Report & Accounts
for the year ended 31 March 2008

Bank of Ireland

Forward-Looking Statement

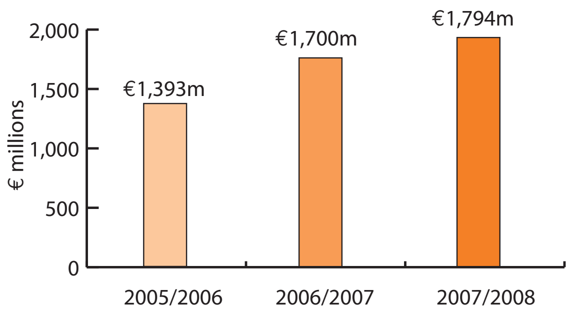
This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the Group) plans and its current goals and expectations relating 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 performance and volatility of the international capital markets, the expected level of credit defaults, the Group's ability to expand certain of its activities, development and implementation of the Group's strategy, including the ability to achieve estimated cost reductions, competition, the Group's ability to address information technology issues and the availability of funding sources. Any forward looking statements speak only as at the date they are made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the group has made or may make in documents filed or submitted or may make in documents it has filed or submitted or may file or submit to the US Securities and Exchange Commission.

Contents

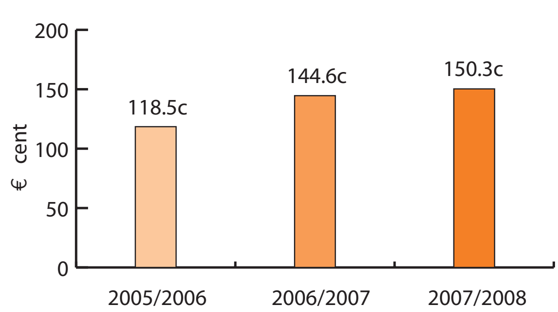
Performance Highlights

3 year financial summary

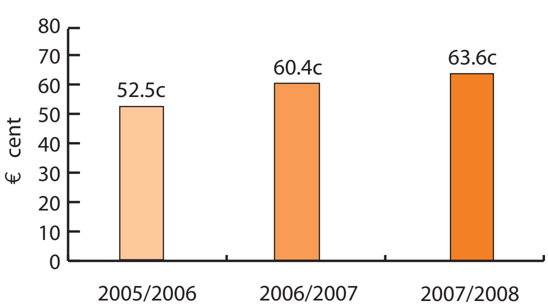
Profit before tax (underlying*)



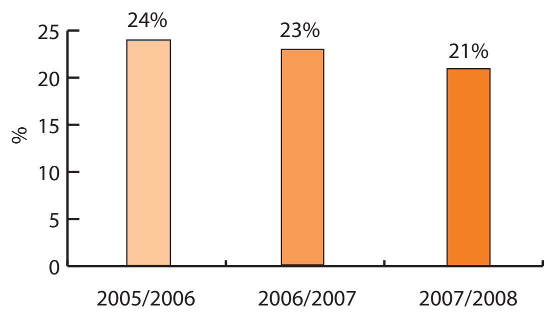
Earnings per share (underlying*)



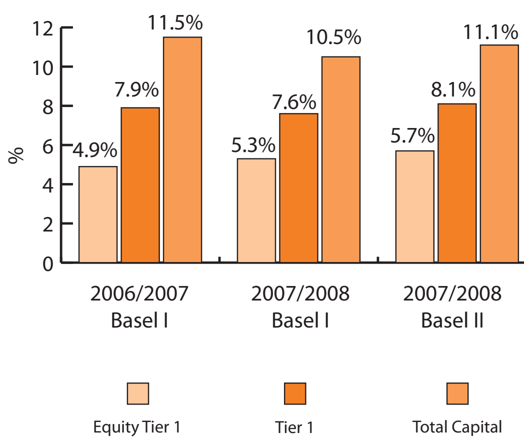
Dividends



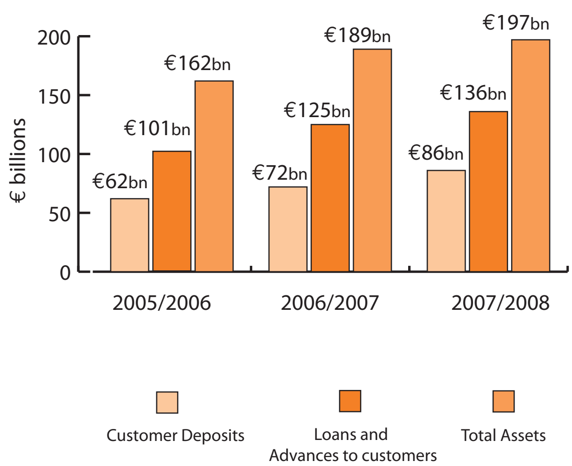
Return on equity



Capital ratios**



Balance sheet



** Based on underlying performance, which excludes the impact of non-core items (see page 10)*
*** All ratios are after deducting proposed dividends at year end.*

Governor's Statement

Bank of Ireland Group ended its financial year to 31 March 2008, with a strong capital base, good continuing access to funding, and strong asset quality

The Group has not escaped the effects of higher funding costs, resulting from the global financial crisis, and economic slowdown in its main markets – Ireland and the United Kingdom – but management has operated prudently and conservatively to ensure that the Group remains in robust condition.

Your directors are recommending a final dividend of 39.4 cent, making a total of 63.6 cent for the year, an increase of 5% on last year. Underlying profits before tax increased by 6% to €1,794 million in the year under review.

A detailed operating review appears later in this report. The Group's business in the United Kingdom and its Capital Markets Division grew strongly and, at home, the effects of the slowdown in the property sector, together with slowing growth in the broader economy restricted growth.

By 31 March 2008 key capital and balance sheet funding ratios had improved resulting from careful management since the start of the financial crisis last summer. The Equity Tier 1 ratio was 5.7% after deducting the proposed final dividend (0.3%). The loan to deposit ratio was 157%, a significant, and appropriate, reduction from 173% a year ago.

Your directors regard these ratios as strong but, in these unsettled times, we intend to further improve them during the remainder of this year by growing our loan portfolios conservatively and prioritising the use of capital strictly in line with our long term strategic objectives.

Asset quality at 31 March 2008 remains strong. We have minimal exposure to those asset classes most associated with the dislocation of financial markets and we hold appropriate provisions against these exposures.

Economic and business outlook

Economic growth in our main markets slowed in the second half of 2007 and it is now expected that this trend will continue in Ireland and the United Kingdom through 2008.

The medium term economic outlook appears more positive in Ireland underpinned by strong fundamentals. Growth in the UK and US economies is also expected to show signs of improvement over the same time horizon.

Bank of Ireland Group is well positioned to deal with current market conditions. Our main businesses are strong, supported by the efficiencies achieved in the last three years. Customer relationships, comprehensive product ranges and competitive positioning mean that Bank of Ireland Group will continue to drive its extensive franchise in the short term and is well placed to avail of growth opportunities as our main markets recover.

Our priorities as we manage through this period of slower economic growth are fourfold:

- We will manage our funding and capital positions effectively, winning growth in customer deposits and maintaining diversified wholesale funding.
- The Strategic Transformation Programme, which tackled cost and capability, has been completed one year earlier than scheduled. However, the need for continuous improvement in our efficiency and in our technical capability remains so that the Group can compete effectively abroad and defend its leading positions at home. And this has our continuing attention.
- We continue to focus on customer relationship development as a key competitive differentiator for Bank of Ireland.
- We continue our strategy of seeking controlled growth in our established businesses and markets and seeking new opportunities for niche products in our Capital Markets Division.

