Bank of Ireland Group

Report & Accounts

for the year ended 31 March 2007

Contents

Forward-Looking Statement

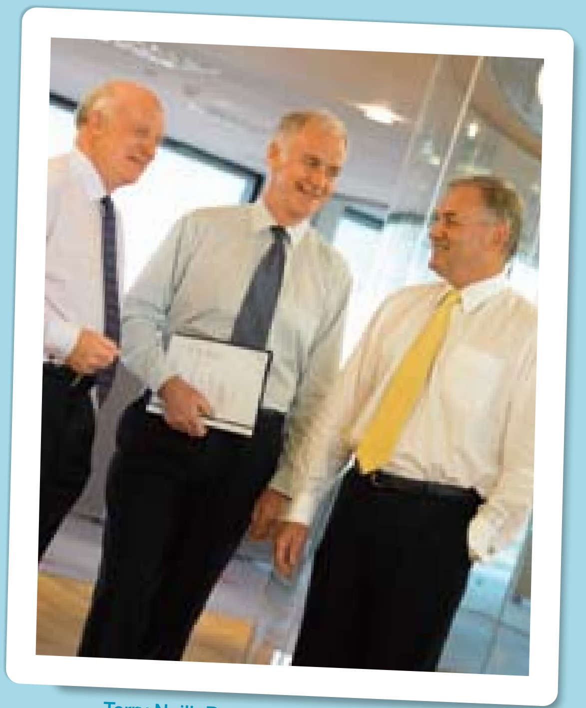
This statement contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's ("the Group") plans and its current goals and expectations relating to its future financial condition and performance and the markets in which it operates. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. Examples of forward-looking statements include among others, statements regarding the Group's future financial position, income growth, business strategy, projected costs, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to risks and uncertainties relating to profitability targets, prevailing interest rates, the performance of the Irish and UK economies and the 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.

Court of Directors

Richard Burrows, Governor & George Magan, Deputy Governor

John O'Donovan & Brian Goggin

Denis Donovan, Richie Boucher & Des Crowley



Terry Neill, Dennis Holt & Declan McCourt

David Dilger & Caroline Marland

Paul Haran & Thomas Moran

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 SA (2000-2005) and former chief executive of Irish Distillers Group (1978-2000). A director of Pernod Ricard S.A. and of Cityjet Ltd. (Age 61)

2 **George Magan** *FCA* ◇ ○ * **Deputy Governor**
Appointed to the Court in 2003. Appointed Senior Independent Director in July 2005 and appointed Deputy Governor in October 2006. Chairman of Babcock & Brown Global Partners, Chairman, Carlton Capital Partners, Chairman, Mallett plc, Chairman, Morgan Shipley (Dubai). Former Group Director of Morgan Grenfell and former Chairman of JO Hambro Magan, NatWest Markets Corporate Finance and Hawkpoint Partners Ltd. (Age 61)

Executive Directors

3 **Brian J Goggin** *MSc(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. President, Irish Chapter, The Ireland – U.S. Council and is a Global Counsellor of the Conference Board. (Age 55)

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 plc. (Age 55)

5 **Des Crowley** *BA(Mod), Econ, FCMA*
Chief Executive, UK Financial Services
Joined Bank of Ireland in 1988 from Arthur Andersen & Co., and held a number of senior management positions as Head of Systems Development, Head of Credit Card Services, Managing Director of Bank of Ireland Finance and General Manager, Retail Finance and Strategy. In 2000 he was appointed Chief Executive, Retail Banking and Distribution and joined the Group Executive Committee. He was appointed Chief Executive, Retail Financial Services in 2004 and Chief Executive, UK Financial Services in January 2006. Appointed to the Court in October 2006. He is Chairman of the board of the UK Post Office joint venture and a Director of Bristol & West plc. (Age 47)

6 **Richie Boucher, Chief Executive, Retail Financial Services Ireland**
Joined the Group as Chief Executive, Corporate Banking from Royal Bank of Scotland in December 2003. He was appointed Chief Executive, Retail Financial Services Ireland in November 2005. Appointed to the Court in October 2006. He is President of the Irish Banking Federation, Vice-President of The Institute of Bankers in Ireland and a member of the boards of Bank of Ireland Life, Bank of Ireland Mortgage Bank and ICS Building Society. (Age 48)

7 **Denis Donovan,** *B Comm, MBA,* **Chief Executive, Capital Markets**
Joined Bank of Ireland in 1985 from the Central Bank of Ireland. He was appointed Chief Executive of the Bank's new Capital Markets Division in September 2006, having held the position of Chief Executive, Wholesale Financial Services Division since 2003. He was CEO of Global Markets from 1999 to 2003, with responsibility for Bank of Ireland's treasury, offshore and international banking operations. Prior to moving to Global Markets, Denis was Chief Operating Officer – International with Bank of Ireland Asset Management. Appointed to the Court in October 2006. (Age 53)

Non-Executive Directors

8 **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. Formerly CFO, Woodchester Investments plc and Director of Enterprise Ireland and IBEC Ltd. (Age 50)

9 **Paul Haran** *MSc, BSc* ○ #
Appointed to the Court in 2005. Chairman of the National Qualifications Authority of Ireland, of Edward Dillon Ltd. 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. Chaired the Working Group on Legal Costs that reported to the Minister for Justice and Law Reform. 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 and the Mater Private Hospital. (Age 49)

10 **Dennis Holt** *BA, ACIB* △ ◇
Appointed to the Court in October 2006. Based in the UK, Dennis recently retired as Group Chief Executive Officer of AXA UK Plc, where he also served as Chairman of AXA Ireland Ltd. Prior to joining AXA in 2001, he held various management positions with Lloyds TSB Group plc, where he served as the Main Board Executive Director responsible for its Retail Banking Division. Chairman Designate, Liverpool Victoria Friendly Society Ltd and Director, Saga Services Ltd and British Islamic Insurance Holdings Ltd. (Age 58)

11 **Caroline A Marland** ○ ⬟
Appointed to the Court in 2001 and as Senior Independent Director in October 2006. 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, Arcadia Group plc and Virgin Mobile Holdings (UK) plc. (Age 61)

12 **Declan McCourt** *BL, MA, MBA* ▲ ◇
Appointed to the Court in 2004. Chief Executive of automotive distributor, the OHM Group, a director of Fyffes plc, Blackrock International Land plc, Dublin Docklands Development Authority and a number of other companies, Chairman of the Mater Hospital Foundation and of UCD Law School Development Council. (Age 61)

13 **Thomas J Moran** *BSc* ○ △
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. Director of Aer Lingus Group plc. Chairman of Concern Worldwide (US). (Age 54)

14 **Terry Neill** *MA, MSc, (Econ)* △ ♦
Appointed to the Court in 2004. 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. Chairman of Meridea Oy and Camerata Ireland. (Age 61)

⬟ 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 *

Governor's Statement

Richard Burrows, Governor

Brian Goggin & Richard Burrows

Strong organic growth is the main feature of our results for the year to 31st March 2007. Profit before tax increased 28% to €1,958 million. On an underlying basis, profit before tax rose 22% to €1,700 million.

This growth was achieved through excellent performances in our Irish and UK divisions and in Capital Markets. Thus the growth is diversified and well balanced. In addition, in a benign credit environment in Ireland and the U.K., the Group's asset quality is very good.

Capital ratios also improved during the year. Total capital ratio improved from 11.4% to 11.8% and Tier 1 ratio from 7.5% to 8.2%.

Thus your directors are recommending an increased final dividend of 39.4cent which, if approved, will result in total dividend growth for the year of 15%.

The performance of the Group was achieved in a positive economic environment in our major markets. We benefit from a clear strategic focus on our core markets in Ireland and the UK and on our chosen niche markets internationally. We have also made major progress in our objectives of improving efficiency and investing in business growth while maintaining excellent asset quality. Competition is increasing but we are well positioned to maintain the growth momentum of recent years.

Bank of Ireland Group today is following an aggressive organic growth strategy with strong leadership, exceptional employees, a focus on quality customer service and the flexibility to adapt as required to any changing market circumstances. I thank Brian Goggin and his management team and all of the employees of Bank of Ireland worldwide for their contribution to these excellent results and for their commitment to the future success of the business.

Court changes

There have been a number of changes to the composition of the Court in the past year. George Magan was appointed Deputy Governor and Caroline Marland as Senior Independent Director in October 2006 following the resignation of Denis O'Brien from the Court.

Dennis Holt was appointed to the Court as a non-executive director in October 2006. Dennis is a former Group Chief Executive of AXA UK plc. He also served as Chairman of AXA Ireland Ltd. Prior to joining AXA in 2001, he held various management positions and served as an executive director with Lloyds TSB Group plc.

Three executives, Richie Boucher, Des Crowley, and Denis Donovan were also appointed to the Court in October 2006.

Richie joined Bank of Ireland Group as Chief Executive, Corporate Banking from Royal Bank of Scotland in December 2003. He was appointed Chief Executive, Retail Financial Services Ireland in November 2005.

Des joined Bank of Ireland in 1988 from Arthur Andersen & Co. In March 2000 he was appointed Chief Executive, Retail Banking and Distribution Ireland. He was appointed Chief Executive, Retail Financial Services Ireland in April 2004 and Chief Executive, UK Financial Services in November 2005. He is Chairman of the board of the UK Post Office joint venture.

Denis joined Bank of Ireland in 1985. He was appointed Chief Executive of the Bank's new Capital Markets Division, encompassing Corporate Banking, Global Markets and Asset Management, in September 2006, having held the position of Chief Executive, Wholesale Financial Services Division since April 2003. From 1999 to 2003 he was Chief Executive of Global Markets, with responsibility for Bank of Ireland's treasury and international banking operations. Previously he had been Chief Operating Officer – International in Bank of Ireland Asset Management.

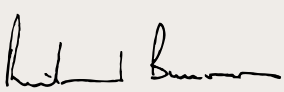
I welcome all the new directors to the Court. Together they bring a wide range of experience and ability that I am confident will make a significant contribution to the future growth and success of the Group.

After the forthcoming Annual General Court, two directors, Caroline Marland and Tom Moran, are due to retire having each served two terms as non-executive directors. Caroline and Tom, and Denis O'Brien who resigned from the Court in September 2006, made very significant contributions to the deliberations of the Court and I thank them very warmly.

Economic and business outlook

The economic outlook in our main markets in Ireland and the U.K. continues to be positive. In Ireland the current macro economic indicators do not suggest a significant softening in the pace of growth, although there is likely to be some easing as a result of rising interest rates. The economic fundamentals of employment, retail sales and industrial production, however, remain robust and strong domestic demand should underpin continued economic growth. Growth in the UK continues to be solid, underpinned by firm consumer spending, although here also there is likely to be some easing as the year progresses on the back of rising interest rates.

The main underlying indicators of performance have been trending very positively for Bank of Ireland Group for the past few years. We are well positioned for further strong and sustainable growth supported by a new streamlined operating model that will ensure that as this growth is achieved we continue to improve our efficiency ratios. Most importantly, in an increasingly competitive environment, our customer satisfaction ratings are improving significantly. We have strong growth ambitions for the business and the outlook is positive for this year and beyond.



Richard Burrows, Governor

Group Chief Executive's Operating and Financial Review

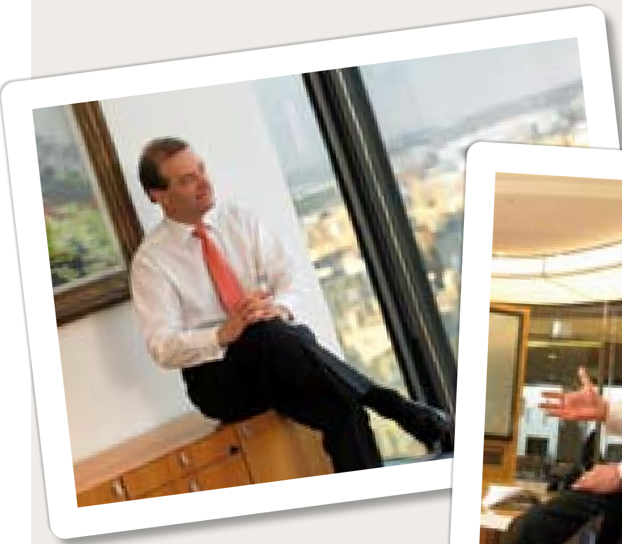
Performance Highlights

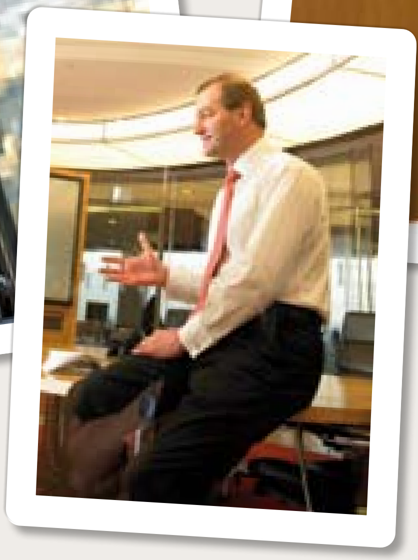
	Year ended 31 March 2007	Year ended 31 March 2006 Restated*	% Change
Group Profitability (€ Million)			
Profit before tax (PBT)	1,958	1,524	28
Non-core items:			
Deduct:			
• *Gain on disposal of business activities / property*	(358)	(176)	
• *Gross-up for policyholder tax in the Life business*	(19)	(69)	
Add:			
• *Hedge ineffectiveness on transition to IFRS*	2	7	
• *Investment return on treasury shares held for policyholders*	68	75	
• *Cost of restructuring programme*	49	32	
Underlying profit before tax	1,700	1,393	22
Per Unit of €0.64 Ordinary Stock (€cent)			
Basic earnings per share	172.2	128.5	34
Underlying earnings per share	144.6	118.5	22
Dividend	60.4	52.5	15
Divisional Pre-tax Profit Performance (€ Million)**			
Retail Republic of Ireland	698	550	27
Bank of Ireland Life	148	134	10
Capital Markets	572	471	21
UK Financial Services	441	349	26
Group Centre	(159)	(111)	43
Underlying profit before tax	1,700	1,393	22
Group Performance**			
Net interest margin (%)	1.77	1.79	
Cost/income ratio (%)	54	57	
Cost/income jaws (%)	7	5	
Impaired loan loss charge	9bps	11bps	
Return on equity (%)	23	24	
Balance Sheet			
Total stockholders' equity (€ Million)	6,724	5,186	30
Total assets (€ Billion)	189	162	17
Total lending (€ Billion)	130	107	21
Total customer accounts (€ Billion)	72	62	16
Capital			
Tier 1 ratio (%)***	8.2	7.5	
Total capital ratio (%) ***	11.8	11.4	
Risk-weighted assets (€ Billion)	112.9	97.5	16

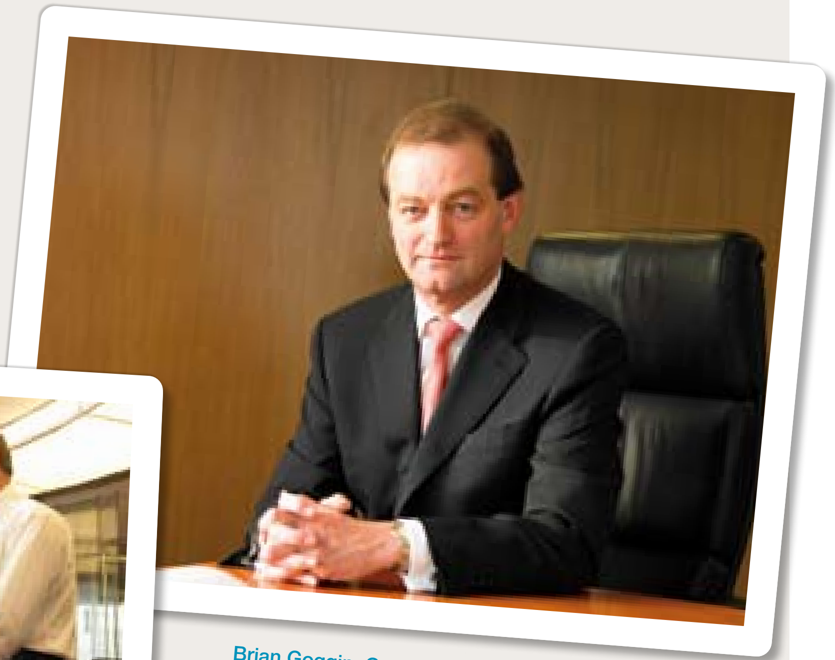
* *Restated for change in accounting policy – see page 86*

** *Based on underlying performance, which excludes the impact of non-core items above.*

*** *The Financial Regulator has issued a requirement that a Prudential Filter be applied to proposed final dividends with effect from July 2007. If the proposed final dividend was deducted the tier 1 ratio and total capital ratio for the year ended 31 March 2007 would have been 7.9% and 11.5% respectively. This requirement is already in force for Interim Dividends.*







Brian Goggin, Group Chief Executive

"We have delivered an excellent performance driven by the continuing successful implementation of our clear and focussed strategy. We are driving growth across all Divisions and delivering cost savings significantly ahead of schedule in our efficiency programme. Bank of Ireland is a revitalised organisation."

Brian Goggin, Bank of Ireland Group Chief Executive, commented

Group Performance Highlights*

- Excellent underlying Group profit before tax (PBT) growth of 22%
- Growth & investment strategies delivering strong performance across all Divisions
- Strategic Transformation Programme significantly ahead of schedule
- Strong volume growth across the Group: loans +21% and resources +16%
- Group income increased by 13% benefiting from strong volume growth and a slowing rate of margin attrition
- Cost growth well contained at 6%:
  - Significant improvement in our efficiency ratio – cost / income ratio down 3% to 54%
  - Excellent Cost / Income Jaws performance of 7%
- Asset quality remains excellent – impairment charge of 9bps
- Strong Capital ratios:
  - Total capital ratio 11.8%
  - Tier 1 capital ratio 8.2%
  - Equity tier 1 ratio 5.2%

Divisional Highlights*

- In Retail Republic of Ireland: PBT +27%
  - Excellent business momentum with strong growth in resources and lending
  - Mortgages, Business Banking and Private Banking all delivering strong performances
  - Significant efficiency gains resulting in improved cost/income performance
- In Life: Operating profit +29%
  - Excellent sales growth and effective cost-control driving performance
  - PBT growth of 10% reflecting impact of significant positive investment variance in prior year
- In Capital Markets: PBT + 21%
  - A particularly strong performance form Corporate Banking PBT+56%
  - Investment in expanding our international franchise driving strong and sustainable growth.
  - Arrangement fees and some loan loss provision write-backs during the period contributing to this performance
  - Strong performance delivered by Global Markets against a backdrop of challenging markets PBT+7%
  - Asset Management performed in line with expectations PBT -22%
- In UKFS: PBT +26%
  - Return from investment strategies continuing to deliver excellent performance
  - Business Banking a key driver of performance PBT +37% – with excellent growth in loans and resources
  - Mortgage Business PBT + 8% - delivering strong growth in specialist lending
  - UK Post Office relationship progressing well
    - Post Office Financial Services (POFS) reached break-even in the second half of the financial year
    - First Rate Exchange Services (FRES) performed well in challenging market conditions

** Note: based on underlying performance which excludes the impact of non-core items*

John O'Donovan, Group Chief Financial Officer
Brian Goggin, Group Chief Executive

Denis Donovan,
Chief Executive Capital Markets Division
Des Crowley,
Chief Executive UK Financial Services

Richie Boucher, Chief Executive Retail Financial Services Ireland
Tony Wyatt, Director Group Manufacturing
Ronan Murphy, Group Chief Risk Officer

Overview

Bank of Ireland Group has delivered an excellent performance in the year to 31 March 2007. Group profit before tax (PBT) is up 28% to €1,958m and basic earnings per share up 34% to 172.2c. Excluding non-core items, Group underlying PBT and EPS are both up 22% to €1,700m and 144.6c respectively. This performance has been achieved by the excellent execution of our clear and focussed strategy of driving growth from our leading Irish franchise, growing our businesses in the UK and building our international niche, skill-based businesses.

Ireland's positive macroeconomic and demographic backdrop continues to support the very strong performance in our Retail and Life businesses with profit growth of 27% (PBT) and 29% (Operating profit) respectively. The economic outlook remains positive and we expect GDP growth to continue to outpace that of the eurozone average over the medium term. We compete from a position of real strength in our core market: we have the leading distribution platform; the broadest product offering; a relentless focus on customer service; and highly committed employees. Collectively, these translate into a sustainable competitive advantage and provide us with the capability to drive further growth in a competitive marketplace.

In the UK we have successfully restructured our businesses and now have a clear focus on three areas with significant growth potential: business banking, mortgages and consumer financial services. This clear focus, combined with our continued investment in the Division, has resulted in an excellent performance with UK Financial Services PBT growth of 26% to £299m. Business Banking has been a key contributor to this performance delivering very strong loan and resource growth. In Mortgages, we continue to build our specialist lending portfolios. In Consumer Financial Services, we continue to build on our successful relationship with the UK Post Office. POFS reached breakeven in the second half of the financial year and by May 2007 had in excess of 1 million customers - through First Rate Exchange Services (FRES), we remain the leading provider of personal foreign exchange services with a market share of 30%.

Capital Markets delivered an excellent performance with PBT growth of 21% to €572 million. Corporate Banking delivered particularily strong results as we continued our geographic expansion in the UK, the US and Continental Europe. Strong growth in customer income was a particular feature in Global Markets. Our asset management business made progress in its turnaround phase with performance in the business is in line with expectation. In October 2006, the Group completed the sale of its 90.444% shareholding in J&E Davy Holdings Limited (Davy, the Group's stockbroking business) with a profit on disposal of €229m.

A priority for the Group during the year was to strengthen our capital position. We achieved this through the successful execution of mortgage securitisations and the sale and leaseback of 36 of our retail branches in Ireland. Active capital management remains a core focus and continues to support the growth in our business.

As we invest to deliver on our strategic growth agenda, our focus on cost control remains strong. The Strategic Transformation Programme, launched in March 2005, was designed not only to remove significant costs from the business, but also to embed a culture within the organisation where operational efficiency in the middle and back office would support our ambitious growth objectives. This is based on achieving economies of scale and building capability by centralising certain activities and outsourcing others.

On the launch of the Strategic Transformation Programme in March 2005 we set a cumulative annualised savings target of €120 million to be achieved by March 2009. In the year to 31 March 2007, we have delivered cost savings of €95 million against a target of €75 million. Our Group cost / income ratio was reduced by 3 percentage points to 54%. We expect to achieve annualised savings of €140 million by March 2008 and thus complete the Strategic Transformation Programme at that date, one year ahead of schedule. This programme has fundamentally changed and strengthened our business providing us with an efficient platform to drive sustainable profitable growth. The central elements of this programme – efficiency, capability and scalability are being embedded in the culture of Bank of Ireland and will enable the Group to achieve a cost / income ratio of mid 40s percentage points in the medium term.

A significant contributor to our efficiency gains has been the introduction of our new business model under which we have:

- Consolidated and standardised similar activities into a single manufacturing function now employing in excess of 4,500 staff. Activities include credit operations, contact centres, payments, IT and Banking services; and
- Consolidated support functions into single Group-wide centres of excellence. Activities include human resource management, finance, legal services and corporate communications. A key enabler in this process has been the outsourcing of a number of activities including facilities management, procurement and learning.

Bank of Ireland Group has made considerable progress in recent years in the implementation of a clear and focussed strategy. We have launched our new operating model, we have further strengthened our domestic franchise in Ireland, we have revitalised our UK Financial Services Division, and we are successfully developing our international growth platforms. As we stand today, Bank of Ireland Group is a much strengthened, re-focused and re-energised organisation. Based on the progress we have made and positive economic indicators in our main markets we see significant potential for further enhanced growth, in particular the opportunity for accelerated growth from our international businesses as a result of our ongoing investment.

To maximise this potential we have set out a number of strategic priorities for the Group:

- To drive further growth from our leading Irish franchise
- To significantly reposition the geographic earnings profile of the Group increasing the profit contribution from our international businesses to over 50%.
  - Grow the United Kingdom as our second core market
  - Drive significant international expansion in our niche skill based businesses with a particular US focus
- Maximise efficiency from our new business model

Based on the successful implementation of these strategic priorities we are confident that we will deliver a strong and sustained earnings performance over the medium term.

Outlook to March 2008

Looking to the year ahead, the economic conditions in our major markets remain positive and supportive of business growth. We remain confident that our strong franchise in Ireland will enable us to continue to meet the challenges of a competitive marketplace. We expect to see continued growth in both our revitalised UK business and our other international operations. During the year we will continue to invest in our business to support continuing growth into the future. We will maintain our relentless focus on costs and expect further efficiencies to be achieved in our drive to further reduce our cost / income ratio. We remain vigilant to any indications of a change in the credit environment which remains exceptionally benign. We are guiding a low double digit percentage growth in underlying EPS for the year to 31 March 2008 (from a base of 144.6 cent for the year to 31 March 2007).

Divisional Performance

Divisional Profit Before Tax

	31 March 2007 €m	31 March 2006 Restated* €m	% Change
Retail Republic of Ireland	698	550	27
Bank of Ireland Life	148	134	10
Capital Markets	572	471	21
UK Financial Services	441	349	26
Group Centre	(159)	(111)	43
Underlying profit before tax	**1,700**	**1,393**	**22**
Non-core items	258	131	
Profit before tax	**1,958**	**1,524**	**28**

**Restated for change in accounting policy – see page 86*

Retail Republic of Ireland

Retail Republic of Ireland incorporates our Mortgage, Consumer Banking, Business Banking and Private Banking activities in the Republic of Ireland.

Retail Republic of Ireland delivered an excellent performance for the year to March 2007 with PBT growth of 27%. Our unrivalled distribution, the scope of our product range and our commitment to service excellence continue to underpin our leading franchise. In a competitive marketplace we have retained our leading position as the number one provider of mortgages in Ireland. In Business Banking we successfully targeted the fast growing SME and start-up segments with a competitive offering that has driven growth and enabled us to strengthen our competitive position in this market. We continue to drive very significant growth from our Private Banking business.

Retail Republic of Ireland: Income Statement

	31 March 2007 €m	31 March 2006 €m	% Change
Net interest income	1,311	1,119	17
Other income	377	356	6
Total operating income	1,688	1,475	14
Total operating expenses	927	871	6
Operating Profit before impairment losses	**761**	**604**	**26**
Impairment losses on loans and advances	63	54	17
Profit before tax	**698**	**550**	**27**

Net interest income increased by 17% driven by strong volume growth and a further reduction in the rate of margin attrition. The rate of margin attrition was considerably less than in recent years as the returns achieved on customer resources improve in a rising interest rate environment. Loan growth year on year was an excellent 25%. Loan book growth in Business Banking was particularly strong at 33% reflecting our continuing focus on increasing our share of this high growth sector. Through our advice–led products, distribution capability and service focus we maintained our leading position in mortgages with book growth of 22%, in line with the market. Rising interest rates have contributed to slowing of new business volumes in the residential property market. Personal lending has shown strong growth of 19%. Resources growth was 11% having slowed towards the year-end in line with the market.

Other income is up 6%. Substantial growth in credit card income and Private Banking fees offset a reduction in current account fee income associated with our personal current account free banking offer.

The continuing successful implementation of the Strategic Transformation Programme and new business model has enabled us to control costs. Our Group Manufacturing function is driving consolidation and standardisation in order to deliver productivity improvements. In particular, the consolidation of our customer contact, credit operations and back-office processing has improved the operating leverage in the business, resulting in restrained cost growth of 6% and a favourable cost / income jaws of 8%. The cost / income ratio declined significantly by 4% to 55%.

