their free scheme stock. As permitted by UK taxation rules, UK participants, may, subject to certain constraints, forego up to an equivalent amount of their salary towards the acquisition by the trustees on their behalf of further stock, provided this does not exceed Inland Revenue limits. This is known as Partnership Stock.

The maximum distribution under the schemes is 6% of a participant's salary, with up to 6% determined by reference to Group Performance. To-date, annual distributions under the schemes have ranged between nil and 3.5% of each participant's salary.

(b) Sharesave Scheme ("SAYE Scheme")

At the 1999 Annual General Court the stockholders approved the establishment of a SAYE Scheme. Under this scheme, which has an Irish and UK version in order to conform with the relevant revenue legislation in both jurisdictions, all employees of the Bank and of certain subsidiaries are eligible to participate provided they are employed by the Bank on the day that the invitation to participate issues and on the day that the grant of options is made. The first offer under the scheme was made in February 2000 and options to purchase units of Ordinary Stock were granted to participating employees at an option price of €5.40, which represented a 20% discount of the then market price. A further offer under the scheme was made in December 2003 and options to purchase Ordinary Stock were granted to participating employees in Ireland at an option price of €7.84 which represented a 25% discount to the then market price and to participating employees in the UK at an option price of €8.37 which represented a 20% discount to the then market price. These options are ordinarily exercisable, provided the participant's savings contracts are complete between May 2006 and September 2009.

March 2006		**ROI**			**UK**		**Total**
	2000	**2003 3yr**	**2003 5yr**	**2000**	**2003 3yr**	**2003 5yr**	
Opening balance	6,234,943	3,690,316	2,317,593	1,885,811	1,021,436	569,328	15,719,427
Exercised	3,606,565	3,452	750	1,116,473	58,325	22,361	4,807,926
Lapsed	99,442	256,029	107,586	173,758	136,260	96,036	869,111
Close	2,528,936	3,430,835	2,209,257	595,580	826,851	450,931	10,042,390
Weighted average share price	€5.40	€7.84	€7.84	€5.40	€8.37	€8.37	€7.15

39 Share Capital, Share Premium and Treasury Stock (continued)

(c) Stock Option Scheme

Options to subscribe for units of Ordinary Stock are granted under the terms of the Stock Option Scheme. The original scheme was approved by the stockholders at the Annual General Court in July 1986. This was succeeded in 1996 by the, "Bank of Ireland Group Stock Option Scheme - 1996", and its successor scheme, the "Bank of Ireland Group Executive Stock Option Scheme - 2004" which was approved by the stockholders at the Annual General Court held in July 2004. Key executives may participate in the current scheme at the discretion of the Remuneration Committee. Under the current scheme, the total value of options granted may not exceed 100% of an executive's salary. The subscription price per unit of stock shall not be less than the market value of the stock at the date of grant. The exercise of options granted since 2004 are conditional upon underlying EPS achieving a cumulative growth of at least 5% per annum compound above the increase in the Consumer Price Index over the three year performance period, commencing with the period in which the options are granted. The performance conditions for options granted in 1996 up to and including 2002 have been satisfied. Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant.

	March 2006		March 2005	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at beginning of period	6,611,900	€9.6809	6,585,000	€8.9894
Granted during the period	1,267,514	€12.8811	1,661,500	€10.76
Exercised during period	1,014,111	€7.1695	853,500	€5.5684
Expired during period	132,500	€9.8688	781,100	€10.6398
Outstanding at end of period	6,732,803	€10.658	6,611,900	€9.6809
Exercisable at end of period	2,407,289	€9.3693	2,643,400	€7.5393

Exercise Price Range	Number of options
€2.819- €6.96	686,934
€8.264- €10.77	3,702,900
€11.05- €13.68	2,342,803
Total	6,732,803

The weighted average share price at date of exercise was €14.06. Outstanding options under the Stock Option Scheme are exercisable at prices ranging as above.

39 Share Capital, Share Premium and Treasury Stock (continued)

(d) Long Term Performance Stock Plan

The original plan ("Long Term Performance Stock Plan - 1999") was approved by the stockholders at the Annual General Court in July 1999 and its successor plan, "Bank of Ireland Group Long Term Incentive Plan – 2004" was approved by the stockholders at the Annual General Court in July 2004. This plan, links the number of units of stock receivable by participants, to the Group's Total Shareholder Return ("TSR"). TSR represents stock price growth plus dividends.

Each year selected key senior executives participating in the plan receive a conditional award of a number of units of Ordinary Stock. (The maximum award, for executive Directors and Group Executive Committee members, cannot exceed 100 per cent (150 per cent for Group CEO) of their annual salary at the time of the award).

Provided the Group's Return on Equity ("ROE") over the three-year performance period is, on average, at least 20 per cent, then the proportion of these units which actually vest in the executive on the 3rd anniversary of the date of the original awards is based on the Group's TSR growth relative to a comparator group of 17 financial services companies, as follows:

TSR ranking relative to a Peer Group of 17 Financial Services Companies	Level of Vesting
1st or 2nd	100%
3rd to 8th	Scaled level of vesting between 91% and 44%
9th (Median)	35%
Below Median	Nil

If the Group's ROE over the three-year performance period, is on average, below 20%, then the award lapses.

	March 2006		March 2005	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
Outstanding at beginning of period	1,229,805	€11.06	808,895	€9.35
Granted during the period	698,682	€12.92	694,500	€10.76
Exercised during period	98,101	€12.73	-	-
Expired during period	168,953	€12.05	273,590	€10.58
Outstanding at end of period	1,661,432	€11.64	1,229,805	€11.06

Outstanding options under the LTPSP are exercisable at prices ranging between €10.61-€12.85.

39 Share Capital, Share Premium and Treasury Stock (continued)

(e) Options Pricing model

The binomial lattice option valuation model is used to estimate the value of the options granted. The following table details the assumptions used and the resulting fair values provided by the options pricing model.

	Stock Option Scheme		LTPSP	
	March 2006	**March 2005**	**March 2006**	**March 2005**
Volatility	30%	30%	30%	30%
Dividend Yield	3.60%	3.50%	3.60%	3.50%
Risk free rate	3.1%	4%	N/A	N/A
Implied term	8 yrs	8 yrs	3 yrs	3 yrs
Fair value	€2.65	€2.81	€5.2	€4.56
Exercise price	€12.85	€10.76	€12.85	€10.76
No. of options	1,259.5	1,639.5	689.2	694.5
Vesting period	3yrs	3yrs	3yrs	3yrs

	SAYE (ROI)		SAYE (UK)	
	3 Year	**5 Year**	**3 Year**	**5 Year**
Volatility	30%	30%	30%	30%
Dividend Yield	3.3%	3.3%	3.3%	3.3%
Risk free rate	3.0%	3.6%	3.0%	3.6%
Implied term	3 yrs	5 yrs	3 yrs	5 yrs
Fair value	€3.28	€3.54	€3.00	€3.31
Exercise price	€7.84	€7.84	€8.37	€8.37
No. of options	3,430.8	2,209.2	826.8	450.9
Vesting period	3 yrs	5 yrs	3 yrs	5 yrs

(f) 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.

40 Reserves and Retained Earnings

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Stock premium account				
Opening balance	767	767	767	767
Closing balance	767	767	767	767
Capital reserve				
Opening balance	562	503	48	32
Implementation of IAS32/IAS39 & IFRS4 on 1 April 2005	(251)	-	-	-
	311	503	48	32
Transfer from retained profit	48	43	-	-
Reserve on cancellation of stock	-	16	-	16
Closing balance	359	562	48	48
Retained profit				
Opening balance	2,424	2,215	526	621
Implementation of IAS32/IAS39 on 1 April 2005	(32)	-	(159)	-
	2,392	2,215	367	621
Profit for period	1,296	1,054	670	640
Equity dividends	(459)	(417)	(459)	(417)
Dividends on other equity interests	(13)	(8)	(13)	(8)
Transfer to capital reserves	(48)	(43)	-	-
Minority interest	9	1	-	-
Profit retained	785	587	198	215
Reissue of treasury stock under employee stock schemes	36	7	36	7
Reissue of treasury stock previously held by subsidiary	-	1	-	-
Transfer from revaluation reserve	4	6	-	-
Actuarial gains / (losses) on pension funds	113	(386)	22	(319)
Reserves transferred to/from other units	-	-	(3)	2
Other	-	(6)	1	-
Closing balance	3,330	2,424	621	526
Share based payments reserve				
Opening balance	16	5	16	5
Charge to the income statement	11	11	11	11
Closing balance	27	16	27	16
Foreign exchange reserve				
Opening balance	(108)	-	(67)	-
Exchange adjustments during year	(17)	(108)	-	(67)
Closing balance	(125)	(108)	(67)	(67)

40 Reserves and Retained Earnings (continued)

	The Group		The Bank	
	2006 €m	2005 €m	**2006 €m**	2005 €m
Revaluation reserve				
Opening balance	159	122	143	105
Transfer to revenue reserve on sale of property	(4)	(6)	-	-
Revaluation of property	212	48	196	42
Deferred tax on revaluation of property	(25)	(5)	(23)	(4)
Closing balance	342	159	316	143
Available for sale reserve				
Implementation of IAS32/IAS39 on 1 April 2005	130	-	124	-
Net changes in fair value	(115)	-	(111)	-
Deferred tax on fair value changes	15	-	14	-
Profit/loss on disposal	(4)	-	(4)	-
Closing balance	26	-	23	-
Cash flow hedge reserve				
Implementation of IAS32/IAS39 on 1 April 2005	67	-	67	-
Net changes in fair value	(8)	-	(8)	-
Deferred tax of fair value changes	1	-	1	-
Closing balance	60	-	60	-
Other equity reserve				
Implementation of IAS32/IAS39 on 1 April 2005	114	-	114	-
Movement during period	-	-	-	-
Closing balance	114	-	114	-

41 Dividends per Share

The final dividend of 34.3 cent, amounting to €334m, is not accounted for until it has been ratified at the Annual General Court. On 21 July 2006, the total dividend in respect of year ended 31 March 2006 of 52.5c per share (2005: actual dividend 45.6c per share) is €511m (2005: €442m). The financial statements for the year ended 31 March 2006 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 March 2007.

42 Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances:

		The Group		The Bank	
	Notes	**2006 €m**	2005 €m	**2006 €m**	2005 €m
Cash and balances with central banks		1,899	1,613	1,892	1,481
Loans and advances to banks (with an original maturity of less than 3 months)	16	4,255	3,597	3,230	2,698
Central government and other eligible bills	13	8	7	-	-
		6,162	5,217	5,122	4,179

43 General

(a) The Bank has given letters of credit in respect of certain of its subsidiaries to the relevant regulatory authorities for the protection of the depositors of certain of its banking subsidiaries in the various jurisdictions in which such subsidiaries operate.

(b) The Bank has provided a guarantee under Section 17 of the Companies (Amendment) Act, 1986 for the following companies: Addano Limited, Bank of Ireland Asset Management (U.S.) Limited, Bank of Ireland Asset Management Limited, Bank of Ireland Car Loans Limited, Bank of Ireland Commercial Finance Limited, Bank of Ireland Insurance Services Limited, Bank of Ireland International Finance Limited, Bank of Ireland Outsourcing Services Limited, Bank of Ireland Unit Trust Managers Limited, Bushfield Leasing Limited, Clonvern Limited, Davy Corporate Finance Limited, Davy Holdings (International) Limited, Davy International, Davy International Financial Services Limited, Davy Nominees Limited, Davy Pensioneer Trustees Limited, Davycrest Nominees Limited, Davy Property Holdings Limited, Davy Property Investments Limited, Davy Research Limited, Davy Securities Limited, Edendork Leasing Limited, First Rate Enterprises Limited, Florenville Limited, Focus Investments Limited, Glenswilly Leasing Limited, IBI Corporate Finance Limited, J & E Davy, J & E Davy Holdings Limited, Nerling Limited, Nestland Limited, Premier – Direct Management Limited, Premier – Direct Insurance Services Limited and Tustin Limited.

(c) There exists a contingent liability to repay in whole or in part grants received on finance leases if certain events set out in the relevant agreements occur.

(d) Bank Income Statement
In accordance with section 148(8) of the Companies Act, 1963 and section 7(1A) of the Companies (Amendment) Act, 1986, the company is availing of the exemption from presenting its individual profit and loss account to the annual general meeting and from filing it with the Registrar of Companies. The company's profit for the financial year determined in accordance with IFRS is €670m.