By following this plan we are confident that the Group will emerge from present market difficulties in a stronger condition to grow and generate shareholder value as markets recover.

The Court

There have been no changes to the membership of the Court since the last Annual General Court. David Dilger was appointed Senior Independent Director last September.

Conclusion

2007 / 2008 has been a difficult year in global financial markets but our management - ably led by Chief Executive, Brian Goggin - rose to the challenges that we faced. Brian, his management team, and all staff throughout the whole organisation, have the gratitude and appreciation of the Court for their hard work in difficult circumstances.

Richard Burrows
20 May 2008

Group Chief Executive's Review

"Bank of Ireland Group has delivered a satisfactory performance in difficult market conditions. Challenges and uncertainties remain, but looking ahead we are strongly positioned in our core markets and confident of our ability to maximise business opportunities, in an environment of moderating economic growth in the year ahead."

Brian J Goggin,
Group Chief Executive, commented

Performance highlights

		Year ended 31 March 2008	Year ended 31 March 2007	% Change
Group profitability (€ million)				
Profit before tax (PBT)		1,933	1,958	(1)
Non-core items:				
Deduct:				
• *Investment return on treasury stock held for policyholders*		(189)	68	
• *Profit on disposal of business assets*		(33)	(358)	
Add:				
• *Gross-up for policyholder tax in the Life business*		60	(19)	
• *Cost of restructuring programme*		17	49	
• *Hedge ineffectiveness on transition to IFRS*		6	2	
Underlying profit before tax		1,794	1,700	6
Per unit of €0.64 ordinary stock (€ cent)				
Basic earnings per share		174.6	172.2	1
Underlying earnings per share		150.3	144.6	4
Dividend		63.6	60.4	5
Divisional PBT performance (underlying)* (€ million)				
Retail Republic of Ireland		716	698	3
Bank of Ireland Life		108	148	(27)
Capital Markets		651	572	14
UK Financial Services		495	441	12
Group Centre		(176)	(159)	(10)
Underlying profit before tax		1,794	1,700	6
Group performance (underlying)*				
Net interest margin		1.66%	1.69%	
Cost / income ratio		51%	54%	
Cost / income jaws		5%	7%	
Impairment charge		17bps	9bps	
Return on equity		21%	23%	
Balance sheet				
Stockholders' equity (€ billion) (see page 18)		6.5	6.7	(3)
Total assets (€ billion)		197	189	5
Total loans and advances to customers (€ billion)		136	125	9
Total customer deposits (customer accounts) (€ billion)		86	72	19
Wholesale funding (€ billion)		75	80	(6)
Wholesale funding / total assets (excluding BoI Life policyholder assets)		41%	46%	
Loans and advances to customers / customer deposits		157%	173%	
Term funding > than 1 year and customer deposits / loans and advances to customers		82%	84%	
Term funding > than 1 year, subordinated debt and customer deposits / loans and advances to customers		87%	91%	
Capital **	**31 March 2008 Basel II**	**31 March 2008 Basel I**	31 March 2007 Basel I	
Equity Tier 1 ratio	5.7%	5.3%	4.9%	
Tier 1 ratio	8.1%	7.6%	7.9%	
Total capital ratio	11.1%	10.5%	11.5%	

* *Underlying performance excludes the impact of non-core items above (see page 10)*

** *With effect from July 2007 the Irish Financial Regulator issued a requirement that a Prudential Filter be applied to proposed dividends which results in these dividends being deducted from capital when calculating capital ratios. Capital ratios have been restated to reflect that requirement – this results in each of the ratios being reduced by 0.3% in both years. The practice in the UK is not to deduct such proposed dividends from half year or year end ratios.*

Group performance highlights*

- Successfully managed challenges of volatile global markets and delivered a satisfactory underlying performance: EPS + 4% and PBT + 6%
- Investment strategies continue to deliver good growth particularly in Capital Markets and UK Financial Services
- Strong lending and deposit growth
- Cost / income ratio down 3 percentage points to 51% due to firm cost management
- Excellent underlying cost / income jaws of 5%
- Strategic Transformation Programme completed a year ahead of schedule with annualised savings of €145 million
- Asset quality remains strong – impairment charge 17bps (14bps excluding provision for Structured Investment Vehicles)
- Strengthened funding position despite global market dislocation
- Strong capital ratios – Total capital, Tier 1 and Equity Tier 1 ratios at 11.1%, 8.1% and 5.7% respectively on a Basel II basis after deducting the proposed dividend (11.4%, 8.4% and 6.0% before deducting the proposed dividend)

Divisional performance highlights*

- In Retail Republic of Ireland: PBT + 3%
  - o Delivered PBT growth of 3% to €716 million in an increasingly challenging economic environment
  - o Strong cost containment has driven significant efficiency gains
  - o Higher impairment loss charge reflecting the slowdown in the economy
- In Bank of Ireland Life: PBT - 27% (Operating profit +12%)
  - o PBT down 27% primarily due to impact of a negative investment variance of €50 million
  - o A strong performance in the six months to September 2007 was followed by a significant slowdown in sales in the second half of our financial year due to the negative impact of weak and volatile equity markets on investor sentiment
- In Capital Markets: PBT +14% (+ 21% excluding the trading impact of Davy disposal**)
  - o Corporate Banking increased PBT by 13% with international growth delivering strong lending volumes across portfolios and geographies, improved margins and continuing excellent asset quality

** Based on underlying performance, which excludes the impact of non-core items (see page 10)*

*** The Group disposed of its 90.444% stake in J&E Davy Holdings Limited (Davy) on 31 October 2006.*

- o Global Markets delivered an excellent performance in volatile trading conditions
- In UK Financial Services: PBT +18% (Sterling)
  - o Business Banking a key driver of performance with PBT + 21%:
    - \- Excellent growth in loans and deposits
    - \- Impairment loss charge remains low
  - o Mortgage Business PBT in line with prior year, with strong volume growth of 14% offset by tighter margins
  - o UK Post Office joint ventures performing strongly

1 **Brian J Goggin**
Group Chief Executive

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

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

4 **Tony Wyatt**
Director, Group Manufacturing

5 **Denis Donovan**
Chief Executive, Capital Markets

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

7 **Christine Brennan**
Head of Group HR

8 **Ronan Murphy**
Group Chief Risk Officer

Overview

Bank of Ireland Group delivered profit before tax (PBT) of €1,933 million and earnings per share (EPS) of 174.6 cent. Excluding non-core items (outlined on page 10 of this document), Group underlying PBT is up 6% to €1,794 million and underlying EPS is up 4% to 150.3 cent. This performance was delivered as a result of the strength of our customer brand and franchise in Ireland together with the continuing effective implementation of our growth strategies across the Group.

Market dislocation

This result was also achieved against the backdrop of volatile global financial markets and an environment of moderating economic growth in our main markets. This volatility has had a direct impact in a number of key areas including higher funding costs (€45 million), a negative investment variance in our Life business (€50 million) and the strength of the euro exchange rate which has impacted the translation into euro of our Sterling profits (€30 million).

Bank of Ireland is successfully managing through this period of volatility.

Our balance sheet is strong with minimal exposure to those asset classes most negatively impacted by the dislocation in financial markets. In the context of a balance sheet of €197 billion, our exposure to Structured Investment Vehicles (SIVs), Collateralised Debt Obligations (CDOs) and Monoline Insurers (primarily through wrapped products) is modest at €81 million, €43 million and €127 million respectively. We hold a prudent provision of €47 million against these portfolios (€45 million in relation to the SIV's) which represents 3 basis points of our impairment charge for the year. Our available for sale financial assets of €29 billion, which the Group expects to retain until maturity, have suffered minimal impairment of €5 million. Our conservative business philosophy, prudent approach to credit risk and diversified business portfolios is demonstrated by this comparatively modest impairment impact.