Asset quality remains excellent across our retail business. The impairment losses on loans and advances were €63 million or 14 bps as a percentage of average advances. This compares to €54 million or 15 bps for March 2006.

Bank of Ireland Life

Bank of Ireland Life, the Group's life and pensions business, performed very strongly during the year with buoyant new business sales across all distribution channels contributing to further market share gains. Operating profit grew by 29% to €146 million.

Bank of Ireland Life achieved excellent growth in sales with a 27% increase on an annual premium equivalent basis. Growth in single premium business was particularly impressive with a 46% increase. Market share increased by one percentage point to 26%. The favourable economic and demographic backdrop ensures the outlook remains positive.

IFRS Performance

	31 March 2007 €m	31 March 2006 €m	% Change
Operating Income	250	208	20
Operating Costs	104	95	9
Operating profit	**146**	**113**	**29**
Investment variance	2	17	
Discount rate change	-	4	
Profit before tax	**148**	**134**	**10**

Operating profit grew by an impressive 29% on the back of strong sales and good cost control. Against this backdrop the operating cost / income ratio fell from 46% to 42%. Growth in profit before tax at 10% primarily reflects the impact of the significant positive investment variance in the prior year.

Embedded Value Performance

The alternative method of presenting the performance of our Life business is on an Embedded Value basis. Under this approach, Bank of Ireland Life also shows a strong performance with operating profit up 21% to €175 million. The value of new business has grown particularly strongly with improved margins, reflecting the economies of scale from higher volumes and good cost control. Profit before tax is lower due to the impact of the significant positive investment variance in the prior year.

	31 March 2007 €m	31 March 2006 €m	% Change
New business profits	114	78	46
Existing business profits			
• Expected return	83	71	17
• Experience variance	14	20	(30)
• Assumption changes	-	8	
Inter-company payments	(36)	(32)	
Operating profit	**175**	**145**	**21**
Investment variance	2	51	
Discount rate change	-	8	
Profit before tax	**177**	**204**	**(13)**

Note: Embedded Value at March 2007 was €1.26 billion

The key assumptions used in the Embedded Value calculation are a discount rate of 7.5% (2006: 7.5%), growth rate on unit-linked assets of 5.5% (2006: 5.5%) and the rate of tax to be levied on shareholder profits of 12.5% (2006: 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.

Capital Markets

Capital Markets comprises Corporate Banking, Global Markets, Asset Management and IBI Corporate Finance. Profit before tax in Capital Markets increased by 21% to €572 million for the year to March 2007.

Capital Markets: Income Statement

	31 March 2007 €m	31 March 2006 €m	% Change	% Change excluding impact of IAS 39 & acquisitions/disposals
Net interest income	671	461	46	35
Other income	378	458	(17)	2
Total operating income	1,049	919	14	20
Total operating expenses	456	425	7	13
Operating profit before impairment losses	**593**	**494**	**20**	**25**
Impairment losses on loans and advances	21	23	(9)	(9)
Profit before tax	**572**	**471**	**21**	**27**

The Divisional performance during the period is not directly comparable with the prior period as the disposal of Davy in October 2006, the acquisition of Guggenheim Advisors in January 2006, and the establishment of our joint venture with private equity firm Paul Capital in June 2006 impacts on the year on year analysis of income and cost growth.

Total operating income rose by 14% to €1,049 million for the year to 31 March 2007. Excluding the trading impact of acquisitions and disposals, total operating income increased by 20% driven by strong lending volumes, higher margins and significant loan arrangement fee income in Corporate Banking.

The growth in net interest income and other income is distorted by the trading impact of acquisitions and disposals as outlined above together with the classification of certain interest expense under IAS 39 which relates to the designation of certain financial instruments under the fair value option. Excluding both of these factors, net interest income grew by 35% and other income grew by 2%.

The 35% growth in **net interest income** was driven by a 22% increase in average loans and improved margins in Corporate Banking reflecting changes in the mix of the loan book. Strong growth in arrangement fees in Corporate Banking was offset by the reduced revenues from Asset Management resulting in **other income** growth of 2%.

Total operating expenses increased by 7% to €456m. Excluding the trading impact of acquisitions and disposals, total operating expenses increased by 13%. There were three main drivers of operating expenses within the Division; investment costs, staff related costs and compliance costs. Investment costs in Corporate Banking and Global Markets added 3% to total cost growth with the continued expansion of our activities in the UK, the US and Continental Europe. Increased staff costs across the Division arising from salary inflation and performance related pay added 6% to total operating expenses. Compliance costs arising from requirements under Basel II, Sarbanes-Oxley and the new Liquidity regime added a further 1% to the operating costs of the Division. The remaining 3% was driven by volume related growth and inflation.

Credit quality remains excellent with impairment losses on loans and advances of €21 million or 9bps when expressed as a percentage of the average loans. This compares to €23 million or 12bps in the prior year. Corporate Banking continues to benefit from the benign credit environment and in addition a number of loan loss provision write-backs during the year.

Capital Markets: Business Unit Profit Before Tax

	31 March 2007 €m	31 March 2006 €m	% Change
Corporate Banking	332	213	56
Global Markets	144	134	7
Asset Management	66	85	(22)
Other	30	39	(23)
Profit before tax	**572**	**471**	**21**

Corporate Banking delivered particularly strong profit growth of 56% for the year. This excellent performance was driven by strong lending growth, improved net interest margin arising from a change in lending mix, an exceptionally benign credit environment and the write-back of loan loss provisions of €26 million. While we continued to invest in our Corporate Banking activities during the year, income increased significantly more than costs resulting in a strong cost / income jaws performance.

The geographic focus of our Corporate Banking activities extends from Ireland to our growing presence in the UK, Continental Europe and the US. During the year we continued to build on this geographic platform. We have retained our leading position in Ireland and delivered significant international growth across our lending portfolios in our chosen segments: project finance, acquisition finance, specialist finance including media, property finance and comprehensive asset based lending. Increasingly we are taking lead roles in arranging and structuring transactions thereby generating significant fee earning opportunities across our portfolios. We actively manage the risk in these portfolios through diversification by geography and segment, and through modest holds in each of our transactions.

Our results demonstrate clearly that we are delivering on our strategy in Corporate Banking: to drive growth from our leading domestic franchise and to broaden our international business by focusing on niche skills based activities.

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 7% reflecting a strong performance in our customer businesses globally and a very satisfactory performance overall given the challenging trading conditions that existed with interest rates increasing in the three major economies in which we operate. Our focus continues to be on developing the geographic expansion of our activities with the opening of a customer treasury and funding unit in Stamford, Connecticut in October 2006. We continue to build on our technical skills and capability and are working very closely with other Group businesses to help deliver an extensive and fully integrated service to our customers.

Our Asset Management businesses comprises Bank of Ireland Asset Management (BIAM), Bank of Ireland Securities Services (BoISS), Iridian Asset Management, 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 year to 31 March 2007 was €66m, a decrease of 22% over the prior year. Fund outflows from BIAM have slowed with funds under management at the year end of €43.7bn compared to €45.1bn at 31 March 2006. The focus within the business over the last year has been on product diversification, turning around the investment performance in BIAM and the integration of newly acquired businesses.

In the year to 31 March 2007, IBI Corporate Finance had a satisfactory performance. In October 2006, the Group completed the sale of its 90.444% shareholding in Davy.

UK Financial Services (Sterling)

UK Financial Services (UKFS), which incorporates Business Banking, our Mortgage business and our Consumer Financial Services joint ventures with the UK Post Office, delivered an excellent performance during the year demonstrating the success of our restructuring and investment programmes over the past number of years. Profit before tax increased by 26% to £299 million.

UKFS: Income Statement

	31 March 2007 £m	31 March 2006 £m	% Change	% Change excluding impact of IAS 39 & disposals
Net interest income	531	493	8	16
Other income	118	91	30	16
Total operating income	649	584	11	16
Total operating expenses	337	329	2	12
Operating Profit before impairment losses	**312**	**255**	**22**	**21**
Impairment losses on loans and advances	13	17	(24)	(24)
Profit before tax	**299**	**238**	**26**	**27**

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

Total operating income, excluding the trading impact of the Bristol & West branch network, rose by 16% to £649 million. The growth in net interest income and other income is distorted by the trading impact of disposals as outlined above together with the classification of certain interest expense under IAS 39 which relates to the designation of certain financial instruments under the fair value option. Excluding both of these factors, net interest income grew by 16% and other income grew by 16%. Net interest income growth is due to strong volume growth for both lending up 18%, and resources up 47%. Competitive dynamics and increases in UK interest rates resulted in margin attrition during the year, especially in the standard mortgage market. Within the mortgage book there has been stronger growth in the specialist sectors and this has helped overall margins. In addition, lending margins in business banking have been stable especially in the second half of the year. Other income growth was primarily driven by strong customer acquisition and industry leading renewal levels in POFS in both car and home insurance.

Operating expenses, excluding the trading impact of the Bristol & West branch network, increased by 12% to £337 million resulting in favourable operating leverage with positive cost/income jaws of 4%. The drivers of cost growth were the continued investment in Business Banking which is driving growth, higher variable operating and marketing costs in POFS to support sales and servicing activities of this rapidly growing business together with increased regulatory costs.

Impairment losses on loans and advances are lower than the prior year due to continued excellent asset quality. The loan loss charge for the year expressed as a percentage of average loans was 4bps compared to 5bps in the prior year.

UKFS: Business Unit Profit Before Tax

	31 March 2007 £m	31 March 2006 £m	% Change
Mortgages	145	134	8
Business Banking	156	114	37
Consumer Financial Services:	24	8	200
• *POFS*	*(8)*	*(22)*	*64*
• *FRES (post tax)*	*30*	*28*	*7*
• *ATM & Other Post Office related activities*	*2*	*2*	*-*
Bristol & West branch network	-	(3)	-
Other*	(26)	(15)	(73)
Profit before tax	**299**	**238**	**26**

** Note: includes the amortisation of intangible assets associated with the UK Post Office Financial Services (March 2007: £8 million, March 2006: £8 million).*

The Mortgage business delivered profit before tax of £145 million, an increase of 8% for the year. Profit growth was negatively impacted by three base rate increases during the year together with a change in regulation relating to mortgage exit fees. The residential mortgage book increased by 10% to £24 billion with particularly strong growth in both the self-certified and buy-to-let specialist portfolios, which increased 18% and 16% respectively. Total operating income growth was 6% as margin attrition impacted net interest income whilst cost growth was contained to 3% over the prior year. Credit performance remains excellent with our arrears levels significantly below the industry average.

The performance of Business Banking was exceptionally strong with profit before tax increasing by 37% to £156 million on the back of 34% increase in the loan book year on year. This excellent momentum in the business has resulted from our continuing investment in people and capability. This has delivered significant operational leverage with total operating income and costs growing by 22% and 13% respectively. Asset quality remains strong.

Bank of Ireland has an extensive relationship with the UK Post Office providing a variety of consumer financial services products - First Rate Exchange Services (FRES) provides personal foreign exchange services and Post Office Financial Services (POFS) provides a range of retail products including savings, insurance, and credit cards. This latter contract has been extended to 2020. In addition the Group is now rolling out an extensive ATM infrastructure across the Post Office network.

Profit before tax for FRES grew by 8% to £86 million whilst the Group's share of FRES after tax profit increased by 7% to £30 million which was a satisfactory performance in very challenging trading conditions within the travel market throughout the year. FRES continues to grow and with a 30% market share, is the leading provider of personal foreign exchange services in the UK market. The pace of growth in POFS increased in the year, sales almost doubling from 347,000 products in the prior year to 668,000 in the year to March 2007 with the strongest growth in insurance and savings products. In May 2007, the business has over 1 million customers. The start-up losses in this venture continue to decline, down to £8 million in the year to March 2007 compared to a loss of £22 million in the prior year and encouragingly the business delivered a break-even result for the second half of 2006/07 and is positioned for profitable growth.

Group Centre

Group Centre, which comprises earnings on surplus capital, unallocated support costs and some smaller business units, had a net cost of €159 million in the year to 31 March 2007, compared to €111 million in the year to 31 March 2006.

The key drivers behind the increase in net cost are increased compliance expenditure €25m, higher funding cost on debt raised €15m and a one-off Government led social finance contribution €6m.

Review of Group Performance

	31 March 2007 €m	31 March 2006 Restated* €m	% Change
Net interest income	2,757	2,307	20
Other income	1,112	1,132	(2)
Total operating income (net of insurance claims)	3,869	3,439	13
Operating expenses	2,110	1,988	6
Impairment losses on loans and advances	103	103	-
Share of associates and joint ventures (post-tax)	44	45	(2)
Underlying profit before tax	1,700	1,393	22
Non-core items:			
Add:			
• *Gain on disposal of business activities / property*	*358*	*176*	
• *Gross-up for policyholder tax in the Life business*	*19*	*69*	
Deduct:			
• *Hedge ineffectiveness on transition to IFRS*	*(2)*	*(7)*	
• *Investment return on treasury shares held for policyholders*	*(68)*	*(75)*	
• *Cost of restructuring programme*	*(49)*	*(32)*	
Profit before tax	1,958	1,524	28
Taxation	306	303	1
Minority interest	1	(9)	
Dividends on other equity interests	15	13	
Profit attributable to ordinary stockholders	1,636	1,217	34
Basic EPS cents per share	172.2c	128.5c	34
Underlying EPS cents per share**	144.6c	118.5c	22

* *Restated for change in accounting policy – see page 86*
** *Excludes the impact of non-core items after tax of €225m (2006: €66m)*

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 and 26 of this document.

Analysis of the Group's financial performance is distorted by the trading impact of acquisitions and disposals in the current and prior period. In the year to March 2006 we disposed of the Bristol and West branch network (September 2005) and we acquired Guggenheim Advisors (January 2006). In the year to 31 March 2007 we disposed of Davy (October 2006) and we established our joint venture with the private equity business, Paul Capital (June 2006).

Income

Total income increased by 13% to €3,869 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 Capital Markets. Total income after adjusting for the trading impact of acquisitions and disposals increased 15% year on year.

Total Income

	31 March 2007 €m	31 March 2006 €m	% Change
Total operating income	3,869	3,439	13
Trading impact of acquisitions/disposals	(122)	(179)	
Total income excluding trading impact of acquisitions and disposals	3,747	3,260	15

The growth in net interest income and other income is distorted by the trading impact of acquisitions and disposals as outlined above during the current and prior periods together with the classification certain interest expense under IAS 39. Excluding both these factors, net interest income grew by 19% to €2,635 million and other income grew by 6% to €1,112 million.

Net Interest Income

	31 March 2007 €m	31 March 2006 €m	% Change
Net interest income	2,757	2,307	20
Trading impact of acquisitions/disposals	-	(20)	
IAS 39 impact	(122)	(78)	
Net interest income excluding trading impact of acquisitions and disposals, IAS 39 impact	2,635	2,209	19

The excellent performance in **net interest** income was driven by the continued strong growth in loans and resources across the Group. Customer lending, increased by 21% and resources grew by 16%. 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; together with the benefits from our investment in business banking in Ireland and the UK, and Corporate Banking.

Other Income

	31 March 2007 €m	31 March 2006 €m	% Change
Other income	1112	1,132	(2)
Trading impact of acquisitions/disposals	(122)	(159)	
IAS 39 impact	122	78	
Other income excluding trading impact of acquisitions and disposals, IAS 39 impact	1,112	1,051	6

The drivers of **other income** growth include: new business sales in our Life business, Private Banking and POFS; growth in the level of arrangement fees earned in Corporate Banking as we increase our role as arranger of debt structures; and increased activity in our credit card businesses. This growth in other income was partially offset by reduced income from BIAM and a significant positive investment variance and change in the discount rate in the prior period in the Life business.

Group Net Interest Margin

	31 March 2007	31 March 2006	Change
Average interest earning assets (€billion)	156	129	21%
Group net interest margin (%)	1.77	1.79	(2bps)
IAS impact on Group Net Interest Margin (%)			
Net interest margin excluding impact of IAS 39	1.69	1.73	(4bps)
IAS impact	0.08	0.06	2bps
Group Net Interest Margin	1.77	1.79	(2bps)

The Group net interest margin decreased by 2bps to 1.77% for the year to 31 March 2007 from 1.79% for the year to 31 March 2006. Group net interest margin is increased by the classification of certain interest expense under IAS 39 which relates to the designation of certain financial instruments under the fair value option. Excluding the impact of IAS 39 in the current and prior period, margin attrition was 4 basis points.

The pace of margin attrition has slowed significantly as rising interest rates and changing product mix continue to impact positively. The drivers of attrition over the year are primarily balance sheet structure where the rate of loan growth outpaces resources, and product margins where competition has impacted on mortgage pricing.

Operating Expenses

Total Operating Expenses increased by 6%, or by 9% excluding the trading 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 3 percentage points from 57% in March 2006 to 54% in March 2007.

Total Operating Expenses

	31 March 2007 €m	31 March 2006 €m	% Change
Operating expenses	2,110	1,988	6
Trading impact of acquisitions/disposals	(91)	(138)	
Operating expenses excluding the trading impact of acquisitions and disposals	2,019	1,850	9

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

- Investment costs of 2% 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 continuing development of POFS.
- Compliance costs of 2% associated with the Sarbanes-Oxley and Basel II programmes.
- Business as usual cost growth of 8% where 3% is due to volume growth and performance related compensation. The remaining 5% is due to inflation.
- Cost savings of (3%) arising from the continued successful implementation of the Strategic Transformation Programme.

We are significantly ahead of schedule in the implementation of our Strategic Transformation Programme. In the current year to 31 March 2007 we have achieved savings of €95 million against our stated target of €75 million.

During the year, we have continued the implementation of our streamlined operating model which is consolidating middle and back office and support activities to drive productivity improvements. These include, the consolidation of contact centres and credit operations in our Group Manufacturing function and the consolidation of credit underwriting in our UK mortgage business, all of which are well advanced and provide scale efficient operations to the Group. Our Group Manufacturing function is consolidating a further range of back office activities in our operating divisions in order to drive further productivity improvements. We also successfully completed the outsourcing of procurement, learning, and facilities management during the year, and are further streamlining group support functions.

Impairment of Loans and Advances

The credit environment remains exceptionally benign and the economic backdrop to our activities, in particular in our main markets in Ireland and the United Kingdom remains positive.

The impairment charge for the year amounts to €103m or 9bps when expressed as a percentage of average loans (March 2006: €103m and 11bps). Impairment losses on loans and advances are at historically low levels. Loan losses have benefited from some provision write-backs during the year, in particular write-backs in Corporate Banking amounting to €26m.

Total balance sheet provisions were €428m at 31 March 2007 compared with €360m at 31 March 2006 representing a coverage ratio of 44%.

Asset Quality

	31 March 2007	31 March 2006	% Change
Impairment losses on loans and advances	€103m	€103m	-
Impairment charge on loans and advances	9bps	11bps	-
Total average customer advances	€116bn	€93bn	25
Impaired loans	€968m	€796m	22
Impairment provision	€428m	€360m	19
Coverage ratio	44%	45%	-

Share of Associates and Joint Ventures

Profit after tax from associated undertakings and joint ventures decreased marginally by 2% to €44 million.

Balance Sheet – Capital and Funding

Total assets increased by 17% from €162 billion to €189 billion in the year to 31 March 2007. Customer lending increased by 21% and total resources increased by 16%. Pre-securitisation, risk-weighted assets grew by 21%. Post-securitisation, risk weighted assets grew by 16% from €98 billion to €113 billion.

	% Growth March 2007 over March 2006		
	Risk Weighted Assets	**Customer Lending**	**Resources**
Retail Republic of Ireland	26	25	11
Capital Markets	21	17	9
UK Financial Services	21	18	47
Group	21	21	16

Capital

Our capital position has been enhanced during the year by the successful implementation of a range of capital management initiatives including the sale and leaseback of 36 retail branches in Ireland together with the securitisation of a portion of the Irish and UK mortgage books. In addition, the profit on the disposal on Davy also made a positive contribution. Our total capital ratio and tier 1 ratio increased from 11.4% and 7.5% at 31 March 2006 to 11.8% and 8.2% respectively at 31 March 2007. The equity tier 1 ratio increased from 4.8% to 5.2% over the same period.

During the year the Group raised £500 million (€736 million) of non-equity tier 1 capital and €750m of lower tier 2 capital.

The Group completed two mortgage securitisations during the year that had the impact of reducing risk-weighted assets by €5.5bn as at 31 March 2007. Kildare Securities is a €2.95bn securitisation from the ICS mortgage book in Ireland and Brunel Securities is a £5.5bn (€8bn) securitisation from the Bristol & West mortgage book in the UK.

The Group's capital position remains strong and our active approach to capital management provides us with adequate capital to support our business plans going forward.

We are well advanced in our preparations to submit our application to the Financial Regulator for qualification under the Basel II Foundation Internal Ratings Based approach in mid 2007 under Pillar 1 along with our assessment of capital adequacy under Pillar 2. In common with many other diversified financial services organisations, we anticipate a modest reduction in our minimum capital requirements under Basel II.

Funding

The level of wholesale funding during the year increased from €69bn at March 2006 to €80bn at 31 March 2007. As a percentage of total balance sheet assets (excluding Bank of Ireland Life assets held on behalf of policyholders) the level of wholesale funding remained unchanged at 46%. Our funding strategy remains to maximise the diversification of our funding across maturity, investor type and geography. Investor demand remains strong for Bank of Ireland paper.

Dividend

The Court has recommended a final dividend of 39.4 cent per unit of stock in respect of the year ending 31 March 2007. The recommended final dividend together with the interim dividend of 21 cent results in a total dividend of 60.4 cent per unit of stock for the year ended 31 March 2007, an increase of 15% on the prior year.

Return on Equity

Return on equity, excluding the impact of non-core items (set out on pages 25 and 26) was 23% for the year to 31 March 2007 compared to 24% in the year to 31 March 2006.

Effective Tax Rate

The Group taxation charge was €306m for the year ended 31 March 2007, compared to €303m for the prior year. The effective tax rate was 15.6% compared to 19.9% (restated for change in accounting policy) for year ending 31 March 2006. The change in the tax rate was affected by the disposal of Davy, the abolition of the Bank Levy in December 2005 and the reduced gross-up for policyholder tax in the Life business.

Income Statement March 31, 2007 – Business Segments

Year ended March 31, 2007

	Net Interest Income €m	Insurance net premium income €m	Other Income €m	**Total Income €m**	Insurance Claims €m	**Total income, net of insurance claims €m**	Operating expenses €m	Impairment losses on loans & advances €m	Share of income from associates €m	**Profit before taxation €m**
Retail Republic of Ireland	1,311	-	377	**1,688**	-	**1,688**	(927)	(63)	-	**698**
BOI Life	(5)	2,155	307	**2,457**	(2,205)	**252**	(104)	-	-	**148**
Capital Markets	671	-	379	**1,050**	-	**1,050**	(456)	(21)	(1)	**572**
UK Financial Services	784	-	129	**913**	-	**913**	(497)	(20)	45	**441**
Group Centre	(4)	33	(55)	**(26)**	(8)	**(34)**	(126)	1	-	**(159)**
Group - underlying	2,757	2,188	1,137	**6,082**	(2,213)	**3,869**	(2,110)	(103)	44	**1,700**
Sale of business activities / property	-	-	358	**358**	-	**358**	-	-	-	**358**
Gross up of policyholder tax in the Life business	-	-	19	**19**	-	**19**	-	-	-	**19**
Investment return on treasury shares for policyholders	-	-	(68)	**(68)**	-	**(68)**	-	-	-	**(68)**
Hedge ineffectiveness on transition to IFRS	-	-	(2)	**(2)**	-	**(2)**	-	-	-	**(2)**
Restructuring programme	-	-	-	-	-	-	(49)	-	-	**(49)**
Group - total	2,757	2,188	1,444	**6,389**	(2,213)	**4,176**	(2,159)	(103)	44	**1,958**

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 March 31, 2006 (Restated*) – Business Segments

Income Statement March 31, 2006 (Restated) – Business Segments
Year ended March 31, 2006

	Net Interest Income €m	Insurance net premium income €m	Other Income €m	**Total Income €m**	Insurance Claims €m	**Total income, net of insurance claims €m**	Operating expenses €m	Impairment losses on loans & advances €m	Share of income from associates €m	**Profit before taxation €m**
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**
Capital Markets	461	-	458	**919**	-	**919**	(425)	(23)	-	**471**
UK Financial Services	722	-	94	**816**	-	**816**	(481)	(26)	40	**349**
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 / property	-	-	176	**176**	-	**176**	-	-	-	**176**
Gross up of policyholder tax in the Life business	-	-	69	**69**	-	**69**	-	-	-	**69**
Investment return on treasury shares for policyholders	-	-	(75)	**(75)**	-	**(75)**	-	-	-	**(75)**
Hedge ineffectiveness on transition to IFRS	-	-	(7)	**(7)**	-	**(7)**	-	-	-	**(7)**
Restructuring programme	-	-	-	-	-	-	(32)	-	-	**(32)**
Group - total	2,307	1,298	1,663	**5,268**	(1,666)	**3,602**	(2,020)	(103)	45	**1,524**

**Restated for change in accounting policy – see page 86*

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.

Risk Management and Control

Risks are unexpected future events that could influence the achievement of Bank of Ireland's financial, capital or other organizational objectives. One of the Group's core business objectives is to engage in calculated, profitable risk-taking, applying strong risk management skill as a source of competitive advantage to ensure risk diversification and the achievement of target returns. Proactive identification and management of risk is therefore central to delivery of the Bank of Ireland Group strategy and underpins operations throughout the Group. Prudent risk management, 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.

Risk Management Approach

The Group follows an integrated approach to risk management to ensure that all material classes of risk are identified and assessed and that its risk management strategy, capital management strategy and overall business strategy are aligned.

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 oversight of key risk categories including formulation of risk appetite recommendations, establishment of integrated Group-wide risk measurement and management standards and the embedding of effective individual risk management responsibility at all levels of management.

The Group's approach to risk management is based on line management having primary responsibility for management of risk in individual businesses. To balance individual responsibility, risk is subject to independent oversight and analysis by five centrally based risk management functions reporting to the Group Chief Risk Officer:

- Credit (including Group Credit Review),
- Market Risk,
- Operational Risk,
- Office of the Group Chief Risk Officer,
- Regulatory Risk & Compliance.

These risk management functions assist the GCRO in the formulation of risk policies and strategies, which are approved through the Group Risk Governance Framework. These specialist teams work together to identify, measure, analyse, monitor, control and report on risks. Risk measurement systems are in place to facilitate monitoring and analysis of risk to ensure compliance with Regulatory requirements.

In discharging the core responsibility of risk oversight above, the GCRO provides independent advice and constructive challenge to the Group Executive on all business decisions. The role directly influences business decisions by:

(a) Emphasising a portfolio approach to risk management in addition to a transactional approach,

(b) Leading the discussion on the setting of risk appetite and,

(c) Providing appropriate risk measurements to influence the assessment of business performance and corporate development.

(d) Structuring business growth aspirations in a manner consistant with the Groups Risk appetite.

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

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 wishes to assume to achieve its corporate objectives.

Specifically, the Court:

- Ensures that management is accountable for the effective identification, measurement and control of all key risks and that these risks are adequately covered by capital.
- Ensures that management cannot materially alter the nature or scale of risk assumed by the Group without reference to the Court.
- Approves the terms of reference, operating parameters and membership of GRPC.
- Approves the Group Risk Framework and Group Credit Policy and all material changes thereto.
- Approves the Group's risk appetite and loss tolerance.
- Approves other key high-level risk limits as required by risk policies.
- Reviews regular reports on the size and composition of all key risks.
- Reviews the proceedings of Group Risk Policy Commitee (GRPC).