44 Related Party Transactions

The parent company of the Group is the Governor and Company of the Bank of Ireland, which is a corporation established in Ireland in 1783 under Royal Charter with primary listings on both the Irish and London Stock Exchanges. A number of banking transactions are entered into between the Governor and Company and its subsidiaries in the normal course of business. These include loans, deposits and foreign currency transactions, the volumes outstanding at the year– end are set out in notes 16,17,26 and 27.

(a) Associated Undertakings and Joint Ventures

The Group provides and receives from its associated undertakings and joint ventures certain banking and financial services.

(b) Pension Funds

The Group provides a number of normal banking and financial services for various pension funds operated by the Group for the benefit of its employees (principally for the Bank Staff Pension Fund), which are conducted on similar terms to third party transactions and are not material to the Group. Further details on pensions are set out in Note 36.

(c) Transactions with key management personnel

For the purposes of IAS 24, “key management personnel” comprises the Directors of the Court, the Group Secretary and the members of the Group Executive Committee, (collectively Directors and Executive Officers).

Directors’ emoluments are set out in the Remuneration Report on pages 51 to 58 and details of compensation paid to key management personnel are provided below.

In the year to 31 March 2006, the late Mr Donal Geaney, former Director, was a partner in The Common Street Partnership, the owner of New Century House, Mayor Street, IFSC, Dublin 1, which is leased ultimately to Bank of Ireland, for 9 years, 11 months at an annual rent of €1.97m. The lease was entered into prior to the late Mr Geaney’s appointment to the Court.

Terry Neill, a Director of the Bank, was Senior Partner in Accenture until 2001. Accenture provided services to the Bank and were paid fees of €18.9m in the year ended 31 March 2006. Since leaving Accenture he has had no executive role with the company but continues to hold shares in it.

Mike Hodgkinson, a Director, is Chairman of Post Office Limited.

Key management personnel hold products with Group companies in the ordinary course of business. In addition to the loans detailed below, significant deposit account and credit balances amounting to €9.13m were held as at 31 March 2006 (2005: €9.55m).

All loans to non-executive Directors are made in the ordinary course of business on normal commercial terms. Loans to Executive Directors and other Executive Officers are made on terms similar to those available to staff generally on a case-by-case basis in accordance with policy and/or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding and the number of persons concerned, as at 31 March 2006, in respect of all loans, quasi-loans and credit transactions made by the Bank to its Directors and Executive Officers, as described above, including members of their close family and entities controlled by them are shown below:

44 Related Party Transactions (continued)

	Aggregate Amount Outstanding		Number of Persons	
	2006 €'000	2005 €'000	**2006**	2005
Directors				
Loans	28,519	28,376	12	15
Quasi-loans and credit transactions	-	-	None	None
Executive Officers				
Loans	6,968	2,887	7	6
Quasi-loans and credit transactions	-	-	None	None
Total	35,487	31,263	19	21

Loans, included in the above figures, made to Executive Directors and Executive Officers (5) (2005:3) on terms similar to those available to staff generally were €3,404,062 (2005: €940,246).

(d) Compensation of key management

The figures below represent the aggregate remuneration paid to the Group Executive Committee including executive directors for the year to 31 March 2006.

	2006 €'000	2005 €'000
Remuneration		
Salaries and other short term employee benefits (1)	12,551	8,508
Post employment benefits (2)	2,433	1,060
Termination benefits	1,465	2,700
Equity compensation benefits (3)	2,370	1,410
Total remuneration	18,819	13,678

(1) Comprises salary, bonus, car allowance, club membership fees, profit share schemes and other short term benefits.
(2) Employer contributions to pension funds.
(3) Value of awards made under the Group's executive share option scheme, SAYE schemes and LTPSP which are described in Note 39.

45 Acquisitions

Guggenheim Advisors

On 20 December 2005 Bank of Ireland announced that it would acquire a 71.5% interest in Guggenheim Advisors. The closing date for the transaction was 31 January 2006. The final cash consideration for the transaction was dependent on the performance of the business to 1 April 2006 and 1 August 2006. The final price has yet to be agreed however subject to terms of the agreement the Bank has paid to date an amount of $138.3m Guggenheim Advisors management and Guggenheim partners both retain holdings in the company and these holdings are subject to put and call arrangements in the medium term on an agreed basis.These options if excercised are required to be settled in stock in the Governor and Company. In accordance with the Group's accounting policy in respect of transactions of this nature with minorities no liability has been recognised for these options.

A summarised profit and loss account for the period from 31 January 2006 to 31 March 2006 is as follows:

	US$m	€m
Operating income	5.8	4.8
Operating expenses	(3.2)	(2.7)
Operating profit	2.6	2.1

If the business combination had been effected at the beginning of the period, the figures for the Group for the period would have been as follows:

	US$m	€m
Revenue	33.1	27.3
Profit before tax	10.7	8.9

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

	US$m	Group Share US$m	€m
Debtors	6.0	4.3	3.6
Cash and cash equivalents	1.1	0.8	0.7
Other Assets	2.2	1.6	1.3
Creditors Due Within One Year	(1.5)	(1.1)	(0.9)
Net Assets	7.8	5.6	4.7
Intangible assets*		27.9	23.0
Goodwill		111.8	92.4
Total acquisition cost		145.3	120.1
Acquisition expenses		7.0	5.8
Consideration		138.3	114.3
		145.3	120.1

** The intangible represents an estimate of the value of the business model and risk management systems acquired. It is calculated with reference to similar transactions in the market and external advice received from market experts.*

Iridian

During the year the Bank acquired an additional 8% stake in Iridian Asset Management LLC ("Iridian") for US$ 22m, increasing its stake to 84%.

The Bank has the ability to acquire the remaining 16% over the subsequent 2 year period via a series of call options exercisable each year in broadly equal stakes at a pre-agreed market multiple of profits of the business at the time of purchase of each individual stake. Each year the Bank may purchase any available stakes not previously purchased.

The Iridian members have a similar series of put options applying the same price formula. The put and call options are mismatched as to timing and consequently price with yearly intervals between when the Bank can exercise each call option followed by when the members can put the corresponding stake.

The application of IAS 32 at 1 April 2005 has required a change in the accounting treatment of the acquisition. Under IAS 32 the put/call options do not qualify for piecemeal accounting as they are cash settled. Therefore we are required to recognise a financial liability being the present value of the estimated future cash payments to acquire the remaining 24%. Goodwill has also been adjusted on transition. Therefore there was no change in the carrying value of goodwill on the additional 8% stake in the current year.

46 Principal Subsidiaries

The principal group undertakings at 31 March 2006 were:

Name	Principal activity	Country of incorporation	Statutory year end
Bank of Ireland Asset Management Limited	Asset management	Ireland	31 March
Bank of Ireland International Finance Limited*	International asset financing	Ireland	31 March
Bank of Ireland Life Holdings plc*	Life assurance and pensions	Ireland	31 December
Bank of Ireland Mortgage Bank*	Mortgage lending and mortgage covered securities	Ireland	31 March
Bristol & West plc	Mortgages, savings and investments	England	31 March
ICS Building Society*	Building society	Ireland	31 December
IBI Corporate Finance Limited*	Corporate finance	Ireland	31 March
J & E Davy Holdings Limited	Stockbroking	Ireland	31 December

**Direct subsidiary of The Governor and Company of the Bank of Ireland.*

All the Group undertakings are included in the consolidated accounts. The Group owns 90.44% of the equity of J & E Davy Holdings Limited and holds 49% of its voting shares. The Group owns 100% of the equity share capital of the other principal group undertakings and 100% of the voting shares of all these undertakings and in the case of ICS Building Society, 100% of the investment shares.

The addresses of the above undertakings are given on pages 193 to 197.

In presenting details of the principal subsidiary undertakings, the exemption permitted by Regulation 10 of the European Communities (Credit Institutions: Accounts) Regulations, 1992 has been availed of and Bank of Ireland will annex to its annual return to the Companies Office a full listing of group undertakings.

Bank of Ireland Mortgage Bank
The bank was incorporated in Ireland under the Companies Acts, 1963 to 2003 on 21 May 2004 as a public limited company under the name Bank of Ireland Mortgage Bank p.l.c. It was subsequently re-registered as a public unlimited company under the name Bank of Ireland Mortgage Bank. The bank obtained an Irish banking licence under the Irish Central Bank Act, 1971 (as amended) and was registered as a designated mortgage credit institution under the Act on 1 July 2004 and is a wholly owned subsidiary of Bank of Ireland.

With effect from 5 July 2004 The Governor and Company of the Bank of Ireland transferred its Irish residential mortgage business and substantially all of its Irish residential mortgage loans and their related security to Bank of Ireland Mortgage Bank, trading as Bank of Ireland Mortgages. The transfer was effected pursuant to Section 58 of the 2001 Asset Covered Securities Act, with the approval of the Central Bank and Financial Services Regulatory Authority of Ireland.

The Bank's principal activities are the issuance of Irish residential mortgages and Mortgage Covered Securities in accordance with the Asset Covered Securities Act, 2001. Such loans may be made directly by the bank or may be purchased from Bank of Ireland and other members of the Group or third parties.

As at 31 March 2006, the total amounts of principal outstanding in respect of mortgage covered securities issued was €4.3bn.
As at 31 March 2006, the total amounts of principal outstanding in the mortgage covered pool including mortgage assets and cash was €4.8bn.

€770m (2005: €760m) of other debt securities comprise the bank's obligations to the Central Bank and Financial Services Authority of Ireland ("CBFSAI") under the terms of the Mortgage Backed Promissory Note (MBPN) programme. These obligations have been secured by way of a first floating charge to the CBFSAI over all its right, title, interest and benefit, in €1bn of loans and advances to customers. The bank has pledged under the terms of the floating charge to maintain the assets so charged free from any encumbrance and otherwise than in the ordinary course of business not to sell, transfer, lend or otherwise dispose of any part of the charged assets without the prior written consent of the CBFSAI. The deed of floating charge was executed by the Bank of Ireland Mortgage Bank and dated 5 July 2004 in favour of the Central Bank and Irish Financial Services Regulatory Authority. The mortgages in the MBPN programme are secured by a floating charge over Irish Residential Mortgage Credit Assets, which are not in the covered assets pool.

47 Life Assurance Business

Value of In-force Life Assurance Business

	€m
At 31 March 2005	751
Change in accounting policy on adoption of IFRS 4 and IAS 39	(323)
At 1 April 2005	428
Profit and Loss movement in value of in-force	73
Asset Reallocation	12
At 31 March 2006	513

The Group recognises as an asset the value of in-force assurance business in respect of insurance contracts. The value of in-force asset, which is presented gross of attributable tax, represents the present value of future profits expected to arise from these contracts. It is determined by projecting future surpluses and other cashflows arising from insurance contracts written by the balance sheet date.

The key economic assumptions used in the calculation of the value of in-force business are set out below:

	March 2006	March 2005
Risk Discount Rate	7.5%	8.0%
Unit Growth Rate	5.5%	6.0%
Shareholder Tax Rate	12.5%	12.5%

The process used in determining the key economic and experience assumptions is set out below:

Risk Discount Rate: The risk discount rate is the rate used to discount the surpluses that will arise on insurance business in the long-term fund. The rate reflects the yield available on government bonds of appropriate duration plus a risk margin.

Unit Growth Rate: The unit growth rate is the assumed rate of return on the Company's unit-linked assets before taxation and management fees in future years. The growth rate reflects the mix of assets held.

Shareholder Tax Rate: The current rate of corporation tax is assumed to be maintained over the term of the business. Deferred tax is allowed for on the release of retained surplus in the life business.

Mortality and Morbidity: Mortality and morbidity assumptions, which include allowances for improvements in longevity for annuitants, are set by reference to the Group's actual experience and/or relevant industry data.

Persistency: Persistency rates refer to the rate of policy termination for insurance policies. These rates are based on historical experience and management's views on future experience.

Maintenance expenses: Allowance is made for future policy costs by reference to current and expected future costs. Explicit allowance is made for future expense inflation.

