Bank of Ireland Group

Bank of Ireland Group
Interim Statement for the half-year to 30 September 2006

Bank of Ireland Group
Interim Statement for the half-year to 30 September 2006

Performance Highlights

	Half-Year 30-9-2006	Half-Year 30-9-2005	% Change
Group Profitability (€ Million)			
Profit before tax (PBT)	887	848	5
Non-core items:			
Gain on disposal of business assets	40	183	
Gross-up for policyholder tax in the Life business	15	31	
Hedge ineffectiveness on transition to IFRS	(1)	(21)	
Restructuring programme	(19)	(10)	
	35	183	
Underlying profit before tax	852	665	28
Per Unit of €0.64 Ordinary Stock (€)			
Basic earnings per share	76.7c	74.6c	3
Underlying earnings per share	73.0c	57.3c	27
Dividend	21.0c	18.2c	15
Divisional Pre-tax Performance (€ Million)*			
Retail Republic of Ireland	339	268	26
Bank of Ireland Life	67	68	(1)
Wholesale Financial Services	253	166	52
UK Financial Services	222	167	33
Asset Management Services	33	51	(35)
Group Centre	(62)	(55)	13
Underlying profit before tax	852	665	28
Group Performance*			
Net interest margin (%)**	1.73	1.79	
Cost/income ratio (%)	53	57	
Cost-income jaws (%)	9	3	
Annualised impaired loan loss charge	9bps	11bps	
Return on equity (%)	25	25	
Balance Sheet			
Total stockholders' equity (€ Million)	5,839	4,532	29
Total assets (€ Billion)	178	146	22
Total lending (€ Billion)	120	97	24
Total customer accounts (€ Billion)	71	57	24
Capital			
Tier 1 ratio (%)	7.7	7.3	
Total capital ratio (%)	10.9	10.6	
Risk-weighted assets (€ Billion)	109.3	88.5	23

* Based on underlying performance, which excludes the impact of non-core items above.
** The Group net interest margin of 1.73% includes the favourable impact of 5bps arising from the categorisation of income under the application of IAS 32 & 39. Excluding this favourable impact, the adjusted Group net interest margin is 1.68%.

Bank of Ireland Group
Interim Statement for the half-year to 30 September 2006

"This has been another excellent performance by Bank of Ireland Group in the half-year to the end of September 2006, delivering on our promise of consistent and sustainable growth in all of our main businesses and markets. The strength of our franchise and the commitment and skill of our employees will enable us to continue to drive this momentum across the Group. We are confident of delivering an excellent full year performance to March 2007."
Brian Goggin, Bank of Ireland Group Chief Executive, commented

Group Performance Highlights*

- Excellent underlying Group profit growth of 28% – in all our main businesses and markets
- Delivering successfully on our growth & investment strategies
- Exceeding objectives of our Strategic Transformation Programme
- Group income growth of 14% driven by very strong lending and resources growth
- Slowing rate of margin attrition
- Cost growth well contained at 5% with excellent improvement in our efficiency ratios (cost/income ratio down 4% to 53%)
- Excellent asset quality – annualised impairment being 9bps
- Strong Capital ratios – Total Capital and Tier 1 ratios at 10.9% and 7.7% respectively
- Strong business momentum resulting in revised guidance - with EPS growth of c. 20% to March 2007 from a base of 118.5c for the year to March 2006

Divisional Highlights*

- In Retail Republic of Ireland: PBT +26%
  - Excellent business momentum with strong growth in resources and lending
  - Significant efficiency gains resulting in improved cost/income performance
- In Life: Operating profit +27%
  - Excellent sales growth and effective cost-control driving performance
  - In the current period, weaker stock markets impacting negatively on the mark to market of Embedded Value, and no change in discount rate resulting in PBT performance down 1%
- In Wholesale: PBT + 52%
  - Businesses across the Division performing strongly
  - Investment in expanding Corporate Banking franchise driving a particularly strong performance
  - Arrangement fees and some provision write-backs during the period contributing to this performance
- In UKFS: PBT +33%
  - Particularly strong performance from UK Financial Services
  - Benefits of investment in Business Banking a key driver of performance – delivering excellent loan and resource growth
  - Mortgage Business positioned well & delivering strong growth in specialist lending
  - UK Post Office joint ventures progressing well
- In Asset Management Services: PBT -35%
  - Good progress in integrating newly acquired businesses
  - New leadership and restructured investment team in BIAM

**Note: based on underlying performance*

Forward-Looking Statement

This statement contains certain forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995 with respect to certain of the Bank of Ireland Group's ("the Group") plans and its current goals and expectations relating to its future financial condition and performance and the markets in which it operates. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to risks and uncertainties relating to profitability targets, prevailing interest rates, the performance of the Irish and UK economies and the international capital markets, the Group's ability to expand certain of its activities, competition, the Group's ability to address information technology issues and the availability of funding sources. 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.

For further information please contact:

John O'Donovan	Geraldine Deighan	Dan Loughrey
Chief Financial Officer	Head of Group Investor Relations	Head of Group Corporate Communications
Tel: 353 1 632 2054	Tel: 353 1 604 3501	Tel: 353 1 604 3833

Bank of Ireland will host a results presentation at 9.00am today, 16th November 2006 at the following venues:

Bank of Ireland Head Office, Lower Baggot Street, Dublin 2
UBS Investment Bank, 1 Finsbury Avenue, London EC2M 2PP

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

Overview

The Bank of Ireland Group is pleased to announce an excellent performance for the six-month period to 30 September 2006. Group profit before tax (PBT) is up 5% to €887 million and basic earnings per share up 3% to 76.7c. Excluding non-core items (outlined on page 18 of this document), Group underlying PBT is up 28% to €852 million and underlying EPS is up 27% to 73.0c. This performance is driven by the rigorous execution of strategy against a backdrop of strongly performing economies.

Our strategy is to maximise our returns from our leading position in Ireland, substantially grow our businesses in the UK and grow our portfolio of niche, skill-based businesses internationally. New business growth across the Group is strong with loans and resources both up 24%. Cost growth is firmly contained and the Strategic Transformation Programme is ahead of target. We continue to make significant progress in achieving efficiency gains across the Group and our cost/income ratio continues to improve, down 4% to 53% in the reporting period. The continuing benign credit environment has contributed to the exceptionally low loan loss charge, which at 9bps annualised remains significantly below trend.

The reorganisation we announced in mid-September 2006 (effective 1 October 2006) with the creation of our new Capital Markets Division now aligns our structure more closely to our strategy. This Division, together with Retail Financial Services Ireland and UK Financial Services Divisions, are all delivering strong momentum and excellent profit performance.

We completed, on 31 October 2006, the sale of our 90.444% equity stake in our stockbroking firm, Davy, for a cash consideration of €316.55 million. The profit on disposal after tax is expected to be approximately €225 million and will be reflected in the results for the year ending 31 March 2007.

Outlook

The economic outlook for the markets in which we operate remains positive, underpinning the strong momentum in our business. As a result of the strong performance in the first half of our financial year, we are guiding underlying EPS growth of c. 20% for the full year (from a base of 118.5c for the year to March 2006).