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. 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 – approval of all large credit transactions.
- Portfolio Review Committee – composition of the Group's loan portfolio.
- Group Asset and Liability Committee (ALCO) – market, liquidity risk and capital.
- Risk Measurement Committee – credit risk measurement and risk model validation.
- Group Operational Risk Committee – operational risk.
- Group Regulatory Risk and Compliance Committee – regulatory risk and compliance.
- Group Debt Underwriting Committee – control and oversight of debt underwriting transactions.
- Private Equity Governance Committee – approval of equity investments.
- Group Tax Committee – oversight of tax policy.
- Basel II Steering – governance & oversight of Basel II Programme.

Risk Concentrations

Undue concentrations can lead to increased volatility in the Group's expected outcomes. It is the policy of the Group to avoid undue counter-party/ name-level, industry/ sector, product, geography or other forms of significant connected risk in its credit books. Monetary risk limits and guide-points are set by GRPC or its sub-committees and, as necessary, approved by the Court of Directors. Avoidance of such risk is therefore a fundamental cornerstone of the Group's approach to risk management.

Risk Appetite

The Group's risk appetite is determined on the basis that it aims to deliver sustainable growth through the pursuit of reasonable business opportunities, which can be risk-managed effectively.
Where relevant, appetite for particular levels of risk is defined and measures adopted to inform judgements about the acceptability of current or projected risk profiles. Risk Appetite defines how much risk the Group is willing to take based on three fundamental principles:

- Ensure Short-Term Financial Stability (e.g. Loss Tolerance/ Earnings volatility)
- Maintain Capital Levels (e.g. Economic Capital, Target Capital Levels)
- Protect the Long Term Group Franchise (e.g. Target Debt Rating, Use of Risk/ Capital in Strategic Decisions)

To assess the degree to which the Group is operating within its risk appetite, loss tolerance and other risk limits, the GRPC and the Court of Directors regularly review key risk and capital indicators. This is in addition to detailed risk information regularly reviewed by the Group's Credit, Market and Operational Risk functions and by Business Units (as specified in the separate policy documents of these functions and units).

Stress Testing/Scenario Analysis

As a core part of its risk management framework, the Group performs firm-wide scenario-based stress tests. Semi-annual scenario based stress tests are applied to examine the impact of extreme events. Impacts are measured in terms of resulting losses and Economic Capital.

The stress tests assist GRPC and the Court of Directors to determine whether the Group would be comfortable with the possible financial volatility consequences of a set of scenarios, taking account of target capital ratios, dividend cover and loss tolerance.

Basel II

We are well advanced in our preparations to submit our application to the Financial Regulator for qualification under the Basel II Foundation Internal Ratings Based approach in mid 2007 under Pillar 1 along with our assessment of capital adequacy under Pillar 2. In common with many other diversified financial services organisations, we anticipate a modest reduction in our minimum capital requirements under Basel II.

Credit Risk

Credit risk reflects the risk that a counter-party 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, on the recommendation of 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 function 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 the Group and Unit Credit Policies which are approved and reviewed by GRPC/Head of Group Credit 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 exposure limits are approved by GRPC for each rating of bank based on credit risk modeling techniques combined with expert judgment.

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) metrics, which are complemented by expert judgment.
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.

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.

The Group's rating system for larger transactions utilises financial and nonfinancial 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 Committee, 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. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the exposure to the net carrying amount.

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

Policy and Governance

Market risk is the potential adverse change in Group income or the value of 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.

It is Group policy that market risk arising from customer business in the Group's retail, corporate and specialist finance businesses is centralised by way of internal hedging arrangements with Bank of Ireland Global Markets (BoIGM).

BoIGM is the sole business unit permitted to take discretionary market risk for the Group's account, subject to strict policies, limits and other controls. Discretionary market risk arises where customer business is allowed to remain unhedged, in whole or in part, or where risk is pro-actively assumed in wholesale financial markets in expectation of favourable market movement. In the year ended 31 March 2007, discretionary risk arose predominately from positions in money-market borrowing and lending, interest rate futures, bond futures, interest rate swaps, spot foreign exchange and, to a small extent, from positions in interest-rate and currency options. Discretionary market risk can include both Trading and Banking Book positions within the meaning of these terms in the EU's Capital Requirements Directive.

Risk Measurement and Control

A Value at Risk (VaR) approach is used to measure and limit discretionary market risk in BoIGM. 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 loss that 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.

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 Court of Directors approves an overall Value at Risk (VaR) limit, which is a quantification of the Group's appetite for discretionary market risk. The Group Asset and Liability Committee (ALCO) approves VaR sub-limits for BoIGM. These limits are set by principal risk type (interest rate, foreign exchange and credit spread) and by currency or currency pair. Market risk limits are rigorously enforced and compliance is monitored by ALCO.

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 and long-run historic simulation, which measures the effect of past periods of market stress on current positions, are used to assess and manage discretionary market risk.

A number of Group businesses, chiefly in retail and business banking, are assigned small operational interest-rate and foreign exchange limits to facilitate efficient hedging. These limits are defined in terms of the impact in net present value (NPV) terms of a 1% parallel shift of the yield curve. This measure is supplemented by estimates of maturity mismatch exposure using a methodology which identifies exposure to non-parallel shifts in the yield curve.

Trading and Banking Book Risk

In BoIGM, discretionary market risk positions are allocated to the Trading or Banking Books in line with the criterion of *intent to trade* and the other principles set out in the EU's Capital Requirements Directive (CRD). Trading Book positions arise in the main from derivative and foreign exchange transactions executed with customers or through the pro-active assumption of trading positions in these instruments and markets.

The Group's Banking Book consists of the non-Trading books in BoIGM and the Group's retail and corporate deposit and loan books.

The Banking Book also includes the Group's net non interest-bearing free funds and the 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 passively managed portfolio of fixed-rate assets with an average life of 4 years and a maximum life of 7 years. This portfolio is continuously re-invested to maintain a 4-year average life.

The table below provides summary statistics for the level of VaR run in BoIGM in its combined Trading and Banking Books and in the Trading Book alone in the year-ended 31 March 2007 and in the preceding year. In all cases, the aggregate VaR is the (undiversified) simple summation of the figures for interest-rate, foreign exchange and credit-spread VaR.

	VaR Year Ended 31 March 2007 €m	VaR Year Ended 31 March 2006 €m
Trading and Banking Books in BoIGM		
End Year VaR	2.2	3.1
Average VaR	4.0	4.2
Highest VaR	8.2	7.6
Trading Book		
End Year VaR	1.6	1.1
Average VaR	1.9	1.8
Highest VaR	3.1	4.0

Interest rate risk in BoIGM was the predominant source of VaR in 2006/2007. Average interest-rate VaR in the year ended 31 March 2007 was €3.5m for all BoIGM's books and €1.3m in the case of the Trading Book. The corresponding figures for the previous year were €3.8m and €1.4m, respectively. Foreign exchange risk was the next most significant source of VaR, while credit spread risk was relatively insignificant.

Interest rate risk in the Banking Book outside of BoIGM is represented in terms of exposure in NPV terms to a 1% parallel movement of the yield curve. At end March 2007, this sensitivity was €0.3m in Euro, €0.2m in Sterling and €0.1m in US Dollars. These values are representative of the materiality of Banking Book risk outside BoIGM. (The free funds book is deemed to give rise to interest rate risk in the Banking Book only to the extent that the average life of the assets held against free funds deviates from the 4-year benchmark because of the discrete nature of the free-funds investment process.)

The table in Note 32 to the Accounts page 136 provides an indication of the re-pricing mismatch in the Non Trading Books at 31 March 2007.

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 market risk in derivative 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 the accounting policy is set out on page 78.

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, 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 discretionary 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.

BoIGM is permitted to take discretionary 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.

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 typically exchanged on a daily basis and in some cases weekly.

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 principally 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. The Group's structural foreign exchange position was as follows:

	31 March 2007	31 March 2006
	€m	€m
GBP	3,980	3,373
USD	256	264
Total structural FX position	4,236	3,637

The positions indicate that a 10% depreciation in the value of the euro against all other currencies at 31 March 2007 would result in a gain taken to reserves of €424m (2006: €363m).

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.

Liquidity management within the Group consists of two main functions. The first is day-to-day funding, managed in part by monitoring current and expected future cash flows to ensure the Group's liquidity needs can be met. Other activities include replenishment of existing funds as they mature or are withdrawn and to satisfy demands for borrowings by customers. The second function is maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen interruption to the Group's cash flow.

A significant part of the liquidity of the Group's banking businesses arises from their ability to generate customer deposits. A substantial proportion of the customer deposit base is made up of current and savings accounts, which, although repayable on demand, have traditionally provided a stable source of funding. Such customer deposits are supplemented by the issuance of subordinated loan capital and by accessing the wholesale funding markets, as well as from direct contact with various customer segments. Wholesale funding sources include deposits taken on the inter-bank market, certificates of deposit, sale and repurchase agreements, the Group's Canadian, Euro and US Commercial Paper Programmes, the Group's US and Euro Medium Term Note programmes, a Mortgage Covered Securities Programme and the Securitisation of certain of the Group's assets.

The monitoring and reporting of liquidity takes the form of cash flow measurement and projections for future periods, with the 0-8 and 8-30 day periods as two of the key periods of measurement for liquidity management. The Group also operates a contingency liquidity plan for periods of liquidity stress.

The ability to convert assets quickly is also an important source of liquidity to BOI Group's banking business. The Group holds sizeable balances of marketable treasuries and other eligible bills and debt securities which could be disposed of to provide funding should the need arise.

The Group also complies with prudential liquidity requirements set by the Financial Regulator and, in respect of its operations in other jurisdictions, the regulatory liquidity requirements as specified by the Regulators in such jurisdictions.

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.

The Group's management of its exposure to operational risk is governed by policy formulated by the Group Operational Risk Committee and approved by the Group Risk Policy Committee, on behalf of the Court. The Policy specifies that the Group will operate such measures of risk identification, assessment, monitoring and management as are necessary to ensure that operational risk management is consistent with the approach, aims and strategic goals of the Group, and is designed to safeguard the Group's assets while allowing sufficient operational freedom to earn a satisfactory return to Stockholders.

The Policy document further sets out the responsibilities of management, the requirement for mandatory reporting of incidents and the role of Group Internal Audit in providing the independent review 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 Accord, The 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;
- 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.

This "Framework" is formally reviewed each year to ensure its continuing appropriateness to manage the Group's exposure to operational risk.

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 the implementation of 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.

Operational Risk Reporting

On a semi-annual basis, the business and support units formally reassess their operational risk profile and provide a certified reporting pack to Group Operational Risk. These reports are analysed and consolidated by Group Operational Risk and presented to the Group Operational Risk Committee, Group Risk Policy Committee and the Group Audit Committee. The reporting consists of a number of elements including Risk Maps and commentary, Action Plans for the mitigation of highest rated risks and details and analysis of Loss Events and Near Misses.

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.

The Group's Operational Risk Management Framework is 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 authorization to operate.

The Group is subject to extensive supervisory and regulatory regimes principally in Ireland, the UK and the US. 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 is continually upgrading 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 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 under Basel I 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. The market risk approach covers the general market risk and the risk of open positions in currencies and debt and equity securities.

Capital Resources

The following table sets out the Group's capital resources.

	31 March 2007	31 March 2006
	€m	€m
Stockholders' funds		
Equity (including other equity reserves)	6,659	5,121
Non-cumulative preference stock	65	65
Minority interests - equity	34	45
Undated loan capital	3,494	2,880
Dated loan capital	4,314	3,613
Total capital resources	14,566	11,724

In the year ended 31 March 2007 total Group Capital Resources increased by €2,842 million to €14,566 million following retentions of €1,112 million (including €229 million from the gain on sale of Davy), other movements in Equity €426m including changes in the cash flow hedge reserve and net actuarial gains in the defined benefit pension schemes, the issue of non-cumulative perpetual preferred securities to increase undated loan capital by €707 million (issue of £500 million) and the issue of dated subordinated capital to yield €748 million (issue of €750 million) and other movements of (€151m).

As at March 31, 2007, Bank of Ireland Group had €3,494 million of Undated Loan Capital and €4,314 million of Dated Loan Capital (including fair value adjustments), a total of €7,808 million in aggregate of subordinated liabilities. Of the Dated Loan Capital €3,539 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 2007 are as follows:

Senior Debt	
Moodys	**Aa3**
Standard & Poors	**A+ (positive outlook)**
Fitch	**AA-**
DBRS	**AA (mid)**

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 May 30, 2007 and may be changed, superseded or withdrawn as a result of changes in, or unavailability, of such information.

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 January 1 1993.

Capital Adequacy Data

The following table shows the components and basis of calculation of the Group's Tier 1 and Total Capital.

	31 March 2007	31 March 2006
	€m	€m
Capital Base		
Ordinary Share capital	656	656
Eligible reserves	5,539	3,941
Equity minority interests in subsidiaries	34	45
Preference stock and preference shares	65	65
Bristol & West preference shares	74	72
Perpetual preferred securities	3,319	2,516
Regulatory adjustments (net)	(379)	39
Total Tier 1 capital	**9,308**	**7,334**
Revaluation reserves - property and other	647	690
IBNR provisions	134	127
Subordinated perpetual debt capital	294	431
Subordinated dated debt capital	3,995	3,405
Less supervisory deductions	(32)	
Total Tier 2 capital	**5,038**	**4,653**
Tier 1 and Tier 2 capital	**14,346**	**11,987**
Supervisory deductions	(1,019)	(870)
Total Capital	**13,327**	**11,117**
Risk weighted assets		
Banking book		
On balance sheet	103,982	87,424
Off balance sheet	5,986	5,974
	109,968	93,398
Trading book		
Market risks	2,570	3,708
Counterparty and settlement risks	402	404
	2,972	4,112
Total risk weighted assets	**112,940**	**97,510**
Capital ratios		
Tier 1	8.2%	7.5%
Equity Tier 1	5.2%	4.8%
Total	11.8%	11.4%

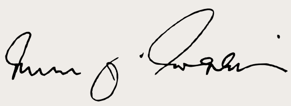
In the year to March 31, 2007 the Tier 1 Capital Ratio increased from 7.5% to 8.2% and the Equity Tier 1 ratio improved from 4.8% to 5.2% with both ratios reflecting a range of capital initiatives by the Group. The Total Capital Ratio increased from 11.4% to 11.8%.

These changes in the Tier 1 ratio arose from retained earnings, the issue of non-cumulative perpetual preferred securities, the sale and leaseback of 36 branches, the gain on the sale of Davy and the impact of securitisations offset by risk-weighted asset growth.

Tier 1 funds increased by €1,974 million with the main reasons for the change being retained earnings including transfers to capital reserves (€1,112 million), which included the benefit from the gain on the sale of Davy (€229 million) and the sale and leaseback of branches (€191m including transfer from revaluation reserves which are included in Tier 2) together with the issue of preferred securities (€731 million). Other movements added a net €131 million.

The Total capital ratio increased by 0.4% to 11.8% This increase reflected the factors behind the higher Tier 1 level together with the raising of additional dated subordinated debt capital (€748 million) during the year and the impact of securitisations.

Total Capital funds increased by €2,210 million including €1,974 million relating to the movement in Tier 1 funds described above together with €748 million (€750 million issue) for dated subordinated debt capital. These items were offset by supervisory deductions relating to securitisations (€154 million), capital amortisation (€150 million) and other movements (€208 million) including €123 million revaluation reserves transferred to retained profit (included in Tier 1) following the sale and leaseback of branches.



Brian J Goggin
30 May 2007

Corporate Governance Statement

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

A key objective of our 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 expect it to continue to do so. Specifically, the Group has complied with the provisions of the Combined Code throughout financial year 2006/2007 except for the fact that three of our then 14 Directors were unable to attend the Annual General Court in July 2006 and the Governor is a member of the Group Remuneration Committee.

The Court welcomes the publication in June 2006 of the updated version of the Combined Code which, among other things, allows the company chairman to sit on the remuneration committee. Though disclosure reporting on the updated version is not required in respect of year ended 31 March 2007, the Court is satisfied that it already complies with the principles.

The Court of Directors

At 31 March 2007, the Court consisted of 14 Directors, nine of whom were non-executive Directors. It held eight scheduled, and two additional unscheduled, meetings during 2006/2007. Agendas and papers are circulated 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 and company values;
- overseeing the management of the business including control systems and risk management;
- approving material acquisitions, disposals and investment decisions;
- overseeing corporate governance and succession planning;
- guarantees entered into by the Group, other than in the normal course of business;
- changes in Group pension schemes.

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 43. 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.

George Magan was appointed Deputy Governor on 10 October 2006 following the resignation from the Court of Denis O'Brien, former Deputy Governor. 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. Caroline Marland was appointed Senior Independent Director on 10 October 2006 in succession to George Magan.

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. The Court has determined that each current non-executive Director is independent within the meaning of the Combined Code and the New York Stock Exchange ('NYSE') Corporate Governance Standards.

Mike Hodgkinson, who resigned as a Director on 21 July 2006, 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. He was not regarded as independent within the meaning of the Combined Code.

Appointments to the Court

The Group Nomination and Governance Committee is chaired by the Governor and its composition is fully compliant with the Combined Code. The Committee is responsible for leading the process for succession to the position of Group Chief Executive and for Court and key subsidiary Board non-executive 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, assesses the time involved and identifies the skills and experience required for the role. External search consultants were utilised in the process leading to the appointment of Dennis Holt as a non-executive Director.

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. 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 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.

Election/Re-Election of Directors

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, Richie Boucher, Des Crowley, Denis Donovan and Dennis Holt are standing for election and Brian Goggin, Paul Haran and Terry Neill are standing for re-election. Following formal performance evaluation, the Court has confirmed that the performance of each of these Directors is effective and recommends that stockholders vote in favour of their election/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 Governor, the Deputy Governor and three other independent non-executive Directors, one of whom, Terry Neill, is Chairman. Notwithstanding the existing Combined 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. This position is recognised in the revised Combined Code, expected to be effective during 2007.

A statement confirming that 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 52 to 61.

Accountability and Audit

The Report of the Directors', including a going concern statement, is on pages 50 and 51.

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 Court has 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'). The Group has undertaken significant work 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.

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 38);
- a Code of Conduct setting out the standards of behaviour expected of all Directors, Officers and employees. This covers arrangements, should the need arise, for the independent investigation and follow up of any concerns raised by staff regarding matters of financial reporting or other matters;
- 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 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, the effectiveness of the Group's systems of internal control for the year ended 31 March 2007. 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 Financial Reporting Council Revised Guidance on Internal Control 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.

Audit Committee and Auditors

The Group Audit Committee, comprises only independent non-executive Directors, at least one of whom the Court has determined has recent and relevant financial experience. It assists the Court in fulfilling its responsibilities relating to:-

- the integrity of the financial statements and any related formal announcements;
- 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 SOx; and
- the review of the effectiveness of the services provided by the external auditors and other related matters.

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.

Attendance at scheduled meetings during the year ended 31 March 2007

Name	Court		Group Audit Committee		Group Nomination & Governance Committee		Group Remuneration Committee		
	A	B	A	B	A	B	A	B	
Roy E Bailie	2	2	3	3	-	-	-	-	Retired 21 July 2006
Richie Boucher	5	5	-	-	-	-	-	-	Appointed 6 October 2006
Richard Burrows	8	8	-	-	3	3	6	5	
Des Crowley	5	5	-	-	-	-	-	-	Appointed 6 October 2006
David Dilger	8	8	7	7	3	3	-	-	
Denis Donovan	5	5	-	-	-	-	-	-	Appointed 6 October 2006
Brian J Goggin	8	8	-	-	-	-	-	-	
Paul Haran	8	8	-	-	3	3	-	-	
Mike Hodgkinson	2	2	-	-	-	-	-	-	Retired 21 July 2006
Dennis Holt	5	5	3	3	-	-	5	5	Appointed 6 October 2006; appointed to Audit Committee & Remuneration Committee 10 October 2006
George Magan	8	7	4	3	2	2	6	6	Retired from Audit Committee 10 October 2006; appointed to Nomination & Governance Committee 10 October 2006
Caroline Marland	8	7	-	-	3	3	-	-	
Declan McCourt	8	7	7	7	-	-	6	5	
Tom Moran	8	7	7	6	3	3	-	-	
Terry Neill	8	7	7	7	-	-	6	5	
Denis O'Brien	3	3	-	-	1	1	2	2	Resigned 12 September 2006
John O'Donovan	8	8	-	-	-	-	-	-	
Mary Redmond	2	2	-	-	-	-	-	-	Retired 21 July 2006

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

Column B indicates the number of scheduled meetings attended.

There were additional unscheduled meetings of the Court and its Committees, between scheduled meetings, as the need arose.

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 2007 was as follows:-

Group Risk Policy Committee
Ronan Murphy (Chairman)
Richie Boucher *
John Clifford
Des Crowley *
Denis Donovan *
Brian J Goggin *
Brian Lillis
Vincent Mulvey
John O'Donovan *
Mick Sweeney
* Court member

Group Investment Committee
Brian J Goggin * (Chairman)
Richie Boucher *
John Clifford
Des Crowley *
Denis Donovan *
Cyril Dunne
Lewis Love
Ronan Murphy
John O'Donovan *
Tony Wyatt
* Court member

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 by the Group Chief Executive, members of his senior executive team and the Head of Investor Relations with 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; in addition, the Governor meets 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 selectively 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 2006/2007.

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. 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. 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 and with an ADR listing in New York, 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 there are no significant differences between its corporate governance practices and the requirements of the NYSE.

Corporate Responsibility

Playing Our Part In The Community

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.

The Group's Corporate Responsibility Programme has received considerable 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 2006/2007, we report further progress in the following areas:-

Playing Our Part in the Community

- In Bank of Ireland Group, we have a strong and committed tradition of contributing to the communities in which we make our living. We have always participated actively and supported community and charity activities at a local and national level in all of our markets. During 2006, a major review on Corporate Giving was completed in the Group to assess the impact and relevance of our overall portfolio of community activities. One of the main findings was that valuable work being done by our employees in their communities could be enhanced if encouraged and supported by the Bank. The best example of this volunteering ethos in recent times was during Special Olympics World Games in 2003, where over 1,000 Bank of Ireland employees participated as volunteers. This review has led to the reform of the overall portfolio and the launch of an exciting new initiative called **"Give Together"**.

- **"Give Together"** is a community support initiative based on the strong ethos of volunteering in our workforce and the fact that nowadays the most scarce and valuable resource is time. This initiative facilitates our employees who wish to volunteer their time and support causes that are important to them. As part of it, Bank of Ireland provides one day's leave to every employee each year to volunteer their time to a cause of their choice. We have also put in place an annual fund which allows the Bank to contribute to employee fundraising achievements and to support these endeavours. This new direction in Corporate Giving in the Group, gives employees the freedom to choose which charitable causes or community organisations receive support, rather than these decisions being made centrally, as in the past.

- As the **Millennium Scholars Trust** (MST) enters its eighth year, it has awarded over 400 scholarships and allocated over €6.6 million to date. The self liquidating trust of €12.7m will continue to award scholarships up to 2009 and will support students up to 2013. The Trust assists many students facing economic, social and other barriers to achieving their education potential. 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.

- We actively participate in the **The Schools' Business Partnership** a menu of programmes run by Business in the Community Ireland. 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. This programme was awarded "Best Community Based Project" in the Chambers Ireland President Awards for CSR in 2006.

- Bank of Ireland UK has agreed a five-year commitment of stg£200,000 to build and develop an Academy in Withywood – a disadvantaged school in South Bristol. As part of this, our employees are helping the students in the 'Life Skills' part of their school curriculum, through programmes being delivered at our offices in Temple Quay and the School.

Playing Our Part in the Marketplace

- The most tangible and important aspect of our involvement with our retail customers is our extensive branch network – the largest in Ireland. As part of the Bank's Changing for You programme, we are committed to a significant investment programme in our retail branch network over the coming years, involving a number of new branches, expansion of existing branches and creation of new customer facing roles. The new design principles ensure that the branch becomes a more open space for customers to interact with our people, while significantly updating interiors into light, airy and welcoming spaces for customers to conduct their business.

- Bank of Ireland was the first bank in Ireland to deliver a programme of initiatives to address the financial needs of the growing migrant population in Ireland. There are an estimated 400,000 migrants currently in Ireland, representing approximately 10% of the population. Market research identified that the language barrier created difficulty when accessing banking services and in response Bank of Ireland launched its Migrant Worker Initiative. 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, 155 foreign language speakers have been recruited into key branch locations to better serve the needs of our customers. In some branches over 50% of new current accounts are being opened by foreign nationals living and working in Ireland. Bank of Ireland continues to enhance its offering to these new customers and last year launched a Polish Telephone Helpline, offering advice and assistance on all our products and services to this nationality, the largest group of migrant workers in Ireland.

- We recognise that appropriate regulation is essential in a well-functioning financial services industry. We welcomed the publication of the Consumer Protection Code by the Financial Regulator in 2006. Bank of Ireland is committed to delivering quality customer service and through its Changing For You programme has positioned customers as the focal point for change across the organisation.

- The Group's Ethical Business Statement, which was published in 2004 sets out how we factor social, ethical and environmental considerations into our business decision-making. To deal with ethical issues as they arise, we established a process that allows for cases to be referred for decision to our Corporate Responsibility Committee.

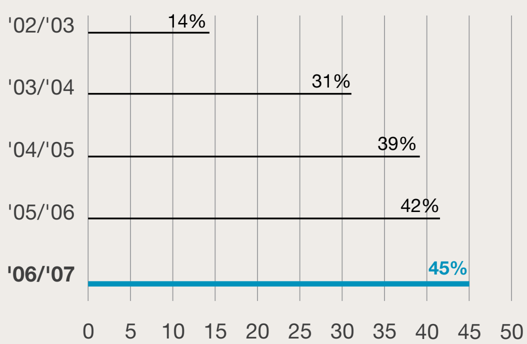
- In our UK Division, we continued to develop a range of financial products specifically tailored for our Muslim customers, which has brought home ownership and investment opportunities to those traditionally excluded from property ownership in the UK. In 2006, our Alburaq product range was honoured with the Sh. Mohammad Bin Rashid Al Makhtoum Award for contribution in Islamic Finance.

Playing our part in the Workplace

- At Bank of Ireland Group we are committed to encouraging and supporting the education, training and development of our employees in line with their role, business requirements and individual development needs. In last year's report, we announced details of our new Group Learning Model that is now in place. We have introduced Learningzone which gives all Group employees access to a new Learning Management System, self-managed learning paths, an individual role-based curriculum and a wide range of learning and educational programmes delivered via instructor-led courses and technology based solutions. Between June 06 and Jan 07 just over 11,500 individual students have participated in learning programmes.

% Best Practice Teams in Group

Source: Group Employee Engagement Survey



- The results of our fifth Group Employee Engagement survey issued in February 2007. These results act as a catalyst for quality team discussions about different aspects of employee engagement and what it means to work for the Bank of Ireland Group. We have seen a consistent rise in engagement levels across the organisation and have experienced the positive impact it can have in supporting the growth of our business. Equally important is the difference it can have in making Bank of Ireland a great place to work. This year, 45% of teams in Bank of Ireland Group are classified as having "Best Practice" levels of engagement relative to a Best Practice External Industry Benchmark.

- As part of our objective to ensure our people share with stockholders in the continuing success of the business, we launched our 3rd successive Save As You Earn (SAYE) scheme, which was taken up by 60% of eligible employees. SAYE 2007 allows employees to acquire Bank Stock at an attractively discounted price (25% in ROI, 20% in UK – the maximum allowed by the tax authorities in each case) and provides a convenient way to save.