47 Life Assurance Business (Continued)

Sensitivities
The table below indicates the stand alone impact of changes in the key assumption, the risk discount rate, on profit after tax and shareholder equity:

Change in Risk Discount Rate Assumption	Impact on Profit After Tax / Stockholder's Equity €m
+100bps	(24)
-100 bps	27

While the table above shows the impact of an individual assumption change, a change in one assumption could impact on other assumptions due to the relationship between assumptions.

Insurance Contract Liabilities

The movement in gross life insurance contract liabilities can be analysed as follows:

	€m
At 31 March 2005	8,713
Change in accounting policy on adoption of IFRS 4 and IAS 39	(4,928)
At 1 April 2005	3,785
Movement during the period	1,407
At 31 March 2006	5,192

The Company writes the following life assurance contracts which contain insurance risk:

Non-Linked Life Assurance Contracts
These contracts provide the policyholder with insurance in the event of death, critical illness or permanent disability (principally mortality and morbidity risk).

Non-Linked Annuity Contracts
These contracts provide the policyholder with an income until death (principally longevity and market risk).

Linked Insurance Contracts
These contacts include both policies primarily providing life assurance protection and policies providing investment but with a level of insurance risk deemed to be significant (principally mortality and market risk).

Insurance contract liabilities, which consist of both unit linked and non-linked liabilities, are calculated in accordance with the Insurance Regulations. Unit linked liabilities reflect the value of the underlying funds in which the policyholder is invested. Non unit-linked liabilities are calculated using either a gross premium or net premium method of valuation. The assumptions are also set in accordance with the guidelines within the Insurance Regulations and contain a margin for adverse development. The key assumptions used in the valuation of insurance contract liabilities are:

Interest Rate: The interest rates are derived in accordance with the guidelines in the Insurance Regulations. Margins for risk are allowed for in the derived interest rates.

Mortality and morbidity: The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and/or relevant industry data.

47 Life Assurance Business (Continued)

Maintenance expenses: Allowance is made for future policy costs and expense inflation explicitly.
There were no significant changes in key assumptions during the year.

Options & Guarantees
The Company has a very limited range of options and guarantees in its business portfolio as the bulk of the business is unit linked without investment guarantees.

Uncertainties associated with insurance contract cash flows and risk management activities
For life assurance contracts where death is the insured risk, the most significant factors that could adversely affect the frequency and severity of claims are the incidence of disease and general changes in lifestyle. Where the insured risk is longevity, advances in medical care is the key factor that increases longevity. The Group manages its exposures to insurance risks through a combination of applying strict underwriting criteria, asset liability matching, transferring risk to reinsurers and the establishment of prudent insurance contract liabilities.

Credit risk
Reinsurance programmes are in place to restrict the amount of cover on any single life. The Group uses a panel of highly rated reinsurance companies to diversify credit risk.

Capital Management & Available Resources
The Group holds technical reserves to meet its liabilities to policyholders based on prudent actuarial assumptions. In addition, the Financial Regulator requires the Group's life assurance operation to hold shareholder equity that exceeds a statutory margin, the required minimum regulatory solvency margin. The table below sets out the shareholder equity held by the Group's life assurance operation compared to the required minimum regulatory margin as at 31 December 2005 which is the life subsidiary's statutory year end.

	31 December 2005 €m	**31 December 2004 €m**
Minimum regulatory solvency margin	144.8	107.7
Shareholder equity held for life business	317.9	294.2

The solvency margin for 31 December 2005 includes an allowance for future additional solvency capital required under Solvency I.

48 Reconciliation of IR GAAP to IFRS

As stated in first time adoption of International Financial Reporting Standards (‘IFRS’) and in Note 1 to the accounts, these are the Group’s first Financial Statements prepared in accordance with IFRS.

In order to prepare the IFRS opening balance sheet, it was necessary to adjust the amounts reported in the Financial Statements prepared in accordance with Irish GAAP to reflect the application of the International Financial Reporting Standards.

Reconciliations of the transition from Irish GAAP to IFRS are set out below, and explain how the transition has affected the financial position and performance of the Group and the company, Bank of Ireland (‘the Bank’).

The balance sheet reconciliations present the restatement of the Group and the Bank balance sheets at 31 March 2005 from Irish GAAP to IFRS including the impacts of IAS 32, IAS 39 and IFRS 4 at 1 April 2005.

The income statement reconciliation presents for the Group the restatement from Irish GAAP profit and loss account to IFRS income statement for the year ended 31 March 2005.

Reconciliations between Irish GAAP and IFRS are summarised in note 1 for both the Group and the Bank of shareholders’ equity at 31 March 2005 before the implementation of IAS 32, IAS 39 and IFRS 4 and at 1 April 2005 following the implementation of IAS 32, IAS 39 and IFRS 4.

The accounting policies adjusted by the Group in the preparation of these accounts for year end 31 March 2006 are unchanged from those applied in the Group’s announcement setting out the effect of the implementation of IFRS published on 26 September 2005.

Following revised interpretations of the requirements of IFRS and the application of the hedging requirements of IAS 39, the Group balance sheet, as at 1 April 2005, reflects some reclassifications within the balance sheet and an immaterial reduction in net equity as compared to the figures previously published. There has also been an increase in the carrying value of goodwill with a corresponding increase in liabilities.

Additionally, detailed explanations of the key differences between Irish GAAP and IFRS impacting the Group’s financial statements are set out in this note.

48 Reconciliation of IR GAAP to IFRS (continued)

Reconciliation of Movements in Stockholder's Funds	€m	€m
Opening Irish GAAP Stockholder's funds as at 31 March 2004		4,281
IFRS Impact 1 April 2004		
Ordinary Dividends	257	
Pensions	(286)	
SPE's	(63)	
Leasing	52	
Consolidation	12	
Property	(145)	
Total IFRS adjustments 1 April 2004		(173)
Opening IFRS Stockholder's funds as at 1 April 2004		4,108
IFRS Retained Profit for the year to 31 March 2005		1,054
Dividends (IFRS)		(417)
		637
Minority interests/preference dividends		(7)
Exchange adjustments as per IR GAAP		(108)
Movements in own shares		(15)
		507
Reserve Movements (IFRS)	**€m**	
Pensions	(386)	
Consolidation	(5)	
Employee Benefits	11	
Goodwill	(1)	
Property	43	
		(338)
Net movements in reserves 31 March 2005		169
Closing IFRS Stockholder's funds 31 March 2005		4,277
IFRS Impact 1 April 2005	**€m**	
Reclassification	127	
Hedging	15	
VIF in life business	(251)	
Debt/equity reclassification	114	
Effective interest rate	20	
Other	3	
		28
Opening IFRS Stockholder's funds as at 1 April 2005		4,305

48 Reconciliation of IR GAAP to IFRS (continued)

Summary Consolidated IFRS Income Statement for the year ended 31 March 2005

	Total Irish GAAP €m	IFRS Impact €m	IFRS €m
Net interest income	1,898	33	1,931
Insurance net premium income	-	1,791	1,791
Fees and commissions income	1,200	(37)	1,163
Fees and commissions expense	(199)	(64)	(263)
Net trading income	66	-	66
Contribution from the life assurance business	161	(161)	-
Other operating income	47	786	833
Total operating income	3,173	2,348	5,521
Insurance net claims	-	(2,222)	(2,222)
Total operating income net of insurance claims	3,173	126	3,299
Operating expenses	(1,924)	(127)	(2,051)
Operating profit before impairment losses	1,249	(1)	1,248
Impairment losses on loans and advances	21	-	21
Operating profit	1,270	(1)	1,269
Profit/loss on disposal of business	-	11	11
Other exceptional items	5	(5)	-
Income from associated undertakings and joint ventures	46	(16)	30
Profit before taxation	1,321	(11)	1,310
Taxation	(241)	(15)	(256)
Profit for the period	1,080	(26)	1,054
Attributable to minority interests	(1)	-	(1)
Attributable to stockholders	1,081	(26)	1,055
	1,080	(26)	1,054
Basic earnings per ordinary share	113.9	(2.8)	111.1

48 Reconciliation of IR GAAP to IFRS (continued)

Consolidated Summary of IFRS Income Adjustments for Year Ended 31 March 2005

Consolidation

	Irish GAAP €m	New Entities (a)	Insurance Businesses (b)	Leasing (h)	Employee Benefits (e)	Software & Intangibles (g)	Goodwill (d)	Pension (f)	Other (j) & (k)	Total IFRS Adjustments €m	IFRS €m
Net interest income	1,898	20	12	1	-	-	-	-	-	33	1,931
Insurance premium income net	-	-	1,791	-	-	-	-	-	-	1,791	1,791
Fees and commissions income	1,200	(4)	(29)	(4)	-	-	-	-	-	(37)	1,163
Fees and commissions expense	(199)	(5)	(59)	-	-	-	-	-	-	(64)	(263)
Net trading income	66	-	-	-	-	-	-	-	-	-	66
Contribution from the life assurance business	161	-	(161)	-	-	-	-	-	-	(161)	-
Other operating income	47	(2)	779	-	-	-	-	-	9	786	833
Total operating income	3,173	9	2,333	(3)	-	-	-	-	9	2,348	5,521
Insurance claims, net	-	-	(2,222)	-	-	-	-	-	-	(2,222)	(2,222)
Administrative expenses	(1,738)	(1)	(84)	-	(8)	-	-	(28)	(15)	(136)	(1,874)
Depreciation of property, plant and equipment	(161)	-	-	-	-	85	-	-	-	85	(76)
Amortisation/impairment of goodwill and intangibles	(25)	-	-	-	-	(85)	13	-	(4)	(76)	(101)
Total operating expenses	(1,924)	(1)	(84)	-	(8)	-	13	(28)	(19)	(127)	(2,051)
Operating profit before impairment losses	1,249	8	27	(3)	(8)	-	13	(28)	(10)	(1)	1,248
Impairment losses on loans and advances	21	-	-	-	-	-	-	-	-	-	21
Operating profit	1,270	8	27	(3)	(8)	-	13	(28)	(10)	(1)	1,269
Income from associated undertakings and joint ventures	46	-	-	-	-	-	-	-	(16)	(16)	30
Exceptional items	5	-	-	-	-	-	-	-	(5)	(5)	-
Profit/loss on disposal of businesses	-	-	-	-	-	-	-	-	11	11	11
Profit before taxation	1,321	8	27	(3)	(8)	-	13	(28)	(20)	(11)	1,310
Taxation	(241)	-	(27)	(5)	-	-	-	5	12	(15)	(256)
Profit for the period	1,080	8	-	(8)	(8)	-	13	(23)	(8)	(26)	1,054
Profit attributable to minority interests	(1)	-	-	-	-	-	-	-	-	-	(1)
Profit attributable to stockholders	1,081	8	-	(8)	(8)	-	13	(23)	(8)	(26)	1,055
	1,080	8	-	(8)	(8)	-	13	(23)	(8)	(26)	1,054

Notes to the Consolidated Financial Statements

48 Reconciliation of IR GAAP to IFRS (continued)

Consolidated Balance Sheet at 31 March 2005	Irish GAAP €m	The Group IFRS Impact €m	IFRS €m
Assets			
Cash and balances at central banks	1,600	13	1,613
Items in the course of collection from other banks	560	-	560
Central government and other eligible bills	92	1,515	1,607
Loans and advances to banks	7,783	564	8,347
Loans and advances to customers	79,917	(81)	79,836
Net securitisation balances	35	(35)	-
Debt securities	21,321	1,390	22,711
Equity shares	52	5,664	5,716
Interests in associated undertakings	17	-	17
Interests in joint ventures	61	-	61
Intangible assets - Goodwill	316	(97)	219
Intangible assets - Other	-	573	573
Investment property	-	503	503
Property, plant & equipment	1,236	(516)	720
Deferred tax asset	-	99	99
Other assets	4,945	253	5,198
Long-term assurance assets	8,529	(8,529)	-
Total assets	126,464	1,316	127,780
Liabilities			
Deposits by banks	20,254	611	20,865
Customer accounts	60,265	(80)	60,185
Items in the course of transmission to other banks	230	-	230
Debt securities in issue	20,539	678	21,217
Other liabilities	7,039	(283)	6,756
Deferred taxation liabilities	72	140	212
Other provisions	321	(141)	180
Post-retirement benefit obligations	-	924	924
Subordinated liabilities	4,086	-	4,086
Life assurance liabilities attributable to policy holders	8,734	(21)	8,713
Total liabilities	121,540	1,828	123,368
Stockholders' funds	4,789	(512)	4,277
Minority interests	135	-	135
Total equity and liabilities	126,464	1,316	127,780