Economic environment

Globally, credit concerns led to significant financial markets volatility and funding constraints. As a result, higher interest rates and reduced levels of confidence have impacted overall economic activity and the outlook for growth.

In Ireland, the rate of economic growth has also been impacted by the lower levels of activity in the residential property sector. Notwithstanding this slowdown, which is at a sharper pace than previously anticipated, the outlook for the economy remains positive over the medium term. A recently published OECD report underlined the factors for confidence in the Irish economy:

"*Economic fundamentals remain strong – a skilled workforce, a flexible labour market, moderate taxation, a business friendly regulatory environment and a still sound fiscal position*."

The medium term economic outlook appears more positive in Ireland underpinned by these strong fundamentals. Growth in the UK and US economies is also expected to show signs of improvement over the same time horizon.

Asset quality

Our asset quality remains strong. As expected, against a backdrop of slowing economic activity, our impairment loss charge for the year has increased from an historically low level of 9bps in the previous year to 17bps. Going forward we expect our impairment charge to trend towards more normalised levels.

Costs

Strong cost management has resulted in the achievement of further efficiency gains with our cost / income ratio down 3 percentage points to 51% and we have delivered a positive cost / income jaws of 5%. We completed the Strategic Transformation Programme a year ahead of schedule and ahead of target with annualised cost savings of €145 million. Over the life of the Programme we delivered significant efficiency improvements reducing our cost / income ratio by 9 percentage points since March 2005. We reiterate our commitment to rigorous cost management and to our objective of achieving further improvement in our cost / income ratio. In an environment where in the short term income growth will be more challenging, our decision to invest in the longer term development of our business may delay the achievement of this objective.

Funding and capital

We have managed our funding effectively during this period of market dislocation. Significant growth in customer deposits has been achieved and we have successfully raised wholesale funding across the maturity spectrum through both private and public issuances. Our deposit gathering capability together with the comprehensive range and geographic diversity of our funding programmes have contributed to the success of our funding strategy.

Through our proactive capital management programme and more moderate risk weighted asset (RWA) growth we have strengthened our capital position with our Equity Tier 1 ratio on a Basel I basis increasing from 4.9% to 5.3% after deducting the proposed dividend (0.3%). The Irish Financial Regulator has given the Group approval to use the Foundation Internal Ratings Based Approach (IRBA) under the Capital Requirements Directive (Basel II framework). On a Basel II basis our Equity Tier 1 ratio at 31 March 2008 was 5.7% after deducting the proposed dividend (0.3%). Going forward we remain committed to further strengthening our capital base and are targeting an Equity Tier 1 ratio in the range of 5.5% to 6.5% after deducting proposed dividends. This will be achieved through a combination of retained earnings and capital management initiatives.

We continue to grow our loan portfolios prudently and allocate our funding and capital to maximise return on assets within appropriate risk parameters.

Divisional performance

Retail Republic of Ireland delivered PBT growth of 3% to €716 million in an increasingly challenging economic environment. Strong cost containment was a key contributor to significant efficiency gains. Profits have been impacted by a higher impairment loss charge reflecting the slowdown in the economy.

Bank of Ireland Life delivered PBT of €108 million, 27% lower than the prior year, primarily due to the impact of a negative investment variance of €50 million. Weakness and continued volatility in equity markets impacted investor sentiment resulting in a slowdown in new business volumes in the second half of the financial year. The medium term outlook for our Life business remains attractive notwithstanding the current challenging market conditions.

Our Capital Markets Division delivered a very strong performance with PBT increasing by 21% to €651 million, excluding the trading impact of the Davy disposal. Corporate Banking increased PBT by 13% delivering strong lending volume growth across portfolios and geographies, improved margins and continuing excellent asset quality. Global Markets delivered an excellent performance in volatile trading conditions with a PBT increase of 54%.

In UK Financial Services, our investment strategies continued to deliver excellent growth with PBT up 18% to £353 million. Business Banking remains a key driver of Divisional performance with strong lending and deposit growth together with strong asset quality resulting in PBT growth of 21%. Profit in our Mortgage business, against a slowing market backdrop, is in line with the prior year as strong volume growth and strong asset quality were offset by tighter margins. In the final quarter of our financial year, residential mortgage volumes and pricing improved as a number of institutions exited the market due to funding constraints - given its timing this will have a positive impact in our next financial year. Our joint ventures with the UK Post Office (including Post Office Financial Services and First Rate Exchange Services) performed strongly with PBT up 92%.

Outlook

Looking forward, we expect the slower pace of economic growth in our main markets of Ireland, the UK and the US, and the current market dislocation which characterised the second half of our financial year, to continue to impact our earnings potential in the year ahead. Management priorities remain focused on effectively managing our funding and capital positions and maintaining rigorous cost management and risk control.

We are strongly positioned in our core markets and are confident that our deep customer relationships, business fundamentals and competitive positioning will enable us to capitalise on both current and future business opportunities particularly when economic conditions improve.

We remain committed to our business strategy: to be the number one bank in Ireland with dynamic businesses growing internationally.

Brian J Goggin
20 May 2008

Operating and Financial Review

Review of Group Performance

Group Income Statement	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m	% Change
Net interest income	3,263	2,757	18
Other income	857	1,112	(23)
Total operating income (net of insurance claims)	**4,120**	**3,869**	**6**
Operating expenses	(2,140)	(2,110)	1
Impairment losses	(232)	(103)	125
Share of income from associates and joint ventures (post tax)	46	44	5
Underlying profit before tax	**1,794**	**1,700**	**6**
Non-core items			
Add:			
• Investment return on treasury stock held for policyholders **	189	(68)	
• Profit on disposal of business assets	33	358	
Deduct:			
• Gross-up for policyholder tax in the Life business	(60)	19	
• Cost of restructuring programme	(17)	(49)	
• Hedge ineffectiveness on transition to IFRS	(6)	(2)	
Profit before tax	**1,933**	**1,958**	**(1)**
Taxation	(229)	(306)	(25)
Minority interest	(5)	(1)	
Dividends to other equity interests	(14)	(15)	
Profit attributable to ordinary stockholders	**1,685**	**1,636**	**3**
Basic earnings per share	174.6c	172.2c	1
Underlying earnings per share*	150.3c	144.6c	4

** Excludes the impact of non-core items after tax of €198 million (31 March 2007: €225 million) (tax movement explained on page 18)*
*** Under accounting rules, the Group income statement impact of Bank of Ireland stock held by BoI Life policyholders is excluded. The amount above reflects the impact of the stock price movement between 31 March 2007 and 31 March 2008. Units of stock held at 31 March 2008 were 19 million (31 March 2007: 27 million).*

Cost / income ratio	51%	54%

	31 March 2008 €bn	31 March 2007 €bn	% Change
Loans and advances to customers	136	125	9
Customer deposits	86	72	19
Risk weighted assets – Basel I	126	113	11
Risk weighted assets – Basel II	117	-	

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.

The Group income statement above does not adjust for the trading impact of the disposal on 31 October 2006 of the Group's 90.444% stake in J&E Davy Holdings Limited (Davy). Adjusting for the profit contribution of Davy in the prior comparative period, underlying PBT grew by 8% and underlying EPS grew by 6% in the year ended 31 March 2008.

Income

Total income increased by 6% to €4,120 million driven by strong volume growth in both loans and deposits across the Group. Total income after adjusting for the trading impact of the Davy disposal increased by 9% year on year.