- At Bank of Ireland we focus on the ability of our employees and have received recognition in the past for the employment of people with disabilities. Our I Can recruitment programme and associated work with disability advocacy groups received further recognition by being awarded with Best Workplace - Based Project in the Chambers Ireland President Awards for CSR in 2006. In last year's report, we provided information about the provision of six-month, mentored, work experience placements through the WAM (Willing Able Mentoring) programme. These placements were completed successfully in 2006 and a number have led to permanent positions within the Group. We are committed to continuing this programme with WAM during 2007/08.

Playing Our Part for the Environment

- Bank of Ireland Global Markets continues to develop a significant presence in the carbon markets, remaining the sole domestic bank in Ireland with a transactional capability. Traded volumes for the financial year exceed 1.2million tonnes of allowances. The Bank enjoys the distinction of being the first bank to design and transact a derivative based on the European Union Emissions Trading Scheme (EUETS) when it transacted an Average Rate Emissions Agreement with a large independent electricity generator. The Bank's activities in both the energy and emissions markets have led to increasing involvement in the nascent renewables market.

- During last year the Bank maintained its momentum in environmental project finance, within the growth sectors of renewable energy, waste and water management. Current lending stands at over €400 million.

  - In Ireland, the governmental incentive package for indigenous renewable energy has recently been bolstered by the Renewable Energy Feed in Tariff (REFIT) programme for electricity, Mineral Oil Tax Relief Scheme for Transport Biofuels and the greener homes initiative with grants for domestic renewable energy heating systems. Our Business Banking team provides expertise in renewable energies – wind farms, hydro plants, biofuels and waste management.

  - Our UK based Global Project Finance team funded their first wind farm in North America and began financing a portfolio of wind farms in Italy and Germany. A debt package was arranged for new wastewater treatment facilities throughout Northern Ireland, and funding put in place for a suite of waste treatment facilities for Lancashire County to meet demanding EU requirements for household waste disposal. The Bank has also been mandated for upcoming schemes, including funding of a facility to treat all of Greater Manchester's household waste, which will be the largest waste project in the UK.

- The Bank of Ireland Group environmental management system has now been running for two full years, providing increasingly accurate and valuable data, while also highlighting areas of good practice in the Group. One of the highlights includes a reduction of 20% in energy consumption in our single largest UK site. We have achieved this by working closely with our facilities management partner to ensure maximum efficient use of the plant in Bristol, which accommodates 1,300 employees.

- During 2006 the Bank of Ireland Group completed the Carbon Disclosure Project 4 (CDP), Business in the Community's Environment Index and the Northern Ireland Arena Survey. We are the only Irish financial services company to have participated in the CDP since its inception, which claims to be "The largest registry of corporate greenhouse gas emissions data in the world." These different indices have allowed us to benchmark our environmental performance against the foremost companies operating in the Irish and UK markets showing that, while improving, we still have work to do.

- 2006 saw a number of office moves in our UKFS Division. We have disposed of all unwanted furniture by working with CSR and Environmental organisation Green Standards. Through their Waste-to-Wonder™ programme we redistributed 107 tonnes of furniture to charities in the UK and abroad and recycled the remaining 15 tonnes. The Waste-to-Wonder™ programme ensured that, during these moves, no redundant items were disposed of to landfill.

In summary, 2006/07 marked further progress in the Group's Corporate Responsibility Programme. The Group's activities in the four key areas of Community, Marketplace, Workplace, 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 2007.

Results

The Group profit attributable to the stockholders was €1,636m after Non-Cumulative Preference Stock dividends of €15m. The reported profit for the period amounted to €1,652m as set out in the consolidated income statement on page 65.

Dividends

The Directors have recommended a Final Dividend of 39.4 cent per unit of €0.64 Ordinary Stock in respect of the year ended 31 March 2007 to be paid on 27 July 2007 to stockholders on the Register at the close of business on 8 June 2007. The recommended Final Dividend together with the Interim Dividend of 21 cent per unit of €0.64 Ordinary Stock paid in January 2007 results in a total of 60.4 cent for the year ended 31 March 2007 and compares with a total of 52.5 cent for the previous year. If approved by stockholders, this would amount to €577m (2005/2006; €498m).

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 38 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 2006 of which 77,212,319 were held in Treasury Stock.

During the year the Bank issued units of Ordinary Stock under Staff Stock schemes; it also re-issued Treasury Stock under staff stock schemes and under the Stock Alternative Scheme. As at 31 March 2007, the Bank had 1,025,549,226 units of ordinary stock of €0.64 each of which 70,192,621 were held in Treasury Stock.

The authorities granted at the Annual General Court in July 2006 to purchase up to 96,328,779 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 28 and Note 38.

Directors

The names of the members of the Court of Directors as at 31 March 2007 together with a short biographical note on each Director appear on pages 2 to 3.

Richie Boucher, Des Crowley, Denis Donovan and Dennis Holt were co-opted to the Court with effect from 6 October 2006 and, being eligible, offer themselves for election. Brian Goggin, Paul Haran and Terry Neill retire at the 2007 Annual General Court and, being eligible, offer themselves for re-election at the Annual General Court.

Directors' Interests

The interests of the Directors and Secretary, in office at 31 March 2007 and of their spouses and minor children, in the stock issued by the Bank are shown in the Remuneration Report on pages 52 to 61.

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 2007 except as described in Note 43.

Substantial Stockholdings

There were 67,431 registered holders of the Ordinary Stock of the Bank at 31 March 2007. An analysis of these holdings is shown on page 168.

As at 24 May 2007, the Bank had received notification of the following substantial interests in its Issued Ordinary Stock:-

Name	%
Bank of Ireland Asset Management Limited*	5.6%

* 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.

Corporate Governance

Statements by the Directors in relation to the Group's compliance with the Combined Code on Corporate Governance, the Group's system of internal controls and the activities of the Group Audit Committee for the year are set out in the Corporate Governance Statement on pages 39 to 45.

The Remuneration Report is set out on pages 52 to 61.

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 any adverse impact of our operations on the environment. An environmental management system has been established to 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, Germany and the United States of America.

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

George Magan
Deputy Governor

Bank of Ireland
Head Office
Lower Baggot Street
Dublin 2

30 May 2007

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 and approved by the Court. Neither the Governor nor any Director participate in 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 as well as levels of remuneration in comparable businesses both in Ireland and the United Kingdom.

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

The Remuneration package for executive Directors

The total remuneration package is reviewed by the Group Remuneration Committee with assistance from external remuneration consultants who provide independent remuneration advice and analysis to the 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 the Sharesave Schemes and provision of retirement benefits. 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 based on the Remuneration Committee's assessment of that Director's performance against pre-determined goals, required leadership behaviours, the Group's actual year-on-year Underlying Profit Before Tax growth and the achievement of cost savings under the Strategic Transformation Programme. Bonus potential of executive Directors is currently uncapped with 25% of the actual bonus awarded being deferred until the successful completion of the Strategic Transformation Programme in March 2009 or earlier.

- **Long Term Incentive Plan** – Since 2004 the Group has operated a Long Term Incentive Plan ("LTIP"), with stockholder approval, for key senior executives. Under the LTIP, which is described in more detail in Note 38 on page 147, conditional awards have been made to the executive Directors as set out in the table on page 58.

- **Stock Options** – In 2004, the Group updated the Executive Stock Option Scheme, with stockholder approval. 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 align their interests 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 38 on page 147).

- **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 38 on page 147). Executive Directors participate on the same basis as staff generally.

- **Sharesave Scheme** – In 1999 the Group established a Sharesave Scheme ("SAYE scheme") for all eligible employees. Under the SAYE scheme the executive Directors who participated were granted options over units of Ordinary Stock as set out in the table on page 57. (See Note 38 on page 147).

- **Retirement Benefits** – The executive Directors, with the exception of Denis Donovan, are members of the Bank Staff Pension Fund, which is a contributory scheme at the rate of 2.5% of salary. Denis Donovan is a member of the Bank of Ireland Asset Management Pension Scheme, which is a non-contributory scheme. Both the Bank Staff Pension Fund and the Bank of Ireland Asset Management Pension Scheme are defined benefit plans, based on an accrual rate of 1/60th of pensionable salary for each year of pensionable service with a maximum of 40/60ths payable on normal retirement, at age 60. Brian Goggin's contract provides for an option, exercisable by the Group or by him, allowing him to retire at age 58 on a pension without actuarial reduction. Of the executive Directors' total remuneration package, only their salaries are pensionable.

The Finance Act 2006 effectively established a cap on pension provision by introducing a substantial tax charge on pension assets in excess of the higher of €5 million or the value of individual prospective pension entitlements as at 7 December 2005 (each to be indexed annually). The Group Remuneration Committee assessed the approaches of other companies affected and took actuarial advice. As a consequence, the Committee agreed that executive Directors be offered an option (a) to continue with unchanged pension funding arrangements or (b) to elect for a revised arrangement whereby their prospective pension fund would be limited to the value of the pension cap, together with a taxable, non-pensionable, cash allowance in lieu of the pension benefit foregone. All the executive Directors have opted for the revised arrangement, the P&L impact of which is similar to that of continuing to fund their pensions under the earlier arrangement.

- **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 2006/2007 (all figures in €'000's)

(audited)	Salary (1)	Fees (2)	Perf. bonus (3)	Other (4)	Pension contribs. (5)	Total remun. 2006/2007	Total remun. 2005/2006
Governor							
R Burrows	483					483	336
Deputy Governor							
D O'Brien (resigned 12 Sep 06)	72					72	124
G M Magan (apt. on 10 Oct 06)	76	52				128	80
Executive Directors							
R Boucher*	242		615	109	49	1,015	
D Crowley*	286		696	200	(49)	1,133	
D Donovan*	279		810	210	(53)	1,246	
B J Goggin	1,100		2,025	1,227	(354)	3,998	2525
J O'Donovan	500		593	471	17	1,581	1115
Non–Executive Directors							
R E Bailie (retired 21 Jul 06)		37				37	112
D J Dilger		94				94	80
P Haran		104				104	80
D Holt (apt. on 6 Oct 06)		48				48	
M Hodgkinson (retired 21 Jul 06) (6)		-				-	-
D McCourt		115				115	80
C A Marland		98				98	80
T Moran		94				94	80
T V Neill		100				100	80
M Redmond (retired 21 Jul 06)		27				27	80
Totals	**3,038**	**769**	**4,739**	**2,217**	**(390)**	**10,373**	**4,852**
Ex-gratia payments paid to former Directors/Dependants						**424**	**474**

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) Fees are paid only to non-executive Directors; a basic fee of €80,000 p.a. applies, subject to review annually. Additional fees are paid to Committee chairmen, the Senior Independent Director and for Committee membership.

(3) Payments under the performance bonus scheme, are linked to individual performance and overall Group performance versus pre-determined targets over the financial year. Under the rules of the performance bonus scheme, 25% of any bonus awarded is deferred until successful completion of the Strategic Transformation Programme in March 2009 or earlier. For the year 2006/2007, the deferred elements of bonuses are as follows:-
R Boucher €205,000; D Crowley €232,027; D Donovan €270,000; BJ Goggin €500,000; J O'Donovan €197,500.
In the case of BJ Goggin, the bonus figure includes the maturity value of Bank of Ireland Asset Management Deferred Cash Incentive Scheme (€175,366) and Long Term Incentive Plan (€350,000) awards made in 2004.

(4) Executives whose contractual pension promise would exceed the pensions 'cap' introduced in Finance Act 2006 have the option of electing for a taxable cash allowance in lieu of pension foregone (see page 60). The figures for BJ Goggin and J O'Donovan include amounts of €250k and €90k respectively in cash allowances in respect of the period from 7 December 2005 (the effective date of pensions 'cap') to 31 March 2006. The figures shown also include car allowance, the benefit on any loans at staff rates and the value of awards under the Employee Stock Issue Scheme.

(5) Contributions to defined benefit pension schemes: In the case of D Crowley, D Donovan and BJ Goggin their pension accrual is now 'capped' at the increase in thresholds set out in the Finance Act each year and as a result, a claw back of previously funded benefits arises.

All pension amounts at (4) and (5) have been determined by Watson Wyatt, the Group's actuary, and approved by the Group Remuneration Committee.

(6) M Hodgkinson did not receive any emoluments from the Bank of Ireland Group in line with the agreement with Post Office Limited.

From date of appointment as a Director (6 October 2006), except in the case of the performance bonus, the full amount of which is included.

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 2007 are set out in the table below:-

(audited)	Date of grant	Earliest exercise date	Expiry date	Exercise price €	Options at 1 April 2006 or date of appoint-ment if later	Granted in year	Exercised in year	Market price at exercise date €	Options at 31 March 2007
R Boucher	8 Dec 03	8 Dec 06	8 Dec 13	10.54	20,000				20,000
	26 Jul 04	26 Jul 07	26 Jul 14	10.76	26,000				26,000
	21 Jun 05	21 Jun 08	21 Jun 15	12.85	23,000				23,000
	4 Jul 06	4 Jul 09	4 Jul 16	14.00		30,500			30,500
					69,000	**30,500**			**99,500**
D Crowley	13 Jul 99	13 Jul 02	13 Jul 09	8.93	20,000				20,000
	21 May 01	21 May 04	21 May 11	11.05	25,000				25,000
	24 Jun 02	24 Jun 05	24 Jun 12	12.50	25,000				25,000
	18 Jun 03	18 Jun 06	18 Jun 13	10.77	50,000				50,000
	26 Jul 04	26 Jul 07	26 Jul 14	10.76	35,000				35,000
	21 Jun 05	21 Jun 08	21 Jun 15	12.85	32,500				32,500
	4 Jul 06	4 Jul 09	4 Jul 16	14.00		30,500			30,500
					187,500	**30,500**			**218,000**
D Donovan	24 Jun 02	24 Jun 05	24 Jun 12	12.50	30,000				30,000
	18 Jun 03	18 Jun 06	18 Jun 13	10.77	50,000				50,000
	26 Jul 04	26 Jul 07	26 Jul 14	10.76	35,000				35,000
	21 Jun 05	21 Jun 08	21 Jun 15	12.85	32,500				32,500
	4 Jul 06	4 Jul 09	4 Jul 16	14.00		30,500			30,500
					147,500	**30,500**			**178,000**

(a) Executive stock options (continued)

(audited)

	Date of grant	Earliest exercise date	Expiry date	Exercise price €	Options at 1 April 2006 or date of appoint-ment if later	Granted in year	Exercised in year	Market price at exercise date €	Options at 31 March 2007
B J Goggin	13 Jul 99	13 Jul 02	13 Jul 09	8.93	20,000				20,000
	21 May 01	21 May 04	21 May 11	11.05	25,000				25,000
	24 Jun 02	24 Jun 05	24 Jun 12	12.50	25,000				25,000
	18 Jun 03	18 Jun 06	18 Jun 13	10.77	50,000				50,000
	26 Jul 04	26 Jul 07	26 Jul 14	10.76	92,000				92,000
	21 Jun 05	21 Jun 08	21 Jun 15	12.85	77,500				77,500
	4 Jul 06	4 Jul 09	4 Jul 16	14.00		78,500			78,500
					289,500	**78,500**			**368,000**
J O'Donovan	24 Jun 02	24 Jun 05	24 Jun 12	12.50	25,000				25,000
	18 Jun 03	18 Jun 06	18 Jun 13	10.77	50,000				50,000
	26 Jul 04	26 Jul 07	26 Jul 14	10.76	35,000				35,000
	21 Jun 05	21 Jun 08	21 Jun 15	12.85	32,500				32,500
	4 Jul 06	4 Jul 09	4 Jul 16	14.00		30,500			30,500
					142,500	**30,500**			**173,000**
Secretary	24 Jun 02	24 Jun 05	24 Jun 12	12.50	10,000				10,000
J B Clifford	18 Ju 03	18 Jun 06	18 Jun 13	10.77	20,000				20,000
	26 Jul 04	26 Jul 07	26 Jul 14	10.76	21,500				21,500
	21 Jun 05	21 Jun 08	21 Jun 15	12.85	13,000				13,000
	4 Jul 06	4 Jul 09	4 Jul 16	14.00		18,700			18,700
					64,500	**18,700**			**83,200**

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 2003, under the 1996 Executive Stock Option Scheme, was met in June 2006 and the options became capable of exercise from that date.

The market price of Ordinary Stock at 30 March 2007 was €16.15 (2006: €15.35).

(b) Sharesave Scheme options 2000

Under the terms of the Sharesave Scheme offered in 2000, options were granted to all eligible 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	Sharesave options granted at 28 February 2000	Market value at date of Grant	Options Exercised	Date of Exercise	Market value at date of exercise	Sharesave options held at 31 March 2007
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 eligible 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 matured in February 2007.

(audited) Name	Sharesave options granted at 15 December 2003	Market value at date of Grant	Options Exercised	Date of Exercise	Market value at date of exercise	Sharesave options held at 31 March 2007
Directors:						
J O'Donovan	2,653	€10.60				2,653
Secretary:						
J B Clifford	1,522	€10.60	1,522	16 March 2007	€17.25	-

(d) Sharesave Scheme options 2006

Under the terms of the Sharesave Scheme offered in 2006, options were granted to all eligible Group employees, who elected to participate, on 22 December 2006 at an option price of €12.28 in Ireland and €13.09 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 2006 Sharesave offer, participants could save for three years.

(audited) Name	Sharesave options granted at 22 December 2006	Market value at date of Grant	Sharesave options held at 31 March 2007
Directors:			
BJ Goggin	301	€17.33	301
R Boucher	301	€17.33	301
Secretary:			
J B Clifford	301	€17.33	301

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

Conditional awards of units of Ordinary Stock are made to Group senior executives annually since 2004 under the terms of the LTIP. These awards do not vest in the executives unless demanding performance criteria are achieved (see description of LTIP in Note 38 on page 127). Prior to the introduction of the ("LTIP") in 2004, conditional awards of units of Ordinary Stock were made under the Long Term Performance Stock Plan ("LTPSP"). The performance conditions attached to the award of conditional units of stock, made in June 2003, under the LTPSP, were not met in June 2006 and, therefore all awards lapsed under the scheme and no stock vested to participants. The conditional awards of units of Ordinary Stock made to date to the executive Directors and Secretary are as follows:-

(audited)	Date of Award	No. of shares conditionally held at 1 April 2006	Conditionally awarded in the year*	Vested in the year	Retained in Scheme **	Lapsed in the year	Potential interest in shares at 31 March 2007	Original Maturity Date	Maturity Date **
R Boucher	18 Dec 03	10,368				10368	-	18 Dec 06	
	26 Jul 04	18,500					18,500	26 Jul 07	
	21 Jun 05	16,000					16,000	21 Jun 08	
	04 Jul 06		30,500				30,500	04 Jul 09	
		44,868	30,500			10,368	65,000		
D Crowley	13 Jul 99				6,158		7,697	13 Jul 02	13 Jul 09
	25 May 00				13,079		16,348	25 May 03	25 May 10
	21 May 01				9,496		11,869	21 May 04	21 May 11
	24 Jun 02				5,892		7,070	24 Jun 05	24 Jun 07
	18 Jun 03	17,245				17,245	-	18 Jun 06	
	26 Jul 04	35,000					35,000	26 Jul 07	
	21 Jun 05	32,500					32,500	21 Jun 08	
	04 Jul 06		30,500				30,500	04 Jul 09	
		84,745	30,500		34,625	17,245	140,984		
D Donovan	13 Jul 99				7,544		9,430	13 Jul 02	13 Jul 09
	25 May 00				11,494		14,367	25 May 03	25 May 10
	21 May 01				7,067		8,833	21 May 04	21 May 11
	24 Jun 02				3,928		4,713	24 Jun 05	24 Jun 07
	18 Jun 03	14,995				14,995	-	18 Jun 06	
	26 Jul 04	35,000					35,000	26 Jul 07	
	21 Jun 05	32,500					32,500	21 Jun 08	
	04 Jul 06		30,500				30,500	04 Jul 09	
		82,495	30,500		30,033	14,995	135,343		
B J Goggin	13 Jul 99				9,221		11,526	13 Jul 02	13 Jul 09
	25 May 00				16,249		20,311	25 May 03	25 May 10
	21 May 01				10,379		12,973	21 May 04	21 May 11
	24 Jun 02				6,882		8,258	24 Jun 05	24 Jun 07
	26 Jul 04	139,000					139,000	26 Jul 07	
	21 Jun 05	116,500					116,500	21 Jun 08	
	04 Jul 06		117,850				117,850	04 Jul 09	
		255,500	117,850		42,731		426,418		

(e) Long Term Incentive Plan ("LTIP") (continued)

(audited)	Date of Award	No. of shares conditionally held at 1 April 2006	Conditionally awarded in the year*	Vested in the year	Retained in Scheme **	Lapsed in the year	Potential interest in shares at 31 March 2007	Original Maturity Date	Maturity Date **
J O'Donovan	24 Jun 02				5,028		6,034	24 Jun 05	24 Jun 07
	18 Jun 03	14,058				14,058	-	18 Jun 06	
	26 Jul 04	35,000					35,000	26 Jul 07	
	21 Jun 05	32,500					32,500	21 Jun 08	
	04 Jul 06		30,500				30,500	04 Jul 09	
		81,558	30,500		5,028	14,058	104,034		
Secretary	13 Jul 99				7,648		9,559	13 Jul 02	13 Jul 09
J B Clifford	25 May 00				12,271		15,339	25 May 03	25 May 10
	21 May 01				5,764		7,204	21 May 04	21 May 11
	24 Jun 02				2,852		3,422	24 Jun 05	24 Jun 07
	18 Jun 03	8,330				8,330	-	18 Jun 06	
	26 Jul 04	15,000					15,000	26 Jul 07	
	21 Jun 05	9,500					9,500	21 Jun 08	
	04 Jul 06		18,700				18,700	04 Jul 09	
		32,830	18,700		28,535	8,330	78,724		

* *Market price at date of award €14.00*

** *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 2006 Changes during year	2 + R Boucher (6.10.2006) + D Crowley (6.10.2006) + D Donovan (6.10.2006)	12 - RE Bailie (21.07.2006) Retired - M Hodgkinson (21.07.2006) Retired - M Redmond (21.07.2006) Retired - D O'Brien (12.09.2006) Resigned + D Holt (6.10.2006) Appointed
Number at 31 March 2007	5	9
Average number during 2006/2007 (2005/2006)	3.5 (2)	9.9 (13)

Directors' pension entitlements

Set out below are details of the pension benefits earned by the Directors during the year ended 31 March 2007.

(audited) **€000**	**(a) Additional pension earned in the year**	**(b Increase/decrease in transfer value**	**(c) Accrued pension entitlement at 31 March 2007**
Executive Directors			
R Boucher *	2.9	23.3	131.7
D Crowley *+	(0.5)	(14.2)	260.8
D Donovan *+	(0.4)	(8.2)	258.5
B J Goggin +	(5.2)	(125.7)	626.0
J O'Donovan	12.1	182.2	202.5

** Calculations are in respect of the period from appointment (6 October 2006) to 31 March 2007.*

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, less each Director's contributions, 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 calculated using factors supplied by the actuary in accordance with actuarial guidance notes GN11 (ROI), and is based on leaving service pension benefits becoming payable at normal retirement date, age 60.

Column (c) is the aggregate pension entitlement payable at normal retirement age based on each Director's pensionable service with the Group at 31 March 2007.

\+ *Pension entitlements increase annually in line with the increase in fund thresholds announced in the Finance Act each year. In the case of these individuals, pensions earned in 2006/2007 are negative as their pension entitlements at 31 March 2006, adjusted for CPI, are greater than the increase in their pension cap and therefore, these reductions in accrued pensions, in real terms, are also reflected in a reduction in the transfer value of pension entitlements at 31 March 2007.*

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 2007, and of their spouses and minor children, in the stocks issued by the Bank are set out below: –

	Units Of €0.64 Of Ordinary Stock	
(audited)	**As at 31 March 2007 Beneficial**	**As at 1 April 2006* Beneficial**
DIRECTORS		
R Boucher	1,923	1,904*
R Burrows	100,443	99,598
D Crowley	93,187	93,187*
D J Dilger	2,998	2,850
D Donovan	99,721	98,711*
B J Goggin	427,327	424,676
P M Haran	2,407	2,259
D Holt	3,031	-*
J D McCourt	25,674	25,527
G M Magan	1,898	1,750
C A Marland	2,201	2,031
T J Moran	2,194	2,046
T V Neill	94,300	94,153
J O'Donovan	76,044	74,351
SECRETARY		
J B Clifford	127,945	124,541

* *as at date of appointment.*

There have been no changes in the stockholdings of the above Directors and Secretary between 31 March 2007 and 30 May 2007.

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 2007.