48 Reconciliation of IR GAAP to IFRS (continued)

Consolidated Summary of IFRS Balance Sheet Impacts
Balance Sheet IFRS Reconciliation
31 March 2005

The Group

		Consolidation									
	Irish GAAP € m	New Entities (a)	Insurance Businesses (b)	Leasing (h)	Employee benefits (e)	Software & Intangibles (g)	Goodwill (d)	Dividend (i)	Pension (f)	Other (j) & (k)	IFRS € m
Assets											
Cash and balances at central banks	1,600	10	-	-	-	-	-	-	-	3	1,613
Items in the course of collection from other banks	560	-	-	-	-	-	-	-	-	-	560
Central government and other eligible bills	92	-	1,515	-	-	-	-	-	-	-	1,607
Loans and advances to banks	7,783	-	567	-	-	-	-	-	-	(3)	8,347
Loans and advances to customers	79,917	(65)	-	(16)	-	-	-	-	-	-	79,836
Net securitisation balances	35	(35)	-	-	-	-	-	-	-	-	-
Debt securities	21,321	1,244	146	-	-	-	-	-	-	-	22,711
Equity shares	52	-	5,664	-	-	-	-	-	-	-	5,716
Interests in associated undertakings	17	-	-	-	-	-	-	-	-	-	17
Interests in joint ventures	61	-	-	-	-	-	-	-	-	-	61
Intangible assets – Goodwill	316	-	-	-	-	-	(97)	-	-	-	219
Intangible assets – Other	-	-	-	-	-	464	109	-	-	-	573
Investment property	-	-	503	-	-	-	-	-	-	-	503
Property, plant & equipment	1,236	-	-	-	-	(464)	-	-	-	(52)	720
Deferred tax asset (j)	-	-	-	6	-	-	-	-	104	(11)	99
Other assets	4,945	8	136	-	-	-	-	-	(42)	151	5,198
Life assurance assets attributable to the policyholders	8,529	-	(8,529)	-	-	-	-	-	-	-	-
Total assets	126,464	1,162	2	(10)	-	-	12	-	62	88	127,780

48 Reconciliation of IR GAAP to IFRS (continued)

Balance Sheet IFRS Reconciliation
31 March 2005

The Group

Equity and liabilities	Irish GAAP € m	Consolidation: New Entities (a)	Consolidation: Insurance Businesses (b)	Leasing (h)	Employee benefits (e)	Software & Intangibles (g)	Goodwill (d)	Dividend (i)	Pension (f)	Other (j) & (k)	IFRS € m
Deposits by banks	20,254	611	-	-	-	-	-	-	-	-	20,865
Customer accounts	60,265	(80)	-	-	-	-	-	-	-	-	60,185
Items in the course of transmission to other banks	230	-	-	-	-	-	-	-	-	-	230
Debt securities in issue	20,539	678	-	-	-	-	-	-	-	-	21,217
Other liabilities	7,039	8	6	(51)	(3)	-	-	(282)	-	39	6,756
Deferred tax liabilities (j)	72	-	-	(3)	-	-	-	-	(26)	169	212
Other provisions	321	-	-	-	-	-	-	-	(141)	-	180
Post retirement benefit obligations (f)	-	-	-	-	-	-	-	-	924	-	924
Subordinated liabilities	4,086	-	-	-	-	-	-	-	-	-	4,086
Life assurance liabilities attributable to policy holders	8,734	-	(4)	-	-	-	-	-	-	(17)	8,713
Total liabilities	121,540	1,217	2	(54)	(3)	-	-	(282)	757	191	123,368
Equity											
Share capital	663	-	-	-	-	-	-	-	-	-	663
Share premium account	765	-	-	-	-	-	-	-	-	-	765
Capital reserve	561	-	-	-	-	-	-	-	-	-	561
Retained profits	2,772	(55)	-	44	3	-	12	282	(695)	(27)	2,336
Revaluation reserve	234	-	-	-	-	-	-	-	-	(76)	158
Own shares held for the benefit of life assurance policyholders	(206)	-	-	-	-	-	-	-	-	-	(206)
Stockholders funds	4,789	(55)	-	44	3	-	12	282	(695)	(103)	4,277
Minority interests	135	-	-	-	-	-	-	-	-	-	135
Total equity and liabilities	126,464	1,162	2	(10)	-	-	12	-	62	88	127,780

48 Reconciliation of IR GAAP to IFRS (continued)

IFRS Consolidated Opening Balance Sheet at 1 April 2005

	The Group		
	IFRS 31/3/2005 €m	**IFRS Transition Impact** €m	**IFRS Opening 01/04/2005** €m
Assets			
Cash and balances at central banks	1,613	-	1,613
Items in the course of collection from other banks	560	-	560
Central government and other eligible bills	1,607	(1,599)	8
Trading Securities	-	1,119	1,119
Derivative financial instruments	-	2,277	2,277
Other Financial Assets at fair value through profit and loss	-	8,115	8,115
Loans and advances to banks	8,347	-	8,347
Loans and advances to customers	79,836	152	79,988
Debt securities	22,711	(22,711)	-
Equity shares	5,716	(5,716)	-
Available for sale financial assets	-	20,752	20,752
Interest in associated undertakings	17	-	17
Interest in joint ventures	61	-	61
Intangible assets – Goodwill	219	53	272
Intangible assets – Other	573	-	573
Investment property	503	-	503
Property, plant & equipment	720	6	726
Deferred tax asset	99	(44)	55
Other assets	5,198	(2,115)	3,083
Total assets	127,780	289	128,069
Liabilities			
Deposits by banks	20,865	-	20,865
Customer accounts	60,185	(115)	60,070
Items in the course of transmission to other banks	230	-	230
Derivative financial instruments	-	2,167	2,167
Liabilities to customers under investment contracts	-	4,917	4,917
Debt securities in issue	21,217	26	21,243
Insurance contract liabilities	-	3,785	3,785
Other liabilities	6,756	(1,789)	4,967
Deferred taxation liabilities	212	(68)	144
Other provisions	180	-	180
Post-retirement benefit obligations	924	-	924
Subordinated liabilities	4,086	127	4,213
Life assurance liabilities attributable to policy holders	8,713	(8,713)	-
Total liabilities	123,368	337	123,705
Stockholders' funds	4,277	28	4,305
Minority interests	135	(76)	59
Total equity and liabilities	127,780	289	128,069

48 Reconciliation of IR GAAP to IFRS (continued)

IFRS Opening Balance Sheet Reconciliation 1 April 2005 **The Group**

	IFRS 31 March 2005 €m	Reclassification of financial instruments (m)	Effective interest rates (p)	Fair value option	Hedging activities (l)	Life Assurance	Debt/ equity (n)	Other	**Total adjustments on adoption of IAS 32, 39 and IFRS 4 €m**	**Opening IFRS Balance Sheet 1 April 2005 €m**
Assets										
Cash and balances at central banks	1,613	-	-	-	-	-	-	-	-	1,613
Items in the course of collection from other banks	560	-	-	-	-	-	-	-	-	560
Central government and other eligible bills	1,607	-	-	(1,599)	-	-	-	-	(1,599)	8
Trading securities	-	1,119	-	-	-	-	-	-	1,119	1,119
Derivative financial instruments	-	1,859	-	92	326	-	-	-	2,277	2,277
Other financial assets at fair value through profit and loss	-	-	-	8,146	-	(31)	-	-	8,115	8,115
Loans and advances to banks	8,347	-	-	-	-	-	-	-	-	8,347
Loans and advances to customers	79,836	111	41	-	-	-	-	-	152	79,988
Debt securities	22,711	(21,871)	-	(871)	-	31	-	-	(22,711)	-
Equity shares	5,716	(52)	-	(5,664)	-	-	-	-	(5,716)	-
Available-for-sale financial assets	-	20,667	-	-	85	-	-	-	20,752	20,752
Interest in associated undertakings	17	-	-	-	-	-	-	-	-	17
Interest in joint ventures	61	-	-	-	-	-	-	-	-	61
Intangible assets – Goodwill	219	-	-	-	-	-	53	-	53	272
Intangible assets – Other	573	-	-	-	-	-	-	-	-	573
Investment Property	503	-	-	-	-	-	-	-	-	503
Property, plant & equipment	720	-	-	-	-	6	-	-	6	726
Deferred tax asset	99	(10)	(5)	-	3	-	-	(32)	(44)	55
Other assets	5,198	(1,839)	7	1	1	(285)	-	-	(2,115)	3,083
Total assets	127,780	(16)	43	105	415	(279)	53	(32)	289	128,069

48 Reconciliation of IR GAAP to IFRS (continued)

IFRS Opening Balance Sheet Reconciliation
1 April 2005

The Group

	IFRS 31 March 2005 €m	Reclassification of financial instruments (m)	Effective interest rates (p)	Fair value option	Hedging activities (l)	Life Assurance	Debt/ equity (n)	Other	**Total adjustments on adoption of IAS 32, 39 and IFRS 4 €m**	**Opening IFRS Balance Sheet 1 April 2005 €m**
Liabilities										
Deposits by banks	20,865	-	-	-	-	-	-	-	-	20,865
Customer accounts	60,185	-	-	(115)	-	-	-	-	(115)	60,070
Items in the course of transmission to other banks	230	-	-	-	-	-	-	-	-	230
Derivative financial instruments and other trading liabilities	-	1,694	-	194	279	-	-	-	2,167	2,167
Liabilities to customers under investment contracts	-	-	-	-	-	4,917	-	-	4,917	4,917
Debt securities in issue	21,217	-	-	-	26	-	-	-	26	21,243
Insurance contract liabilities	-	-	-	-	-	3,785	-	-	3,785	3,785
Other liabilities	6,756	(1,829)	13	(1)	(73)	54	53	(6)	(1,789)	4,967
Deferred tax liabilities	212	(8)	10	2	-	(48)	-	(24)	(68)	144
Other provisions	180	-	-	-	-	-	-	-	-	180
Post retirement benefit obligations	924	-	-	-	-	-	-	-	-	924
Subordinated liabilities	4,086	-	-	-	168	-	(41)	-	127	4,213
Life assurance liabilities attributable to policy holders	8,713	-	-	23	-	(8,736)	-	-	(8,713)	-
Total liabilities	123,368	(143)	23	103	400	(28)	12	(30)	337	123,705
Equity										
Share capital	663	-	-	-	-	-	-	-	-	663
Share premium account	765	-	-	-	-	-	-	-	-	765
Capital reserve	561	-	-	-	-	(251)	-	-	(251)	310
Retained profits	2,336	4	20	2	(58)	-	-	-	(32)	2,304
Revaluation Reserve	158	-	-	-	-	-	-	-	-	158
Cash flow hedge reserve	-	-	-	-	67	-	-	-	67	67
Available for sale reserve	-	123	-	-	6	-	-	1	130	130
Other equity reserves	-	-	-	-	-	-	114	-	114	114
Own shares held for the benefit of life assurance policyholders	(206)	-	-	-	-	-	-	-	-	(206)
Stockholders funds	4,277	127	20	2	15	(251)	114	1	28	4,305
Minority interests	135	-	-	-	-	-	(73)	(3)	(76)	59
Total equity and liabilities	127,780	(16)	43	105	415	(279)	53	(32)	289	128,069

48 Reconciliation of IR GAAP to IFRS (continued)

Balance Sheet at 31 March 2005	Irish GAAP €m	The Bank IFRS Impact €m	IFRS €m
Assets			
Cash and balances at central banks	1,478	3	1,481
Items in the course of collection from other banks	560	-	560
Central government and other eligible bills	-	-	-
Loans and advances to banks	37,474	(3)	37,471
Loans and advances to customers	43,950	(1)	43,949
Net securitisation balances	17	(17)	-
Debt securities	16,501	14	16,515
Equity shares	18	-	18
Interests in group undertakings	1,959	-	1,959
Interests in joint ventures	-	-	-
Intangible fixed assets – Goodwill	-	-	-
Intangible fixed assets – Other	-	375	375
Investment property	-	-	-
Property, plant & equipment	956	(410)	546
Deferred tax asset	19	11	30
Other assets	2,740	3	2,743
Total assets	105,672	(25)	105,647
Liabilities			
Deposits by banks	29,868	-	29,868
Customer accounts	48,928	-	48,928
Items in the course of transmission to other banks	230	-	230
Debt securities in issue	17,784	-	17,784
Other liabilities	4,133	(287)	3,846
Deferred taxation liabilities	-	-	-
Other provisions	268	(132)	136
Post-retirement benefit obligations	-	648	648
Subordinated liabilities	2,111	-	2,111
Total liabilities	103,322	229	103,551
Stockholders' funds	2,350	(254)	2,096
Minority interests	-	-	-
Total equity and liabilities	105,672	(25)	105,647