Divisional Performance

Divisional Profit Before Tax

	30-9-2006 €m	30-9-2005 €m	% Change
Retail Republic of Ireland	339	268	26
Bank of Ireland Life	67	68	(1)
Wholesale Financial Services	253	166	52
UK Financial Services	222	167	33
Asset Management Services	33	51	(35)
Group Centre	(62)	(55)	13
Underlying profit before tax	852	665	28
Non-core items	35	183	
Profit before tax	887	848	5

Retail Republic of Ireland

Retail Republic of Ireland delivered an excellent performance for the half-year to 30 September 2006 with pre-tax profit growth of 26% to €339 million. Total operating income rose by 15% and operating expenses by 6% – a 9% cost-income jaws. This excellent performance was enabled by the continuing buoyancy of the Irish economy and the strength of our leading franchise in Ireland: the broadest distribution platform; the most extensive suite of retail and business banking products and services; commitment to service excellence and focus on efficiency.

Retail Republic of Ireland: Income Statement

	30-9-2006 €m	30-9-2005 €m	% Change
Net interest income	632	546	16
Other income*	189	168	13
Total operating income	821	714	15
Total operating expenses	(449)	(423)	6
Impairment losses on loans and advances	(33)	(23)	43
Profit before tax	339	268	26

** Includes share of associates/joint ventures.*

Income growth was driven by the strong business momentum across our retail activities with total lending and resource growth of 25% and 16% respectively. In Business Banking, our focus on strengthening our competitive position in the SME segment has delivered with September 2005 to September 2006 growth in our loan book of 29%. Our mortgage business loan book grew by 25% compared to September 2005. Interest rate increases are beginning to impact on affordability, particularly in the residential property first time buyer segment. While the mortgage market remains highly competitive, our distribution capability and service proposition have ensured that Bank of Ireland retains a leading position for mortgages in Ireland. Our Private Banking business performed particularly well. Our personal lending book grew by 19% with credit card volumes buoyant.

Cost management was excellent and we achieved significant improvement in the cost/income ratio with a reduction from 59% to 55%.

The impairment losses on loans and advances were €33 million or 16 bps annualised as a percentage of average advances. This compares to €23 million or 14 bps annualised for September 2005 and reflects the rise in volume and changing mix of business. Asset quality remains excellent.

Bank of Ireland Life

Bank of Ireland Life, the Group's life and pensions business, continues to perform strongly with impressive sales growth and effective cost control the main drivers of performance. IFRS operating profit grew by 27% to €71 million.

The Life business achieved excellent growth in new sales volumes with a 26% increase to €199 million on an annual premium equivalent basis. The completion of the investment last year in our new life administrative platforms has resulted in the Life company achieving significant efficiency gains in the processing of new life business volumes and plans are well advanced for further enhancement of our pension processing capability for individual pensions.

The Bank of Ireland Life business has a leading position in the Irish market resulting from the combination of our multi-channel distribution platform and unique sales model. This combination together with the continuing favourable economic and demographic backdrop ensures the outlook for the Life business remains positive.

IFRS Performance

Life Business: Income Statement

	30-9-2006 €m	30-9-2005 €m	% Change
Income	121	104	16
Costs	(50)	(48)	4
Operating profit	**71**	**56**	**27**
Investment variance	(4)	8	
Discount rate change	-	4	
Profit before tax	67	68	(1)

Profit before tax at €67 million was 1% lower than the previous half year due to a negative investment variance of €4 million compared to a positive contribution in the prior period. The prior period also benefited from the positive impact of a 0.5% reduction in the discount rate to 7.5%. There was no change to the discount rate in the current reporting period.

Embedded Value Performance

The alternative method (which is widely used by the life assurance 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 a strong performance with operating profit up 19% to €81 million. The value of new business has grown particularly strongly with margins increasing from 18% to 23%, reflecting the economies of scale from higher volumes and very low cost growth. A negative investment variance in the current period compared to a positive investment variance in the prior period, and the change to the discount rate in the prior period with no change in the current period, have resulted in profit before tax being 35% lower.

	30-9-2006 €m	30-9-2005 €m	% Change
New business profits	45	29	55
Existing business profits			
Expected return	39	35	
Experience variance	8	12	
Operating assumption changes	4	5	
Inter-company payments	(15)	(13)	
Operating profit	81	68	19
Investment variance	(15)	25	
Discount rate change	-	8	
Profit before tax	66	101	(35)

The Embedded Value methodology 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 results include a Value of Inforce asset in respect of insurance contracts only.

The key assumptions used in the calculation of this asset are a discount rate of 7.5% (September 2005: 7.5%), future growth rate on unit-linked assets of 5.5% (September 2005: 5.5%) and the rate of tax assumed to be levied on shareholder profits of 12.5% (September 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

The Wholesale Financial Services Division (WFS) comprises Corporate Banking, Global Markets, Davy Stockbrokers and IBI Corporate Finance. Profit before tax in WFS increased by 52% to €253 million for the six months to September 2006.

WFS: Income Statement

	30-9-2006 €m	30-9-2005 €m	% Change
Net interest income	282	181	56
Other income	126	130	(3)
Total operating income	408	311	31
Total operating expenses	(151)	(128)	18
Total operating profit	257	183	40
Impairment losses on loans and advances	(4)	(17)	(76)
Profit before tax	253	166	52

Total operating income rose by 31% to €408 million for the six months to September 2006 driven principally by strong lending volumes, higher margin and higher loan arrangement fee income earned in Corporate Banking. Lending volumes increased by 20% and margins improved, reflecting the mix in the loan book. The growth in net interest income and other income is distorted by the categorisation of income under IAS 32 and 39. Excluding this impact, net interest income grew by 40% and other income grew by 19%.

Operating expenses rose by 18% driven by a combination of continuing investment, higher performance related pay, higher volume, inflation and higher compliance spend.

Credit quality remains good with impairment losses on loans and advances of €4 million for the six months to September 2006, or 4bps annualised when expressed as a percentage of the loan portfolio. This compares to €17 million or 19bps annualised in the first six months of the prior year. Corporate Banking continues to benefit from the current benign credit environment together with some provision write-backs, amounting to €16 million, during the period.

WFS: Business Unit Profit Before Tax

	30-9-2006 €m	30-9-2005 €m	% Change
Corporate Banking	158	90	76
Global Markets	71	63	13
Other	24	13	85
Profit before tax	253	166	52

Corporate Banking delivered particularly strong profit growth of 76% for the first half of this year, resulting from strong growth in lending volumes and overall margins. 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.

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 period increased by 13% in challenging market conditions. We continue to broaden the geographic scope of our activities, further build on our technical capability with the recruitment of highly skilled teams, and work closely with other Group businesses to deliver an integrated service to our customers. In October 2006 we also opened a treasury operation in the US.

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

On 31 October 2006, the Bank completed the sale of its 90.444% stake in Davy to the management and staff of Davy. The profit on the disposal is expected to be approximately €225 million after tax and will be reflected in the results for the year ending 31 March 2007.

UK Financial Services (Sterling)

	30-9-2006 £m	30-9-2005 £m	% Change	Adjusted ** 30-9-2005 £m	Adjusted** % Change
Net interest income	255	230	11	217	18
Other income*	70	60	17	52	35
Total operating income	325	290	12	269	21
Total operating expenses	(165)	(169)	(2)	(145)	14
Impairment losses on loans and advances	(8)	(7)		(7)	
Profit before tax	152	114	33	117	30

** Note: includes share of associates/joint ventures*
*** September 2005 figures adjusted for the trading impact of the B&W branch network*

The UK Financial Services Division (UKFS), which incorporates Business Banking, our Mortgage business and our joint ventures with the UK Post Office, delivered an excellent performance during the period demonstrating the success of our restructuring and investment programmes over the last 18 months. Profit before tax increased by 33% to £152 million.