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 2006 applicable to companies reporting under IFRS and Article 4 of the IAS 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 judgments 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 2006 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 Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Richard Burrows	***George Magan***	***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 2007 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 65 to 163. 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 52 to 61 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 62.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International 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 2006. We also report to you whether the accounts have been properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2006, 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 2007 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 2006, of the state of the Bank's affairs as at 31 March 2007 and cash flows for the year then ended;

- the accounts have been properly prepared in accordance with the Companies Acts, 1963 to 2006, 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 2007 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 2007

Consolidated Income Statement

for the year ended 31 March 2007

	Notes	2007 €m	2006 Restated* €m
Interest Income	2	8,137	5,954
Interest Expense	2	(5,380)	(3,647)
Net Interest Income		2,757	2,307
Insurance net premium income		2,188	1,298
Fees and commissions income		898	912
Fees and commissions expense		(160)	(170)
Net trading (expense)/income	3	(70)	30
Life assurance investment income and gains	47	247	599
Other operating income	4	199	116
Profit on disposal of business activities	5	243	176
Profit on sale of property	23	87	-
Total Operating Income		6,389	5,268
Increase in insurance contract liabilities and claims paid		(2,213)	(1,666)
Total Operating Income, net of Insurance Claims		4,176	3,602
Total Operating Expenses	6	(2,159)	(2,020)
Operating Profit before Impairment Losses		2,017	1,582
Impairment losses	16,17	(103)	(103)
Operating Profit		1,914	1,479
Share of profit of associated undertakings and joint ventures		44	45
Profit before Taxation		1,958	1,524
Taxation	10	(306)	(303)
Profit for the Period		1,652	1,221
Attributable to minority interests		1	(9)
Attributable to stockholders		1,651	1,230
Profit for the Period		1,652	1,221
Earnings per unit of €0.64 ordinary stock	11	172.2c	128.5c
Diluted earnings per unit of €0.64 ordinary stock	11	171.0c	127.6c

** Restated due to change in accounting policy – see page 86.*

Richard Burrows
Governor

George Magan
Deputy Governor

Brian J Goggin
Group Chief Executive

John B Clifford
Secretary

Consolidated Balance Sheet

as at 31 March 2007

	Notes	2007 €m	2006 Restated* €m
ASSETS			
Cash and balances at central banks		362	287
Items in the course of collection from other banks		811	930
Central government and other eligible bills	12	11	8
Trading securities	13	520	620
Derivative financial instruments	14	2,849	2,085
Other financial assets at fair value through P/L	13	12,707	10,438
Loans and advances to banks	15	7,210	12,188
Available-for-sale financial assets	17	33,449	28,205
Loans and advances to customers	16	125,048	101,246
Interest in associated undertakings	18	26	21
Interest in joint ventures	19	73	75
Assets classified as held for sale		83	-
Intangible assets – Goodwill	21	347	375
Intangible assets – Other	21	596	590
Investment property	22	1,142	807
Property, plant and equipment	23	665	860
Deferred tax assets	31	25	30
Other assets	24	2,889	3,447
Total assets		188,813	162,212
EQUITY AND LIABILITIES			
Deposits by banks	25	20,405	32,312
Customer accounts	26	72,277	61,710
Items in the course of transmission to other banks		243	284
Derivative financial instruments	14	2,935	1,647
Liabilities to customers under investment contracts		6,736	6,650
Debt securities in issue	27	59,523	36,814
Insurance contract liabilities	46	7,190	5,192
Other liabilities	29	3,983	4,711
Deferred tax liabilities	31	278	207
Provisions	30	87	153
Retirement benefit obligations	35	590	808
Subordinated liabilities	28	7,808	6,493
Total liabilities		182,055	156,981
Equity			
Share capital	38	663	663
Share premium account	39	771	767
Retained profit	39	4,672	3,188
Other reserves	39	905	803
Own shares held for the benefit of life assurance policyholders		(287)	(235)
Stockholders' equity		6,724	5,186
Minority interests	37	34	45
Total equity		6,758	5,231
Total equity and liabilities		188,813	162,212

** Restated due to change in accounting policy – see page 86.*

Richard Burrows
Governor

George Magan
Deputy Governor

Brian J Goggin
Group Chief Executive

John B Clifford
Secretary

Bank Balance Sheet

as at 31 March 2007

	Notes	The Bank 2007 €m	The Bank 2006 €m
ASSETS			
Cash and balances at central banks		347	280
Items in the course of collection from other banks		811	930
Trading securities	13	520	502
Derivative financial instruments	14	3,557	2,060
Other financial assets at fair value through P/L	13	-	15
Loans and advances to banks	15	59,770	56,964
Available-for-sale financial assets	17	29,700	22,785
Loans and advances to customers	16	71,434	57,128
Shares in Group undertakings	20	2,041	1,965
Intangible assets – Other	21	399	387
Property, plant and equipment	23	522	711
Assets classified as held for sale		78	-
Deferred tax assets	31	-	4
Other assets	24	1,227	1,024
Total assets		170,406	144,755
EQUITY AND LIABILITIES			
Deposits by banks	25	46,679	44,953
Customer accounts	26	66,367	57,575
Items in the course of transmission to other banks		243	284
Derivative financial instruments	14	3,397	1,646
Debt securities in issue	27	41,797	31,279
Other liabilities	29	2,465	2,205
Provisions	30	50	91
Deferred tax liabilities	31	41	-
Retirement benefit obligations	35	464	652
Subordinated liabilities	28	4,934	3,498
Total liabilities		166,437	142,183
Equity			
Share capital	38	663	663
Share premium account	39	771	767
Retained profit	39	2,027	621
Other reserves	39	508	521
Stockholders' equity		3,969	2,572
Total equity and liabilities		170,406	144,755

Richard Burrows
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Statement of Recognised Income and Expense

for the year end 31 March 2007

	The Group		The Bank	
	2007 €m	2006 Restated* €m	**2007 €m**	2006 €m
Net gain on property revaluation/reclassification	18	187	7	173
Net change in cash flow hedge reserve	135	(7)	135	(7)
Net change in Available-for-sale reserve	(49)	(104)	(51)	(101)
Net actuarial gains/losses in defined benefit pension schemes	190	113	176	22
Foreign exchange translations	49	(17)	15	-
Income/expense recognised in equity	343	172	282	87
Profit for the period	1,652	1,221	1,558	670
Total recognised income/expense for the year	1,995	1,393	1,840	757
Attributable to:				
Equity holders of the parent	1,994	1,402	1,840	757
Minority interests	1	(9)	-	-
	1,995	1,393	1,840	757

Effect of change in accounting policy adjusted against opening retained earnings

	2006 €m	2006 €m
Equity holders of the parent	(90)	-
Minority interests	-	-
	(90)	-

** Restated due to change in accounting policy – see page 86.*

Richard Burrows
Governor

George Magan
Deputy Governor

Brian J Goggin
Group Chief Executive

John B Clifford
Secretary

Cash Flow Statement

for the year end 31 March 2007

	The Group		The Bank	
	2007 **€m**	2006 Restated* €m	**2007** **€m**	2006 €m
Cash flows from operating activities				
Profit before taxation	1,958	1,524	819	506
Share of profit of associated undertakings and joint ventures	(44)	(45)	-	-
Profit on disposal of business activity	(243)	(176)	-	-
Profit on disposal of property	(87)	(4)	(88)	(1)
Depreciation and amortisation	151	166	112	124
(Increase)/decrease in prepayments and accrued income	(292)	61	(228)	(24)
Increase in accruals and deferred income	323	132	145	88
Provisions for impairment of loans and advances	103	103	103	74
Loans and advances written off net of recoveries	(34)	(64)	(24)	(49)
Revaluation of investment property	(96)	(53)	-	-
Profit on disposal of investment property	(6)	(49)	-	-
Interest expense on subordinated liabilities and other capital instruments	381	256	192	120
Profit on disposal of available-for-sale financial instruments	(10)	(4)	(9)	(3)
Charge for share based payments	12	11	12	9
Amortisation of premiums and discounts	(52)	(98)	(51)	(98)
Amortisation of debt issue expenses	5	2	2	1
Cash flows from operating activities before changes in operating assets and liabilities	2,069	1,762	985	747
Net (decrease)/increase in deposits by banks	(11,810)	11,484	1,998	15,121
Net increase in customer accounts	9,988	1,852	8,655	9,013
Net increase in loans and advances to customers	(22,736)	(21,925)	(15,163)	(13,497)
Net decrease/(increase) in loans and advances to banks	3,035	(1,574)	(4,173)	(17,350)
Net (increase)/decrease in non investment debt & equity securities	(68)	499	(18)	9
Net increase/(decrease) in derivative financial instruments	621	(340)	718	(382)
Net (increase)/decrease in assets at fair value through P/L	(2,317)	(2,390)	15	34
Net increase/(decrease) in items in course of collection	83	(319)	83	(319)
Net increase in debt securities in issue	22,624	15,604	10,325	13,538
Net decrease/(increase) in other assets	191	(571)	29	(187)
Net increase/(decrease) in other liabilities	1,771	2,763	(44)	125
Effect of exchange translation and other adjustments	1	(20)	626	(332)
Net cash inflow from operating assets and liabilities	1,383	5,063	3,051	5,773
Net cash inflow from operating activities before taxation	3,452	6,825	4,036	6,520
Taxation paid	(272)	(230)	(125)	(100)
Net cash inflow from operating activities	3,180	6,595	3,911	6,420
Investing activities *(note a)*	(5,792)	(7,391)	(5,991)	(6,360)
Financing activities *(note b)*	709	1,762	874	907
(Decrease)/increase in cash and cash equivalents	(1,903)	966	(1,206)	967
Opening cash and cash equivalents	6,162	5,217	5,122	4,179
Effect of exchange translation adjustments	38	(21)	38	(24)
Closing cash and cash equivalents (note 41)	4,297	6,162	3,954	5,122

** Restated due to change in accounting policy – see page 86.*

Cash Flow Statement (continued)

	The Group		The Bank	
	2007 **€m**	2006 Restated* €m	**2007** **€m**	2006 €m
(a) Investing activities				
Net increase in financial investments	(5,865)	(7,217)	(6,937)	(6,539)
Additions to tangible fixed assets	(57)	(50)	(44)	(29)
Disposal of tangible fixed assets	257	60	247	9
Additions to intangible fixed assets	(109)	(106)	(81)	(89)
Disposal of intangible fixed assets	-	8	-	-
Purchase of investment property	(263)	(353)	-	-
Disposal of investment property	30	151	-	-
Purchase of assets held for sale	(10)	-	(10)	-
Disposal of business activities	323	227	-	-
Cash balances of subsidiary disposed of	(122)	-	-	-
Acquisition of Group undertaking	-	(120)	-	-
Dividends received from joint ventures	68	25	-	-
(Increase)/decrease in investments in associated undertakings	(4)	1	-	-
Deferred consideration paid	(19)	(18)	-	-
Net cash balances of Group undertakings required	-	1	-	-
Increase in investment in subsidiaries	-	-	(58)	(14)
Dividend received from Group undertakings	-	-	892	302
Acquisition of Joint Venture	(21)	-	-	-
Cash flows from investing activities	(5,792)	(7,391)	(5,991)	(6,360)
(b) Financing activities				
Re issue of Treasury stock and issue of ordinary stock	133	48	110	36
Issue of new subordinated liabilities	1,479	2,414	1,479	1,450
Interest paid on subordinated liabilities	(361)	(233)	(161)	(107)
Equity dividends paid	(524)	(448)	(539)	(459)
Dividends on other equity interests	(15)	(13)	(15)	(13)
Dividends paid to minority interests	(3)	(6)	-	-
Cash flows from financing activities	709	1,762	874	907

** Restated due to change in accounting policy – see page 86.*

Richard Burrows
Governor

George Magan
Deputy Governor

Brian J Goggin
Group Chief Executive

John B Clifford
Secretary

Group Accounting Policies

Index to Accounting Policies

Accounting Policies

The following are the Bank of Ireland's principle accounting policies

Basis of Preparation

The consolidated financial statements of the Group are 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 2006 applicable to companies reporting under IFRS with the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with the Asset Covered Securities Act 2001. 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.

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 judgments is set out on pages 88 and 89.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. Comparatives for the prior year have been restated for the change in accounting policy as outlined on page 86.

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 '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.

Upon adoption of IFRS, the Group availed of the exemption not to restate the Group accounts for any acquisitions or business combinations that took place prior to 1 April 2001.

(2) Associates and Joint Ventures
Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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.

(4) Securitisations
Certain Group undertakings have entered into securitisation transactions in order to finance specific loans and advances to customers.

All financial assets continue to be held on the Group balance sheet, and a liability recognised for the proceeds of the funding transaction, unless:

- Substantially all the risks and rewards associated with the financial instruments have been transferred outside the Group, in which case the assets are derecognised in full; or

- If a significant portion, but not all, of the risks and rewards have been transferred outside the Group, the asset is derecognised entirely if the transferee has the ability to sell the financial asset, otherwise the asset continues to be recognised only to the extent of the Group's continuing involvement.

Where either of the above conditions applies to a fully proportionate share of all or specifically identified cashflows, the relevant accounting treatment is applied to that proportion of the asset.

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 categorized as a separate component of equity.
- The Group availed of the exemption to deem all accumulated balances arising from translation of foreign subsidiaries to be nil on transition to IFRS on 1 April 2004.

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 2007		31 March 2006	
	Average	Closing	Average	Closing
€/US$	1.2912	1.3318	1.2126	1.2104
€/Stg£	0.6783	0.6798	0.6826	0.6964

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.

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.

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.

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 financial assets 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 categorized 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) 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 not 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. Gains or losses on available-for-sale financial assets arising from changes in exchange rates are recognised in the income statement as they arise. 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.

(e) Shares in Group Entities
The company's investments in its subsidiaries are stated at cost less any impairment.

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) 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 not prohibited.

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.

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.

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.

Impairment of Financial Assets

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

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

(i) 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:
(vii) adverse changes in the payment status of borrowers in the group; or
(viii) 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.

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.

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, are stated at historical cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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.

Investment Properties

Property held for long-term rental yields and capital appreciation within the life assurance funds is classified as investment property. Investment property comprises freehold and long leasehold land and buildings. It is carried at fair value in the balance sheet based on annual revaluations at open market value and is not depreciated. Changes in fair values are recorded in the income statement. Rental income from investment properties is recognised as it becomes receivable over the term of the lease.

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 or joint ventures is included in 'investments in associates' and 'investments in joint ventures' as appropriate. The carrying amount of goodwill in the Irish GAAP balance sheet as at 31 March 2004 has been brought forward without adjustment on transition to IFRS.

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.

Computer software is 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.

(c) Other intangible assets

Other intangible assets are amortised on a straight-line basis over its useful life and 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.

Non-current assets held for sale

A non-current asset or a disposal group is classified as held for sale if the following conditions are met:

- Its carrying amount will be recovered principally through sale rather than continuing use
- It is available for immediate sale
- The sale is highly probable within the next twelve months

When a non-current asset (or disposal group) is initially classified as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell at the date of reclassification. Prior period amounts are not reclassified.

Provisions

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

Provision is made for the anticipated costs of restructuring, including related redundancy costs, when an obligation exists. An obligation exists when the Group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features.

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 settled share based payment schemes. The fair value at the date of grant 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 on the date of the options or shares are granted by reference to the fair value, 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.

Upon transition to IFRS, the Group availed of the exemption only to apply IFRS 2 to share based payments which were granted on or after 7 November 2002 that had not yet vested by 1 January 2005.

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

(d) Termination payments
Termination payments are recognised as an expense when the Group is demonstrably committed to a formal plan to terminate employment before the normal retirement date. Termination payments for voluntary redundancies are recognised where an offer has been made by the Group, it is probable that the offer will be accepted and the number of acceptances can be reliably estimated.

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.

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.

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 (Note 40).

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

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 are 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 estimated 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 and include consideration of guarantees and options. These surpluses are then discounted at a risk-adjusted rate. Thus, the use of best estimate assumptions in the valuation of the value of in-force asset ensures that the net carrying amount of insurance liabilities less the value of in-force assets is adequate.

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 from policyholders. 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.

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.

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.

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.

Change in method of Assessing Materiality

During the year, the Group changed its method of assessing materiality. The Group previously considered the materiality of misstatements based on the amount of the misstatement originating in the current year income statement. The Group has now decided to consider the effect of any misstatements based on both;

(1) the amount of the misstatement originating in the current year income statement, and;

(2) the effects of correcting the misstatement existing in the balance sheet at the end of the current year irrespective of the year in which the misstatement originated.

The Group considers that this change of policy provides more relevant financial information as it prevents the accumulation of misstatements in the balance sheet. As a result of this change, the Group has revised its prior year financial statements for the adjustments set out below, which under the previous method of quantifying misstatements, would have been considered immaterial.

IFRS requires that Bank of Ireland shares held by the Group, including those held by BoI Life are reclassified as treasury shares and accounted for as a deduction from equity. Any changes in the value of treasury shares held are recognised in equity at the time of disposal and dividends are not recognised as income or distributions. In prior years, the Group did not apply this treatment to the investment return on shares in Bank of Ireland held by BoI Life. Rather it recognised investment return on Bank of Ireland shares held in BoI Life on the grounds that such investment legally accrues to the unit-linked policyholders and accordingly is matched by an increase in liabilities in the income statement. The Group believes that application of the requirements of IFRS for treasury shares held by BoI Life for the benefit of policyholders creates an artificial loss and does not present fairly the legal and economic consequences of such transactions. However the Group accepts that this accounting is the basis which is currently required under IFRS and consistent with the adoption of a materiality policy that considers the effect of correcting a cumulative balance sheet missstatement on the current year income statement, that it is now appropriate to adjust for this requirement under IFRS.

The adjustments below relate to the holding of Bank of Ireland shares by BoI Life for the benefit of unit-linked policyholders that must be accounted for as treasury shares under IAS 32.

In the income statement there are two adjustments to the prior year, 31 March 2006, income statement. Life assurance investment income and gains has been reduced by €26m from €625m, as previously reported to 31 March 06, to €599m. Other operating income has been reduced by €49m from €165m to €116m. As a result Profit before tax was €75m lower, down from €1,599m to €1,524m.

Basic earnings per share were reduced by 7.9c from 136.4c to 128.5c while diluted earnings per share were similarly reduced from 135.4c to 127.6c. In the balance sheet as at 31 March 2006, Assets at fair value through profit and loss were reduced by €142m from €10,580m to €10,438m and retained earnings reduced by the same amount from €3,330m to €3,188m. The impact of the changes described above on retained profit as at 31 March 2005 was €90m.

Impact of New Accounting Standards

The following standards/amendments to standards have been approved by the IASB and adopted by the EU but have not been adopted by the Group. These will be adopted in 2007 and thereafter.

Amendment to IAS 1 – Capital Disclosures (effective periods beginning on or after 1 January 2007). This amendment requires disclosure, both quantitative and qualitative, of an entity's objectives, policies and processes for managing capital. It will be adopted by the Group in the accounting period commencing 1 April 2007. The impact is not expected to be material in terms of Group reporting.

IFRS 7 – Financial Instrument disclosures (effective periods beginning on or after 1 January 2007). This standard will be adopted by the Group in the accounting period commencing 1 April 2007. It updates and augments the disclosure requirements of IAS 30, IAS 32 and IFRS 4 and will require additional qualitative and quantitative disclosures relating to risk management policies and processes.

IFRIC 8 – Scope of IFRS 2 Share-Based Payment (effective periods beginning on or after 1 May 2006). This interpretation is unlikely to have any impact on the Group as all share-based payment transactions in the Group are made for identifiable services.

IFRIC 9 – Reassessment of Embedded Derivatives (effective periods beginning on or after 1 June 2006). This interpretation requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes party to a contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. It is not expected to have a material impact on the Group.

The following standards/amendments to standards have been approved by the IASB but not yet adopted by the EU and have not been early adopted by the Group.

IFRS 8 – Operating Segments (effective for the period beginning on or after 1 January 2009). This standard replaces IAS 14 Segment Reporting and requires an entity to base their segmental reporting on the information that is reported internally to management. The impact is not expected to be material in terms of Group reporting.

IFRIC 10 – Interim Financial Reporting and Impairment (effective periods beginning on or after 1 November 2006). This interpretation clarifies that any impairment losses on goodwill and equity instruments in an interim period may not be reversed in subsequent interim periods. It is not expected to have a material impact on the Group.

IFRIC 11 – Group and Treasury Share Transactions (effective periods beginning on or after 1 March 2007). This interpretation deals with accounting for share based payments at subsidiary level hence it is not expected to impact on the Group.

IFRIC 12 – Service Concession Arrangements (effective periods beginning on or after 1 January 2008). This interpretation deals with entities providing public services, hence it is not expected to impact on the Group.

Amendment to IAS 23 – Borrowing Costs (effective periods beginning on or after 1 January 2009). This amendment requires an entity to capitalise borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. It is not expected to impact on the Group.

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 values of the liabilities of the schemes 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. See note 35 retirement benefit obligations for more information.

(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 BoI 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, before 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. See note 46 for more information on the Life Assurance business.

(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 2007 was €347m (2006: €375m). 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

Index to the notes to the consolidated financial statement

1 Segmental Reporting

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 five business classes detailed in the table below. These segments reflect the internal financial and management reporting structure. During the year Wholesale Financial Services and Asset Management Services divisions were combined to form the Capital Markets Division. 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 2007	Retail Republic of Ireland €m	BoI Life €m	Capital Markets €m	UK Financial Services €m	Group Centre €m	Eliminations €m	Group €m
Net interest income/expense	1,311	(5)	671	784	(4)	-	2,757
Insurance net premium income	-	2,155	-	-	33	-	2,188
Other income	377	326	379	129	(93)	-	1,118
Profit on disposal of business activities/property	87	-	-	6	233	-	326
Total operating income	1,775	2,476	1,050	919	169	-	6,389
Insurance claims	-	(2,205)	-	-	(8)	-	(2,213)
Total operating income, net of insurance claims	1,775	271	1,050	919	161	-	4,176
Operating expenses	(852)	(100)	(439)	(458)	(159)	-	(2,008)
Depreciation and amortisation	(75)	(4)	(17)	(39)	(16)	-	(151)
Impairment losses	(63)	-	(21)	(20)	1	-	(103)
Share of profit of associated undertakings and joint ventures	-	-	(1)	45	-	-	44
Profit before taxation	785	167	572	447	(13)	-	1,958
Profit on disposal of business activities	-	-	-	(6)	(233)	-	(239)
Profit on disposal of property	(87)	-	-	-	-	-	(87)
Gross up of policyholder tax in the Life business	-	(19)	-	-	-	-	(19)
Investment return on treasury shares held for policyholders	-	-	-	-	68	-	68
Hedge ineffectiveness on transition to IFRS	-	-	-	-	2	-	2
Sale of Head Office	-	-	-	-	(32)	-	(32)
Restructuring programme	-	-	-	-	49	-	49
Group profit before tax excluding the impact of above items	698	148	572	441	(159)	-	1,700
Total assets	98,599	14,908	167,336	73,503	30,801	(196,334)	188,813
Total liabilities	96,758	14,769	165,841	71,143	29,878	(196,334)	182,055
Capital expenditure	54	7	18	58	29	-	166

1 Segmental Reporting (continued)

The profit to the Group on disposal of Davy's €229m. Attributed to the gain on disposal was €4m relating to cost incurred for internal work completed and charged against the sale by other Divisions. This charge out is priced on an arms length basis and has been eliminated on consolidation. See note 5.

Business Segments

Year ended 31 March 2006 Restated*	Retail Republic of Ireland €m	BoI Life €m	Capital Markets €m	UK Financial Services €m	Group Centre €m	Eliminations €m	Group €m
Net interest income	1,119	8	461	722	(3)	-	2,307
Insurance net premium income	-	1,264	-	-	34	-	1,298
Other income	351	681	458	94	(97)	-	1,487
Profit on disposal of business activities	-	-	-	176	-	-	176
Total operating income	1,470	1,953	919	992	(66)	-	5,268
Insurance claims	-	(1,655)	-	-	(11)	-	(1,666)
Total operating income, net of insurance claims	1,470	298	919	992	(77)	-	3,602
Operating expenses	(790)	(92)	(404)	(448)	(120)	-	(1,854)
Depreciation and amortisation	(81)	(3)	(21)	(33)	(28)	-	(166)
Impairment losses	(54)	-	(23)	(26)	-	-	(103)
Share of profit of associated undertakings and joint ventures	5	-	-	40	-	-	45
Profit before taxation	550	203	471	525	(225)	-	1,524
Sale of business activities	-	-	-	(176)	-	-	(176)
Gross up of policyholder tax in the Life business	-	(69)	-	-	-	-	(69)
Investment return on treasury shares held for policyholders	-	-	-	-	75	-	75
Hedge ineffectiveness on transition to IFRS		-	-	-	7	-	7
Restructuring programme	-	-	-	-	32	-	32
Group profit before tax excluding the impact of above items	550	134	471	349	(111)	-	1,393
Total assets	77,935	12,326	139,680	54,580	19,391	(141,700)	162,212
Total liabilities	76,320	12,210	138,402	52,501	19,248	(141,700)	156,981
Capital expenditure	55	-	36	58	30	-	179

Restated due to change in accounting policy – see page 86.

Capital expenditure comprises additions to property and equipment (Note 23) and intangible assets (Note 21) including additions resulting from acquisitions through business combinations.

1 Segmental Reporting (continued)

Geographical Segments

31 March 2007

	Ireland €m	**United Kingdom €m**	**Rest of World €m**	**Inter-segment Revenue €m**	**Total €m**
Revenue	7,398	4,646	327	(2,611)	9,760
Profit before taxation	1,603	314	41	-	1,958

	Ireland €m	**United Kingdom €m**	**Rest of World €m**	**Eliminations €m**	**Total €m**
Total assets	168,843	84,268	5,002	(69,300)	188,813
Capital expenditure	99	58	9	-	166

31 March 2006 (Restated*)

	Ireland €m	United Kingdom €m	Rest of World €m	Inter-segment Revenue €m	Total €m
Revenue	5,252	3,861	234	(1,883)	7,464
Profit before taxation	1,003	478	43	-	1,524

	Ireland €m	United Kingdom €m	Rest of World €m	Eliminations €m	Total €m
Total assets	143,342	63,680	3,885	(48,695)	162,212
Capital expenditure	95	58	26	-	179

**Restated due to change in accounting policy – see page 86.*

2 Net Interest Income

	The Group	
	2007 €m	2006 €m
Interest and similar income		
Loans and advances to banks	292	238
Loans and advances to customers	6,272	4,576
Financial assets – available-for-sale	1,342	934
Finance leasing	222	197
Other	9	9
Total interest income	8,137	5,954
Interest expense and similar charges		
Interest on subordinated liabilities	370	250
Other interest payable	5,010	3,397
Total interest expense	5,380	3,647

3 Net Trading (Expense)/Income

	The Group	
	2007 €m	2006 €m
Foreign exchange	53	24
Securities and interest rate contracts	(80)	49
Equities and equity derivative contracts	(37)	(29)
Hedge ineffectiveness	(6)	(14)
	(70)	30

Certain of the Groups customer liabilities and debt securities issued have been designated at fair value. Both the interest expense and the fair value movement relating to these are included above. The impact of this has been to reduce net trading income by €138m (2006: (€11m)) of which interest expense amounts to €122m (2006: €78m).

Net trading (expense)/income also includes the profits and losses arising both on the purchase and sale of trading instruments and from the revaluation to market value, together with the interest income earned from these instruments and the related funding cost.

4 Other Operating Income

	The Group	
	2007 €m	2006 Restated* €m
Profit on disposal of financial assets – available-for-sale	10	4
Other insurance income	176	151
Elimination of investment return on treasury shares held for the benefit of policyholders	(40)	(49)
Gain on sale of Head Office premises	32	-
Other income	21	10
	199	116

**Restated due to change in accounting policy – see page 86.*

5 Profit on Disposal of Business Activities

To 31 March 2007

On 21 April 2006 the Group completed the sale of Enterprise Finance Europe GmbH for a consideration of €10m giving rise to a profit on disposal of €8m. Costs incurred on disposal were €1m.

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.

	€m
Carrying value of net assets at date of disposal	84
Cost of disposal	3
Gain on disposal	229
Cash consideration received	316

In addition €6m was written back to the Group profit and loss account in relation to costs provided, at 31 March 2006, against anticipated expenses in exiting certain contracts relating to the disposal of the Bristol & West branch network.

To 31 March 2006

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

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

6 Total Operating Expenses

		The Group	
	Notes	**2007 €m**	2006 €m
Administrative expenses			
- Staff costs	8	1,244	1,167
- Other administrative expenses		764	687
Depreciation			
- Intangibles	21	97	106
- Property, plant and equipment	23	54	60
		2,159	2,020

7 Auditors' Remuneration (excluding VAT)

	Notes	The Group ROI €m	Overseas (i) €m	2007 Total €m	2006 Total €m
Audit and assurance services					
Statutory audit (including expenses)		3.1	1.0	4.1	4.1
Other audit and assurance services	(ii)	5.0	1.3	6.3	2.7
		8.1	2.3	10.4	6.8
Other services					
Transaction services	(iii)	-	-	-	0.1
Taxation services		0.7	1.4	2.1	2.2
Other services		-	-	-	0.2
		0.7	1.4	2.1	2.5
		8.8	3.7	12.5	9.3

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, reporting on and 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.

8 Staff Costs

	The Group 2007 €m	2006 €m
Wages and salaries	986	911
Social security costs	90	81
Pension costs – defined contribution plans	4	5
Pension costs – defined benefit plans (Note 35)	119	139
Share based payment schemes (Note 39)	12	11
Other	33	20
	1,244	1,167

9 Staff Numbers

In the year ended 31 March 2007 the average full time equivalents was 15,952 (2006:16,190) categorised as follows in line with the business classes as stated in Note 1.