48 Reconciliation of IR GAAP to IFRS (continued)

Balance Sheet IFRS Reconciliation 31 March 2005 — **The Bank**

	Irish GAAP € m	Software & Intangibles (g)	Dividend (i)	Pension (f)	Other (j) & (k)	IFRS € m
Assets						
Cash and balances at central banks	1,478	-	-	-	3	1,481
Items in the course of collection from other banks	560	-	-	-	-	560
Central government and other eligible bills	-	-	-	-	-	-
Loans and advances to banks	37,474	-	-	-	(3)	37,471
Loans and advances to customers	43,950	-	-	-	(1)	43,949
Net securitisation balances	17	-	-	-	(17)	-
Debt securities	16,501	-	-	-	14	16,515
Equity shares	18	-	-	-	-	18
Interests in Group undertakings	1,959	-	-	-	-	1,959
Interests in joint ventures	-	-	-	-	-	-
Intangible assets – Goodwill	-	-	-	-	-	-
Intangible assets – Other	-	375	-	-	-	375
Investment property	-	-	-	-	-	-
Property, plant & equipment	956	(375)	-	-	(35)	546
Deferred tax asset (j)	19	-	-	65	(54)	30
Other assets	2,740	-	-	2	1	2,743
Total assets	105,672	-	-	67	(92)	105,647

48 Reconciliation of IR GAAP to IFRS (continued)

Balance Sheet IFRS Reconciliation 31 March 2005 **The Bank**

Equity and liabilities	Irish GAAP € m	Software & Intangibles (g)	Goodwill (d)	Dividend (i)	Pension (f)	Other (j) & (k)	IFRS € m
Deposits by banks	29,868	-	-	-	-	-	29,868
Customer accounts	48,928	-	-	-	-	-	48,928
Items in the course of transmission to other banks	230	-	-	-	-	-	230
Debt securities in issue	17,784	-	-	-	-	-	17,784
Other liabilities	4,133	-	-	(282)	-	(5)	3,846
Deferred tax liabilities (j)	-	-	-	-	-	-	-
Other provisions	268	-	-	-	(132)	-	136
Post retirement benefit obligations (f)	-	-	-	-	648	-	648
Subordinated liabilities	2,111	-	-	-	-	-	2,111
Total liabilities	103,322	-	-	(282)	516	(5)	103,551
Equity							
Share capital	663	-	-	-	-	-	663
Share premium account	765	-	-	-	-	-	765
Capital reserve	47	-	-	-	-	-	47
Retained profits	659	-	-	282	(449)	(13)	479
Revaluation reserve	216	-	-	-	-	(74)	142
Stockholders funds	2,350	-	-	282	(449)	(87)	2,096
Minority interests	-	-	-	-	-	-	-
Total equity and liabilities	105,672	-	-	-	67	(92)	105,647

48 Reconciliation of IR GAAP to IFRS (continued)

IFRS Opening Balance Sheet at 1 April 2005

		The Bank	
	IFRS 31/3/2005 €m	**IFRS Transition Impact €m**	**IFRS Opening 01/04/2005 €m**
Assets			
Cash and balances at central banks	1,481	-	1,481
Items in the course of collection from other banks	560	-	560
Central government and other eligible bills	-	-	-
Trading Securities	-	511	511
Derivative financial instruments	-	2,322	2,322
Other Financial assets at fair value through profit and loss	-	49	49
Loans and advances to banks	37,471	-	37,471
Loans and advances to customers	43,949	(93)	43,856
Debt securities	16,515	(16,515)	-
Equity shares	18	(18)	-
Available for sale financial assets	-	16,041	16,041
Interest in group undertakings	1,959	-	1,959
Interests in joint ventures	-	-	-
Intangible assets – Goodwill	-	-	-
Intangible assets – Other	375	-	375
Property, plant & equipment	546	-	546
Deferred tax asset	35	3	38
Other assets	2,743	(1,880)	863
Total assets	105,652	420	106,072
Liabilities			
Deposits by banks	29,868	-	29,868
Customer accounts	48,928	(38)	48,890
Items in the course of transmission to other banks	230	-	230
Derivative financial instruments	-	2,190	2,190
Debt securities in issue	17,784	(5)	17,779
Other liabilities	3,846	(1,881)	1,965
Deferred taxation liabilities	5	18	23
Other provisions	136	-	136
Post-retirement benefit obligations	648	-	648
Subordinated liabilities	2,111	(10)	2,101
Total liabilities	103,556	274	103,830
Stockholders' funds	2,096	146	2,242
Minority interests	-	-	-
Total equity and liabilities	105,652	420	106,072

48 Reconciliation of IR GAAP to IFRS (continued)

IFRS Opening Balance Sheet Reconciliation 1 April 2005

	The Bank								
	IFRS 31 March 2005 €m	Reclassification of financial instruments (m)	Effective interest rates (p)	Fair value option	Hedging activities (l)	Debt/ equity (n)	Other	**Total adjustments on adoption of IAS 32, 39 and IFRS 4 €m**	**Opening IFRS Balance Sheet 1 April 2005 €m**
Assets									
Cash and balances at central banks	1,481	-	-	-	-	-	-	-	1,481
Items in the course of collection from other banks	560	-	-	-	-	-	-	-	560
Central government and other eligible bills	-	-	-	-	-	-	-	-	-
Trading securities	-	511	-	-	-	-	-	511	511
Derivative financial instruments	-	1,850	-	145	327	-	-	2,322	2,322
Other financial assets at fair value through profit and loss	-	49	-	-	-	-	-	49	49
Loans and advances to banks	37,471	-	-	-	-	-	-	-	37,471
Loans and advances to customers	43,949	-	(68)	-	-	-	(25)	(93)	43,856
Debt securities	16,515	(16,515)	-	-	-	-	-	(16,515)	-
Equity shares	18	(18)	-	-	-	-	-	(18)	-
Available-for-sale financial assets	-	15,969	-	-	72	-	-	16,041	16,041
Interests in Group undertakings	1,959	-	-	-	-	-	-	-	1,959
Interests in joint ventures	-	-	-	-	-	-	-	-	-
Intangible assets – Goodwill	-	-	-	-	-	-	-	-	-
Intangible assets – Other	375	-	-	-	-	-	-	-	375
Investment Property	-	-	-	-	-	-	-	-	-
Property, plant & equipment	546	-	-	-	-	-	-	-	546
Deferred tax asset	35	3	-	-	-	-	-	3	38
Other assets	2,743	(1,887)	7	-	-	-	-	(1,880)	863
Total assets	105,652	(38)	(61)	145	399	-	(25)	420	106,072

48 Reconciliation of IR GAAP to IFRS (continued)

IFRS Opening Balance Sheet Reconciliation 1 April 2005

The Bank

	IFRS 31 March 2005 €m	Reclassification of financial instruments (m)	Effective interest rates (p)	Fair value option	Hedging activities (l)	Debt/ equity (n)	Other	**Total adjustments on adoption of IAS 32, 39 and IFRS 4 €m**	**Opening IFRS Balance Sheet 1 April 2005 €m**
Liabilities									
Deposits by banks	29,868	-	-	-	-	-	-	-	29,868
Customer accounts	48,928	-	-	(38)	-	-	-	(38)	48,890
Items in the course of transmission to other banks	230	-	-	-	-	-	-	-	230
Derivative financial instruments and other trading liabilities	-	1,735	-	182	273	-	-	2,190	2,190
Debt securities in issue	17,784	-	-	-	(5)	-	-	(5)	17,779
Other liabilities	3,846	(1,873)	(9)	-	-	-	1	(1,881)	1,965
Deferred tax liabilities	5	15	(14)	-	4	-	13	18	23
Other provisions	136	-	-	-	-	-	-	-	136
Post retirement benefit obligations	648	-	-	-	-	-	-	-	648
Subordinated liabilities	2,111	-	-	-	104	(114)	-	(10)	2,101
Total liabilities	103,556	(123)	(23)	144	376	(114)	14	274	103,830
Equity									
Share capital	663	-	-	-	-	-	-	-	663
Share premium account	765	-	-	-	-	-	-	-	765
Capital reserve	47	-	-	-	-	-	-	-	47
Retained profits	479	(37)	(38)	1	(46)		(39)	(159)	320
Revaluation reserve	142	-	-	-	-	-	-	-	142
Cash flow hedge reserve	-	-	-	-	67	-	-	67	67
Available for sale reserve	-	122	-	-	2	-	-	124	124
Other equity reserves	-	-	-	-	-	114	-	114	114
Stockholders' funds	2,096	85	(38)	1	23	114	(39)	146	2,242
Minority interests	-	-	-	-	-	-	-	-	-
Total equity and liabilities	105,652	(38)	(61)	145	399	-	(25)	420	106,072

48 Reconciliation of IR GAAP to IFRS (continued)

Significant differences from Irish GAAP

The significant differences between the Group's Irish accounting policies and IFRS accounting policies are summarised below.

Irish GAAP	IFRS
(a) Consolidation and presentation	
Assets, liabilities and results of all undertakings controlled by the Group are consolidated. Control is the ability to direct the financial and operating policies of an entity. Mortgage and other securitisation vehicles are shown on the Balance Sheet using the linked presentation method where financial recourse to the Group is limited.	All entities controlled by the Group, as well as legally independent bodies (Special Purpose Entities) where the substance of the relationship indicates that they are controlled by the Group, are consolidated. This results in the consolidation of a number of funding related special purpose entities on the Balance Sheet and increases the assets and liabilities of the Group. In relation to securitisations, linked presentation is not permitted by IFRS. Consequently, the gross assets and related funding are separately shown on the Balance Sheet.
(b) Life assurance	
In order to reflect the different nature of the policyholders' interests in the life assurance business, the assets and liabilities attributable to policyholders are classified separately in the Group Balance Sheet while the results for the year are consolidated on one line in the profit and loss account. The Group accounts for the value of the stockholder's interest in long-term assurance business using the embedded value method of accounting. The embedded value is comprised of the net tangible and financial assets of the life assurance business, including any surpluses retained within the long-term business fund and the present value of its in-force business. It is computed in accordance with bases accepted in the life assurance market. All life assurance products are accounted for in the same way; there is no difference between investment contracts and insurance contracts.	IFRS requires line by line consolidation for all items of income and expenditure, assets and liabilities. Consequently, the Group is no longer permitted to report the results and balances of the life assurance business as one line items. Instead, these amounts are broken down and allocated to lines which reflect their nature, whether attributable to stockholders or policyholders. In accordance with IFRS 4, life assurance products are classified as either investment contracts, which are accounted for in accordance with IAS 39 or insurance contracts, which are accounted for under IFRS 4. The principal effects of this change on the accounting for investment contracts is the removal of that portion of the embedded value which represents the value of in-force business relating to those contracts, the recognition of an asset for deferred acquisition costs, and the deferral of up-front fees received for investment management services; deferred acquisition costs and deferred up-front fees are amortised over the period of the provision of investment management services. The accounting for insurance contracts under IFRS 4 is unchanged.

48 Reconciliation of IR GAAP to IFRS (continued)

Changes in embedded value, which are determined on a post tax basis, are included in the profit and loss account, grossed up for tax at the Bank's effective tax rate. The value of in-force asset is shown net of tax on the Balance Sheet.

IFRS requires that the profit and loss account and the value of in-force asset in the balance sheet be grossed up based on total tax payable by the Group, comprising both policyholder and stockholder tax.

(c) Investments in associated companies and joint ventures

Investments in associated undertakings and joint ventures are stated at acquisition cost and unamortised goodwill arising on the acquisition, together with the appropriate share of post-acquisition reserves.

Income from associates and joint ventures is shown gross of tax with the associated tax impact shown in the tax charge.

Investments in associates and joint ventures are accounted for by the equity method of accounting and are initially recognised at cost. Cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Income from associates and joint ventures is shown net of tax in the income statement. Associated tax is no longer included in the tax charge.