Total income	**31 March 2008 €m**	31 March 2007 €m	Change %
Total operating income	4,120	3,869	6
Trading impact of disposal	-	(95)	
Total operating income excluding trading impact of disposal	4,120	3,774	9

Net interest income and 'other income' growth is affected by the trading impact of the Davy disposal together with a number of IFRS income classifications. Under IFRS, certain assets and liabilities can be designated at fair value through profit or loss. Where we have designated assets or liabilities at fair value through profit or loss, the total fair value movements on these items, including net interest income, are reported in 'other income'. However, the funding costs of the assets and the interest income on the liabilities are reported in net interest income. In addition we raise debt in a variety of currencies and manage the foreign exchange and interest rate risk using derivative instruments. The interest element on the debt issued impacts our net interest income while the fair value moves on the derivative instruments, including net interest income, are reported in 'other income'. To enable a better understanding of underlying business trends, the impact of these IFRS income classifications and the trading impact of the Davy disposal are shown in the tables below.

Net interest income / Net interest margin	**31 March 2008 €m**	31 March 2007 €m	Change %
Net interest income	3,263	2,757	18
Trading impact of disposal	-	(1)	
IFRS income classifications	(346)	(122)	
Net interest income excluding trading impact of disposal and IFRS income classifications	2,917	2,634	11
Average interest earning assets (€ billion)	175	156	12
Net interest margin	1.66%	1.69%	(3bps)

Growth in net interest income was driven by strong volume growth in loans and deposits across the Group. Loans and advances to customers increased by 9% and customer deposits grew by 19% (16% and 27% respectively on a constant currency basis). A number of drivers contributed to this volume growth: the strength of our franchise in Ireland, supported by the scale of our multi channel distribution network; the continued delivery from our investment in Business Banking UK and international Corporate Banking teams together with a strong deposit gathering performance by UK Post Office Financial Services (POFS), Business Banking UK, Corporate Banking and Global Markets.

The Group net interest margin reduced by 3bps to 1.66% for the year ended 31 March 2008 from 1.69% for the year ended 31 March 2007. The key drivers of margin attrition were:

- balance sheet structure where average lending growth exceeded average deposit growth for the year which reduced margins by 2bps;
- the impact of the market dislocation which reduced margins by 2bps;
- increasing competition which adversely impacted lending margins by 1bp, of which mortgage margins were down 2bps partially offset by improved pricing in non mortgage lending;

Offset by:

- improved asset mix with stronger growth in higher margin products, increasing margin by 2bps.

Other Income	31 March 2008 €m	31 March 2007 €m	Change %
Other income	857	1,112	(23)
Trading impact of disposal	-	(94)	
IFRS income classifications	346	122	
Other income excluding trading impact of disposal and IFRS income classifications	1,203	1,140	6

'Other income' excluding the effect of the trading impact of the Davy disposal and IFRS income classifications increased by 6% for the year ended 31 March 2008 compared to the prior year. The drivers of this growth include Global Markets performance, POFS performance and increased activity in our credit card business. The growth is impacted by reduced income in Asset Management Services and a significant negative investment variance (€50 million) in Bank of Ireland Life due to weaker global equity markets. Excluding the negative investment variance, 'other income' grew by 10%.

Operating Expenses

Operating expenses increased by 1% in the year ended 31 March 2008 or by 5% excluding the impact of the Davy disposal. Efficiency improvements remain a core focus across the Group 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 54% in the year ended 31 March 2007 to 51% in the year ended 31 March 2008.

Operating expenses	31 March 2008 €m	31 March 2007 €m	Change %
Operating expenses	2,140	2,110	1
Trading impact of disposal	-	(63)	
Operating expenses excluding trading impact of disposal	2,140	2,047	5

Operating expenses, excluding the trading impact of the Davy disposal, have increased by 5% driven by:
- Investment costs of 2% relating to the continuing international development of our Corporate Banking and Global Markets activities, together with the costs associated with the continuing development and launch of new products in POFS;
- Business as usual cost growth of 6% where 2% is due to volume growth and 4% is due to inflation

Offset by:
- Cost savings of 2% from the Strategic Transformation Programme;
- Cost savings of 1% arising from reduced compliance spend – Basel II and Sarbanes Oxley Programmes

We successfully completed the Strategic Transformation Programme (STP) a year ahead of schedule and ahead of target with annualised cost savings of €145 million. The Programme has fundamentally strengthened our business by consolidating and streamlining key functions within customer operations and support services into the Group Manufacturing Division. This restructuring, resulting in over 35% of the Group's cost base now being managed within the Group Manufacturing Division, together with a more clearly defined operating model, has enabled the achievement of operational efficiencies. Since the inception of the Programme our cost / income ratio has been reduced by 9 percentage points from 60% in the year ended 31 March 2005 to 51% in the year ended 31 March 2008.

The changing economic environment and slowing revenue growth has brought a heightened focus to cost management and although significant progress has been made since the launch of the STP in March 2005, there are opportunities for further efficiency gains. Tight cost management remains an imperative. We reiterate our commitment to rigorous cost management and to our objective of achieving further improvement in our cost / income ratio. In an environment where, in the short term, income growth will be more challenging, our decision to invest in the longer term development of our business may delay the achievement of this objective.

Asset Quality - Loans and Advances to Customers

Asset quality remains strong being underpinned by our prudent risk appetite, strong underwriting skills and proactive portfolio management.

Disclosure under IFRS 7 requires that loans are classified as 'financial assets neither past due nor impaired', 'financial assets past due but not impaired' and 'impaired financial assets'. Loans and advances to customers within 'financial assets neither past due nor impaired' are assigned an internal credit grade by the Group based on an assessment of the credit quality of the borrower and these ratings are summarised below into four segments; 'high', 'satisfactory', 'acceptable' and 'lower quality but not past due nor impaired'. The segmental definitions are as follows:

- High quality - loans and advances to highly rated obligors, strong corporate counterparties and personal borrowers (including residential mortgages) with whom the Group has an excellent repayment experience;
- Satisfactory quality - good quality loans that are performing as expected, including loans and advances to small and medium sized enterprises, leveraged entities and more recently established businesses;
- Acceptable quality - customers with increased risk profiles that are subject to closer monitoring and scrutiny by lenders with the objective of managing risk and moving accounts to an improved rating category;
- Lower quality but not past due nor impaired - those loans that are neither in arrears nor expected to result in loss but where the Group requires a work down / out of the relationship unless an early reduction in risk is achievable.

Past due but not impaired loans and impaired loans are defined as follows:

- Past due but not impaired loans - loans where repayment of interest and / or principal are overdue by at least one day but for which the Group does not expect to incur a loss;
- Impaired loans - loans with a specific impairment provision attaching to them.

The classification of loans in the prior year has been updated to reflect the above segments. In particular only those loans on which the Group expects to incur a loss are classified as impaired in line with IFRS. All other loans are classified as 'neither past due nor impaired' or 'past due but not impaired'.

	31 March 2008		31 March 2007	
Asset quality - loans and advances to customers	**€m**	**%**	€m	%
High quality	77,952	57.2%	74,214	59.1%
Satisfactory quality	47,091	34.5%	43,297	34.5%
Acceptable quality	6,527	4.8%	3,849	3.1%
Lower quality but not past due nor impaired	683	0.5%	342	0.3%
Past due but not impaired	3,019	2.2%	3,095	2.5%
Impaired (including SIVs)	1,062	0.8%	679	0.5%
Total loans and advances to customers	136,334	100.0%	125,476	100.0%

Group loans and advances to customers at 31 March 2008 were €136 billion compared to €125 billion at 31 March 2007, a 9% increase. 97% of loans and advances to customers at 31 March 2008 were classified as 'neither past due nor impaired', unchanged from 31 March 2007. At 31 March 2008 0.8% of the total loan book was impaired, compared to 0.5% at 31 March 2007.