	2007	2006
Retail Republic of Ireland	8,451	7,987
BoI Life	1,100	1,063
Capital Markets	1,986	2,091
UK Financial Services	3,415	3,930
Group Centre	1,000	1,119
	15,952	16,190

10 Taxation

	The Group	
	2007 €m	2006 €m
Current Tax		
Irish Corporation Tax		
Current Year	244	191
Prior Year	12	8
Double Taxation Relief	(30)	(20)
Foreign Tax		
Current Year	98	86
Prior Year	3	(3)
	327	262
Deferred Tax		
Origination & reversal of temporary differences	(21)	41
Charge for the year	306	303

10 Taxation (continued)

The reconciliation of tax on profit on ordinary activities at the standard Irish Corporation tax rate to the Group's actual tax charge for years ended 31 March 2007 and 2006 is shown as follows:

	The Group	
	2007 €m	2006 Restated* €m
Profit on ordinary activities before taxation multiplied by the Standard rate of Corporate tax in Ireland of 12.5% (2006: 12.5%)	245	191
Effects of:		
Levy on certain financial institutions	-	20
Foreign earnings subject to different rates of tax	49	78
Life Assurance – different basis of taxation	16	61
Derecognition on consolidation of investment return on treasury shares held by BoI Life	8	9
Tax exempted profits and income at a reduced Irish tax rate	(26)	(71)
Non-deductible expenses	11	12
Prior year adjustments	6	5
Share of Associates profits shown post tax in income statement	(5)	(6)
Other adjustments for income tax purposes	2	4
Taxation charge	306	303

** Restated due to change in accounting policy – see page 86.*

The effective tax rate was 15.6% compared to 19.9% for year ending 31 March 2006. The rate has decreased largely due to the benefits from the non-taxable gain in relation to the disposal of Davy Stockbrokers, the abolition of the financial levy and the reduced gross-up for policyholder tax in the Life business.

11 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	
	2007 €m	2006 Restated* €m
Basic		
Profit attributable to stockholders	1,651	1,230
Dividends on other equity interests	(15)	(13)
Profit attributable to Ordinary Stockholders	1,636	1,217
Weighted average number of shares in issue excluding Treasury stock and own shares held for the benefit of life assurance policyholders	950m	947m
Basic earnings per share	172.2c	128.5c

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.

11 Earnings per Share (continued)

	2007 €m	2006 Restated* €m
Diluted		
Profit attributable to Stockholders	1,651	1,230
Dividends on other equity interests	(15)	(13)
Profit attributable to Ordinary Stockholders	1,636	1,217
Weighted average number of shares in issue excluding Treasury stock and own shares held for the benefit of life assurance policyholders	950m	947m
Effect of all dilutive potential Ordinary Stock	7m	7m
	957m	954m
Diluted earnings per share	171.0c	127.6c

** Restated due to change in accounting policy – see page 86.*

12 Central Government and Other Eligible Bills

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Available-for-sale	11	8	-	-

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

	The Group		The Bank	
	2007 €m	2006 Restated* €m	**2007 €m**	2006 €m
Financial Assets at Fair Value through Profit and Loss (trading)				
Government bonds	-	156	-	78
Other debt securities				
– Listed	520	440	520	424
– Unlisted	-	-	-	-
Equity securities				
– Listed	-	23	-	-
– Unlisted	-	1	-	-
Total trading securities	520	620	520	502
Financial assets at fair value through profit and loss (designated at initial recognition)				
Unit trusts	542	-	-	-
Government bonds	2,168	2,033	-	-
Debt securities	756	725	-	-
Equity securities	9,241	7,680	-	15
Total other financial assets of fair value through P/L	12,707	10,438	-	15

** Restated due to change in accounting policy – see page 86.*

€12,403m, (2006: €10,082m) of the assets classified at fair value through the profit and loss relate to BoI Life.

14 Derivative Financial Instruments

Risk Management and Control

Risks are unexpected future events that could influence the achievement of Bank of Ireland's financial, capital or other organisational objectives. One of the Group's core business objectives is to engage in calculated, profitable risk-taking, applying strong risk management skill as a source of competitive advantage to ensure risk diversification and the achievement of target returns. Proactive identification and management of risk is therefore central to delivery of the Bank of Ireland Group strategy and underpins operations throughout the Group. Prudent risk management, 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.

Risk Management Approach

The Group follows an integrated approach to risk management to ensure that all material classes of risk are identified and assessed and that its risk management strategy, capital management strategy and overall business strategy are aligned.

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 oversight of key risk categories including formulation of risk appetite recommendations, establishment of integrated Group-wide risk measurement and management standards and the embedding of effective individual risk management responsibility at all levels of management.

The Group's approach to risk management is based on line management having primary responsibility for management of risk in individual businesses. To balance individual responsibility, risk is subject to independent oversight and analysis by five centrally based risk management functions reporting to the Group Chief Risk Officer:

- Credit (including Group Credit Review),
- Market Risk,
- Operational Risk,
- Office of the Group Chief Risk Officer,
- Regulatory Risk & Compliance.

These risk management functions assist the GCRO in the formulation of risk policies and strategies, which are approved through the Group Risk Governance Framework. These specialist teams work together to identify, measure, analyse, monitor, control and report on risks. Risk measurement systems are in place to facilitate monitoring and analysis of risk and to ensure compliance with Regulatory requirements.

In discharging the core responsibility of risk oversight above, the GCRO provides independent advice and constructive challenge to the Group Executive on all business decisions. The role directly influences business decisions by:

(a) Emphasising a portfolio approach to risk management in addition to a transactional approach,
(b) Leading the discussion on the setting of risk appetite and,
(c) Providing appropriate risk measurements to influence the assessment of business performance and corporate development,
(d) Structuring business growth aspirations in a manner consistent with the Groups risk appetite.

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

14 Derivative Financial Instruments (continued)

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 wishes to assume to achieve its corporate objectives.

Specifically, the Court:
- Ensures that management is accountable for the effective identification, measurement and control of all key risks and that these risks are adequately covered by capital.
- Ensures that management cannot materially alter the nature or scale of risk assumed by the Group without reference to the Court.
- Approves the terms of reference, operating parameters and membership of GRPC.
- Approves the Group Risk Framework and Group Credit Policy and all material changes thereto.
- Approves the Group's risk appetite and loss tolerance.
- Approves other key high-level risk limits as required by risk policies.
- Reviews regular reports on the size and composition of all key risks.
- Reviews the proceedings of Group Risk Policy Committee (GRPC).

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. 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 – approval of all large credit transactions.
- Portfolio Review Committee – composition of the Group's loan portfolio.
- Group Asset and Liability Committee (ALCO) – market, liquidity risk and capital.
- Risk Measurement Committee – credit risk measurement and risk model validation.
- Group Operational Risk Committee – operational risk.
- Group Regulatory Risk and Compliance Committee – regulatory risk and compliance.
- Group Debt Underwriting Committee – control and oversight of debt underwriting transactions.
- Private Equity Governance Committee – approval of equity investments.
- Group Tax Committee – oversight of tax policy.
- Basel II Steering – governance & oversight of Basel II Programme.

Risk Concentrations

Undue concentrations can lead to increased volatility in the Group's expected outcomes. It is the policy of the Group to avoid undue counter-party/ name-level, industry/ sector, product, geography or other forms of significant connected risk in its credit books. Monetary risk limits and guide-points are set by GRPC or its sub-committees and, as necessary, approved by the Court of Directors. Avoidance of such risk is therefore a fundamental cornerstone of the Group's approach to risk management.

Risk Appetite

The Group's risk appetite is determined on the basis that it aims to deliver sustainable growth through the pursuit of reasonable business opportunities, which can be managed effectively.

Where relevant, appetite for particular levels of risk is defined and measures adopted to inform judgements about the acceptability of current or projected risk profiles. Risk Appetite defines how much risk the Group is willing to take based on three fundamental principles:

14 Derivative Financial Instruments (continued)

- Ensure Short-Term Financial Stability (e.g. Loss Tolerance/ Earnings volatility)
- Maintain Capital Levels (e.g. Economic Capital, Target Capital Levels)
- Protect the Long Term Group Franchise (e.g. Target Debt Rating, Use of Risk/ Capital in Strategic Decisions)

To assess the degree to which the Group is operating within its risk appetite, loss tolerance and other risk limits, the GRPC and the Court of Directors regularly review key risk and capital indicators. This is in addition to detailed risk information regularly reviewed by the Group's Credit, Market and Operational Risk functions and by Business Units (as specified in the separate policy documents of these functions and units).

Stress Testing/Scenario Analysis

As a core part of its risk management framework, the Group performs firm-wide scenario-based stress tests. Semi-annual scenario based stress tests are applied to examine the impact of extreme events. Impacts are measured in terms of resulting losses and Economic Capital.

The stress tests assist GRPC and the Court of Directors to determine whether the Group would be comfortable with the possible financial volatility consequences of a set of scenarios, taking account of target capital ratios, dividend cover and loss tolerance.

Basel II

We are well advanced in our preparations to submit our application to the Financial Regulator for qualification under the Basel II Foundation Internal Ratings Based approach in mid 2007 under Pillar 1 along with our assessment of capital adequacy under Pillar 2. In common with many other diversified financial services organisations, we anticipate a modest reduction in our minimum capital requirements under Basel II.

Credit Risk

Credit risk reflects the risk that a counter-party 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, on the recommendation of 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 function 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 the Group and Unit Credit Policies which are approved and reviewed by GRPC/Head of Group Credit 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.

14 Derivative Financial Instruments (continued)

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 exposure limits are approved by GRPC for each rating of bank based on credit risk modeling techniques combined with expert judgment.

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) metrics, which are complemented by expert judgment.

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.

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.

The Group's 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 Committee, 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. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the exposure to the net carrying amount.

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.

14 Derivative Financial Instruments (continued)

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

Market Risk

Policy and Governance

Market risk is the potential adverse change in Group income or the value of 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.

It is Group policy that market risk arising from customer business in the Group's retail, corporate and specialist finance businesses is centralised by way of internal hedging arrangements with Bank of Ireland Global Markets (BoIGM).

BoIGM is the sole business unit permitted to take discretionary market risk for the Group's account, subject to strict policies, limits and other controls. Discretionary market risk arises where customer business is allowed to remain unhedged, in whole or in part, or where risk is pro-actively assumed in wholesale financial markets in expectation of favourable market movement. In the year ended 31 March 2007, discretionary risk arose predominately from positions in money-market borrowing and lending, interest rate futures, bond futures, interest rate swaps, spot foreign exchange and, to a small extent, from positions in interest-rate and currency options. Discretionary market risk can include both Trading and Banking Book positions within the meaning of these terms in the EU's Capital Requirements Directive.

Risk Measurement and Control

A Value at Risk (VaR) approach is used to measure and limit discretionary market risk in BoIGM. 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 loss that 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.

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 Court of Directors approves an overall Value at Risk (VaR) limit, which is a quantification of the Group's appetite for discretionary market risk. The Group Asset and Liability Committee (ALCO) approves VaR sub-limits for BoIGM. These limits are set by principal risk type (interest rate, foreign exchange and credit spread) and by currency or currency pair. Market risk limits are rigorously enforced and compliance is monitored by ALCO.

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 and long-run historic simulation, which measures the effect of past periods of market stress on current positions, are used to assess and manage discretionary market risk.

14 Derivative Financial Instruments (continued)

A number of Group businesses, chiefly in retail and business banking, are assigned small operational interest-rate and foreign exchange limits to facilitate efficient hedging. These limits are defined in terms of the impact in net present value (NPV) terms of a 1% parallel shift of the yield curve. This measure is supplemented by estimates of maturity mismatch exposure using a methodology which identifies exposure to non-parallel shifts in the yield curve.

Trading and Banking Book Risk

In BoIGM, discretionary market risk positions are allocated to the Trading or Banking Books in line with the criterion of *intent to trade* and the other principles set out in the EU's Capital Requirements Directive (CRD). Trading Book positions arise in the main from derivative and foreign exchange transactions executed with customers or through the pro-active assumption of trading positions in these instruments and markets.

The Group's Banking Book consists of the non-trading books in BoIGM and the Group's retail and corporate deposit and loan books.

The Banking Book also includes the Group's net non interest-bearing free funds and the 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 passively managed portfolio of fixed-rate assets with an average life of 4 years and a maximum life of 7 years. This portfolio is continuously re-invested to maintain a 4-year average life.

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 market risk in derivative 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.

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, 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 discretionary 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.

BoIGM is permitted to take discretionary 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.

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.

14 Derivative Financial Instruments (continued)

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 typically exchanged on a daily basis and in some cases weekly.

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 principally 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. The Group's structural foreign exchange position was as follows:

	31 March 2007	31 March 2006
	€m	€m
GBP	3,980	3,373
USD	256	264
Total structural FX position	4,236	3,637

The positions indicate that a 10% depreciation in the value of the euro against all other currencies at 31 March 2007 would result in a gain taken to reserves of €424m (2006: €363m).

14 Derivative Financial Instruments (continued)

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.

Liquidity management within the Group consists of two main functions. The first is day-to-day funding, managed in part by monitoring current and expected future cash flows to ensure the Group's liquidity needs can be met. Other activities include replenishment of existing funds as they mature or are withdrawn and to satisfy demands for borrowings by customers. The second function is maintaining a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen interruption to the Group's cash flow.

A significant part of the liquidity of the Group's banking businesses arises from their ability to generate customer deposits. A substantial proportion of the customer deposit base is made up of current and savings accounts, which, although repayable on demand, have traditionally provided a stable source of funding. Such customer deposits are supplemented by the issuance of subordinated loan capital and by accessing the wholesale funding markets, as well as from direct contact with various customer segments. Wholesale funding sources include deposits taken on the inter-bank market, certificates of deposit, sale and repurchase agreements, the Group's Canadian, Euro and US Commercial Paper Programmes, the Group's US and Euro Medium Term Note programmes, a Mortgage Covered Securities Programme and the Securitisation of certain of the Group's assets.

The monitoring and reporting of liquidity takes the form of cash flow measurement and projections for future periods, with the 0-8 and 8-30 day periods as two of the key periods of measurement for liquidity management. The Group also operates a contingency liquidity plan for periods of liquidity stress.

The ability to convert assets quickly is also an important source of liquidity to BoI Group's banking business. The Group holds sizeable balances of marketable treasuries and other eligible bills and debt securities which could be disposed of to provide funding should the need arise.

The Group also complies with prudential liquidity requirements set by the Financial Regulator and, in respect of its operations in other jurisdictions, the regulatory liquidity requirements as specified by the Regulators in such jurisdictions.

14 Derivative Financial Instruments (continued)

The Group	Contract/notional amount	Fair values Assets	Liabilities
Year ended 31 March 2007	**€m**	**€m**	**€m**
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	33,591	148	266
Currency swaps	952	28	14
OTC currency options	2,204	13	12
Total foreign exchange derivatives held for trading	36,747	189	292
Interest rate derivatives			
Interest rate swaps	200,498	571	663
Cross-currency interest rate swaps	25,959	207	408
Forward rate agreements	16,865	1	2
OTC interest rate options	4,092	14	14
Total interest rate derivatives held for trading	247,414	793	1,087
Equity and commodity contracts			
Equity index linked contracts held	7,472	932	871
Total derivative assets / liabilities held for trading	291,633	1,914	2,250
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	15,757	185	228
Cross currency interest rate swaps	1,101	15	8
Total fair value hedges	16,858	200	236
Derivatives designated as cash flow hedges			
Interest rate swaps	100,257	735	436
Currency swaps	6,598	-	13
Total cash flow hedges	106,855	735	449
Total derivative assets / liabilities held for hedging	123,713	935	685
Total recognised derivative assets / liabilities	415,346	2,849	2,935

14 Derivative Financial Instruments (continued)

The Group	Contract/notional amount	Fair values Assets	Liabilities
Year ended 31 March 2006	€m	€m	€m
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 and commodity contracts			
Equity index linked contracts held	8,294	915	615
	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

14 Derivative Financial Instruments (continued)

The Bank	Contract/notional amount	Fair values Assets	Liabilities
Year ended 31 March 2007	**€m**	**€m**	**€m**
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	33,592	149	266
Currency swaps	942	27	14
OTC currency options	2,204	13	12
Total foreign exchange derivatives held for trading	36,738	189	292
Interest rate derivatives			
Interest rate swaps	241,185	828	889
Cross-currency interest rate swaps	27,173	312	394
Forward rate agreements	16,865	1	2
OTC interest rate options	4,143	14	14
Total interest rate derivatives held for trading	289,366	1,155	1,299
Equity and commodity contracts			
Equity index linked contracts held	9,321	1,350	1,320
Total derivative assets / liabilities held for trading	335,425	2,694	2,911
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	6,207	113	42
Cross currency interest rate swaps	1,101	15	8
Total fair value hedges	7,308	128	50
Derivatives designated as cash flow hedges			
Interest rate swaps	100,257	735	436
Total derivative assets / liabilities held for hedging	107,565	863	486
Total recognised derivative assets / liabilities	442,990	3,557	3,397

14 Derivative Financial Instruments (continued)

The Bank	Contract/notional amount	Fair values Assets	Liabilities
Year ended 31 March 2006	€m	€m	€m
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 and commodity contracts			
Equity index linked contracts held	8,294	915	615
	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 Loans and Advances to Banks

	The Group		The Bank	
	2007 €m	2006 €m	2007 €m	2006 €m
Funds placed with central banks	906	131	859	89
Mandatory deposit with central banks	2,124	2,482	2,063	2,425
Securities purchased with agreement to resell	1,842	3,773	1,842	3,773
Placements with other banks	2,338	5,803	55,006	50,678
	7,210	12,189	59,770	56,965
Provision for impairment on loans and advances to banks	-	(1)	-	(1)
	7,210	12,188	59,770	56,964
Amounts include:				
Due from group undertakings			53,036	45,906

16 Loans and Advances to Customers

	The Group		The Bank	
	2007 €m	2006 €m	2007 €m	2006 €m
(a) Loans and advances to customers				
Loans and advances to customers	121,933	98,497	70,328	56,057
Loans and advances to customers – finance leases and hire purchase receivables	3,543	3,108	1,450	1,331
Gross loans and advances	125,476	101,605	71,778	57,388
Less allowance for losses on loans and advances	(428)	(359)	(344)	(260)
	125,048	101,246	71,434	57,128
Amounts include:				
Due from group undertakings			16,709	16,271

16 Loans and Advances to Customers (continued)

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
(b) Allowance for losses on loans and advances to customers and banks				
Movement in allowance for losses on loans and advances as follows:				
Opening balance	360	319	261	235
Exchange adjustments	1	(1)	2	(1)
Charge against profits	104	100	104	73
Amounts written off	(53)	(85)	(40)	(65)
Recoveries	19	21	16	16
Transfer of provisions to subsidiary undertakings	-	-	1	-
Other movements	(3)	6	-	3
Closing balance	428	360	344	261
Of which relates to:				
Loans and advances to customers	428	359	344	260
Loans and advances to banks	-	1	-	1
	428	360	344	261

(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 47% (2006: 50%) of the total loans and advances to customers, 35% (2006: 36%) of the loans and advances in Ireland and 62% (2006: 66%) in the United Kingdom.

Total impaired loans amount to €968m (2006: €796m).

16 Loans and Advances to Customers (continued)

(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	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Gross investment in finance leases:				
Not later than 1 year	1,409	1,513	603	855
Later than 1 year and not later than 5 years	2,385	1,708	977	577
Later than 5 years	125	212	21	33
	3,919	3,433	1,601	1,465
Unearned future finance income on finance leases	(376)	(325)	(151)	(134)
Net investment in finance leases	3,543	3,108	1,450	1,331
The net investment in finance leases may be analysed as follows:				
Not later than 1 year	1,273	1,373	546	777
Later than 1 year and not later than 5 years	2,155	1,540	885	524
Later than 5 years	115	195	19	30
	3,543	3,108	1,450	1,331

(e) Securitisations and other asset transfers

As part of its Capital Management process, the Group has engaged in Securitisation transactions of certain of its residential mortgage assets in its portfolio. In general, the assets, or interests in the assets, are transferred to a special purpose entity (SPE), which then issues liabilities to third party investors. Securitisations may, depending on the individual arrangement, result in continued recognition of the assets; continued recognition of the assets to the extent of the Group's continuing involvement in those assets; or derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained in the transfer (see Accounting policy on page 73). All the Group's Securitisation SPEs are consolidated in the financial statements of the Group.

17 Available-for-Sale Financial Assets

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Investment Securities available-for-sale				
Government bonds	6,380	5,881	6,380	5,881
Other debt securities				
– Listed	24,885	20,062	22,635	16,816
– Unlisted	2,135	2,237	672	72
Equity securities				
– Listed	30	3	9	-
– Unlisted	19	22	4	16
Total securities available-for-sale	33,449	28,205	29,700	22,785

Investment securities available-for-sale at fair value of €5,659m (2006: €10,049m) 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	
	2007 €m	2006 €m	**2007 €m**	2006 €m
At 1 April 2006	28,205	20,752	22,785	16,041
Revaluation, exchange and other adjustments	(604)	150	(607)	107
Additions	30,465	27,784	29,330	25,426
Disposals (sale and redemption)	(24,589)	(20,576)	(22,358)	(18,886)
Amortisation	52	98	51	98
Provision for impairment	1	(3)	1	(1)
Transfer from subsidiary	-	-	569	-
Reclassification	(81)	-	(71)	-
At 31 March 2007	33,449	28,205	29,700	22,785

18 Interest in Associated Undertakings

	The Group	
	2007	2006
	€m	€m
At 1 April 2006	21	17
Share of results after tax	1	5
Increase in investments	4	4
Decrease in investments	-	(5)
At 31 March 2007	26	21

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.

19 Interest in Joint Ventures

	The Group	
	2007	2006
	€m	€m
At 1 April 2006	75	61
Acquisitions	21	-
Share of results after tax	43	40
Exchange adjustments	2	(1)
Dividends received	(68)	(25)
At 31 March 2007	73	75

On 20 June 2006 the Group announced the establishment of 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 joint venture is called Paul Capital Investments, LLC (PCI). The Group paid US $25m for a 50% share and may increase its shareholding up to 70% no earlier than 2008 on a pre-agreed basis.

19 Interest in Joint Ventures (continued)

Acquisition	2007 €m	2007 US$m
Cash paid on acquisition of JV	19	25.0
Costs incurred on acquisition of JV	2	2.5
	21	27.5
Net Assets acquired excluding cash	1	1.2
Goodwill on acquisition	20	26.3
	21	27.5

The joint ventures are: First Rate Exchange Services
Enterprise 2000 Fund
Paul Capital Investments, LLC

20 Shares in Group Undertakings

	The Bank	
	2007	2006
	€m	€m
At 1 April 2006	1,965	1,959
Exchange adjustments	18	(8)
Net increase during year	58	14
At 31 March 2007	2,041	1,965
Group undertakings of which		
- Credit Institutions	635	576
- Others	1,406	1,389
	2,041	1,965

21 Intangible Assets

The Group

	Goodwill €m	Computer Software Externally Purchased €m	Computer Software Internally Generated €m	Other Externally Purchased Intangibles €m	Total €m
Cost					
At 1 April 2006	375	312	658	146	1,491
Acquisition/disposal of subsidiary undertaking	-	(14)	-	-	(14)
Goodwill/intangibles arising on acquisitions during the year	2	-	-	4	6
Exchange adjustments	(28)	3	1	1	(23)
Reclassifications	-	(1)	(1)	-	(2)
Additions	-	23	82	-	105
Disposals	-	(10)	(14)	-	(24)
Goodwill written back on disposals	(2)	-	-	-	(2)
At 31 March 2007	347	313	726	151	1,537
Accumulated impairment and amortisation					
At 1 April 2006	-	(210)	(289)	(27)	(526)
Exchange adjustments	-	-	-	-	-
Acquisition/disposal of subsidiary undertaking	-	10	-	-	10
Disposals	-	6	13	-	19
Charge for period	-	(18)	(65)	(14)	(97)
At 31 March 2007	-	(212)	(341)	(41)	(594)
Net Book Value at 31 March 2007	347	101	385	110	943

21 Intangible Assets (continued)

The Group

	Goodwill €m	Computer Software Externally Purchased €m	Computer Software Internally Generated €m	Other Externally Purchased Intangibles €m	Total €m
Cost					
At 1 April 2005	272	316	552	124	1,264
Goodwill/intangibles arising on acquisitions during the year	92	-	-	23	115
Exchange adjustments	11	(1)	(1)	(1)	8
Reclassifications	-	(13)	27	-	14
Additions	-	16	90	-	106
Disposals	-	(6)	(10)	-	(16)
At 31 March 2006	375	312	658	146	1,491
Accumulated impairment and amortisation losses					
At 1 April 2005	-	(188)	(216)	(15)	(419)
Exchange adjustments	-	-	-	1	1
Reclassifications	-	-	(10)	-	(10)
Disposals	-	5	3	-	8
Charge for period	-	(27)	(66)	(13)	(106)
At 31 March 2006	-	(210)	(289)	(27)	(526)
Net Book Value at 31 March 2006	375	102	369	119	965

21 Intangible Assets (continued)

The Bank

	Computer Software Externally Purchased €m	Computer Software Internally Generated €m	Total €m
Cost			
At 1 April 2006	187	596	783
Exchange adjustments	1	1	2
Additions	17	64	81
Disposals	(5)	(11)	(16)
Reclassification	1	(1)	-
At 31 March 2007	201	649	850
Accumulated amortisation and impairment losses			
At 1 April 2006	(135)	(261)	(396)
Exchange adjustments	-	-	-
Disposals	5	10	15
Charge for the period	(13)	(57)	(70)
At 31 March 2007	(143)	(308)	(451)
Net Book Value at 31 March 2007	58	341	399

The Bank

	Computer Software Externally Purchased €m	Computer Software Internally Generated €m	Total €m
Cost			
At 1 April 2005	208	488	696
Exchange adjustments	-	-	-
Reclassifications	(21)	28	7
Additions	5	84	89
Disposals	(5)	(4)	(9)
At 31 March 2006	187	596	783
Accumulated amortisation and impairment losses			
At 1 April 2005	(126)	(195)	(321)
Exchange adjustments	-	-	-
Reclassifications	6	(10)	(4)
Disposals	5	3	8
Charge for the period	(20)	(59)	(79)
At 31 March 2006	(135)	(261)	(396)
Net Book Value at 31 March 2006	52	335	387

21 Intangible Assets (continued)

Intangible Assets Impairment Review

Division	Acquisition	Goodwill 2007 €m	Goodwill 2006 €m	Basic of Valuation	Key Assumption
Capital Markets	Iridian	199	219	Earnings	Constant growth
Capital Markets	Guggenheim	86	92	Earnings	rate after
Capital Markets	Burdale	56	54	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 to present value at the Group's current cost of capital. When the present value exceeds the carrying value no impairment occurs.

22 Investment Property

	The Group 2007 €m	The Group 2006 €m
Opening Balance	807	503
Revaluation	96	53
Additions	263	353
Disposals	(24)	(102)
Closing Balance	1,142	807

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

23 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 2006	627	124	676	10	6	1,443
Acquisitions/Disposal of Subsidiary Undertaking	-	(8)	(19)	-	-	(27)
Exchange adjustments	2	-	3	-	-	5
Additions	3	4	37	-	13	57
Disposals	(151)	(1)	(18)	(2)	-	(172)
Revaluation	34	-	-	-	-	34
Reclassifications	(73)	8	4	-	(12)	(73)
At 31 March 2007	442	127	683	8	7	1,267
Accumulated depreciation and amortisation						
At 1 April 2006	-	(33)	(542)	(8)	-	(583)
Exchange adjustments	-	-	(2)	-	-	(2)
Disposals	-	-	14	1	-	15
Charge for year	-	(14)	(40)	-	-	(54)
Acquisitions/Disposal of Subsidiary Undertaking	-	5	17	-	-	22
At 31 March 2007	-	(42)	(553)	(7)	-	(602)
Net book value at 31 March 2007	442	85	130	1	7	665

23 Property, Plant and Equipment (continued)

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

23 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 2006	528	531	99	5	5	1,168
Transfers to/from other Group Units	-	4	1	-	1	6
Exchange adjustments	1	2	-	-	-	3
Additions	3	25	4	-	12	44
Disposals	(148)	(13)	(1)	-	-	(162)
Reclassifications	(68)	4	8	-	(13)	(69)
Revaluation	21	-	-	-	-	21
At 31 March 2007	337	553	111	5	5	1,011
Accumulated depreciation and amortisation						
At 1 April 2006	-	(427)	(25)	(5)	-	(457)
Exchange adjustments	-	(2)	-	-	-	(2)
Disposals	-	11	-	-	-	11
Charge for year	-	(29)	(12)	-	-	(41)
At 31 March 2007	-	(447)	(37)	(5)	-	(489)
Net book value at 31 March 2007	337	106	74	-	5	522

23 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

23 Property, Plant and Equipment (continued)

Property and Equipment

A revaluation of all Group property was carried out as at 31 March 2007. 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.