The Divisional performance during the period is not directly comparable with the prior period as the disposal of the Bristol & West branch network in September 2005 impacts on the year on year analysis of income and cost growth.

On an adjusted basis total operating income rose by 21% to £325 million for the six months to 30 September 2006; net interest income rose by 18% with very strong volume growth for both lending 25%, and resources 35%, the key drivers of performance; other income rose by 35% with fee income from the sales of insurance products in the Post Office Financial Services joint venture (POFS) a particular feature.

On an adjusted basis operating expenses increased by 14% to £165 million for the half-year to 30 September 2006, due to the timing of marketing expenditure relating to new product launches in POFS and volume related expenses in our Business Banking activities.

Impairment losses on loans and advances are similar to last year at 5 bps annualised and overall asset quality remains strong.

UKFS: Business Unit Profit Before Tax

	30-9-2006 £m		30-9-2005 £m		% Change
Mortgages		74		65	14
Business Banking		70		54	30
Consumer Financial Services:		11		7	57
• POFS	(8)		(12)		
• FRES (post tax)	19		19		
Disposal of BWFS		-		(4)	
Other*		(3)		(8)	63
Total		152		114	33

** Note: includes the amortisation of intangible assets associated with the UK Post Office Financial Services (September 2006: £4m, September 2005: £4m).*

The Mortgage business delivered a profit of £74 million, an increase of 14% for the half year. The residential mortgage book increased by 15% to £23 billion with particularly strong growth in both our self-certified and buy-to-let specialist portfolios, which increased 29% and 24% respectively. Total operating income growth was 8% as margin attrition impacted net interest income whilst costs remained flat half-year on half-year. Credit performance remains excellent with our arrears levels significantly below the industry average and the loan loss charge for mortgages showed no change from September 2005. 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 performance in our niche segments in an increasingly competitive environment.

The performance of Business Banking is a particular highlight with profit before tax increasing by 30% to £70 million. Our investment in building a high-performing team of business bankers has delivered very strong results. Total operating income and costs grew by 22% and 14% respectively. Asset quality remains strong. Volume growth is high with loan book growth of 47% and resource growth of 25%.

Customer acquisition continues at an increasing pace in our joint venture with the UK Post Office (POFS). Customer numbers have increased to 660,000 by end-September with the business now adding over 50,000 new customers every month. We are experiencing strong sales growth in our insurance and credit card products and we have attracted over £1 billion in our Instant Saver accounts since launch in April 2006. The losses in the venture continue to decline, down by 33% to £8 million in the half-year to September 2006.

Against the backdrop of a challenging market, profit remained unchanged from our second joint venture with the UK Post Office for the provision of personal foreign exchange services, First Rate Exchange Services (FRES).

Asset Management Services

Asset Management Services: Income Statement

	30-9-2006 €m	30-9-2005 €m	% Change
Net interest income	3	5	(40)
Other income	103	110	(6)
Total operating income	106	115	(8)
Total operating expenses	(73)	(64)	14
Profit before tax	33	51	(35)

Asset Management Services (AMS) comprises Bank of Ireland Asset Management (BIAM), Bank of Ireland Securities Services (BoISS), our holdings in Iridian Asset Management (92%), Guggenheim Advisors (71.5%) and the 50% joint venture we established with private equity firm Paul Capital in June 2006, Paul Capital Investments. Profit before tax for the Division for the half-year to 30 September 2006 was €33 million, a decrease of €18 million over the prior period reflecting the impact of the mandate losses in BIAM in the current and prior periods. Fund outflows from BIAM have slowed with funds under management at 30 September 2006 of €43 billion compared to €45 billion as at 31 March 2006.

The focus within the Division over the last six months has been on accelerating the turnaround in performance in BIAM with the restructuring of the investment management team, continuing the product diversification and the integration of newly acquired businesses within the Division.

Group Centre

Group Centre, which comprises earnings on surplus capital, unallocated support costs and some smaller business units, had a net cost of €62 million in the half year to 30 September 2006, compared to €55 million in the six months to September 2005.

The key drivers behind this cost are an increased compliance spend, in particular Basel II and Sarbanes-Oxley, and funding costs of capital raised.

Review of Group Performance

Group Income Statement

Group Income Statement

	30-9-2006 €m	30-9-2005 €m	% Change
Net interest income	1,287	1,075	20
Other income	594	574	3
Total operating income (net of insurance claims)	1,881	1,649	14
Operating expenses	(1,010)	(962)	5
Impairment losses on loans and advances	(48)	(50)	(4)
Share of associates and joint ventures (post-tax)	29	28	4
Underlying profit before tax	852	665	28
Non-core items:			
Gain on disposal of business assets	40	183	
Gross-up for policyholder tax in the Life business	15	31	
Hedge ineffectiveness on transition to IFRS	(1)	(21)	
Restructuring programme	(19)	(10)	
Total non-core items	35	183	
Profit before tax	887	848	5
Taxation	(154)	(139)	11
Minority interest	2	3	
Dividends to preference stockholders	(7)	(6)	
Profit attributable to ordinary stockholders	728	706	3
Basic EPS cents per share	76.7	74.6	3
Underlying EPS cents per share	73.0	57.3	27

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 18 and 19 of this document.

Income

Total income increased by 14% to €1,881 million driven by strong volume increases in both lending and resources across the Group, together with the excellent performance from our fee-earning activities 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 16% year on year.

Total Income

	30-9-2006 €m	30-9-2005 €m	% Change
Total operating income	1,881	1,649	14
Acquisitions/Disposals	(11)	(31)	
Total income excluding impact of acquisitions and disposals	1,870	1,618	16

Net interest income increased by 20% for the half-year to 30 September 2006. This performance has been impacted by the distorting effect of income streams associated with acquisitions and disposals during the current and prior periods, together with the impact of the application of IAS 32 and IAS 39 in the current period. These standards have the effect of recognising certain income streams as net interest income, which in the prior period would have been recognised as other income. The financial reporting impact of the application of IAS 32 and IAS 39 is to increase net interest income by €36 million with a corresponding decline in other income.

Net Interest Income

	30-9-2006 €m	30-9-2005 €m	% Change
Net interest income	1,287	1,075	20
Acquisitions/Disposals:	-	(19)	
IAS 32 and 39 impact	(36)	-	
Net interest income excluding impact of acquisitions and disposals & IAS 32 and 39	1,251	1,056	18

Net interest income, excluding the impact of the above items, increased by 18% to €1,251 million in the half-year to 30 September 2006. This excellent performance was driven by the continued strong growth in loans and resources across the Group. Loans to customers increased by 24% and resources grew by 24%. A number of drivers contributed to this volume growth: the continuing favourable economic backdrop to our activities in Ireland and the UK; the strength of our franchise in Ireland, supported by the scale of our multi-channel distribution network; the further delivery from our investment in our UK Business Banking and Corporate Banking teams.

Group Net Interest Margin

	30-9-2006 €m	30-9-2005 €m	% Change
Average interest earning assets (€billion)			
Domestic	96	78	
Foreign	53	42	
Total	149	120	24
Net Interest Margin (%)			
Domestic net interest margin	1.90	1.86	
Foreign net interest margin	1.41	1.66	
Group net interest margin	1.73	1.79	
IAS 32 and 39 impact	0.05	-	
Adjusted net interest margin	1.68	1.79	

The Group net interest margin, excluding the positive impact of IAS 32 and IAS 39, decreased by 11bps to 1.68% for the 6 months to 30 September 2006 from 1.79% for the 6 months to 30 September 2005. The drivers of margin attrition are: balance sheet structure where the growth in average loans exceeded that of average deposits over the period, lower lending margins, and a contraction in margins arising from the sale of the Bristol and West branch network

The pace of margin attrition, in what is a very competitive environment, is expected to slow as the rate of loan growth relative to resource growth becomes more aligned and the increasing interest rate environment continues to positively impact liability margins.