	31 March 2008		31 March 2007	
Impaired loans	**€m**	**bps**	€m	bps
Retail Republic of Ireland	642	119	380	79
Capital Markets (including SIVs)	193	69	175	74
UK Financial Services	227	40	124	22
Group (including SIVs)	1,062	78	679	54

Impaired loans increased from €679 million at 31 March 2007 to €1,062 million at 31 March 2008, or from 54bps to 78bps of total loans remaining below the 10 year average to 31 March 2007 of 96bps for the Group. It should be noted that the 54bps in the year ended 31 March 2007 represented the lowest point in this 10 year period. The increase in impaired loans from this low point in March 2007 is mainly due to the impact of higher interest rates, slowing economic growth in Ireland and the UK and softening in the property sector.

In Retail Republic of Ireland impaired loans increased from €380 million at 31 March 2007 to €642 million at 31 March 2008 or from 79bps to 119bps of total Divisional lending. This trend in credit quality is due to higher interest rates, softening in the property sector and the overall slowdown in the level of economic activity. An emerging trend, previously noted, within the business banking portfolio indicates that a sharper than expected slowdown in residential property development activity has created challenges for a small number of mid tier participants in this sector.

In Capital Markets Division impaired loans increased from €175 million at 31 March 2007 to €193 million at 31 March 2008 representing a decline in basis points from 74bps to 69bps (40bps excluding SIVs) of total Divisional lending at 31 March 2008 reflecting a significant improvement in the quality of the book.

In UK Financial Services impaired loans increased from €124 million at 31 March 2007 to €227 million at 31 March 2008 or from 22bps at 31 March 2007 to 40bps of total Divisional lending at 31 March 2008. This increase from an historically low base at 31 March 2007 is reflective of the slowing economic environment in the UK and the softening trend in the UK property market.

Balance sheet impairment provisions	**31 March 2008 €m**	31 March 2007 €m
Impairment provisions	596	428
Impaired loans as a % of total loans	78bps	54bps
Impairment provisions as a % of total loans	44bps	34bps
Impairment provisions as a % of impaired loans	56%	63%

Total balance sheet provisions against loans and advances to customers were €596 million at 31 March 2008, compared to €428 million at 31 March 2007. Impairment provisions as a percentage of total loans were 44bps, the ratio being 3bps for the Group mortgage book and 76 bps for non-mortgage lending. We continue to maintain a satisfactory level of provisions, with a coverage ratio of 56% against impaired loans.

	Year ended 31 March 2008		Year ended 31 March 2007	
Group impairment loss charge	**€m**	**bps**	€m	bps
Specific impairment (net of provision write backs)	169	13	121	10
Incurred but not reported (IBNR)	30	2	1	-
Specific impairment on Structured Investment Vehicles (SIVs)	46	3	-	-
Recoveries	(13)	(1)	(19)	(1)
Total impairment loss charge	232	17	103	9

The Group impairment loss charge for the year ended 31 March 2008 amounted to €232 million or 17bps, when expressed as a percentage of average loans and advances to customers. The charge included €46 million (3bps) being 57% coverage on €81 million of exposures to SIVs that are classified as loans and advances to customers. The remaining charge of €186 million or 14bps (excluding SIVs) was 5bps higher than the charge for the year ended 31 March 2007. This higher charge reflected the impact of a slowing economic environment, consequent loan grade degradation and a reversion towards a more normalised level of impairment loss charge following an historically low charge in the year ended 31 March 2007.

	Year ended 31 March 2008		Year ended 31 March 2007	
Divisional impairment charges	**€m**	**bps**	€m	bps
Retail Republic of Ireland	146	28	63	14
Capital Markets (including SIVs)	53	21	21	10
UK Financial Services	33	6	19	4
Group (including SIVs)	232	17	103	9

In Retail Republic of Ireland the impairment loss charge for the year ended 31 March 2008 was 28bps of average loans compared to 14bps for the year ended 31 March 2007, remaining within the 10 year range to 31 March 2007 of 14bps to 31bps for the Division. 50% of the increase in impairment charge relates to a very small number of specific cases, while the balance is broadly based reflecting the impact of higher interest rates and the overall slowdown in the level of economic activity.

In Capital Markets asset quality remained excellent with an historically low impairment loss charge of 3bps (excluding 18bps relating to SIVs), down from 10bps at 31 March 2007 and below the 10 year range to 31 March 2007 of 5bps to 26bps for the Division. We have seen a significant improvement in the quality of the book with a lower level of specific cases requiring provision in the year ended 31 March 2008 compared to the prior year.

In UK Financial Services asset quality continued to be strong. From an unsustainably low level, the impairment loss charge increased from 4bps in the prior year to 6bps for the year ended 31 March 2008. This is well within the 10 year range to 31 March 2007 of -3bps to 16bps for the Division. The impairment charge on residential mortgages remained negligible. Some grade degradation was evident in the Business Banking loan book as a result of weakness in the property sector.

In summary, we believe that impairment trends are now reverting towards a more normalised level for the Group having reached unsustainably low levels at 31 March 2007. This trend reflects the slowdown in economic activity in both Ireland and the UK. Our approach to the management of balances in arrears and identification and management of problem accounts is rigorous, with early intervention and proactive management of accounts remaining a key risk mitigant for the Group. Our disciplined approach to credit management together with the positive contributing factors of continued low unemployment, relatively low interest rates and the prospects for economic recovery, provides us with confidence that we will not see a significant deterioration in our asset quality.

Available for Sale Financial Assets

At 31 March 2008 the Group's portfolio of available for sale (AFS) financial assets amounted to €29.3 billion (31 March 2007: €33.4 billion). The Liquid Asset Portfolio (which is held for liquidity purposes) comprises €26.4 billion of the total AFS financial assets; €1.8 billion in government bonds and €24.6 billion in senior bank debt. The other AFS assets of €2.9 billion are Asset Backed Securities (ABS) comprising Commercial Mortgage Backed Securities (CMBS) of €0.9 billion, Residential Mortgage Backed Securities (RMBS) of €0.8 billion, Student loans, SME loans, Whole business ABS and syndication loans totalling €1.2 billion and Collateralised Debt Obligations (CDOs) of €0.04 billion.

The Group expects to retain its AFS assets until maturity and, under IFRS, they are marked to market through reserves. These assets have incurred minimal impairment of €5 million in the year ended 31 March 2008.

The following table quantifies our exposure to each asset class and the impact of market dislocation on valuations at 31 March 2008.

Portfolio	Volume	Asset Type	Profile	Balance Sheet (AFS Reserve) and Income Statement impact (where applicable)	Fair Value expressed as % of Underlying Nominal
Liquid Asset Portfolio	€26.4 billion	€1.8 billion government bonds	>95% AAA rated	Mark to market negative impact of €3 million on reserves No impairment.	103.2%
		€24.6 billion senior bank debt and covered bonds	FRNs / CP / CDs / Covered Bonds Average rating AA-	Mark to market negative impact of €278 million on reserves No impairment.	98.4%
Asset Backed Securities Portfolio	€2.9 billion	€0.8 billion RMBS	98% AAA / AA rated; All prime; <3% US	Mark to market negative impact of €138 million on reserves. Cumulative €7 million impairment through income statement.	94.4%
		€0.9 billion CMBS	75% AAA /AA rated: <6% US		
		€0.4 billion Student loans / SME loans / Whole business ABS	98% AAA / AA / A rated		
		€0.1 billion leasing bonds			
		€0.2 billion syndication loans	Corporates (not rated)		
		€0.3 billion other categories	95% AAA / AA rated		
		€0.2 billion corporates	BBB or higher		
		€43 million CDOs - €30 million relates to the Group's own CDO which is consolidated	€8 million US subprime		

The Group has no direct exposure to US subprime asset backed securities and an €8 million indirect exposure to this asset class through ABS CDOs.