Sale and Leaseback

The Group executed sale & leaseback investment transactions for 36 retail branches which yielded a profit of €86m.
Ongoing rental commitments are €8.6m and the leases are classified as operating leases. Other properties were sold in the normal course of business that netted a profit on disposal of €1m.

Further disposals are being progressed with a book value of €73m which have been reclassified from property, plant and equipment to properties held for sale.

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Future capital expenditure				
- contracted but not provided in the accounts	3	17	3	16
- authorised by the Directors but not contracted	14	28	13	26

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

	Payable €m	**Receivable €m**
Year ended 31 March 2007		
Not later than 1 year	62	2
Later than 1 year and not later than 5 years	217	7
Later than 5 years	405	3

24 Other Assets

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Sundry debtors & other	1,130	2,045	317	344
Value of life assurance business in force (Note 46)	580	513	-	-
Accounts receivable and prepayments	1,179	889	910	680
	2,889	3,447	1,227	1,024

25 Deposits by Banks

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Securities sold under agreement to repurchase	6,147	9,927	6,147	9,809
Deposits from other banks	14,258	21,896	40,532	35,144
Other bank borrowings	-	489	-	-
	20,405	32,312	46,679	44,953
Amounts include:				
Due to group undertakings			26,980	13,297

26 Customer Accounts

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Current accounts	16,932	15,876	23,578	21,647
Demand deposits	25,393	18,344	22,036	15,448
Term deposits and other products	27,333	25,877	19,866	20,240
Other short term borrowings	2,619	1,373	887	-
Securities sold under agreement to repurchase	-	240	-	240
	72,277	61,710	66,367	57,575
Amounts include:				
Due to group undertakings			6,649	5,866

27 Debt Securities in Issue

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Bonds & medium term notes	29,837	20,249	20,610	15,924
Other debt securities in issue	29,686	16,565	21,187	15,355
	59,523	36,814	41,797	31,279

28 Subordinated Liabilities

	The Group		The Bank	
Undated Loan Capital	**2007 €m**	2006 €m	**2007 €m**	2006 €m
Bank of Ireland UK Holdings plc				
€600m 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	618	636	-	-
Stg£350m 6.25% Guaranteed Callable Perpetual Preferred Securities	448	461	-	-
BOI Capital Funding (No 1) LP				
€600m Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	588	588	-	-
BOI Capital Funding (No 2) LP				
US$800m Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	583	627	-	-
BOI Capital Funding (No 3) LP				
US$400m Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	294	318	-	-
BOI Capital Funding (No 4) LP				
Stg£500m Fixed Rate/Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	707	-	-	-
Bristol & West				
Stg£75m 13 3/8 % Perpetual Subordinated Bonds	182	178	-	-
Stg£50.4m 8 1/8 % Non-Cumulative Preference Shares	74	72	-	-
	3,494	2,880	-	-
Dated loan capital				
Bank of Ireland				
€750m 6.45% Subordinated Bonds 2010	775	798	775	798
€600m Subordinated Floating Rate Notes 2013	600	595	600	595
€650m Fixed/Floating Rate Subordinated Notes 2019	642	662	642	662
€600m Subordinated Floating Rate Notes due 2017	599	598	599	598
Can$400m Fixed/Floating Rate Subordinated Notes 2015	255	275	255	275
Stg£400m Fixed/Floating Rate Subordinated Notes 2018	584	570	584	570
€750m Floating Rate Subordinated Notes 2017	748	-	748	-
Stg £500m Fixed Rate/Variable Rate Subordinated Loan due 2036	-	-	731	-
Bristol & West				
Stg£75m 10¾% Subordinated Bonds 2018	111	115	-	-
	4,314	3,613	4,934	3,498
	7,808	6,493	4,934	3,498

28 Subordinated Liabilities (continued)

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 7.4% 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 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 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

28 Subordinated Liabilities (continued)

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.

28 Subordinated Liabilities (continued)

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.

On 19 September 2006 BOI Capital Funding (No.4) LP (the Issuer) issued £500m 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 100% of the nominal value of the denomination in which it was issued.

The Preferred Securities, comprising limited partnership interests in BOI Capital Funding (No. 4) LP, are perpetual securities with no maturity date. However they are redeemable, subject to the prior approval of the Financial Regulator, on 3 April 2017 or any distribution 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 amount plus any additional amounts and outstanding payments due.

The Preferred Securities bear interest at a rate of 6.4295% per annum to but excluding 3 April 2017 and thereafter at a floating rate of interest of 1.50% per annum above the rate for £ LIBOR three-month sterling 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.

28 Subordinated Liabilities (continued)

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 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% Subordinated Bonds due 2010. On 22 January 2001 the Bank issued an additional €150m 6.45% 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 25 February 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.

In July 2006 the Programme size was increased from €15bn to €25bn. The Bank issued on 22 January 2007 €750m Floating Rate Notes due 2017.

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.

29 Other Liabilities

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Current taxation	105	75	55	45
Notes in circulation	839	791	839	791
Sundry creditors	558	1,792	419	470
Other	1,214	1,131	392	319
Accruals and deferred income	1,267	922	760	580
	3,983	4,711	2,465	2,205

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.

30 Provisions

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
At 1 April 2006	153	179	91	136
Exchange differences	1	(1)	-	-
Additional provisions charged to income statement	23	47	15	15
Utilised during year	(70)	(64)	(48)	(52)
Unused amounts reversed during the period	(20)	-	(8)	-
Other movements	-	(8)	-	(8)
At 31 March 2007	87	153	50	91

Other provisions include €32m (2006: €76m) relating to the strategic transformation programme.

31 Deferred Tax

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
The movement on the deferred tax account is as follows:				
Opening balance	177	143	(4)	-
Income Statement Charge for Year (note 10)	(21)	41	(32)	(2)
Available-for-Sale Securities – Transferred to Reserves	(8)	(15)	(8)	(14)
Cash Flow Hedges – Transferred to Reserves	53	(1)	53	(1)
Revaluation/reclassification of Property during year	16	25	14	23
Pension	21	18	17	4
Other Movements	15	(34)	1	(14)
Closing balance	253	177	41	(4)

(See Note 39 for further information on deferred tax charged directly to equity)

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Deferred tax assets and liabilities are attributable to the following items:				
Deferred Tax Liabilities				
Accelerated Capital Allowances:				
-- on finance leases	66	62	6	-
-- on equipment used by the Group	32	26	22	16
Available-for-Sale Securities	-	3	-	4
Cash Flow Hedges	64	11	64	11
Property Revaluation Surplus	64	69	60	67
Life Companies	148	134	-	-
Other temporary differences	17	22	10	9
Deferred Tax Liabilities	391	327	162	107
Deferred Tax Assets				
Pensions and Other Post Retirement Benefits	95	116	69	81
Provision for Loan Impairment	11	6	12	7
Other provisions	6	15	-	1
Available-for-sale securities	6	-	6	-
Other temporary differences	20	13	34	22
Deferred Tax Assets	138	150	121	111
Represented on the balance sheet as follows:				
Deferred tax assets	(25)	(30)	-	(4)
Deferred tax liabilities	278	207	41	-
	253	177	41	(4)

In presenting the deferred tax balances above, under IAS 12, the Group has chosen to offset deferred tax assets and liabilities where:

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

Deferred tax liabilities have not been recognised for tax that may be payable if earnings of certain overseas subsidiaries were remitted to Ireland, as the timing of reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Unremitted earnings for overseas subsidiaries totalled €2,060m (2006: €1,843m).

31 Deferred Tax (continued)

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

	The Group	
	2007 €m	2006 €m
Accelerated Tax Depreciation	-	(8)
Provision for Loan Losses	-	(1)
Other Provisions	3	(2)
Property Disposals	(21)	-
Other Temporary Differences	(3)	52
	(21)	41

32 Interest Rate Risk

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

The table below provides an indication of the repricing mismatch in the non Trading assets and liabilities at 31 March 2007. 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.

32 Interest Rate Risk

The Group

Interest Rate Repricing 31 March 2007	Not more than three months €m	Over three months but not more than six months €m	Over six months but not more than one year €m	Over one year but not more than five years €m	Over five years €m	Non interest bearing €m	Trading Book €m	Total €m
Assets								
Cash and balances at central banks	6	-	-	-	-	356	-	362
Central Government and other eligible bills	11	-	-	-	-	-	-	11
Trading securities	-	-	-	-	-	-	520	520
Loans and advances to customers	88,359	4,251	5,527	22,935	3,325	651	-	125,048
Loans and advances to banks	6,073	404	38	35	-	660	-	7,210
Derivative financial instruments	-	-	-	-	-	935	1,914	2,849
Available-for-Sale financial assets	22,483	2,000	4,345	2,152	2,432	37	-	33,449
Other financial assets at fair value through P/L*	211	20	-	29	35	12,412	-	12,707
Other assets	19	-	-	-	43	6,537	58	6,657
Total assets	117,162	6,675	9,910	25,151	5,835	21,588	2,492	188,813
Liabilities								
Deposits by banks	16,202	3,061	677	2	-	126	337	20,405
Customer accounts	53,806	1,549	1,310	1,360	282	13,083	887	72,277
Derivative financial instruments	-	-	-	-	-	685	2,250	2,935
Debt securities in issue	38,956	11,633	2,915	2,093	4,205	(279)	-	59,523
Subordinated liabilities	1,925	-	600	1,605	3,794	(116)	-	7,808
Other liabilities*	1	1	3	25	33	18,993	51	19,107
Total equity	113	-	-	-	-	6,645	-	6,758
Total liabilities	111,003	16,244	5,505	5,085	8,314	39,137	3,525	188,813
Net derivative financial instrument nominal values	(3,524)	15,608	(2,319)	(14,401)	4,636	-	-	-
Interest rate repricing gap	2,635	6,039	2,086	5,665	2,157	(17,549)	(1,033)	-
Cumulative interest rate repricing gap	2,635	8,674	10,760	16,425	18,582	1,033	-	-
Euro								
Cumulative interest rate repricing gap 31 March 2007	7,253	14,385	17,557	19,762	20,435	7,909	(7,909)	-
Sterling								
Cumulative interest rate repricing gap 31 March 2007	8,672	9,525	8,673	11,898	12,943	8,077	(8,077)	-

32 Interest Rate Risk (continued)

The Group

Interest Rate Repricing 31 March 2006 Restated**	**Not more than three months €m**	**Over three months but not more than six months €m**	**Over six months but not more than one year €m**	**Over one year but not more than five years €m**	**Over five years €m**	**Non interest bearing €m**	**Trading Book €m**	**Total €m**
Assets								
Cash and balances at central banks	3	-	-	-	-	284	-	287
Central Government and other eligible bills	8	-	-	-	-	-	-	8
Trading securities	-	-	-	-	-	-	620	620
Loans and advances to customers	67,640	3,874	5,382	21,153	2,966	231	-	101,246
Loans and advances to banks	9,389	1,434	454	51	-	860	-	12,188
Derivative financial instruments	-	-	-	-	-	552	1,533	2,085
Available-for-Sale financial assets	17,781	2,260	2,164	3,892	2,095	13	-	28,205
Other financial assets at fair value through P/L*	265	15	-	26	28	10,104	-	10,438
Other assets	495	-	-	-	-	5,465	1,145	7,105
Total assets	95,581	7,583	8,000	25,122	5,089	17,509	3,298	162,182
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	-	-	-	-	5,116	-	5,238
Total liabilities	100,538	7,140	5,311	6,082	8,652	31,415	3,044	162,182
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)	-	-
Sterling								
Cumulative interest rate repricing gap 31 March 2006	10,783	17,834	17,629	18,518	18,968	4,490	-	-

* *Long term assets and liabilities associated with the BOI Life 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 46.*

** *Restated due to change in accounting policy – see page 86.*

33 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 Group
As at 31 March 2007

Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity Shares €m	Total €m
Assets							
Cash and balances at central banks	362	-	-	-	-	-	362
Central Government and other eligible bills	11	-	-	-	-	-	11
Loans and advances to banks	2,465	4,204	438	54	49	-	7,210
Loans and advances to customers	2,918	6,612	10,249	38,273	67,424	-	125,476
Trading securities	20	10	37	342	111	-	520
Derivative financial instruments	2,805	-	-	-	44	-	2,849
Other financial assets at fair value through P/L	30	1,017	116	477	1,857	9,210	12,707
Investment securities – available-for-sale	106	2,965	5,655	17,334	7,340	49	33,449
Liabilities							
Deposits by banks	2,785	13,669	3,389	488	74	-	20,405
Customer accounts	43,844	20,901	3,058	2,997	1,477	-	72,277
Debt securities in issue	270	15,975	8,168	18,919	16,191	-	59,523
Derivative financial instruments	2,882	-	-	-	53	-	2,935
Subordinated debt – dated	-	-	-	775	3,539	-	4,314

33 Liquidity Risk (continued)

The Group
As at 31 March 2006
Restated*

Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity Shares €m	Total €m
Assets							
Cash and balances at central banks	287	-	-	-	-	-	287
Central Government and other eligible bills	-	8	-	-	-	-	8
Loans and advances to banks	2,937	6,933	2,225	54	39	-	12,188
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
Other financial assets at fair value through P/L	2	314	49	472	1,921	7,680	10,438
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

** Restated due to change in accounting policy – see page 86.*

The Bank
As at 31 March 2007

Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity Shares €m	Due to Group Undertaking €m	Total €m
Assets								
Cash and balances at central banks	347	-	-	-	-	-	-	347
Central Government and other eligible bills	-	-	-	-	-	-	-	-
Loans and advances to banks	2,376	3,943	379	35	1	-	53,036	59,770
Loans and advances to customers	2,916	5,640	7,426	22,225	16,862	-	16,709	71,778
Trading securities	20	10	37	342	111	-	-	520
Derivative financial instruments	2,805	-	-	-	-	-	752	3,557
Financial assets at fair value through P/L	-	-	-	-	-	-	-	-
Investment securities – available-for-sale	9	2,898	5,533	15,462	5,766	13	19	29,700
Liabilities								
Deposits by banks	2,746	13,078	3,363	457	55	-	26,980	46,679
Customer accounts	39,929	15,359	1,884	1,596	950	-	6,649	66,367
Debt securities in issue	260	15,967	8,147	16,787	636	-	-	41,797
Derivative financial instruments	2,882	-	-	-	-	-	515	3,397
Subordinated debt - dated	-	-	-	775	4,159	-	-	4,934

33 Liquidity Risk (continued)

The Bank
As at 31 March 2006

Maturities of financial assets and liabilities	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Equity Shares €m	Total €m
Assets							
Cash and balances at central banks	280	-	-	-	-	-	280
Loans and advances to banks	2,901	29,579	8,699	15,072	713	-	56,964
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
Other 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

34 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 subjective in nature and involve assumptions which are based on management's view of market conditions at 31 March 2007 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 2007.

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 2007 and 2006.

34 Fair Values of Financial Assets and Liabilities (continued)

	2007		2006	
	Carrying Amount €m	**Fair Values €m**	Carrying Amount Restated* €m	Fair Values Restated* €m
Financial instruments held for trading				
Debt securities (1)	520	520	596	596
Equity shares (1)	-	-	24	24
Trading derivative financial instruments -				
Interest rate contracts (1)	(294)	(294)	28	28
Foreign exchange contracts (1)	(103)	(103)	29	29
Equity and commodity contracts (1)	61	61	300	300
Non trading financial instruments				
Assets				
Cash and balances at central banks (1)	362	362	287	287
Items in course of collection from other banks (1)	811	811	930	930
Central government bills and other eligible bills (1)	11	11	8	8
Loans and advances to banks	7,210	7,219	12,188	12,188
Loans and advances to customers	125,048	125,124	101,246	101,516
Available-for-sale financial assets	33,449	33,449	28,205	28,205
Other financial assets at fair value through P/L	12,707	12,707	10,438	10,438
Liabilities				
Deposits by banks	20,405	20,482	32,312	32,315
Customer accounts	72,277	72,491	61,710	61,751
Debt securities in issue	59,523	59,562	36,814	36,879
Items in course of transmission to other banks (1)	243	243	284	284
Subordinated liabilities	7,808	7,951	6,493	6,654
Liabilities to customers under investment contracts	6,736	6,736	6,650	6,650
Derivative financial instruments - Hedging				
Interest rate contracts (1)	250	250	81	81

(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.

* *Restated due to change in accounting policy - see page 86.*

34 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 approximates 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.

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.

35 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 (BSPF)" which accounts for approximately 80% of the pension liability on the Group balance sheet.

Retirement benefits under the "BSPF" and the other defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date.

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 (Ireland) Limited. The last formal valuation using the projected unit method was carried out on 31 March 2004. 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 valuation disclosed 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	**2007 % pa**	2006 % pa
Irish Schemes		
Inflation rate	2.25	2.10
Discount rate	4.95	4.60
Rate of general increase in salaries	3.38*	3.26*
Rate of increase in pensions in payment	3.08*	2.93*
Rate of increase to deferred pensions	2.25	2.10
UK Schemes		
Inflation rate	3.00	2.75
Discount rate	5.30	4.95
Rate of general increase in salaries	4.22*	3.97*
Rate of increase in pensions in payment	3.58*	3.33*
Rate of increase to deferred pensions	3.00	2.75

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

Mortality assumptions

The Mortality assumptions used in estimating the actuarial value of the liabilities for the Bank of Ireland Staff Pension Fund are the same as those adopted in the formal actuarial valuation at 31 March 2004. A complete actuarial review of mortality experience will be carried out between 1 April 2007 and 30 September 2007.

Post-retirement mortality assumptions (Main Scheme)	**2007**	2006
Longevity at age 60 for current pensioners (years)		
Males	22.3	22.3
Females	25.3	25.3
Longevity at age 60 for future pensioners (years)		
Males	24.5	24.5
Females	27.5	27.5

35 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 2007 and 31 March 2006 were as follows:

	2007		2006	
	Expected long term rate of return %	Market Value €m	Expected long term rate of return %	Market Value €m
Equities	7.4	3,014	7.5	2,687
Bonds	4.35	953	4.2	860
Property	5.7	457	6.5	487
Cash	4.1	81	3.3	36
Total market value of schemes assets	6.5	4,505	6.6	4,070
Actuarial value of liabilities of funded schemes		(5,082)		(4,866)
Aggregate deficit in schemes		(577)		(796)
Unfunded schemes		(10)		(12)
Net pension deficit		(587)		(808)

The expected rates of return on individual asset classes are estimated using current and projected economic and market factors. The overall expected return on plan assets is based upon the weighted average of the assumed returns on the major asset classes.

The liability to defined contribution schemes at 31 March 2007 was €3m. The pension scheme assets within equities included Bank of Ireland shares amounting to €69m (31 March 2006: €58m) and property occupied by Bank of Ireland companies to the value of €50m (31 March 2006: €150m).

The following table sets out the components of the defined benefit cost for the years ended 31 March 2007 and 31 March 2006.

Components of pension expenses	2007 €m	2006 €m
Current service cost	162	158
Past service cost	15	14
Curtailments	(10)	(11)
Expected return on pension scheme assets	(272)	(232)
Interest on pension scheme liabilities	224	210
Cost of providing defined retirement benefits	119	139

Actual return on scheme assets	2007 €m	2006 €m
Expected return on scheme assets	272	232
Actuarial gain on scheme assets	144	401
Actual return on scheme assets	416	633

Reconciliation of defined benefit obligations during the year	2007 €m	2006 €m
Defined benefit obligation at beginning of year	4,878	4,341
Current service cost	162	158
Actual member contributions	14	13
Past service cost	15	14
Interest cost	224	210
Actuarial (gains)/losses	(85)	270
Benefits paid	(127)	(120)
Curtailments	(10)	(11)
Settlements	-	6
Currency loss/(gain)	21	(3)
Defined benefit obligation at end of year	5,092	4,878

35 Retirement Benefit Obligations (continued)

Reconciliation of the fair value of scheme assets during the year	**2007 €m**	2006 €m
Fair value of scheme assets at beginning of year	4,070	3,417
Expected return	272	232
Actual member contributions	14	13
Actuarial gains	144	401
Contributions by employer	127	124
Benefits paid	(127)	(120)
Settlements	-	6
Currency gain/(loss)	5	(3)
Fair value of scheme assets at end of year	4,505	4,070

Analysis of the amount recognised in Statement of Recognised Income and Expense (SORIE)	**2007 €m**	2006 €m
Actuarial gain on scheme assets	144	401
Experience loss on liabilities	(126)	(46)
Gain/(loss) on change of assumptions (financial and demographic)	211	(224)
Currency loss	(16)	-
Total gains recognised in the SORIE during the year before adjustment of tax	213	131
Cumulative amount of losses recognised in SORIE to end of year	(118)	(331)

History of experience gains and losses	**2007 €m**	2006 €m	2005 €m
Actuarial gain on scheme assets:			
Amount	144	401	114
Percentage of scheme assets	3.2%	9.9%	3.3%
Experience (losses)/gain on scheme liabilities:			
Amount	(126)	(46)	43
Percentage of scheme liabilities	2.5%	0.9%	1.0%
Total actuarial gain/(loss) recognised in SORIE:			
Amount	213	131	(462)
Percentage of scheme liabilities	4.2%	2.7%	10.6%

Defined benefit pension plans	**2007 €m**	2006 €m	2005 €m
Present value of obligations	5,092	4,878	4,341
Scheme assets	4,505	4,070	3,417
Deficit within schemes	587	808	924

Additional information

For year ending:	**31 March 2008 €m**
Expected employer contributions	111
Expected employee contribution	14

Sensitivity analysis for each of the assumptions used to measure the scheme liabilities, showing the increase in defined benefit obligations at 31 March 2007.

Factor	Change in assumption	BOI Staff Pension Fund Impact in actuarial liabilities
Discount rate	Decrease 0.1%	Increase 2.2%
Rate of Inflation	Increase 0.1%	Increase 2.2%
Rate of salary growth	Increase 0.1%	Increase 0.8%
Life expectancy	Increase by 1 year	Increase 2.9%

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.
Represented in the deficit above is €464m (2006: €652m) relating to the Bank pension deficit.

36 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			
	2007		2006	
The Group - Contingent Liabilities	**Contract Amount €m**	**Risk Weighted Amount €m**	Contract Amount €m	Risk Weighted Amount €m
Acceptances and endorsements	39	24	37	21
Guarantees and assets pledged as collateral security				
- Assets pledged	-	-	-	-
- Guarantees and irrevocable letters of credit	1,719	1,540	1,354	1,321
Other contingent liabilities	745	302	675	327
	2,503	1,866	2,066	1,669
The Group - Commitments				
Sale and option to resell transactions	-	-	-	-
Other commitments				
- Documentary credits and short-term trade-related transactions	176	34	160	36
- Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	-	-	-	-
- Undrawn note issuance and revolving underwriting facilities	758	163	409	-
- Undrawn formal standby facilities, credit lines and other commitments to lend				
- irrevocable with original maturity of over 1 year	10,847	5,208	8,006	3,790
- revocable or irrevocable with original maturity of 1 year or less (ii)	24,232	-	22,362	-
	36,013	5,405	30,937	3,826
The Bank – Contingent Liabilities				
Acceptances and endorsements	39	24	37	21
Guarantees and assets pledged as collateral security				
- Assets pledged	-	-	-	-
- Guarantees and irrevocable letters of credit	1,506	1,185	1,485	1,060
Other contingent liabilities	744	302	675	327
	2,289	1,511	2,197	1,408
The Bank – Commitments				
Sale and option to resell transactions	-	-	-	-
Other commitments				
- Documentary credits and short-term trade-related transactions	176	34	160	36
- Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	-	-	-	-
- Undrawn note issuance and revolving underwriting facilities	758	163	409	-
- Undrawn formal standby facilities, credit lines and other commitments to lend:				
- irrevocable with original maturity of over 1 year	6,376	2,972	4,252	1,913
- revocable or irrevocable with original maturity of 1 year or less (ii)	17,054	-	15,481	-
	24,364	3,169	20,302	1,949

36 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 cancelable at any time or which have a maturity of less than one year have a risk weighting of zero.

37 Minority Interests

	2007 €m	2006 €m
At 1 April 2006	45	59
Exchange adjustments	-	(1)
Share of net profit/(losses)	1	(9)
Dividends paid to minority interest	(3)	(6)
Acquisition of minority interest	-	2
Disposal of minority interest (Davy)	(9)	-
At 31 March 2007	34	45

38 Share Capital, Share Premium and Treasury Stock

Capital Stock

The Bank	**2007 €m**	2006 €m
Authorised		
1,500m units of €0.64 of Ordinary Stock	960	960
8m units of Non-Cumulative Preference Stock of US$25 each	150	165
100m units of Non-Cumulative Preference Stock of Stg£1 each	147	144
100m units of Non-Cumulative Preference Stock of €1.27 each	127	127
100m units of Undesignated Preference Stock of US$0.25 each	19	21
100m units of Undesignated Preference Stock of Stg£0.25 each	37	36
100m units of Undesignated Preference Stock of €0.25 each	25	25
	1,465	1,478

Allotted and fully paid	**2007 €m**	2006 €m
955.4m units of €0.64 of Ordinary Stock	611	607
70.2m units of €0.64 of Treasury Stock	45	49
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 2007, used in the earnings per unit of Ordinary Stock calculation, excludes the Treasury Stock which does not represent Ordinary Stock in issue. Treasury shares do not rank for dividend and while own shares held for the benefit of life assurance policyholders legally rank for dividend they do not accrue in the Group financial statements.

38 Share Capital, Share Premium and Treasury Stock (continued)

Movements in issued Ordinary Stock	Ordinary	Treasury
At 1 April 2006	947,903,170	77,212,319
Stock Option Schemes	988,540	(682,400)
Sharesave Scheme	3,753,075	(3,625,478)
Long Term Incentive Plan	16,082	(16,082)
Employee Stock Issue	2,610,538	(2,610,538)
Stock Alternative Scheme	2,139,653	(2,139,653)
Stock purchased and held for the benefit of life assurance policyholders	(2,054,453)	2,054,453
At 31 March 2007	955,356,605	70,192,621

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 947,903,170 units of nominal value of €0.64 each to 955,356,605 units of nominal value of €0.64 each as a result of:

988,540 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 from €2.819 to €14.00 by the re-issue of units of Treasury Stock (682,400 units) and by the issue of new units of Ordinary Stock (306,140 units).

3,753,075 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 (3,625,478 units) and by the issue of new units of Ordinary Stock (127,597 units).

16,082 units of Ordinary Stock were issued on the vesting of awards under the terms of the Long Term Performance Stock Plan ('LTPSP') at a price of €11.04 per unit, by the re-issue of units of Treasury Stock.

2,610,538 units of Ordinary Stock were issued to employees under the terms of the Employee Stock Issue Scheme at a price of €13.78 per unit, by the re-issue of units of Treasury Stock.

2,139,653 units of Ordinary Stock were issued to stockholders under the terms of the Stock Alternative Scheme at a price of €16.37 per unit, by the re-issue of units of Treasury Stock.

The Stock Alternative Scheme was approved by stockholders at the 2006 Annual General Court. This gave stockholders the choice of recieving their dividend by way of cash or in stock units.