(d) Goodwill

Goodwill arising on acquisitions of subsidiary undertakings occurring after 31 March 1998 are capitalised as assets on the balance sheet and amortised on a straight line basis over their estimated useful economic lives.

Goodwill on acquisitions prior to 31 March 1998 was charged against reserves in the year of acquisition and in the event of a subsequent disposal the goodwill would be written back and reflected in the profit and loss account.

Goodwill carried in the Group Balance Sheet is subject to impairment review when the carrying amount may not be recoverable and is written down by the amount of any impairment loss identified in the year.

Goodwill is no longer amortised. It is tested annually for impairment and carried at cost less accumulated impairment losses.

The Group has elected not to revisit goodwill on acquisitions prior to transition and as a result, the goodwill recognised in the Irish GAAP Balance Sheet at 1 April 2004 has been carried forward without adjustment as its deemed cost. Goodwill previously written off against reserves has not been re-instated.

As a result, the goodwill charged to the income statement since 1 April 2004 has been reversed.

48 Reconciliation of IR GAAP to IFRS (continued)

(e) Share based payments

Where shares are awarded, or options granted, the charge made to the profit and loss account is the difference between the intrinsic value at the time the award is made and any contribution made by the employee. For options or shares granted at market prices, this will not result in any charge in the accounts.

Under the terms of the Group's Revenue approved Save As You Earn schemes, employees have the option to purchase shares at a discount to the market price. Such schemes are exempted from the requirements to charge this difference to the profit and loss account over the period of their savings contract.

Where conditional awards are dependent on performance criteria, the cost is spread over the performance period.

When shares are awarded, the fair value of the employee services received in exchange for the grant of the options or shares is recognised as an expense and is charged to the income statement over the vesting period. Save As You Earn schemes are not exempt from these requirements.

The charge is determined by reference to the fair value of the options or shares granted, which is calculated excluding the impact of any non-market vesting conditions. Non-market conditions are reflected through the assumptions about the number of options or shares that are expected to vest. These assumptions are revisited at each balance sheet date.

This results in a charge to the income statement for each of the Group's main share schemes.

(f) Employee Benefits

Contributions to the Group's defined benefit schemes are charged to the profit and loss so as to spread the expected cost of pensions, calculated in accordance with the advice of qualified actuaries, on a systematic basis over employees' working lives. Variations from the regular cost are spread over the average remaining service life of relevant employees.

The assets and liabilities of defined benefit pension funds are not required to be consolidated on the Balance Sheet.

The cost of the Group's defined contribution schemes are charged to the profit and loss for the period in which they are incurred.

An asset or liability (net of the associated deferred taxation) is recognised in the balance sheet in respect of defined benefit pension plans. It is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognised past service cost.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to reserves through the statement of recognised income and expense.

Past service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

As there is an overall deficit on the Group's pension schemes when calculated under IFRS, this has been recognised on the Balance Sheet on transition, net of deferred tax.

48 Reconciliation of IR GAAP to IFRS (continued)

(g) Software and Intangible assets

IR GAAP	IFRS
Computer software is capitalised and included within tangible assets where future economic benefits are expected to arise from the asset. These assets are amortised over their expected useful lives. Other intangible assets are recognised if they can be disposed of separately, without disposing of the business of the entity.	Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of their expected useful lives. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and which will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over their useful lives. This has resulted in the reclassification of computer software from tangible to intangible assets. Other intangible assets are recognised if they are separable from the reporting entity or arise from contractual or other legal rights. This includes the payments made for the use of the UK Post Office brand and for customer distribution rights associated with the use of the UK Post Office network. These payments will be amortised over their expected useful life.

(h) Lessor Accounting

Leasing income is recognised in proportion to the funds invested in the lease so as to give a constant rate of return over each period after taking account of taxation cash flows.	Leasing income is recognised in proportion to the funds invested in the lease so as to give a constant rate of return over each period before taking account of taxation cash flows. The taxation impacts of leasing are reflected in the income statement when they occur. This impacts the timing of recognition of income in the profit and loss account.

(i) Dividends

Dividends declared after the period end are recorded in the period to which they relate.	Dividends are recorded in the period in which they are approved. This results in an increase in stockholders funds on transition as no liability is recognised in the accounts for proposed dividends.

48 Reconciliation of IR GAAP to IFRS (continued)

(j) Deferred tax

Deferred taxation is recognised on all timing differences where the transaction or event that gives rise to an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred by the balance sheet date using rates of tax that have been enacted by the balance sheet date.

Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred taxation is not provided in respect of timing differences arising from the sale or revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax related to fair value re-measurement of available for sale investments and cash flow hedges, or related to the revaluation of land and buildings, which are charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the income statement together with the deferred gain or loss.

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.

Deferred tax is provided on temporary differences arising from investments in subsidiaries and associates, 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.

The primary areas where deferred taxation is now required to be provided where previously not is on property revaluations and rolled over capital gains.

(k) Tangible fixed assets

Tangible fixed assets may be held at depreciated historical cost or a revalued amount. The Group’s property portfolio is the only tangible fixed asset held at a revalued amount. They were revalued on the basis of Existing Use Value.

Tangible fixed assets may be held at depreciated historical cost or fair value. However, these revaluations must be on the basis of Open Market Value.

This has given rise to adjustments to the Group’s revaluation reserve.

48 Reconciliation of IR GAAP to IFRS (continued)

(l) Derivatives and hedge accounting

Derivative instruments used for trading purposes or used to manage risk in the trading portfolios are measured at fair value and the resultant profits and losses are included in dealing profits. Unrealised gains and losses are reported in Other Assets or Other Liabilities on a gross basis.

Derivatives used for hedging purposes are taken to the profit and loss account in accordance with the accounting treatment of the underlying transaction. Accrued income or expense is reported in prepayments and accrued income or accruals and deferred income on a gross basis.

Profits and losses related to qualifying hedges of firm commitments and anticipated transactions are deferred and taken to the profit and loss account when the hedged transactions occur.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value on the Balance Sheet.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or, (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash-flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the periods in which the hedged item will affect profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in their fair value are recognised immediately in the income statement.

The Group has primarily applied macro cash-flow hedging to derivatives hedging its funding base together with the use of a limited number of micro fair value hedges for large ticket transactions. The fair value of these derivatives is now reflected on the Balance Sheet.

As a result of the strict hedge accounting rules in IAS 39, hedge accounting is likely to introduce volatility into to the income statement to the extent that hedging relationships prove ineffective.

48 Reconciliation of IR GAAP to IFRS (continued)

(m) Classification and measurement of financial instruments

Under Irish GAAP, financial instruments are classified as either investment securities or other securities.
Debt securities and equity shares held for use on a continuing basis in the Group's activities are classified as investment securities. Such securities and shares are stated at cost less provision for any permanent diminution in value.

Other securities and other equity shares are stated at fair value using mid-market values, except for those securities maintained for the purpose of hedging, which are accounted for on the same basis as the item hedged. Changes in the fair value of securities marked to market are recognised in the profit and loss account as they arise and included in dealing profits.

Under IFRS, financial instruments are classified as either

(a) Financial assets at fair value through profit or loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

(b) Loans and receivables
This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(c) Held-to-maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(d) Available-for-sale
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets are initially recognised at fair value plus transaction costs. Available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value whereas loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

A large portion of the Group's debt securities, previously classified as both trading and investment, have been reclassified as available for sale. The fair value movements will pass through the available for sale reserve.

48 Reconciliation of IR GAAP to IFRS (continued)

(n) Issued debt and equity securities

Under Irish GAAP, capital instruments which contain an obligation to transfer economic benefits to another party are classified as debt.

Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities. The dividends on these instruments are recognised in the income statement as interest expense.

Where there is discretion in relation to the payment of a dividend, the instrument is classified as equity and the payments are included as preference dividends.

As a result, the Stg£50.4m non cumulative preference shares have been classified as debt while the US$150m undated floating rate primary capital notes have been classified as equity.

(o) Loan impairment

Specific provisions are made for loans and advances when the Group consider that the creditworthiness of a borrower has deteriorated such that the recovery of the whole or part of an outstanding advance is in serious doubt.

Specific provisions are generally raised on an individual basis, although specific provisions may be raised on a portfolio basis for homogeneous assets and where statistical techniques are appropriate.

General provisions are raised to cover losses which are present in loans and advances at the balance sheet date, but which have not been specifically identified.

If collection of interest is doubtful, it is credited to a suspense account and excluded from interest income in the profit and loss account. The suspense account in the Balance Sheet is netted against the relevant loan.

Impairment losses are recognised where there is objective evidence of impairment as a result of one or more loss events that have occurred and where these events have had an impact on the estimated future cash flows of the financial asset or portfolio of financial assets and is measured based on the difference between the carrying amount and the present value of the estimated future cashflows, discounted at the original effective interest rate.

Impairment is measured individually for assets that are individually significant and on a collective basis for portfolios with similar risk characteristics.

Provisions for incurred losses that observable data indicates are present in the portfolio but have not yet been specifically identified are also raised.

The Bank's assessment of the overall level of credit impairment is unchanged. However, the application of IFRS has resulted in a re-analysis of the Irish GAAP general and specific provisions into IFRS impairment allowances.

48 Reconciliation of IR GAAP to IFRS (continued)

(p) Effective Interest Rate

Interest income is recognised as it accrues.

Fees and commissions which represent a return for services provided, risk borne or which are in the nature of interest are generally credited to income when the service is performed.

Interest income and expense are recognised in the income statement using the effective interest rate. This rate includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts.

Fees earned on the execution of a significant act are recognised immediately.

The application of IFRS has resulted in certain upfront fees and expenses being included in interest income and spread over the expected life of the underlying asset, rather than being taken upfront.

(q) Offset

Under Irish GAAP, an intention to settle net is not a requirement for offset, the entity must have the ability to insist on net settlement and that ability is assured beyond doubt.

For a financial asset and financial liability to be offset, an entity must intend to settle on a net basis or to realise the asset and settle the liability simultaneously.

As a result of this change, on 1 April 2005, the Balance Sheet has been grossed up for interbank derivatives which, although subject to set off arrangements, are not intended to be settled on a net basis.

Average Balance Sheet and Interest Rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for each of the years ended 31 March 2006 and 2005. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group.

	Year Ended 31 March 2006			Year Ended 31 March 2005		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
ASSETS						
Loans to banks						
Domestic offices	9,268	226	2.4	6,834	179	2.6
Foreign offices	238	12	5.0	987	36	3.6
Loans to customers[1]						
Domestic offices	49,969	2,309	4.6	38,671	1,784	4.6
Foreign offices	43,106	2,264	5.3	35,634	1,781	5.0
Central government and other eligible bills						
Domestic offices	126	1	0.8	7	-	-
Foreign offices	-	-	-	-	-	-
Debt Securities						
Domestic offices	24,380	869	3.6	13,307	426	3.2
Foreign offices	1,518	64	4.2	1,125	57	5.1
Other financial assets at fair value through P/L						
Domestic offices	152	1	0.7	-	-	-
Foreign offices	232	10	4.3	-	-	-
Total interest-earning assets						
Domestic offices	83,895	3,406	4.1	58,819	2,389	4.1
Foreign offices	45,094	2,350	5.2	37,746	1,874	5.0
Net swap interest	-	34	-	-	-	-
	128,989	5,790	4.5	96,565	4,263	4.4
Allowance for impairment losses	(341)	-		(443)	-	
Non interest earning assets[2]	18,615	-		21,181	-	
Total Assets	147,263	5,790	3.9	117,303	4,263	3.6
Percentage of assets applicable to foreign activities	31.8%			34.2%		

Average Balance Sheet and Interest Rates (continued)

	Year Ended 31 March 2006			Year Ended 31 March 2005		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits by banks						
Domestic offices	17,038	478	2.8	18,882	399	2.1
Foreign offices	2,041	74	3.6	1,245	38	3.1
Customer accounts						
Domestic offices	35,817	446	1.2	24,136	219	0.9
Foreign offices	20,579	1,100	5.3	21,929	918	4.2
Debt securities in issue						
Domestic offices	23,800	827	3.5	13,977	354	2.5
Foreign offices	6,393	301	4.7	3,769	179	4.7
Subordinated liabilities						
Domestic offices	2,955	120	4.1	2,248	119	5.3
Foreign offices	2,284	137	6.0	1,442	106	7.4
Total interest bearing liabilities						
Domestic offices	79,610	1,871	2.4	59,243	1,091	1.8
Foreign offices	31,297	1,612	5.2	28,385	1,241	4.4
	110,907	3,483	3.1	87,628	2,332	2.7
Non interest bearing liabilities						
Current accounts	10,578	-		8,886	-	
Other non interest bearing liabilities (2)	20,987	-		16,340	-	
Stockholders equity	4,791	-		4,449	-	
Total liabilities and stockholders' equity	147,263	3,483	2.4	117,303	2,332	2.0
Percentage of liabilities applicable to foreign activities	31.8%			34.2%		

(1) Loans to customers include non-accrual loans and loans classified as problem loans.