Trading Securities

The Group holds a portfolio of bonds for trading purposes typically taking positions in financial and corporate risk with ratings between investment grade AAA and BBB (average rating A). The value of these securities at 31 March 2008 was €119 million (31 March 2007: €520 million). In the year ended 31 March 2008 a loss of €1 million was incurred on this portfolio and is included in the income statement.

Share of Associates and Joint Ventures

Profit after tax from associated undertakings and joint ventures, which mainly relates to First Rate Exchange Services (FRES), increased from €44 million in the year ended 31 March 2007 to €46 million in the year ended 31 March 2008, primarily as a result of strong margin management.

Balance Sheet – Capital and Funding

Total assets increased by 5% (12% on a constant currency basis) from €189 billion at 31 March 2007 to €197 billion at 31 March 2008. The rate of growth in loans and advances to customers moderated during the year to 9% (16% on a constant currency basis). Growth in customer deposits of 19% (27% on a constant currency basis) was very strong reflecting an increased Group focus on deposit gathering to strengthen its funding structure.

The Irish Financial Regulator has given the Group approval to use the Foundation Internal Ratings Based Approach (IRBA) under the Capital Requirements Directive (Basel II framework). Basel I risk weighted assets (RWA) grew by 11% (20% on a constant currency basis) from €113 billion at 31 March 2007 to €126 billion at 31 March 2008. RWA under Basel II were €117 billion at 31 March 2008.

	% Growth 31 March 2008 over 31 March 2007		
	Basel I RWA	**Loans and advances to customers**	**Customer deposits**
Group	11	9	19
Retail Republic of Ireland	12	11	5
Capital Markets	13	22	56
UK Financial Services (euro equivalent)	10	1	3

Capital

The Group has strong capital resources and a proactive approach to capital management to ensure adequate capital to support its business plans.

The increase in Basel I capital between 31 March 2007 and 31 March 2008 reflects the benefits of retained earnings and new capital raised offset by adverse exchange rate movements (capital is maintained in the main currencies in which the Group holds risk weighted assets in order to avoid volatility in capital ratios due to exchange rate movements).

	31 March 2008 Basel II	**31 March 2008 Basel I**	31 March 2007 Basel I
Risk weighted assets (€ billion)	117	126	113
Total capital ratio *	11.1%	10.5%	11.5%
Tier 1 ratio *	8.1%	7.6%	7.9%
Equity Tier 1 ratio *	5.7%	5.3%	4.9%

** With effect from July 2007 the Irish Financial Regulator issued a requirement that a Prudential Filter be applied to proposed dividends which results in these dividends being deducted from capital when calculating capital ratios. Capital ratios have been restated to reflect that requirement – this results in each of the ratios being reduced by 0.3% in both years. The practice in the UK is not to deduct such proposed dividends from half year or year end ratios.*

The movement in the Tier 1 ratio and Total capital ratio between 31 March 2007 and 31 March 2008 reflects a capital position in March 2007 which was boosted by two securitisation transactions which were executed in the month of March 2007.

During the year ended 31 March 2008 the Group completed a number of capital management initiatives. We raised US$600 million (€439 million at the exchange rate on the date of issue) of lower Tier 2 Capital and completed the sale and leaseback of a second tranche of 30 retail branches in Ireland.

In October 2007, the Group completed a €400 million embedded value securities transaction which references the future cash flows from our life assurance business. The transaction resulted in the reclassification of certain capital reserves relating to the value of in force in our life assurance business from Tier 2 capital to Equity Tier 1 capital. Repayment of the securities issued will depend on the emergence of future cash flows thereby preserving the value of the capital protected by the transaction. The transaction imposes no obligations on our life assurance business.

Through our proactive capital management programme and more moderate risk weighted asset growth we have strengthened our capital position with our Equity Tier 1 ratio on a Basel I basis increasing from 4.9% at 31 March 2007 to 5.3% at 31 March 2008 after deducting the proposed dividend (0.3%) at both year ends. On a Basel II basis our Equity Tier 1 ratio at 31 March 2008 was 5.7% after deducting the proposed dividend (0.3%). Going forward we remain committed to further strengthening our capital base and are targeting an Equity Tier 1 ratio in the range of 5.5% to 6.5% after deducting proposed dividends.

Funding

Wholesale funding at 31 March 2008 at 41% of the total Group balance sheet (excluding Bank of Ireland Life assets held on behalf of policyholders) compares to 46% at 31 March 2007.

	31 March 2008		30 September 2007		31 March 2007	
Balance Sheet Funding	**€ billion**	**%**	€ billion	%	€ billion	%
Deposits by banks	14	8	19	10	20	12
CP / CD's	27	15	27	15	21	12
Securitisations	8	4	10	5	11	6
Senior Debt / ACS	26	14	29	16	28	16
Wholesale Funding	75	41	85	46	80	46
Customer Deposits	86	47	76	41	72	41
Capital / Subordinated Debt	14	8	15	8	15	8
Other	10	4	10	5	8	5
Total	**185**	**100**	**186**	**100**	**175**	**100**

Bank of Ireland has successfully maintained a strong funding position throughout an extended period, since August 2007, of dislocation in global financial markets. Short and long term funding has been accessed using a comprehensive range of funding programmes, across a wide range of investor classes and jurisdictions. Our access to euro, Sterling and US dollar markets through the diversity of our funding programmes has proved a particular strength in the current market.

Customer deposits have been increased by 19% as a result of our market leading Irish customer franchise and our presence in targeted customer segments internationally. At 31 March 2008, wholesale funding as a percentage of the balance sheet at 41%, was 5 percentage points lower than at 31 March 2007 with term funding (i.e. funding with a maturity greater than one year at year end) accounting for 33% of wholesale funding. The Group financed its customer loan book in a prudent manner with 82% of its loan book funded through customer deposits and wholesale term funding with a maturity greater than one year.

Bank of Ireland operates under the robust Liquidity Regime introduced by the Irish Financial Regulator in July 2007. This regime requires that banks have sufficient payment resources (cash inflows and marketable assets) to cover 100% of expected cash outflows in the 0 to 8 day time horizon and 90% of expected cash outflows in the over 8 day to one month time horizon. The Group continues to maintain a significant liquidity buffer in excess of these requirements.

Overall, Bank of Ireland's established and diversified funding strategy continues to support growth across our businesses.

Stockholders' Equity

	€m
Stockholders' equity at 31 March 2007	**6,724**
Movements:	
Profit retained for the year (after dividends)	1,074
Reissue of stock / treasury stock	194
Foreign exchange adjustments (a)	(712)
Available for sale (AFS) reserve movement (b)	(386)
Cash flow hedge reserve movement (c)	(247)
Pension fund obligations (d)	(209)
Other movements	46
Stockholders' equity at 31 March 2008	**6,484**

(a) foreign exchange adjustments reflect the impact of the strength of the euro on the translation of Sterling and US dollar denominated net investment in foreign subsidiaries.