Other Income increased by 3% during the year. This performance was affected by the application of IAS 32 and IAS 39 and the distorting effect of income streams from acquisitions and disposals. Excluding these items other income has increased by 10% to €619 million in the six months to 30 September 2006.

Other Income

	30-9-2006 €m	30-9-2005 €m	% Change
Other income	594	574	3
Acquisitions/Disposals	(11)	(12)	
IAS 32 and 39 impact	36	-	
Other income excluding impact of acquisitions and disposals & IAS 32 and 39	619	562	10

The drivers of this increase are broadly based across the Group: excellent new business sales growth in the Life business; higher arrangement fees in Corporate Banking; increased sales of insurance products in POFS; increased fees from a range of activities in Retail Republic of Ireland. This overall strong performance was partly offset by the decline in income from BIAM, and the negative investment variance and impact of the change in the discount rate in the prior period in the Life business.

Operating Expenses

Total Operating Expenses increased 5% in the six months to 30 September 2006 or by 8% excluding the impact of acquisitions and disposals.

Efficiency improvements remain a core focus and we continue to make significant progress in this regard. Our cost/income ratio continues to improve with a further reduction of 4 percentage points from 57% in September 2005 to 53% in September 2006.

Total Operating Expenses

	30-9-2006 €m	30-9-2005 €m	% Change
Operating expenses	1,010	962	5
Acquisitions/Disposals	(12)	(36)	
Operating expenses excluding the impact of acquisitions and disposals	998	926	8

The cost base in the prior period included €36 million relating to the Bristol & West branch network, which was sold in September 2005. The cost base in the current period to 30 September 2006 included costs of €12 million associated with acquisitions.

The main drivers of total operating expenses (excluding acquisitions and disposals) were:

- Investment costs of 3% relating to the development of our Global Markets and Corporate Banking activities in Europe and the United States together with the costs associated with the launch of new products in POFS.
- Compliance costs of 1% associated with the Sarbanes-Oxley and Basel II programmes.
- Business as usual cost growth of 7% where 3% is due to volume growth and performance related compensation and is driven by the significant growth in new business across the Group. The remaining 4% is due to inflation.
- Cost savings of (3%) arising from the continued successful implementation of the Strategic Transformation Programme in the current period.

We have continued to make excellent progress on the implementation of the Strategic Transformation Programme. We are confident of delivering savings in the current financial year ahead of our cumulative target of €75 million with achieved savings in the half year to 30 September 2006 of €40 million.

Impairment of Loans and Advances

The ongoing benign economic environment continues to support excellent asset quality across the Group.

The impairment charge for the six months to 30 September 2006 amounts to €48 million or 9 bps when expressed as an annualised percentage of average loans. Impairment losses on loans and advances are at historically low levels. Loan losses have benefited from some provision write-backs during the period, in particular write-backs in Corporate Banking amounting to €16 million. We continue to maintain a satisfactory level of provisions against impaired loans, with a coverage ratio of 47%, a level we are comfortable with as mortgages represent 46% of our total lending.

Total balance sheet provisions were €398 million at 30 September 2006, compared to €343 million in September 2005.

Asset Quality

	30-9-2006	30-9-2005	Change
Total average customer advances (€bn)	107	87	23%
Impaired loans (€m)	844	693	22%
Impairment provision (€m)	398	343	16%
Coverage ratio (%)	47	50	(3%)
Impairment losses on loans and advances (€m)	48	50	(4%)
Impairment losses on loans and advances (annualised bps)	9	11	(2 bps)

Share of Associates and Joint Ventures

Profit after tax from associated undertakings and joint ventures, which mainly relates to First Rate Exchange Services, remained broadly in line with the prior period at €29 million in the six-month period to 30 September 2006, against the backdrop of challenging market conditions.

Balance Sheet – Capital and Funding

Total assets increased 22% from €146 billion to €178 billion in the year to 30 September 2006. Customer loans and advances increased by 24% and total resources increased by 24%.

Risk weighted assets grew by 23% from €88.5 billion to €109.3 billion.

% Growth September 2006 over September 2005

	Risk Weighted Assets	Loans and advances to customers	Resources
Retail Republic of Ireland	27	25	16
Wholesale Financial Services	17	20	21
UK Financial Services	27	25	35
Group	23	24	24

Capital

Bank of Ireland has maintained a strong capital position. At September 2006, our Total Capital Ratio was 10.9% compared to 10.6% at September 2005. Our Tier 1 Ratio at 30 September 2006 was 7.7% compared to 7.3% in September 2005.

During the period the Group raised £500 million (€738 million) of non-equity Tier 1 Capital.

	30-9-2006	**30-9-2005**
Risk Weighted Assets (€bn)	109.3	88.5
Total Capital Ratio (%)	10.9	10.6
Tier 1 Ratio (%)	7.7	7.3

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 reduced from 45% to 44% of total balance sheet (excluding Bank of Ireland Life assets held on behalf of policyholders) between 30 September 2005 and 30 September 2006. This reduction results from a significant increase in the pace of customer deposit growth, particularly in UKFS.

Balance Sheet Funding	**30-9-2006**	**30-9-2005**
	%	**%**
Deposits by banks	*17*	*22*
CP/CDs	*12*	*13*
Senior Debt/ACS	*15*	*10*
Wholesale Funding	44	45
Customer Deposits	43	42
Capital/Sub. Debt	8	7
Other	5	6
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. During the half-year to 30 September 2006 the Group issued its second US Extendible Note Transaction raising US$2 billion, and in September 2006 issued €1.5 billion 5-year senior notes from its Euro Note Programme.

The Group also issued a further €2 billion of asset covered securities in a 7-year benchmark deal.

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 taxation charge for the Group was €154 million compared to €139 million in the half-year to 30 September 2005.

The effective tax rate was 17.4% compared to 16.4% in the half-year to 30 September 2005. The rate has increased largely as the tax charge for the period to September 2005 contained the benefit from the non-taxable gain in relation to the disposal of the Bristol & West branch network. This factor more than offsets the benefits of the abolition of the financial levy and the reduced gross-up for policyholder tax in the Life Business.

Dividend

In accordance with Group policy, the Interim Dividend is set at 40% of the total distribution per unit of Ordinary Stock for the prior year. The Court has therefore recommended an Interim Dividend of 21.0 cent per unit of Ordinary Stock; this results in an increase of 15% over the corresponding period last year. This dividend will be paid on or after 16 January 2007 to Stockholders who are registered as holding Ordinary Stock at the close of business on 24 November 2006. These dates have been revised to facilitate the reintroduction of the Stock Alternative Scheme and the dividend will be paid in cash and/or additional stock, at the election of Stockholders.

ROE

Return on equity, excluding the impact of non-core items (set out on pages 18 and 19) was 25% for each of the half-years to 30 September 2006 and to 30 September 2005.