(2) The balance sheets of the life assurance companies have been consolidated and are reflected under "Non interest earning assets" and "Other non interest bearing liabilities"

Consolidated Income Statement

For the year ended 31 March 2006	€m	US$m[1]	Stg£m[1]
(EURO, US$ & STG£)			
Interest Income	5,954	7,207	4,146
Interest Expense	(3,647)	(4,415)	(2,539)
Net Interest Income	2,307	2,792	1,607
Insurance net premium income	1,298	1,571	904
Fees and commissions income	912	1,104	635
Fees and commissions expense	(170)	(206)	(118)
Net trading income	30	36	21
Life assurance investment income and gains	625	757	435
Other operating income	165	200	115
Profit on disposal of business activity	176	213	122
Total Operating Income	5,343	6,467	3,721
Increase in insurance contract liabilities and claims paid	(1,666)	(2,017)	(1,160)
Total Operating Income, net of Insurance Claims	3,677	4,450	2,561
Total Operating Expenses	(2,020)	(2,445)	(1,407)
Operating Profit before Impairment Losses	1,657	2,005	1,154
Impairment losses	(103)	(124)	(72)
Operating Profit	1,554	1,881	1,082
Share of profit of associated undertakings and joint ventures	45	54	32
Profit before Taxation	1,599	1,935	1,114
Taxation	(303)	(366)	(211)
Profit for the Period	1,296	1,569	903
Attributable to minority interests	(9)	(11)	(6)
Attributable to stockholders	1,305	1,580	909
Profit for the Period	1,296	1,569	903

(1) Converted at closing exchange rates.

Consolidated Balance Sheet

as at 31 March 2006

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
ASSETS			
Cash and balances at central banks	1,899	2,299	1,322
Items in the course of collection from other banks	930	1,126	648
Central government and other eligible bills	8	10	6
Trading securities	620	750	431
Derivative financial instruments	2,085	2,524	1,452
Other financial assets at fair value through P/L	10,580	12,806	7,368
Loans and advances to banks	10,576	12,801	7,365
Available-for-sale financial assets	28,205	34,139	19,642
Loans and advances to customers	101,246	122,548	70,508
Interests in associated undertakings	21	25	15
Interest in joint ventures	75	91	52
Intangible assets – Goodwill	375	454	261
Intangible assets – Other	590	714	411
Investment property	807	977	562
Property, plant & equipment	860	1,041	599
Deferred tax asset	30	36	21
Other assets	3,447	4,172	2,400
Total assets	162,354	196,513	113,063
EQUITY AND LIABILITIES			
Deposits by banks	32,312	39,110	22,502
Customer accounts	61,710	74,694	42,975
Items in the course of transmission to other banks	284	344	198
Derivative financial instruments	1,647	1,994	1,147
Liabilities to customers under investment contracts	6,650	8,049	4,631
Debt securities in issue	36,814	44,560	25,637
Insurance contract liabilities	5,192	6,284	3,616
Other liabilities	4,711	5,702	3,280
Deferred tax liabilities	207	251	144
Provisions	153	185	107
Retirement benefit obligations	808	978	563
Subordinated liabilities	6,493	7,859	4,522
Total liabilities	156,981	190,010	109,322
Equity			
Share capital	663	802	462
Share premium account	767	928	534
Retained profit	3,330	4,031	2,319
Other reserves	803	972	559
Own shares held for the benefit of life assurance policyholders	(235)	(284)	(164)
Stockholders equity	5,328	6,449	3,710
Minority interests	45	54	31
Total equity	5,373	6,503	3,741
Total equity and liabilities	162,354	196,513	113,063

(1) Converted at closing exchange rates.

Stockholder Information

Holders of Ordinary Stock

Stockholder profile*	**31 March 2006 % by value**	31 March 2005 % by value
Ireland	18	18
Great Britain	12	14
USA	21	21
Europe/Other	20	20
Retail	29	27
	100	100

*This analysis displays a best estimate of the value of stock controlled by fund managers resident in the geographic areas indicated. Private shareholders are classified as 'Retail' above.

Analysis of stockholdings

Stockholding range – units of stock	**Number of stockholdings**	**% of total holders**	**Stock held units(m)**	**% of total stock**
Up to 500	23,859	37.0	4.5	0.5
501 to 1,000	10,293	15.9	8.0	0.8
1,001 to 5,000	20,339	31.5	48.8	5.0
5,001 to 10,000	5,025	7.8	35.9	3.7
10,001 to 50,000	4,160	6.4	83.7	8.6
50,001 to 100,000	403	0.6	28.0	2.9
100,001 to 500,000	307	0.5	65.3	6.7
over 500,000	162	0.3	698.7	71.8
	64,548	100	972.9	100

Stockholder Information

Holders of Ordinary Stock

Financial calendar

Results	Year to 31 March 2006 – announced 31 May 2006 Half year to 30 September 2006 – to be announced 16 November 2006
Annual General Court of Proprietors	Friday, 21 July 2006
Dividends – Ordinary Stock	2005/2006 Final Dividend – to be declared 21 July 2006 – payable 28 July 2006 2006/2007 Interim Dividend – to be announced 16 November 2006 – payable 5 January 2007
Dividends - Preference Stocks	Payable in equal semi-annual instalments – 20 August 2006 – 20 February 2007

Listings

The Governor and Company of the Bank of Ireland is a corporation established in Ireland in 1783 under Royal Charter. Its Ordinary Stock, of nominal value €0.64 per unit, has a primary listing on both the Irish and London Stock Exchanges. In the United States of America the Bank's Ordinary Stock (symbol IRE) is traded on the New York Stock Exchange in the form of American Depository Shares (ADSs), each ADS representing the right to receive four units of Ordinary Stock and evidenced by American Depository Receipts (ADRs).

Registrar

The Bank's Registrar is

Computershare Investor Services (Ireland) Ltd.,
PO Box 954,
Sandyford,
Dublin 18.
Telephone: +353-1-247 5414, Facsimile: +353-1-216 3151
or
Email to: web.queries@computershare.ie

Stockholders with access to the internet may check their accounts on the Bank's Stock Register by accessing the Bank's website at **www.bankofireland.ie**, clicking on "Investor Relations" section and then clicking on "Check your Stockholding Online". This facility allows stockholders to check their stockholdings and recent dividend payment details, and to download standard forms required to initiate changes in details held by the Registrar.

Dividend Withholding Tax ('DWT')

The following information does not constitute definitive tax advice. Stockholders are advised to consult professional advisers if in any doubt about their own individual position.

Further information on DWT may be obtained from:
DWT Section, Office of the Revenue Commissioners, St. Conlon's Road, Nenagh, Co. Tipperary, Ireland.
Telephone +353-67-33533. Facsimile +353-67-33822. Email infodwt@revenue.ie

Dividends paid by Irish resident companies are, with certain exceptions, subject to DWT at the standard rate of income tax (currently 20%). Where it applies, DWT is deducted by the Bank from all dividends paid.

In general, Irish resident individual Stockholders are liable to DWT.

However, certain other classes of Stockholders are not liable to DWT provided they:

- Fall into any of the exempt categories* and
- Complete and return the Irish Revenue's Universal Declaration Form.

*Examples of exempt categories include Irish Resident Companies, Pension Schemes, PRSA administrators, unit trusts, Charities, Non-Resident individuals and Companies – a full list of exempt entities and full details of exemptions are contained in the Universal Declaration Form which is available from the Irish Revenue or Computershare, the Bank's Registrar, at the addresses above.

If you believe that you are entitled to an exemption from DWT you must:

- Complete the relevant part of the Universal Declaration Form, obtaining any relevant additional certification required, and
- Return the completed Universal Declaration Form to the Bank's Registrar (or to your qualifying intermediary or authorised withholding agent) no later than one week prior to the next ensuing Dividend Payment Record Date.

Failure to take action will mean that DWT at the standard rate of income tax will be applied to dividends payable by the Bank to you.

Dividend payments 2005/2006

An Interim Dividend of 18.2 cent was paid in respect of each unit of Ordinary Stock on 11 January 2006.

A Final Dividend of 34.3 cent is proposed in respect of each unit of Ordinary Stock payable on or after 28 July 2006.

Dividends in respect of the Bank of Ireland Non-Cumulative euro and Sterling Preference Stocks are paid half-yearly on 20 February and 20 August. Dividends in respect of Bristol & West non-cumulative Preference Shares are paid half-yearly on 15 May and 15 November.

Payments of dividends directly to your account
Stockholders who wish to have their dividends paid direct to a bank or building society account by electronic funds transfer, should contact the Bank's Registrar to obtain the appropriate mandate form. Confirmation that such payment has been made will be sent to the stockholder's registered address under this arrangement.

Payments of dividends in Sterling
In order to reduce costs to stockholders, arrangements have been made for stockholders resident in the United Kingdom to receive payment of their dividend in the equivalent amounts of Sterling if they so require. Please contact the Bank's Registrar if you wish to avail of this service.

Holders of American Depositary Shares

Depositary Receipts are negotiable securities that are used to represent, among other things, a non-U.S. company's publicly traded ordinary share capital. ADRs are traded and dividends distributed in USD just like any U.S. security, alleviating certain obstacles associated with investing directly in the home markets of non-U.S. companies. The Bank of New York is the Depositary Bank for the Bank of Ireland's ADR Program.

Please direct enquiries to:

The Bank of New York,
Investor Services,
P.O. Box 11258,
Church Street Station,
New York,
NY 10286 - 1258,
USA.

Telephone:	Toll Free Number (U.S. Residents): 1 888 269 2377
	International: +1 212 815 3700
E-mail inquiries:	shareowners@bankofny.com
Website:	www.stockbny.com

Taxation implications of Dividend Withholding Tax for holders of American Depositary Receipts

A holder of an ADR whose address on the register of depositary receipts held by Bank of New York or other qualifying intermediary, or by any intervening specified intermediary, is located in the United States of America, will be exempt from DWT. There is no requirement for such holder to make a declaration in order to obtain that exemption.

Form 20-F

The Form 20-F for year ended 31 March 2006 will be filed with the Securities and Exchange Commission, Washington DC and when filed, copies will be available to download from the Bank's website (see below) or on application to the Group Secretary, or on the website of the U.S. Securities and Exchange Commission.

CREST

Transfer of the Bank's Ordinary Stock through the CREST settlement system commenced on 21 October 1996. Stockholders now have the choice of holding their units of Ordinary Stock in electronic form or continuing to hold their stock certificates.

Stockholder enquiries

All enquiries concerning stockholdings should be addressed to the Bank's Registrar (see page 190).

Amalgamating your stockholdings

If you have received more than one copy of this Report & Accounts, it may be because the Bank has more than one record of stockholdings in your name. To ensure that you do not receive duplicate mailing in future, you can have all your stockholdings amalgamated into one account by contacting the Bank's Registrar (see page 190).