(b) the AFS reserve movement is driven by the net impact of interest rate changes and the widening of credit spreads on the value of our AFS book (€29 billion) at 31 March 2008. This reserve is expected to reverse as the underlying financial assets mature.

(c) the cash flow hedge reserve movement reflects the impact of sterling weakness on the mark to market of hedge accounted interest rate swaps. Over time this balance will flow through the income statement in line with the underlying hedged instruments with no net income statement impact.

(d) movement in pension fund obligations is primarily as a result of changes in key assumptions including discount rate and mortality together with the impact of the weakness in global financial markets on the valuation of pension fund assets at 31 March 2008.

Effective Tax Rate

The taxation charge for the Group was €229 million in the year ended 31 March 2008 compared to €306 million in the year ended 31 March 2007. The effective tax rate was 11.8% in the year ended 31 March 2008 compared to 15.6% for the year ended 31 March 2007. The rate has decreased largely as a result of a reduction in the tax charge of BoI Life due to lower levels of investment income earned and lower capital gains, together with the effect of the elimination of the investment return on treasury shares held by BoI Life for policyholders.

Excluding the impact of non-core items, the effective tax rate for the year ended 31 March 2008 was 16% (16% for the year ended 31 March 2007).

Dividend

The Court has recommended a final dividend of 39.4 cent per unit of stock in respect of the year ended 31 March 2008. The recommended final dividend together with the interim dividend of 24.2 cent results in a total dividend of 63.6 cent per unit of stock for the year ended 31 March 2008, an increase of 5% on the prior year.

Our dividend policy is to maintain a payout ratio of between 40% and 45% and the rate of growth in our dividend will reflect the medium term outlook for the Group's earnings.

Return on Equity

Return on equity, excluding the impact of non-core items (set out on page 10) was 21% for the year ended 31 March 2008 compared to 23% for the year ended 31 March 2007. The rate of return has decreased reflecting lower growth in profits in the current year, together with the full year impact of gains from disposals in the prior year which bolstered the Group equity base.

Divisional Performance

Divisional Profit Before Tax	31 March 2008 €m	31 March 2007 €m	% Change
Retail Republic of Ireland	716	698	3
Bank of Ireland Life	108	148	(27)
Capital Markets	651	572	14
UK Financial Services	495	441	12
Group Centre	(176)	(159)	(10)
Underlying profit before tax	1,794	1,700	6
Non-core items (see page 10)	139	258	
Profit before tax	1,933	1,958	(1)

Retail Republic of Ireland

Retail Republic of Ireland incorporates our Branch network, Mortgage, Consumer Banking, Business Banking and Private Banking activities in the Republic of Ireland. Together with Bank of Ireland Life, it is the leading bancassurance franchise in Ireland built on a broad distribution platform, a comprehensive suite of retail and business products and services, a commitment to service excellence and strong operating efficiency.

Retail Republic of Ireland delivered PBT growth of 3% to €716 million, in the year ended 31 March 2008, in an increasingly challenging environment. Total operating income grew by 9% and total operating expenses rose by 6%, giving a 3% positive cost / income jaws. While markets were generally less buoyant, the continued strength of our leading franchise in Ireland underpinned this performance.

Retail Republic of Ireland: Income Statement	31 March 2008 €m	31 March 2007 €m	% Change
Net interest income	1,429	1,311	9
Other income*	416	377	10
Total operating income	1,845	1,688	9
Total operating expenses	(983)	(927)	6
Operating profit before impairment losses	**862**	**761**	**13**
Impairment losses on loans and advances	(146)	(63)	131
Profit before tax	**716**	**698**	**3**

** Includes share of associates / joint ventures (31 March 2008 €(1) million; 31 March 2007 Nil)*

Cost / income ratio	53%	55%	

	31 March 2008 €bn	31 March 2007 €bn	% Change
Loans and advances to customers	54	48	11
Customer deposits	33	31	5
Risk weighted assets – Basel I	40	36	12
– Basel II	35	-	

Net interest income increased by 9% with the impact of strong volume growth being partially offset by a lower net interest margin due to, loans growing faster than deposits, the impact of competition on residential mortgage margins and higher funding costs partly offset by improved resource margins.

Our strong position in the Business Banking market was reflected in robust book growth of 16% in the year ended 31 March 2008. A weaker residential property market led to a significant slowdown in mortgage demand as the year progressed; nevertheless the mortgage book grew by 9% in the year ended 31 March 2008.

Other income increased by 10%, driven mainly by growth in credit card activity together with the benefit from the disposal of Mastercard shares which accounted for 2 percentage points of this increase.

Operating expenses grew by 6% year on year driven by salary and general inflation together with business growth, partially offset by efficiency gains which reduced the cost / income ratio from 55% to 53%.

The impairment loss charge was €146 million (28bps of average loans) for the year ended 31 March 2008 compared to €63 million or 14bps for the year ended 31 March 2007. The impairment charge of 28bps remains within the 10 year range to 31 March 2007 of 14bps to 31bps for the Division. 50% of the increase in the impairment charge relates to a very small number of specific cases, while the balance is broadly based reflecting the impact of higher interest rates and the overall slowdown in the level of economic activity.

Bank of Ireland Life

Sales on an annual premium equivalent (APE) basis grew by 4% to €501 million in the year ended 31 March 2008. Having achieved sales growth of 27% in the half year ended 30 September 2007, the second half of the financial year was significantly impacted by the weakness and volatility in global equity markets resulting in APE sales being 13% lower than the second half period in the prior year. Improved operating efficiencies led to the cost / income ratio falling from 42% in the year ended 31 March 2007 to 40% in the year ended 31 March 2008.

Operating profit grew by 12% year on year to €164 million for the year ended 31 March 2008. Profit before tax was 27% lower than the year ended 31 March 2007 reflecting a negative investment variance of €50 million arising from the significant weakness in global equity markets.

Bank of Ireland Life: Income Statement (IFRS performance)	**31 March 2008 €m**	31 March 2007 €m	% Change
Operating income	274	250	9
Operating costs	(110)	(104)	5
Operating profit	**164**	**146**	**12**
Investment variance	(50)	2	
Discount and other rate changes	(6)	-	
Profit before tax	**108**	**148**	**(27)**
Cost / Income ratio	40%	42%	

Consistent with increases in long term bond yields, the discount rate applied to future cashflows was increased by 0.5% to 8% in the year ended 31 March 2008. This negative impact has been significantly offset by an increase of 0.75% to 6.25% in the future growth rate assumption on unit linked assets, resulting in a net cost of €6 million.

Bank of Ireland Life has a leading position in the Irish market resulting from the combination of their multi channel distribution platform and an industry leading bancassurance sales model. This combination leaves the Life business well positioned to compete in a market place that remains very attractive over the medium term.

Embedded Value Performance

The alternative method of presenting the performance of the Life business is on an Embedded Value basis. This method is widely used in the life assurance industry. Under this approach, Bank of Ireland Life shows operating profit up 10% to €193 million for the year ended 31 March 2008. New business profits were €113 million for the year ended 31 March 2008 compared to €114 million for the prior year reflecting weaker sales growth given the significant weakness and volatility of global equity markets. Existing business profits have performed well as a result of continuing favourable experience variances and some changes to the actuarial assumptions in line with experience.

Profit before tax for the year ended 31 March 2008 fell by 69% primarily as a result of a negative investment variance of €137 million reflecting the significant weakness in global equity markets. Applying the Embedded Value methodology to the investment and life assurance contracts, the negative impact of increasing the discount rate by 0.5% to 8% is offset by an increase of 0.75% to 6.25% in the future growth rate assumption on unit linked assets.