Income Statement 30 September 2006 – Business Segments

6 months ended 30 September 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	632	-	188	**820**	-	**820**	(449)	(33)	1	**339**
BOI Life	4	920	51	**975**	(858)	**117**	(50)	-	-	**67**
Wholesale Financial Services	282	-	126	**408**	-	**408**	(151)	(4)	-	**253**
UK Financial Services	372	-	74	**446**	-	**446**	(241)	(11)	28	**222**
Asset Management Services	3	-	103	**106**	-	**106**	(73)	-	-	**33**
Group Centre	(6)	16	(22)	**(12)**	(4)	**(16)**	(46)	-	-	**(62)**
Group - underlying	1,287	936	520	**2,743**	(862)	**1,881**	(1,010)	(48)	29	**852**
Gain on disposal of business assets	-	-	40	**40**	-	**40**	-	-	-	**40**
Gross up of policyholder tax in the Life business	-	-	15	**15**	-	**15**	-	-	-	**15**
Hedge ineffectiveness on transition to IFRS	-	-	(1)	**(1)**	-	**(1)**	-	-	-	**(1)**
Restructuring programme	-	-	-	-	-	-	(19)	-	-	**(19)**
Group total	1,287	936	574	**2,797**	(862)	**1,935**	(1,029)	(48)	29	**887**

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.

Income Statement 30 September 2005 – Business Segments

6 months ended 30 September 2005

	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	546	-	167	**713**	-	**713**	(423)	(23)	1	**268**
BOI Life	4	515	288	**807**	(691)	**116**	(48)	-	-	**68**
Wholesale Financial Services	181	-	130	**311**	-	**311**	(128)	(17)	-	**166**
UK Financial Services	338	-	60	**398**	-	**398**	(248)	(10)	27	**167**
Asset Management Services	5	-	110	**115**	-	**115**	(64)	-	-	**51**
Group Centre	1	14	(14)	**1**	(5)	**(4)**	(51)	-	-	**(55)**
Group – underlying	1,075	529	741	**2,345**	(696)	**1,649**	(962)	(50)	28	**665**
Gain on disposal	-	-	183	**183**	-	**183**	-	-	-	**183**
Gross up of policyholder tax in the Life business	-	-	31	**31**	-	**31**	-	-	-	**31**
Hedge ineffectiveness on transition to IFRS			(21)	**(21)**		**(21)**				**(21)**
Restructuring programme	-						(10)	-	-	**(10)**
Group total	1,075	529	934	**2,538**	(696)	**1,842**	(972)	(50)	28	**848**

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.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
INTEREST INCOME (Note 4)	3,698	2,929	5,954
INTEREST EXPENSE (Note 5)	(2,411)	(1,854)	(3,647)
NET INTEREST INCOME	1,287	1,075	2,307
Insurance net premium income	936	529	1,298
Fees and commissions income	490	457	912
Fees and commissions expense	(91)	(97)	(170)
Net fees and commissions income	399	360	742
Net trading income	2	11	30
Life assurance investment income and gains	44	312	625
Other operating income (Note 6)	121	68	165
Profit on disposal of business activities	8	183	176
TOTAL OPERATING INCOME	2,797	2,538	5,343
Increase in insurance contract liabilities and claims paid	(862)	(696)	(1,666)
TOTAL OPERATING INCOME, NET OF INSURANCE CLAIMS	1,935	1,842	3,677
TOTAL OPERATING EXPENSES (Note 7)	(1,029)	(972)	(2,020)
OPERATING PROFIT BEFORE IMPAIRMENT LOSSES	906	870	1,657
Impairment losses (Note 12)	(48)	(50)	(103)
OPERATING PROFIT	858	820	1,554
Income from associated undertakings and joint ventures	29	28	45
PROFIT BEFORE TAXATION	887	848	1,599
Taxation (Note 9)	(154)	(139)	(303)
PROFIT FOR THE PERIOD	733	709	1,296
Attributable to minority interests	(2)	(3)	(9)
Attributable to stockholders	735	712	1,305
PROFIT FOR THE PERIOD	733	709	1,296
Earnings per unit of €0.64 ordinary stock (Note 10)	76.7c	74.6c	136.4c
Diluted earnings per unit of €0.64 ordinary stock (Note 10)	76.2c	74.0c	135.4c

CONSOLIDATED BALANCE SHEET (UNAUDITED)

	30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
ASSETS			
Cash and balances at central banks	840	730	1,899
Items in the course of collection from other banks	839	722	930
Central government and other eligible bills	9	180	8
Trading assets (Note 13)	477	640	620
Derivative financial instruments	2,295	2,023	2,085
Other financial assets at fair value through P/L (Note 13)	10,984	9,277	10,580
Loans and advances to banks	8,251	9,658	10,576
Available-for-sale financial assets (Note 13)	32,515	26,522	28,205
Loans and advances to customers (Note 11)	114,356	91,286	101,246
Interests in associated undertakings	25	17	21
Interest in joint ventures	131	89	75
Intangible assets - Goodwill	361	285	375
Intangible assets - Other	597	569	590
Investment property	1,042	620	807
Property, plant & equipment	716	696	860
Assets classified as held for sale (note 14)	1,849	-	-
Deferred tax asset	27	111	30
Other assets	2,529	2,888	3,447
Total assets	177,843	146,313	162,354

	30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
EQUITY AND LIABILITIES			
Deposits by banks	28,593	30,237	32,312
Customer accounts (Note 15)	70,791	57,319	61,710
Items in the course of transmission to other banks	304	99	284
Derivative financial instruments	2,060	1,952	1,647
Liabilities to customers under investment contracts	6,380	5,633	6,650
Debt securities in issue	43,940	31,011	36,814
Insurance contract liabilities	6,122	4,163	5,192
Other liabilities	3,816	4,635	4,711
Deferred tax liabilities	226	163	207
Other provisions	114	156	153
Post retirement benefit obligations	851	1,236	808
Subordinated liabilities (Note 16)	7,223	5,125	6,493
Disposal Group classified as held for sale (note 14)	1,551	-	-
Total liabilities	171,971	141,729	156,981
Equity			
Share capital (Note 17)	663	663	663
Share premium account (Note 18)	767	767	767
Retained profit (Note 18)	3,669	2,523	3,330
Other reserves (note 18)	993	795	803
Own shares held for the benefit of life assurance policyholders	(253)	(216)	(235)
Stockholders equity	5,839	4,532	5,328
Minority interests	33	52	45
Total equity	5,872	4,584	5,373
Total equity and liabilities	177,843	146,313	162,354

Consolidated Statement of Recognised Income and Expense (unaudited)

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Net gain on property revaluation	-	-	187
Net change in cash flow hedge reserve	34	(77)	(7)
Net change in Available for Sale reserve	1	59	(104)
Net actuarial gains/losses in defined benefit pension schemes	(30)	(257)	113
Foreign exchange translations	84	53	(17)
Income/expense recognised in equity	89	(222)	172
Profit for the period	733	709	1,296
Total recognised income/expense for the year	822	487	1,468
Attributable to:			
Equity holders of the parent	824	490	1,477
Minority interests	(2)	(3)	(9)
	822	487	1,468
Implementation of IAS32/39 and IFRS 4 as at 1 April 2005	-	28	28
Attributable to:			
Equity holders of the parent	-	28	28
Minority interests	-	-	-
	-	28	28

CONSOLIDATED CONDENSED CASH FLOW STATEMENT (UNAUDITED)