24,994,798 units of Ordinary Stock held by the Group's life assurance company as at 31 March 2006 categorised as "own shares" and a further 2,054,453 units of Ordinary Stock were purchased by the life assurance company and held for the benefit of policyholders during the year to 31 March 2007.

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

38 Share Capital, Share Premium and Treasury Stock (continued)

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 2007, 1,876,090 units of Sterling Preference Stock and 3,026,598 units of euro Preference Stock were in issue.

Use of Ordinary Stock in employee schemes

(a) Employee Stock Issue Scheme

At the 2006 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 1997. Under this scheme, which has an Irish and a UK version in order to conform with the relevant revenue legislation in both jurisdictions, all employees in Ireland and the UK are eligible to participate provided that they have been employed by the Group in one of the schemes' participating companies for the previous financial year and are still employed by the Group on the date the annual results are announced. 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.

Currently 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). Performance matrices, under both headings, determine the actual % award and currently, the maximum award permitted under these matrices is a total of 6% of a participant's salary. To date, annual distributions under the schemes have ranged between nil and 6% of each participants salary.

Real growth in underlying EPS is the growth in underlying EPS over the financial year adjusted to take account of inflation.

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

(b) Sharesave Scheme ("SAYE Scheme")

At the 1999 Annual General Court the stockholders approved the establishment of an 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 in Ireland and the UK are eligible to participate provided that they are employed by the Group on the invitation to participate date and they are still in the employ of the Group on the date that the options are granted. 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 second offer under the scheme was made in December 2003 and options to purchase Ordinary Stock were granted to participating employees in the Republic of 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. A third offer under the scheme was made in December 2006 and options to purchase Ordinary Stock were granted to participating employees in the Republic of Ireland at an option price of €12.28 which represented a 25% discount to the then market price and to participating employees in the UK at an option price of €13.09 which represented a 20% discount to the then market price.

The difference between ROI and UK option prices reflects the maximum discounts permitted under Revenue Commissioners and, HM Revenue & Customs rules respectively.

As at 31 March 2007, there are outstanding options under the scheme over 8,754,243 units of Ordinary Stock of the issued ordinary capital. These options are ordinarily exercisable, provided the participant's savings contracts are complete between May 2007 and August 2010.

38 Share Capital, Share Premium and Treasury Stock (continued)

March 2007	ROI			UK			ROI	UK	
	2000 7yr	2003 3yr	2003 5yr	2000 7yr	2003 3yr	2003 5yr	2007 3yr	2007 3yr	Total
Outstanding at beginning of period	2,528,936	3,430,835	2,209,257	595,580	826,851	450,931	-	-	10,042,390
Granted	-	-	-	-	-	-	2,310,960	513,615	2,824,575
Exercised	21,620	2,922,057	10,300	48,379	737,477	26,261	-	-	3,766,094
Lapsed	117,885	80,008	82,339	15,285	18,780	32,331	-	-	346,628
Outstanding at end of period	2,389,431	428,770	2,116,618	531,916	70,594	392,339	2,310,960	513,615	8,754,243
Exercisable at end of period	2,389,431	428,770	-	531,916	70,594	-	-	-	3,420,711
Weighted average exercise price	€5.40	€7.84	€7.84	€5.40	€8.37	€8.37	€12.28	€13.09	€8.49

The weighted average stock price at date of exercise was €16.93.

(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 2003 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 2007		March 2006	
	Number of options	Weighted average exercise price (€)	Number of options	Weighted average exercise price (€)
Outstanding at beginning of period	6,732,803	10.658	6,611,900	9.6809
Granted during the period	1,416,190	13.1371	1,267,514	12.8811
Exercised during period	988,540	9.2323	1,014,111	7.1695
Expired during period	144,144	11.7503	132,500	9.8688
Outstanding at end of period	7,016,309	11.5503	6,732,803	10.658
Exercisable at end of period	2,957,605	10.14798	2,407,289	9.3693

Exercise Price Range (€)	Number of options
4.529 - 9.15	899,650
10.54 - 10.77	2,572,000
11.05 - 12.85	2,093,955
13.68 - 17.16	1,450,704
Total	7,016,309

The weighted average stock price at date of exercise was €15.53. Outstanding options under the Stock Option Scheme are exercisable at price ranges above.

38 Share Capital, Share Premium and Treasury Stock (continued)

(d) Long Term Incentive Plan

The "Bank of Ireland Group Long Term Incentive Plan – 2004" ('LTIP') was approved by the stockholders at the Annual General Court in July 2004. Its predecessor plan, the "Long Term Performance Stock Plan – 1999" ('LTPSP'), was approved by the stockholders at the Annual General Court in July 1999. The LTIP 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 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 the 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 award is based on the Group's TSR growth relative to a comparator group of 17 financial services companies, as follows:

The Bank's total shareholder return performance relative to the Comparator Companies	% of Units of Stock subject to an Award which may be issued or transferred
Equal to or better than the company ranked second	100%
Between the company ranked median and the company ranked second	Greater than 35% and less than 100% (Pro rata based on the Bank's performance relative to the Comparator Companies
Equal to the 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.

Under the LTPSP, a 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 five years, a further award of 30% is made.

	March 2007		March 2006	
	Number of conditional units	**Weighted average grant price €**	Number of conditional units	Weighted average grant price €
Outstanding at beginning of period	1,661,432	11.64	1,229,805	11.06
Granted during the period	853,072	14.27	698,682	12.92
Vested during period	-		98,101	12.73
Expired during period	475,750	11.28	168,953	12.05
Outstanding at end of period	2,038,754	12.82	1,661,432	11.64

Outstanding units under the LTIP were granted at prices ranging between €10.67 to €17.16.

38 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 2007	March 2006	**March 2007**	March 2006
Volatility	25%	30%	25%	30%
Dividend Yield	3.4%	3.60%	3.4%	3.60%
Risk free rate	4%	3.1%	N/A	N/A
Implied term	8.5 years	8 years	3 years	3 years
Fair value	€3.17	€2.65	€5.10	€5.2
Exercise price	€14	€12.85	€14	€12.85
No. of options (000)	1,416.2	1,259.5	853.1	689.2
Vesting period	3 years	3 years	3 years	3 years

	SAYE (ROI)		SAYE (UK)	
	3 Year 2007	3 Year 2006	**3 Year 2007**	3 Year 2006
Volatility	20%	30%	20%	30%
Dividend Yield	3.3%	3.3%	3.3%	3.3%
Risk free rate	3.8%	3.0%	3.8%	3.0%
Implied term	3 years	3 years	3 years	3 years
Fair value	€5.10	€3.28	€4.55	€3.00
Exercise price	€12.28	€7.84	€13.09	€8.37
No. of options (000)	2,311.0	3,430.8	513.6	826.8
Vesting period	3 years	3 years	3 years	3 years

	SAYE (ROI)	SAYE (UK)
	5 Year 2006	**5 Year 2006**
Volatility	30%	30%
Dividend Yield	3.3%	3.3%
Risk free rate	3.6%	3.6%
Implied term	5 years	5 years
Fair value	€3.54	€3.31
Exercise price	€7.84	€8.37
No. of options (000)	2,209.2	450.9
Vesting period	5 years	5 years

(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.

39 Reserves and Retained Earnings

	The Group		The Bank	
	2007 €m	2006 Restated* €m	**2007 €m**	2006 €m
Stock premium account				
Opening balance	767	767	767	767
Premium on issue of stock	4	-	4	-
Closing balance	771	767	771	767
Capital reserve				
Opening balance	359	311	48	48
Transfer from retained profit	70	48	-	-
Closing balance	429	359	48	48
Retained profit				
Opening balance previously reported	3,330	2,392	621	367
Impact of change in accounting policy*	(142)	(90)	-	-
Revised opening balance	3,188	2,302	621	367
Profit for period attributable to stockholders	1,651	1,230	1,558	670
Equity dividends	(524)	(448)	(539)	(459)
Dividends on other equity interests	(15)	(13)	(15)	(13)
Transfer to capital reserves	(70)	(48)	-	-
Profit retained	1,042	721	1,004	198
Reissue of treasury stock	129	48	106	36
Transfer from revaluation reserve	108	4	107	-
Transfer from share based payments reserve	15	-	15	-
Actuarial gains on pension funds	190	113	176	22
Reserves transferred to/from other units	-	-	(2)	(3)
Other	-	-	-	1
Closing balance	4,672	3,188	2,027	621
Share based payments reserve				
Opening balance	27	16	27	16
Charge to the income statement	12	11	12	11
Transfer to retained profit	(15)	-	(15)	-
Closing balance	24	27	24	27
Foreign exchange reserve				
Opening balance	(125)	(108)	(67)	(67)
Exchange adjustments during year	49	(17)	15	-
Closing balance	(76)	(125)	(52)	(67)

**Restated due to change in accounting policy - see page 86.*

39 Reserves and Retained Earnings (continued)

	The Group		The Bank	
	2007 €m	2006 €m	**2007 €m**	2006 €m
Revaluation reserve				
Opening balance	342	159	316	143
Transfer to revenue reserve on sale of property	(108)	(4)	(107)	-
Revaluation of property	34	212	21	196
Deferred tax on revaluation/reclassification of property	(16)	(25)	(14)	(23)
Closing balance	252	342	216	316
Available for sale reserve				
Opening balance	26	130	23	124
Net changes in fair value	(57)	(115)	(59)	(111)
Deferred tax on fair value changes	8	15	8	14
Profit on disposal	(10)	(4)	(9)	(4)
Closing balance	(33)	26	(37)	23
Cash flow hedge reserve				
Opening balance	60	67	60	67
Net changes in fair value	188	(8)	188	(8)
Deferred tax of fair value changes	(53)	1	(53)	1
Closing balance	195	60	195	60
Other equity reserve				
Opening balance	114	114	114	114
Movement during period	-	-	-	-
Closing balance	114	114	114	114

40 Dividends per Share

The final dividend of 39.4 cent per share, amounting to €376m, is not accounted for until ratified at the Annual General Court on 17 July 2007. The financial statements for the year ended 31 March 2007 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 2008. The total dividend in respect of the year ended 31 March 2007 is 60.4c per share (2006: actual dividend per share 52.5c) amounting to a total of €577m (2006: €498m restated due to change in accounting policy - see page 86).

41 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	**2007 €m**	2006 €m	**2007 €m**	2006 €m
Cash and balances with central banks		362	287	347	280
Loans and advances to banks (with an original maturity of less than 3 months)	15	3,924	5,867	3,607	4,842
Central government and other eligible bills	12	11	8	-	-
		4,297	6,162	3,954	5,122

42 General

(a) The Bank has given letters of comfort 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 Securities Limited, DKM Ecomonic Consultants 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, Tustin Limited.
Note: the guarantees provided under Section 17 of the Companies (Amendment) Act, 1986 in respect of the companies identified in bold print - all members of the J & E Davy group of companies - expired on 31 March 2007.

(c) 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 €1,558m.

43 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 15, 16, 25 and 26.

(a) Associated Undertakings and Joint Ventures

The Group provides and receives from its associated undertakings and joint ventures certain banking and financial services.

Mike Hodgkinson, a former Director of the Bank (retired 21 July 2006) continues as Chairman of Post Office Limited, with which the Group has an arrangement to distribute financial services products through Post Office branches in the UK.

(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 35.

During the year the Group received €32m arising from the sale of the Group's head office in Baggot Street. In addition the Group occupies a number of premises owned by the Group's various pension schemes, the total value of these properties is €50m.

(c) Transactions with key management personnel

For the purposes of IAS 24 Related Party Disclosures, " key management personnel" comprises the Directors of the Court, the members of the Group Executive Committee (GEC), the Group Secretary and the Group Legal Advisor.

Directors' emoluments are set out in the Remuneration Report on pages 52 to 61 and details of compensation paid to key management personnel are provided below.

Key management personnel hold products with Group companies in the ordinary course of business. All loans to non-executive Directors are made in the ordinary course of business on normal commercial terms. Loans to key management personnel other than non-executive Directors are made on terms similar to those available to staff generally and/or in the ordinary course of business on normal commercial terms.

The aggregate amounts outstanding and the number of persons concerned, in respect of all loans, quasi-loans and credit transactions made by the Bank to its key management personnel, as defined above, including members of their close families and entities controlled by them are shown below: -

43 Related Party Transactions (continued)

Key Management Personnel	Aggregate Amount Outstanding		Number of Persons	
	31 March 2007 €'000	31 March 2006 €'000	**31 March 2007**	31 March 2006
Directors				
Loans	73,989	39,796	13	12
Quasi-loans and credit transactions	-	-	None	None
Executive Officers				
Loans	4,368	6,968	5	7
Quasi-loans and credit transactions	-	-	None	None
Total	78,357	46,764	18	19

Included in the above figures, are loans to key management personnel, other than non-executive Directors on terms similar to those available to staff generally, amounting to €250,725 (2006: €3,404,062).

In addition to the loans detailed above, the aggregate amounts of deposits and credit balances outstanding for key management personnel in office at 31 March 2007 amounted to €12.3m (2006: €9.13m).

(d) Compensation of key management personel (2006: GEC only)

	2007 €'000	2006 €'000
Remuneration		
Salaries and other short term employee benefits (1)	22,179	12,551
Post employment benefits (2)	690	2,433
Termination benefits	750	1,465
Equity compensation benefits (3)	3,761	2,370
Total remuneration	27,380	18,819

1. Comprises salary, bonus, car allowance, profit share schemes and other short-term benefits paid in the year.
2. Employer contributions to pension funds.
3. Value of awards made under the Group's executive share option scheme, SAYE schemes, LTIP, SSI in Ireland and SIP in UK which are described in note 38.

44 Acquisitions

Paul Capital Investments:

On 20 June 2006 the Bank entered into a joint venture partnership with Paul Capital Partners, a leading US private equity specialist, establishing Paul Capital Investments LLC providing private equity fund of funds products and advisory services to institutional and other investors worldwide. The consideration at the time of acquisition was US$25m. The acquisition is currently being accounted for as a joint venture using the equity method of accounting. See note 19.

Guggenheim Advisors:

On 20 January 2006 the Bank acquired a 71.5% interest in Guggenheim Advisors. The final cash consideration for the transaction was US$148m, which was reported last year as being dependent on the performance of the business to 1 April 2006 and 1 August 2006. This is $3m higher than the anticipated consideration of $145m as reported last year. Goodwill has been adjusted accordingly.

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 exercised 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.

45 Principal Subsidiaries

The Principal group undertakings at 31 March 2007 were:

Name	Principal activity	Country of incorporation	Statutory year end
Bank of Ireland Asset Management Limited	Asset management	Ireland	31 Mar
Bank of Ireland International Finance Limited*	International asset financing	Ireland	31 Mar
Bank of Ireland Life Holdings plc*	Life assurance and pensions	Ireland	31 Dec
Bank of Ireland Mortgage Bank*	Mortgage lending and mortgage covered securities	Ireland	31 Mar
Bristol & West plc	Mortgages, savings and investments	England	31 Mar
ICS Building Society*	Building society	Ireland	31 Dec
IBI Corporate Finance Limited*	Corporate finance	Ireland	31 Mar

**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 100% of the equity of the principal group undertakings and 100% of the voting shares of all these undertakings and in case of ICS Building Society, 100% of the investment shares.

The addresses of the above undertakings are given on pages 172 to 176.

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'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 the Bank of Ireland and other members of the Group or third parties.

As at 31 March 2007, the total amounts outstanding in respect of mortgage covered securities issued was €6.4bn (2006: €4.3bn).
As at 31 March 2007, the total amounts of principal outstanding in the mortgage covered pool including mortgage assets and cash was €7.2bn (2006: €4.8bn).

None (2006:€770m) of other debt securities comprised the bank's obligation to the Central Bank and Financial Services Authority of Ireland ("CBFSAI") under the terms of the Mortgage Backed Promissory Note (MBPN) programme. These obligations had 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 had 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 prior written consent of the CBFSAI. The deed of floating charge was executed by 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 were secured by a floating charge over Irish Residential Mortgage Credit Assets, which were not in the covered assets pool.

46 Life Assurance Business

Value of In-force Life Assurance Business

	31 March 2007 €m	31 March 2006 €m
Opening	513	428
Profit and Loss movement in value of in-force	67	73
Asset Reallocation	-	12
Closing (note 24)	580	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:

	31 March 2007	31 March 2006
Risk Discount Rate	7.5%	7.5%
Unit Growth Rate	5.5%	5.5%
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.

46 Life Assurance Business (continued)

Sensitivities

The table below indicates the stand-alone impact of changes in the key assumptions on profit after tax and shareholder equity.

1% increase in Risk Discount Rate	(€28m)
1% decrease in Risk Discount Rate	€30m
10% improvement in Mortality	€11m
10% deterioration in Persistency	(€18m)
5% improvement in Renewal Expenses	€5m
1% increase in Equity Markets	€2m

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:

	Year ended 31 March 07 €m	Year ended 31 March 06 €m
Opening Balance	5,192	3,785
Movement during the period	1,998	1,407
Closing Balance	7,190	5,192

The Company writes the following life assurance contracts that 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 contracts 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:

46 Life Assurance Business (continued)

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.
Maintenance expenses:	Allowance is made for future policy costs and expense inflation explicitly.

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. Where investment guarantees do exist they are either hedged with an outside party or matched through appropriate investment assets.

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 are 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 2006 which is the life subsidiary's statutory year-end.

	31 December 2006 €m	31 December 2005 €m
Minimum regulator solvency margin	161	145
Shareholder equity held for life business	422	318

47 Life Assurance Investment Income and Gains

	2007 €m	2006 €m
Life assurance investment income and gains	275	625
Elimination of investment return of treasury shares held for the benefit of policyholders	(28)	(26)
	247	599

48 The Court of Directors approved the Financial Statements on 30 May 2007

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 2007 and 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.

	Year Ended 31 March 2007			Year Ended 31 March 2006		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
ASSETS						
Loans and advances to banks						
Domestic offices	7,625	259	3.4	9,268	226	2.4
Foreign offices	726	33	4.5	238	12	5.0
Loans and advances to customers(1)						
Domestic offices	62,584	3,354	5.4	49,969	2,309	4.6
Foreign offices	53,133	3,140	5.9	43,106	2,464	5.7
Central government and other eligible bills						
Domestic offices	-	-	-	126	1	0.8
Foreign offices	-	-	-	-	-	-
Debt Securities						
Domestic offices	30,368	1,283	4.2	24,380	869	3.6
Foreign offices	1,414	59	4.2	1,518	64	4.2
Other financial assets at fair value through P/L						
Domestic offices	29	-	-	152	1	0.7
Foreign offices	276	13	4.7	232	10	4.3
Total interest-earning assets						
Domestic offices	100,606	4,896	4.9	83,895	3,406	4.1
Foreign offices	55,549	3,245	5.8	45,094	2,550	5.7
Net swap interest	-	7	-	-	34	-
	156,155	8,148	5.2	128,989	5,990	4.6
Allowance for impairment losses	(391)	-	-	(341)	-	-
Non interest earning assets(2)	22,146	-	-	18,615	-	-
Total Assets	177,910	8,148	4.6	147,263	5,990	4.1
Percentage of assets applicable to foreign activities	32.5%			31.8%		

Average Balance Sheet and Interest Rates (continued)

	Year Ended 31 March 2007			Year Ended 31 March 2006		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits by banks						
Domestic offices	12,526	294	2.2	15,840	364	2.3
Foreign offices	15,318	772	5.0	10,878	534	4.9
Customer accounts						
Domestic offices	31,389	880	2.8	28,178	560	2.0
Foreign offices	25,331	1,129	4.5	20,579	839	4.1
Debt securities in issue						
Domestic offices	36,214	1,609	4.4	23,800	827	3.5
Foreign offices	6,914	326	4.7	6,393	301	4.7
Subordinated liabilities						
Domestic offices	3,722	167	4.5	2,955	120	4.1
Foreign offices	3,357	214	6.4	2,284	137	6.0
Total interest bearing liabilities						
Domestic offices	83,851	2,950	3.5	70,773	1,871	2.6
Foreign offices	50,920	2,441	4.8	40,134	1,811	4.5
	134,771	5,391	4.0	110,907	3,682	3.3
Non interest bearing liabilities						
Current accounts	11,958	-	-	10,578	-	-
Other non interest bearing liabilities(2)	25,069	-	-	20,987	-	-
Stockholders equity	6,112	-	-	4,791	-	-
Total liabilities and stockholders' equity	177,910	5,391	3.0	147,263	3,682	2.5
Percentage of liabilities applicable to foreign activities	32.5%			31.8%		

(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 2007

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
Interest Income	8,137	10,837	5,532
Interest Expense	(5,380)	(7,165)	(3,658)
Net Interest Income	2,757	3,672	1,874
Insurance net premium income	2,188	2,914	1,487
Fees and commissions income	898	1,196	610
Fees and commissions expense	(160)	(213)	(108)
Net trading (expense)/income	(70)	(93)	(47)
Life assurance investment income and gains	247	329	168
Other operating income	199	265	135
Profit on disposal of business activity	243	324	165
Profit on sale of property	87	115	59
Total Operating Income	6,389	8,509	4,343
Increase in insurance contract liabilities and claims paid	(2,213)	(2,947)	(1,504)
Total Operating Income, net of Insurance Claims	4,176	5,562	2,839
Total Operating Expenses	(2,159)	(2,876)	(1,468)
Operating Profit before Impairment Losses	2,017	2,686	1,371
Impairment losses	(103)	(137)	(70)
Operating Profit	1,914	2,549	1,301
Share of profit of associated undertakings and joint ventures	44	59	30
Profit before Taxation	1,958	2,608	1,331
Taxation	(306)	(408)	(208)
Profit for the Period	1,652	2,200	1,123
Attributable to minority interests	1	1	1
Attributable to stockholders	1,651	2,199	1,122
Profit for the Period	1,652	2,200	1,123

(1) Converted at closing exchange rates.

Consolidated Balance Sheet

as at 31 March 2007

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
ASSETS			
Cash and balances at central banks	362	482	246
Items in the course of collection from other banks	811	1,080	551
Central government and other eligible bills	11	15	7
Trading securities	520	693	353
Derivative financial instruments	2,849	3,794	1,937
Other financial assets at fair value through P/L	12,707	16,923	8,638
Loans and advances to banks	7,210	9,602	4,901
Available-for-sale financial assets	33,449	44,547	22,739
Loans and advances to customers	125,048	166,539	85,008
Interest in associated undertakings	26	35	18
Interest in joint ventures	73	97	50
Assets classified as held for sale	83	111	56
Intangible assets – Goodwill	347	462	236
Intangible assets – Other	596	794	405
Investment property	1,142	1,521	776
Property, plant & equipment	665	886	452
Deferred tax asset	25	33	17
Other assets	2,889	3,847	1,965
Total assets	188,813	251,461	128,355
EQUITY AND LIABILITIES			
Deposits by banks	20,405	27,175	13,871
Customer accounts	72,277	96,259	49,134
Items in the course of transmission to other banks	243	324	165
Derivative financial instruments	2,935	3,909	1,995
Liabilities to customers under investment contracts	6,736	8,971	4,579
Debt securities in issue	59,523	79,273	40,464
Insurance contract liabilities	7,190	9,576	4,888
Other liabilities	3,983	5,305	2,708
Deferred tax liabilities	278	370	189
Provisions	87	116	59
Retirement benefit obligations	590	785	401
Subordinated liabilities	7,808	10,398	5,308
Total liabilities	182,055	242,461	123,761
Equity			
Share capital	663	883	451
Share premium account	771	1,027	524
Retained profit	4,672	6,222	3,176
Other reserves	905	1,205	615
Own shares held for the benefit of life assurance policyholders	(287)	(382)	(195)
Stockholders' equity	6,724	8,955	4,571
Minority interests	34	45	23
Total equity	6,758	9,000	4,594
Total equity and liabilities	188,813	251,461	128,355

Stockholder Information

Holders of Ordinary Stock

Stockholder Profile	31 March 2007 % by value	31 March 2006 % by value
Ireland	16	18
Great Britain	15	12
USA	18	21
Europe/Other	22	20
Retail	29	29
	100	100

Analysis of stockholdings

Stockholding range - units of stock	Number of stockholdings	% of total holders	Stock held units (m)	% of total stock
Up to 500	26,677	39.56	4.5	0.4
501 to 1,000	10,103	14.98	7.64	0.8
1,001 to 5,000	20,642	30.61	48.7	5.0
5,001 to 10,000	5,016	7.44	35.4	3.6
10,001 to 50,000	4,126	6.12	83.04	8.5
50,001 to 100,000	389	0.58	26.95	2.8
100,001 to 500,000	317	0.47	68.57	7.0
Over 500,000	161	0.24	704	71.9
	67,431	100	978.8	100

Financial calendar

Results	Year to 31 March 2007 - announced 31 May 2007
	Half year to 30 September 2007 - to be announced 14 November 2007
Annual General Court of Proprietors	Tuesday, 17 July 2007
Dividends - Ordinary Stock	2006/2007 Final Dividend - to be declared 17 July 2007 - payable 27 July 2007
	2007/2008 Interim Dividend - to be announced 14 November 2007 - payable 15 January 2008
Dividends - Preference Stocks	Payable in equal semi-annual installments - 20 August 2007 - 20 February 2008

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, currently 20%, will be applied to dividends payable by the Bank to you.

Payments of Scrip Dividends

Where a shareholder elects to take additional shares instead of a cash dividend, then instead of withholding a cash amount, a reduced number of shares (reduced by the equivalent of the tax value of the dividend withholding tax on the cash foregone) will be issued to the shareholder (other than a shareholder who is exempted from dividend withholding tax, see examples above).

Dividend payments 2006/2007

An Interim Dividend of 21 cent was paid in respect of each unit of Ordinary Stock on 16 January 2007.

A Final Dividend of 39.4 cent is proposed in respect of each unit of Ordinary Stock payable on or after 27 July 2007.

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.

Stock Alternative Scheme

Stockholders who have already completed a Stock Alternative Offer form requesting receipt of their entitlement to all future dividends in units of Ordinary Stock need take no action, as they will automatically receive units of Ordinary Stock in respect of the Final Dividend of 39.4 cent per unit for the year ended 31 March 2007.

Stockholders who have not already completed the Stock Alternative Offer form and who wish to participate in the Stock Alternative Offer in respect of the Final Dividend are required to complete and return a Stock Alternative Offer form to the Bank's Registrar, Computershare Investor Services (Ireland) Limited, PO Box 954, Dublin 18, Ireland.

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 are 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 2007 will be filed with the U.S. 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 an 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 169).

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 169).

Internet address
Further information about the Bank of Ireland Group can be obtained from the internet at **www.bankofireland.ie**

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, Capital Markets Division:	Denis Donovan
Chief Executive, UK Financial Services:	Des Crowley
Director, Group Manufacturing:	Tony Wyatt
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

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32 South Mall, Cork
Tel: + 353 21 494 4209, Fax: + 353 21 427 8352
Director Branch Network: Tim O'Neill

Bank of Ireland Business Banking

40 Mespil Road, Dublin 4
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Website: www.bankofireland.ie
Director: Cathal Muckian

Group Customer Contact

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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

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(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

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Email: info@newireland.ie
Website: www.newireland.ie
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Email: info@bif.ie
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Managing Director: Pat Creed

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Fax: + 353 1 679 5351
Email: boics@boimail.com
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Managing Director: Joe Redmond

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Chief Executive: Des Crowley

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Fax: + 44 117 929 3787
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www.bim-online.com and www.bristolandwest4brokers.co.uk
Managing Director: Richard Brown

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Chief Executive Officer: Patrick Waldron

Bank of Ireland (IOM) Ltd
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Managing Director: David McGowan

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Managing Director: David McGowan

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