Internet address

Further information about the Bank of Ireland Group can be obtained from the internet at **www.bankofireland.ie**

Principal Business Units & Addresses

Principal Business Units & Addresses

REPUBLIC OF IRELAND

Group Head Office

Lower Baggot Street, Dublin 2
Tel: + 353 1 661 5933
Fax: + 353 1 661 5671
Website: www.bankofireland.ie

GROUP EXECUTIVE

Group Chief Executive:	Brian J Goggin
Chief Executive, Retail Financial Services Ireland:	Richie Boucher
Chief Executive, Wholesale Financial Services:	Denis Donovan
Chief Executive, Asset Management Services:	Kevin Dolan
Chief Executive, UK Financial Services:	Des Crowley
Director, Group Manufacturing:	Tony Wyatt
Group Transformation Director:	Cyril Dunne
Head of Group Human Resources:	Michael Grealy
Group Chief Financial Officer:	John O'Donovan
Group Chief Risk Officer:	Ronan Murphy
Group Secretary:	John Clifford
Head of Group Investor Relations:	Geraldine Deighan
Head of Group Corporate Communications:	Dan Loughrey
Group Legal Adviser:	Finbarr Murphy

RETAIL FINANCIAL SERVICES IRELAND

Branch Network

Network Offices
32 South Mall, Cork
Tel: + 353 21 494 4209, Fax: + 353 21 427 8352
St John's House, Tallaght, Dublin 24
Tel: + 353 21 494 4209, Fax: + 353 21 427 8352
Director Branch Network: Tim O'Neill

Business Banking

40 Mespil Road, Dublin 4
Tel: + 353 1 665 3400, Fax: + 353 1 665 3480
Website: www.bankofireland.ie
Director: Cathal Muckian

Direct Banking

Bank of Ireland 365
Premier House, The Square, Tallaght, Dublin 24
Tel: + 353 1 462 0222 and 1890 365 365
Fax: + 353 1 462 0170
Email: 365online@boimail.com
Website: www.365online.com
Group Customer Contact: Mary Dillon

Bank of Ireland Mortgages and Personal Lending

ICS Building Society
New Century House, IFSC, Mayor Street Lower, Dublin 1
Tel: + 353 1 611 3000, Fax: + 353 1 611 3100
Email: ics@mortgagelink.ie
Website: www.themortgagestore.ie
Managing Director: Joe Larkin

Life Assurance

Bank of Ireland Life Holdings plc
(including New Ireland Assurance Company plc)
Grattan House, Bank of Ireland Head Office,
Lower Baggot Street, Dublin 2
Tel: + 353 1 703 9500, Fax: + 353 1 662 0811
Email: info@bankofirelandlife.ie
Website: www.bankofirelandlife.ie
Managing Director: Brian Forrester

New Ireland Assurance Company plc

11/12 Dawson Street, Dublin 2
Tel: + 353 1 617 2000, Fax: + 353 1 617 2800
Email: info@newireland.ie
Website: www.newireland.ie
Managing Director: Brian Forrester

Principal Business Units & Addresses

General Insurance
Bank of Ireland Insurance Services Ltd
New Century House, IFSC, Mayor Street Lower, Dublin 1
Tel: + 353 1 703 9800, Fax: + 353 1 703 9840
Email: info@boiinsurance.ie
Head of Business: Noel Hiney (acting)

Bank of Ireland Finance
Colm House, 91 Pembroke Road, Ballsbridge, Dublin 4
Tel: + 353 1 614 0300, Fax: + 353 1 614 0301
Email: info@bif.ie
Website: www.bif.ie
Managing Director: Pat Creed

Cards Business
33/35 Nassau Street, Dublin 2
Tel: 1850 251 251, Fax: + 353 1 679 5351
Email: boics@boimail.com
Website: www.boi.ie/cards
Director: Joe Larkin

Retail Foreign Exchange
First Rate Enterprises Ltd
4 Custom House Plaza,
Harbourmaster Place, IFSC, Dublin 1
Tel: + 353 1 611 6700, Fax: + 353 1 611 6780
Email: info@firstrate-boi.ie
Managing Director: Joe Redmond

Bank of Ireland Private Banking
40 Mespil Road, Dublin 4
Tel: + 353 1 637 8600, Fax: + 353 1 637 8700
Email: info@privatebanking.ie
Website: www.privatebanking.ie
Managing Director: Mark Cunningham

Retail Foreign Exchange
Foreign Currency Exchange Corp
5750 Major Blvd, Suite 520, Orlando, Florida 32819
Tel: + 1 407 992 2790, 1 800 999 0689
Fax: + 1 407 581 1384
Website: www.FCECO.com
President & CEO: Randolph W. Pinna

UK FINANCIAL SERVICES

Bank of Ireland UK Financial Services
PO Box 27, One Temple Quay, Bristol BS99 7AX
Tel: + 44 117 909 0900, Fax: + 44 117 929 3787
Website: www.boiukfs.co.uk
Chief Executive: Des Crowley

Bank of Ireland Personal Lending (UK)
PO Box 27, One Temple Quay, Bristol BS99 7AX
Tel: + 44 117 979 2222, Fax: + 44 117 929 3787
Website: www.bristol-west.co.uk, www.bim-online.com & bristolandwest4brokers.co.uk
Managing Director: Richard Brown

Post Office Financial Services
5th Floor, Guildhall House,
87 Gresham Street, London EC2V 7NQ
Tel: +44 207 796 2930, Fax: +44 207 600 2727
Chief Executive Officer: Patrick Waldron

Bank of Ireland (IOM) Ltd
P O Box 246, Christian Road, Douglas, Isle of Man IM99 1XF
Tel: + 44 1624 644200, Fax: + 44 1624 644298
Website: www.boiiom.com
Managing Director: Michael McKay

Bank of Ireland Trust Company (Jersey) Ltd
Tel: + 44 1534 638550, Fax: + 44 1534 733442
Managing Director: Don Cosgrave

Business Banking UK
36 Queen Street, London, EC4R 1HJ
Tel: + 44 207 236 2000, Fax: + 44 207 634 3110
Website: www.bank-of-ireland.co.uk

Business Banking UK
54 Donegall Place, Belfast, BT1 5BX
Tel: + 44 28 9043 3000, Fax: + 44 28 9023 4388
Website: www.bankofireland.co.uk
Managing Director: David McGowan

First Rate Exchange Services
Falcon House, 115-123 Staines Road, Hounslow, TW3 3LL
Tel: +44 208 577 9393, Fax: +44 208 577 6636
Website: www.firstrate.co.uk
Managing Director: Dave Kennedy

Bank of Ireland First Currency Services
Wholesale Banknote
Guildhall House, 81-87 Gresham Street,
London EC2V 7NQ
Tel: + 44 20 7796 2907 Fax: + 44 20 7796 2870
E-mail: info@boifcs.com
Managing Director: Keith Watts

WHOLESALE FINANCIAL SERVICES

Corporate Banking
Bank of Ireland Corporate Banking
Lower Baggot Street, Dublin 2
Tel: + 353 1 604 4000, Fax: + 353 1 604 4005
Email: corporate.banking@boimail.com
Website: www.bankofireland.ie/corporatebanking
Chief Executive: Tom Hayes

Burdale Financial Limited
53 Queen Anne Street
London WIG 9HP, England
Tel: + 44 207 935 1115, Fax: + 44 207 486 3513
Email: redwards@burdale.co.uk
Website: www.burdale.co.uk
Managing Director: Dennis Levine

Burdale Capital Finance
Bank of Ireland US Representative Office
75 Holly Hill Lane, Greenwich, CT 06830
Tel: +1 203 861 8964
Managing Director: David Grende

London
Bank of Ireland Corporate Banking
Eastcheap Court, 11 Philpot Lane, London EC3M 8BA
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France
Bank of Ireland Corporate Banking
20 Avenue Franklin Roosevelt, 75008 Paris, France
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Head of Acquisition Finance France: Jean-Marc Barrabes

Bank of Ireland Global Markets
Colvill House, Talbot Street, Dublin 1
Tel: + 353 1 799 3000, Fax: + 353 1 799 3030
Email: info@boigm.com
Website: www.boi.ie/globalmarkets
Chief Executive: Austin Jennings

Germany
Bank of Ireland Corporate Banking
Taunusanlage 17
60325 Frankfurt am Main, Frankfurt
Tel: +49 69 7167 33910/20
Heads of Acquisition Finance Germany:
Ralph Betz/Maurice FitzGerald

United States
Bank of Ireland Connecticut Representative Office
75 Holly Hill Lane, Greenwich, CT 06830
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Website: www.bankofireland.ie
Country Manager: John T. Connors

United States
Bank of Ireland California Representative Office
2029 Century Park East, Suite 21-117, Los Angeles
CA90067-2901
Tel: + 1 310 843 9380, Fax: + 1 310 843 9381
Website: wwwbankofireland.ie
Senior Vice President: Anthony Beaudoin

Corporate Finance
IBI Corporate Finance Ltd
40 Mespil Road, Dublin 4
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Website: www.ibicf.ie
Chief Executive: Peter Crowley

Principal Business Units & Addresses

Stockbroking
Davy
Davy House, 49 Dawson Street, Dublin 2
Tel: + 353 1 679 7788, Fax: + 353 1 671 2704
Email: davy@davy.ie
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Chief Executive: Tony Garry

London
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Eastcheap Court, 11 Philpot Lane, London EC3M 8BA
Tel: +44 207 560 8600, Fax: +44 207 560 8690
Website: www.boigm.co.uk
Managing Director: Peter Goshawk

Bristol
Bank of Ireland Global Markets
One Temple Quay, Bristol BS 99 7AX
Tel: + 44 117 943 2621, Fax: + 44 117 921 1607
Website: www.boigm.co.uk
Chief Dealer: Barry Littlefield

Belfast
Bank of Ireland Global Markets
1 Donegall Square South
Belfast BT1 5LR
Tel: +44 80 0776 616, Fax: +44 28 9023 7444
Website: www.boigm.co.uk
Head of Global Markets NI: Michael Burns

Connecticut
Bank of Ireland Global Markets
US Representative Office
75 Holly Hill Lane, 3rd Floor, Greenwich, CT 06830
Tel: + 1 203 869 7111, Fax: + 1 203 552 0656
Co-Heads: Matt Porio/Darsh Mariyappa

ASSET MANAGEMENT SERVICES

Bank of Ireland Asset Management Ltd
40 Mespil Road, Dublin 4
Tel: + 353 1 637 8000, Fax: + 353 1 637 8100
Website: www.biam.ie
Chief Executive: Mick Sweeney

United Kingdom
Bank of Ireland Asset Management (U.K.) Ltd
36 Queen Street, London EC4R 1HJ
Tel: + 44 207 489 8673, Fax: + 44 207 489 9676
Website: www.biam.ie
Managing Director: Olivier Santamaria

United States
Connecticut
Bank of Ireland Asset Management (U.S.) Ltd
75 Holly Hill Lane, Greenwich, CT 06830
Tel: + 1 203 869 0111, Fax: + 1 203 869 0268
Website: www.biam.ie
President: Brendan Donohoe

California
Bank of Ireland Asset Management (U.S.) Ltd
2535 Townsgate Road, Suite 211
Westlake Village, CA 91361
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Website: www.biam.ie
Vice President: Dan Anderson

Illinois
Bank of Ireland Asset Management (U.S.) Ltd
Presidents Plaza 1, 8600 West Bryn Mawr Avenue
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Tel: + 1 773 693 7194, Fax: + 1 773 693 7203
Website: www.biam.ie
President: Brendan Donohoe

Canada
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Bank of Ireland Asset Management (U.S.) Ltd
Canadian Representative Office
One Dundas Street West, Suite 2500
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Tel: + 1 416 777 0004, Fax: + 1 416 777 0034
Website: www.biam.ie
Vice President: Padraig Connolly

Montreal
Bank of Ireland Asset Management (U.S.) Ltd
Canadian Representative Office
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Website: www.biam.ie
Vice President: Vincent Marcoux

Japan
Bank of Ireland Asset Management (Japan) Ltd
Level 5, Akasaka Tokyu Building, 2-14-3 Nagatacho
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Tel: + 81 3 3539 3180, Fax: + 81 3 3539 3182
Website: www.biam.ie
President: Kikuo Kuroiwa

Australia
BIAM Australia Pty Ltd
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Website: www.biam.ie
Regional Director Australasia: Pat Lardner

Bank of Ireland Securities Services Ltd
New Century House, Mayor Street Lower, IFSC, Dublin 1
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Email: info@boiss.boi.ie Website: www.boiss.ie
Managing Director: Liam Manahan

Iridian Asset Management LLC
276 Post Road West, Westport, CT 06880
Tel: + 1 203 341 7800, Fax: + 1 203 341 7801
Email: clientservice@iridian.com Website: www.iridian.com
Co-Chief Executive Officers & Co-Chief Investment Officers: David Cohen & Harold Levy

Guggenheim Advisors
135 East 57th Street, New York, NY 10022
Tel: + 1 212 651 0854, Fax: + 1 212 644 2947
Chairman: Loren Katzovitz
President: Patrick Hughes

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Notes

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