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Operating activities:			
Operating profit	858	820	1,554
Adjust for non cash items:			
Profit on disposal of businesses	(8)	(183)	(176)
Depreciation and amortisation	76	81	166
Impairment losses	48	50	103
Movement on share based payments reserve	6	6	11
Profit on sale of property, plant and equipment	-	-	(4)
Interest on subordinated liabilities	173	124	256
Other non cash items	(51)	(39)	(73)
Net cash flow from trading activities	1,102	859	1,837
Changes in operating assets and liabilities:	5,174	3,477	5,011
Net cash flow from operating activities before tax and dividend	6,276	4,336	6,848
Taxation paid	(34)	(40)	(230)
Net cash flow from operating activities	6,242	4,296	6,618
Investing activities:			
Dividend received from Joint Venture	-	-	25
Acquisitions/disposals of businesses	(18)	229	91
Net purchases /sales of financial assets	(4,294)	(5,485)	(7,217)
Purchase of property, plant, equipment, investment property and intangible assets	(391)	(178)	(509)
Proceeds from disposals of property, plant and equipment, investment property and intangible assets	55	10	219
Net cash flow from investing activities	(4,648)	(5,424)	(7,391)
Financing activities:			
Interest paid on subordinated liabilities	(73)	(30)	(233)
Proceeds from issue of subordinated liabilities	733	883	2,414
Proceeds from issue of ordinary stock	42	30	36
Equity dividends paid	(334)	(282)	(459)
Dividends paid to minority interests	(3)	(4)	(6)
Dividends paid on other equity interests	(7)	(6)	(13)
Net cash flow from financing activities	358	591	1,739
Net increase/(decrease) in cash and cash equivalents	1,952	(537)	966
Cash and cash equivalents at start of period	6,162	5,217	5,217
Exchange movements	41	10	(21)
Cash and cash equivalents at end of period	8,155	4,690	6,162

1 ACCOUNTING POLICIES AND PRESENTATION OF FINANCIAL INFORMATION

The accounting policies applied by the Group in the preparation of the interim financial statements for the half year ended 30 September 2006 are in accordance with the recognition and measurements principles of International Financial Reporting Standards as adopted by the EU and are with the same as those set out in the Annual Report and Accounts for the year ended 31 March 2006.

The Group has chosen not to adopt IAS 34 'Interim Financial Reporting' in preparing its 2006 interim accounts since adoption of this standard is not mandatory until the EU Transparency Directive is implemented through the Irish Stock Exchange's Listing Rules.

This interim financial information does not comprise statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The statutory accounts for the financial year ended 31 March 2006 were approved by the Board of Directors on 30 May 2006 and contained an unqualified audit report and have been filed with the Companies Office on 10 August 2006.

Following revised interpretations of the requirements of IFRS and the application of the hedging requirements of IAS 39, the Group balance sheet, as at 30 September 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.

2 ACQUISITIONS AND DISPOSALS

On 21 April 2006 the Group completed the sale of Enterprise Finance Europe GmbH for a consideration of €10.5million giving rise to a profit on disposal of €7.8m.

On 20 June 2006 the Group announced that it had established a joint venture with Paul Capital Partners (PCP), a leading US private equity specialist, to provide private equity fund of funds products and advisory services to institutional and other investors worldwide. The new joint venture is called Paul Capital Investments, LLC (PCI) and is based in San Francisco, California. The Group paid US$25m for a 50% share in PCI and may increase its shareholding up to 70% no earlier than 2008 on a pre-agreed basis.

On 31 October 2006, the Group completed the sale of its 90.444% equity stake in Davy Stockbrokers to the management and staff of Davy for a consideration of €316.55m. This values the overall business at €350m. The profit on disposal after tax is expected to be approximately €225m and will be reflected in the Group results for the year ending 31 March 2007. The assets and Liabilities of Davy have been classified as held for sale on the balance sheet (see note 14) under IFRS 5. In line with the Standard no prior year restatement of Balance Sheets have been made.

On 21 September 2005 the Group disposed of the Bristol and West branch network for a consideration of £155.6m.

3 SEGMENTAL ANALYSIS

The segmental analysis of the Group's results and financial position is set out below 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 to 31 March 2006 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.

3 SEGMENTAL ANALYSIS (continued)

(a) BUSINESS SEGMENTS

Half year ended 30 September 2006	Retail Republic of Ireland	BOI Life	Wholesale Financial Services	UK Financial Services	Asset Management Services	Group Centre	Eliminations	Group
	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	632	4	282	372	3	(6)		1,287
Insurance net premium income	-	920	-	-	-	16		936
Other income	188	66	126	74	103	9		566
Profit on disposal of business activities	-	-	-	-	-	8		8
Total income	820	990	408	446	106	27		2,797
Insurance claims	-	(858)	-	-	-	(4)		(862)
Total income, net of insurance claims	820	132	408	446	106	23		1,935
Operating expenses	(411)	(48)	(145)	(222)	(70)	(57)		(953)
Depreciation and amortisation	(38)	(2)	(6)	(19)	(3)	(8)		(76)
Impairment losses	(33)	-	(4)	(11)	-	-		(48)
Income from associates and joint ventures	1	-	-	28	-	-		29
Profit before taxation - continuing operations	339	82	253	222	33	(42)		887
Sale of business assets	-	-	-	-	-	(40)		(40)
Gross up of policyholder tax in the Life business	-	(15)	-	-	-	-		(15)
Hedge ineffectiveness on transition to IFRS	-	-	-	-	-	1		1
Restructuring programme	-	-	-	-	-	19		19
Group profit before tax excluding the impact of above items	339	67	253	222	33	(62)		852
Total assets	90,438	13,000	152,848	62,647	2,889	23,884	(167,863)	177,843
Total liabilities	88,603	12,861	151,745	60,323	2,417	23,885	(167,863)	171,971
Capital expenditure[i]	23	1	4	35	4	15	-	82

[i]Capital expenditure comprises additions to property and equipment and intangible assets including additions resulting from acquisitions through business combinations.

3 SEGMENTAL ANALYSIS (continued)

(a) BUSINESS SEGMENTS

Year ended 31 March 2006	Retail Republic of Ireland	BOI Life	Wholesale Financial Services	UK Financial Services	Asset Management Services	Group Centre	Eliminations	Group
	€m	€m	€m	€m	€m	€m	€m	€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(i)	55	-	10	58	26	30	-	179

SEGMENTAL REPORTING (continued)

(a) BUSINESS SEGMENTS

Half year ended 30 September 2005 Restated*	Retail Republic of Ireland	BOI Life	Wholesale Financial Services	UK Financial Services	Asset Management Services	Group Centre	Eliminations	Group
	€m	€m	€m	€m	€m	€m	€m	€m
Net interest income	546	4	181	338	5	1		1,075
Insurance net premium income	-	515	-	-	-	14		529
Other income	167	319	130	60	110	(35)	-	751
Profit on disposal of business activities	-	-	-	183	-	-		183
Total income	713	838	311	581	115	(20)		2538
Insurance claims	-	(691)	-	-	-	(5)		(696)
Total income, net of insurance claims	713	147	311	581	115	(25)		1842
Operating expenses	(383)	(45)	(122)	(227)	(62)	(52)		(891)
Depreciation and amortisation	(40)	(3)	(6)	(21)	(2)	(9)		(81)
Impairment losses	(23)	-	(17)	(10)	-	-		(50)
Income from associates and joint ventures	1		-	27				28
Profit before taxation	268	99	166	350	51	(86)		848
Sale of business activities	-	-	-	(183)	-	-		(183)
Gross up of policyholder tax in the Life business	-	(31)	-	-	-	-		(31)
Hedge ineffectiveness on transition to IFRS	-	-	-	-	-	21		21
Restructuring programme	-	-	-	-	-	10		10
Group profit before tax excluding the impact of above items	268	68	166	167	51	(55)	-	665
Total assets	70,279	10,332	123,715	49,366	2,572	17,001	(126,952)	146,313
Total liabilities	68,665	10,216	122,869	47,260	2,170	17,501	(126,952)	141,729
Capital expenditure[(i)]	26	10	4	17	1	10	-	68

*Restated to reflect changes in organisational structure announced last year.

3 SEGMENTAL REPORTING (continued)

(b) Geographical Segments

Half year ended 30 September 2006

	Ireland €m	United Kingdom €m	Rest of World €m	Inter-segment Revenue €m	Total €m
Revenue	3,318	2,161	141	(1,154)	4,466
Profit before taxation	708	166	13	-	887

	Ireland €m	United Kingdom €m	Rest of World €m	Eliminations €m	Total €m
Total assets	156,699	71,426	4,930	(55,212)	177,843
Capital expenditure(i)	45	35	2	-	82

Half Year ended 30 September 2005

	Ireland €m	United Kingdom €m	Rest of World €m	Inter-segment Revenue €m	Total €m
Revenue	2,535	1,996	113	(823)	3,821
Profit before taxation	471	355	22	-	848

	Ireland €m	United Kingdom €m	Rest of World €m	Eliminations €m	Total €m
Total assets	128,780	60,096	3,997	(46,560)	146,313
Capital expenditure(i)	50	17	1	-	68

Year ended 31 March 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(i)	95	58	26	-	179

4 INTEREST INCOME

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Loans and advances to banks	154	202	238
Loans and advances to customers	2,849	2,164	4,576
Finance leasing & instalment credit	85	111	197
Available for sale assets	604	433	934
Other	6	19	9
	3,698	2,929	5,954

5 INTEREST EXPENSE

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Interest on subordinated liabilities	168	124	250
Other interest payable	2,243	1,730	3,397
	2,411	1,854	3,647

6 OTHER OPERATING INCOME

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Profit on disposal of investment securities	-	1	4
Other insurance income	79	49	151
Gain on Sale of Head Office Premises	32	-	-
Other income	10	18	10
	121	68	165

7 TOTAL OPERATING EXPENSES

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Staff costs	605	571	1,167
Other administrative expenses	348	320	687
Depreciation and amortisation of intangibles	76	81	166
Total operating expenses	1,029	972	2,020

8 EMPLOYEE INFORMATION

The average full time equivalents categorised in line with the business classes, are as follows:

	30-9-2006	30-9-2005	31-3-2006
Retail Republic of Ireland	8,217	7,931	7,987
BOI Life	1,071	1,065	1,063
Wholesale Financial Services	1,491	1,363	1,436
UK Financial Services	3,435	4,288	3,930
Asset Management Services	635	640	655
Group Centre	1,002	1,133	1,119
	15,851	16,420	16,190

9 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Current Tax			
Irish Corporation Tax			
Current year	120	81	191
Prior years	(1)	3	8
Double taxation relief	(10)	(13)	(20)
Foreign tax			
Current year	45	53	86
Prior years	-	-	(3)
	154	124	262
Deferred Tax			
Origination and reversal of temporary differences	-	15	41
	154	139	303

10 EARNINGS PER UNIT OF €0.64 ORDINARY STOCK

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.

	Half Year 30-9-2006	Half Year 30-9-2005	Year 31-3-2006
Basic			
Profit attributable to Ordinary Stockholders	€728m	€706m	€1,292m
Weighted average number of shares in issue excluding Treasury stock and own shares held for the benefit of life assurance policyholders	948m	946m	947m
Basic earnings per share	76.7c	74.6c	136.4c

Diluted

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

	Half Year 30-9-2006	Half Year 30-9-2005	Year 31-3-2006
Profit attributable to Ordinary Stockholders	€728m	€706m	€1,292m
Weighted average number of shares in issue excluding Treasury stock and own shares held for the benefit of life assurance policyholders	948m	946m	947m
Effect of all dilutive potential Ordinary Stock	7m	8m	7m
	955m	954m	954m
Diluted earnings per share	76.2c	74.0c	135.4c

11 LOANS AND ADVANCES TO CUSTOMERS

	30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
Loans and advances to customers	111,336	88,256	98,497
Loans and advances - finance leases and hire purchase receivables	3,417	3,373	3,108
	114,753	91,629	101,605
Provision for impairment (Note 12)	(397)	(343)	(359)
	114,356	91,286	101,246

12 IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Opening balance	360	319	319
Exchange adjustments	2	2	(1)
Charge against profits	49	50	100
Amounts written off	(19)	(40)	(85)
Recoveries	9	12	21
Other movements	(3)	-	6
Closing balance	398	343	360
of which relates to			
Loans and advances to Customers	397	343	359
Loans and advances to Banks	1	-	1
	398	343	360

13 FINANCIAL INSTRUMENTS

		30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
(a)	**Trading assets**			
	Loans to banks	-	-	-
	Loans to customers	-	-	-
	Debt securities:			
	Government securities	140	347	156
	Other debt securities	337	271	440
	Equity instruments	-	22	24
		477	640	620

		30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
(b)	**Other financial assets at fair value through P/L**			
	Loans to banks	258	-	-
	Loans to customers	-	-	-
	Debt securities:			
	Government securities	2,057	1,873	2,033
	Other debt securities	502	1,711	725
	Equity instruments	8,167	5,693	7,822
		10,984	9,277	10,580

		30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
(c)	**Available for sale financial assets**			
	Loans to banks	-	-	-
	Loans to customers	-	-	-
	Debt securities:			
	Government securities	6,370	5,862	5,881
	Other debt securities	26,117	20,628	22,299
	Equity instruments	28	32	25
		32,515	26,522	28,205

14 ASSETS & LIABILITIES CLASSIFIED AS HELD FOR SALE

Under IFRS 5 the Group are required to classify non-current assets as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. Based on the criteria of IFRS 5 the Group has reclassified the following assets and liabilities as being “held for sale”.

	30-9-2006 €m
Assets:	
Group Property	140
Assets of Davy’s	1,630
Other assets held for sale	79
	1,849
Liabilities:	
Liabilities of Davy’s	1,551

15 CUSTOMER ACCOUNTS

	30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
Current accounts	17,009	14,624	15,876
Demand deposits	22,418	17,531	18,344
Term deposits and other products	29,050	24,528	25,877
Other short-term borrowings	2,314	636	1,613
	70,791	57,319	61,710

16 SUBORDINATED LIABILITIES

	30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
Opening balance	6,493	4,086	4,086
Implementation of IAS32/IAS39 on 1 April 2005	-	127	127
	6,493	4,213	4,213
Exchange adjustments	(17)	8	(9)
Issued during period	733	883	2,414
Fair value movements	12	20	(127)
Amortisation	2	1	2
Closing balance	7,223	5,125	6,493

17 SHARE CAPITAL

	30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
Allotted and fully paid			
Equity			
950.1m units of €0.64 of Ordinary Stock	608	607	607
75.0m units of €0.64 of Treasury Stock	48	49	49
	656	656	656
Other equity interests			
1.9m units of Non-Cumulative Preference Stock of Stg£1 each	3	3	3
3.0m units of Non-Cumulative Preference Stock of €1.27 each	4	4	4
	663	663	663

18 RESERVES

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Share premium account			
Opening balance	767	767	767
Closing balance	767	767	767
Capital reserve			
Opening balance	359	562	562
Implementation of IAS32/IAS39 & IFRS4 on 1 April 2005	-	(251)	(251)
	359	311	311
Transfer from retained profit	65	65	48
Closing balance	424	376	359
Retained profit			
Opening balance	3,330	2,424	2,424
Implementation of IAS32/IAS39 on 1 April 2005	-	(32)	(32)
	3,330	2,392	2,392
Profit for period	733	709	1,296
Equity dividends	(334)	(282)	(459)
Dividends on other equity interests	(7)	(6)	(13)
Transfer to capital reserves	(65)	(65)	(48)
Minority interest	2	3	9
Profit retained	329	359	785
Reissue of treasury stock under employee stock schemes	42	30	36
Transfer from revaluation reserve	-	-	4
Actuarial losses on pension funds	(30)	(257)	113
Other	(2)	(1)	-
Closing balance	3,669	2,523	3,330

18 RESERVES (continued)

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Revaluation reserve			
Opening balance	342	159	159
Transfer to retained profit on sale of property	-	-	(4)
Revaluation of property	-	-	212
Deferred tax on revaluation of property	-	-	(25)
Closing balance	342	159	342
Available for sale reserve			
Opening balance	26	-	-
Implementation of IAS32/IAS39 on 1 April 2005	-	130	130
Movement during period	1	59	(104)
Closing balance	27	189	26
Cash flow hedge reserve			
Opening balance	60	-	-
Implementation of IAS32/IAS39 on 1 April 2005	-	67	67
Movement during period	34	(77)	(7)
Closing balance	94	(10)	60
Other equity reserve			
Opening balance	114	-	-
Implementation of IAS32/IAS39 on 1 April 2005	-	114	114
Movement during period	-	-	-
Closing balance	114	114	114
Share based payments reserve			
Opening balance	27	16	16
Charge to income statement	6	6	11
Closing balance	33	22	27
Foreign exchange reserve			
Opening balance	(125)	(108)	(108)
Exchange adjustments during year	84	53	(17)
Closing balance	(41)	(55)	(125)

19 MEMORANDUM ITEMS

Contract Amount

	30-9-2006 €m	30-9-2005 €m	31-3-2006 €m
Contingent liabilities			
Acceptances and endorsements	34	30	37
Guarantees and assets pledged as collateral security	1,508	1,241	1,354
Other contingent liabilities	613	631	675
	2,155	1,902	2,066
Commitments	33,768	29,086	30,937

20 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 half years ended 30 September 2006 and 2005 and the year ended 31 March 2006. 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. Rates for the half years are annualised.

	Half Year 30-9-2006			Half Year 30-9-2005			Year 31-3-2006		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
ASSETS									
Loans to banks									
Domestic offices	8,882	142	3.2	8,227	198	4.8	9,268	226	2.4
Foreign offices	582	12	4.1	252	4	3.2	238	12	5.0
Loans to customers (1)									
Domestic offices	58,484	1,548	5.3	46,455	1,093	4.7	49,969	2,309	4.6
Foreign offices	50,476	1,388	5.5	40,583	1,182	5.8	43,106	2,264	5.3
Central government and other eligible bills									
Domestic offices	-	-	-	231	1	0.9	126	1	0.8
Foreign offices	-	-	-	-	-	-	-	-	-
Debt Securities									
Domestic offices	28,376	569	4.0	22,709	408	3.6	24,380	869	3.6
Foreign offices	1,671	35	4.2	906	25	5.5	1,518	64	4.2
Other financial instruments at fair value through P/L									
Domestic	49	-	-	102	-	-	152	1	0.7
Foreign	268	6	4.5	714	18	5.0	232	10	4.3
Total interest earning assets									
Domestic offices	95,791	2,259	4.7	77,724	1,700	4.4	83,895	3,406	4.1
Foreign offices	52,997	1,441	5.4	42,455	1,229	5.8	45,094	2,350	5.2
Net swap interest	-	3	-	-	-	-	-	34	-
	148,788	3,703	5.0	120,179	2,929	4.9	128,989	5,790	4.5
Impairment losses on loans and advances	(381)			(320)			(341)		
Non interest earning assets	21,071			19,349			18,615		
Total assets	169,478	3,703	4.4	139,208	2,929	4.2	147,263	5,790	3.9

20 AVERAGE BALANCE SHEET AND INTEREST RATES (continued)

	Half Year 30-9-2006			Half Year 30-9-2005			Year 31-3-2006		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits by banks									
Domestic offices	28,136	505	3.6	21,613	370	3.4	17,038	478	2.8
Foreign offices	2,528	58	4.6	1,718	29	3.4	2,041	74	3.6
Customer accounts									
Domestic offices	31,094	114	0.7	27,694	225	1.6	35,817	446	1.2
Foreign offices	23,614	754	6.4	22,081	633	5.7	20,579	1,100	5.3
Debt securities in issue									
Domestic offices	32,102	653	4.1	20,017	331	3.3	23,800	827	3.5
Foreign offices	6,793	159	4.7	5,797	142	4.9	6,393	301	4.7
Subordinated liabilities									
Domestic offices	3,504	79	4.5	2,544	51	4.0	2,955	120	4.1
Foreign offices	3,013	94	6.2	1,979	73	7.4	2,284	137	6.0
Total interest bearing liabilities									
Domestic offices	94,836	1,351	2.8	71,868	977	2.7	79,610	1,871	2.4
Foreign offices	35,948	1,065	5.9	31,575	877	5.6	31,297	1,612	5.2
	130,784	2,416	3.7	103,443	1,854	3.6	110,907	3,483	3.1
Non interest bearing liabilities									
Current accounts	11,599			10,133			10,578		
Other non interest bearing liabilities	21,421			21,249			20,987		
Stockholders' equity including non equity interest	5,674			4,383			4,791		
Total liabilities and stockholders' equity	169,478	2,416	2.9	139,208	1,854	2.7	147,263	3,483	2.4

(1) Loans to customers include non accrual loans and loans classified as problem loans.

21 RATES OF EXCHANGE

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

	Half Year 30-9-2006		Half Year 30-9-2005		Year 31-3-2006	
	Closing	**Average**	**Closing**	**Average**	**Closing**	**Average**
€/US$	1.266	1.2733	1.2042	1.2286	1.2104	1.2126
€/Stg£	0.6777	0.6847	0.6820	0.6805	0.6964	0.6826

22 CAPITAL ADEQUACY DATA

	Half Year 30-9-2006 €m	Half Year 30-9-2005 €m	Year 31-3-2006 €m
Adjusted capital base			
Tier 1	8,464	6,418	7,334
Tier 2	4,389	3,687	4,653
	12,853	10,105	11,987
Supervisory deductions	(926)	(765)	(870)
	11,927	9,340	11,117
Risk weighted assets			
Banking Book	104,760	84,803	93,398
Trading Book	4,504	3,685	4,112
	109,264	88,488	97,510
Capital ratios			
Tier 1 Capital	7.7%	7.3%	7.5%
Total Capital	10.9%	10.6%	11.4%

23 The interim financial statements were approved by the Court of Directors on 15 November 2006.

Independent review report to the Governor and Company of the Bank of Ireland

Introduction

We have been instructed by the Governor and Company of the Bank of Ireland to review the financial information for the six months ended 30 September 2006 comprising the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Recognised Income and Expense and Consolidated Condensed Cash Flow Statement and the related notes 1 to 19. We have read the other information contained in the interim statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim statement, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Irish Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the basis set out in Note 1.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of Interim Financial Information issued by the Auditing Practices Board for use in the United Kingdom and the Republic of Ireland. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Irish Stock Exchange and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2006.

PricewaterhouseCoopers
Chartered Accountants
Dublin
15 November 2006