Bank of Ireland Life: Income Statement (Embedded Value performance)	31 March 2008 €m	31 March 2007 €m	% Change
New business profits	113	114	-
Existing business profits			
• Expected return	98	83	18
• Experience variance	11	14	(21)
• Assumption changes	3	-	-
Inter company payments	(32)	(36)	(11)
Operating profit	**193**	**175**	**10**
Investment variance	(137)	2	
Discount and other rate changes	(1)	-	
Profit before tax	**55**	**177**	**(69)**

The key assumptions used in the Embedded Value methodology are a discount rate of 8% (31 March 2007: 7.5%), future growth rate on unit linked assets of 6.25% (31 March 2007: 5.5%) and the rate of the tax to be levied on shareholder profits of 12.5% (31 March 2007: 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 Division comprises Corporate Banking, Global Markets, Asset Management Services and IBI Corporate Finance.

Capital Markets: Income Statement	31 March 2008 €m	31 March 2007 €m	% Change	% Change excluding impact of IFRS classifications & disposal
Net interest income	1,030	671	54	27
Other income *	90	378	(76)	4
Total operating income	1,120	1,049	7	17
Total operating expenses	(416)	(456)	(9)	6
Operating profit before impairment losses	**704**	**593**	**19**	26
Impairment losses	(53)	(21)	152	-
Profit before tax	**651**	**572**	**14**	21

** Includes share of associates / joint ventures (31 March 2008 nil; 31 March 2007 €(1) million) and profit on disposal of property (31 March 2008 €1 million; 31 March 2007 nil)*

Cost / income ratio	37%	43%

	31 March 2008 €bn	31 March 2007 €bn	% Change
Loans and advances to customers	27	22	22
Customer deposits	32	21	56
Risk weighted assets – Basel I	46	41	13
– Basel II	45	-	

PBT increased by 14% to €651 million for the year ended 31 March 2008. The Divisional performance for the year ended 31 March 2008 is not directly comparable with the year ended 31 March 2007 as the disposal of Davy in October 2006 impacts the year on year analysis. In addition the growth in net interest income and 'other income' is impacted by IFRS income classifications between net interest income and 'other income'. Excluding the impact of both of these items, net interest income increased by 27% and 'other income' increased by 4% whilst costs grew by 6% and PBT by 21%.

The analysis below excludes the trading impact of the Davy disposal and the IFRS income classifications referred to above.

Total operating income was 17% higher in the year ended 31 March 2008 driven by strong lending volume growth in Corporate Banking and an excellent performance in our Global Markets business. The growth in net interest income of 27% was driven by strong volume growth and improved margins reflecting the mix of the loan book and improved pricing for risk in a number of loan portfolios. 'Other income' growth of 4% has been impacted by lower assets under management in Asset Management Services.

Total operating expenses increased by 6% to €416 million; the main drivers of growth being investment costs 1%, volume related growth 3% and inflation 2%.

Asset quality remains excellent with an impairment loss charge of €53 million, or 21bps of average loans (€7 million or 3 bps excluding the €46 million or 18bps impairment charge relating to SIVs), compared to €21 million or 10bps at 31 March 2007 and within the 10 year range to 31 March 2007 of 5bps to 26bps for the Division. We have seen a significant improvement in the quality of the book with a lower level of specific cases requiring provision in the year ended 31 March 2008 compared to the prior year.

Capital Markets: Business Unit Profit Before Tax	**31 March 2008 €m**	31 March 2007 €m	% Change
Corporate Banking	375	332	13
Global Markets	221	144	54
Asset Management Services	66	66	-
Division Centre	(11)	30	(136)
Profit before tax	**651**	**572**	**14**

Corporate Banking has maintained its strong momentum with profit growth of 13% for the year ended 31 March 2008. The loan book increased by 22% between 31 March 2007 and 31 March 2008 across a broad range of portfolios. We continue to closely manage our asset quality and to seek opportunities for growth in both Europe and the US. We continue to see improved pricing and risk structures across our business segments.

Global Markets 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 ended 31 March 2008 increased by 54%. The performance of our markets / trading teams has been very strong in volatile market conditions and the outturn for the year has been positively impacted by above normal levels of trading profits of €30 million; the results also include a credit of €25 million arising from the widening in the credit spread of the Group's structured liabilities. Excluding these items, Global Markets profit before tax increased by 15% to €166 million. Global Markets customer businesses have delivered a strong performance.

Asset Management Services PBT for the year ended 31 March 2008 was €66 million, which is in line with the year ended 31 March 2007. Our fund administration business continued to drive strong growth in its niche activities while assets under management in BIAM are €33 billion at 31 March 2008 compared to €44 billion at 31 March 2007 - weakness in global equity markets contributed significantly to this reduction.

Division Centre includes central management costs for the Division, together with IBI Corporate Finance (and Davy in the year ended 31 March 2007). IBI Corporate Finance continues to perform well.

UK Financial Services (Sterling)

UK Financial Services (UKFS) Division, which incorporates Business Banking UK, our UK mortgage business and our joint ventures with the UK Post Office, delivered a strong performance during the year ended 31 March 2008 building on the momentum shown in the year ended 31 March 2007. PBT increased by 18% to £353 million (12% on a euro equivalent basis).

UKFS: Income Statement	**31 March 2008 £m**	31 March 2007 £m	% Change
Net interest income	602	531	13
Other income*	153	118	30
Total operating income	755	649	16
Total operating expenses	(379)	(337)	12
Operating profit before impairment losses	**376**	**312**	**21**
Impairment losses on loans and advances	(23)	(13)	77
Profit before tax	**353**	**299**	**18**
Profit before tax (euro equivalent)	**495**	**441**	**12**

** Includes share of associates / joint ventures after tax (31 March 2008 £34 million; 31 March 2007 £30 million) and profit on disposal of property (31 March 2008 £4 million; 31 March 2007 nil)*

Cost / income ratio	50%	52%	

	31 March 2008 £bn	31 March 2007 £bn	% Change
Loans and advances to customers	44	38	19
Customer deposits	17	14	21
Risk weighted assets – Basel I	32	25	29
– Basel II	29	-	

Total operating income grew by 16% to £755 million for the year ended 31 March 2008. Net interest income grew by 13% and 'other income' by 30%. Net interest income growth was due to excellent volume growth for both customer loans and deposits which increased by 19% and 21% respectively partially offset by the impact of higher funding costs. Excellent growth in 'other income' was driven by the performance in our joint ventures with the UK Post Office with higher fee income from the increased sales and renewals of insurance products in Post Office Financial Services (POFS) and higher profits in First Rate Exchange Services (FRES).

Operating expenses increased by 12% to £379 million for the year ended 31 March 2008 driven by volume related expenses across the Division together with higher regulatory, corporate restructuring and compliance costs. Further efficiency gains reduced the year on year cost / income ratio from 52% to 50%.

Asset quality continued to be strong. From an unsustainably low level, the impairment loss charge increased from £13 million (4bps) in the year ended 31 March 2007 to £23 million (6bps) of average loans in the year ended 31 March 2008. This is within the 10 year range to 31 March 2007 of -3bps to 16bps for the Division. The impairment charge on residential mortgages remained negligible. Some grade degradation was evident in Business Banking as a result of weakness in the property sector.

UKFS: Business Unit Profit Before Tax	**31 March 2008 £m**	31 March 2007 £m	% Change
Business Banking	189	156	21
Mortgages	147	145	1
Consumer Financial Services:	46	24	92
• *POFS*	*7*	*(8)*	-
• *FRES (post tax)*	*34*	*30*	*13*
• *Other*	*5*	*2*	*150*
Division Centre	(29)	(26)	13
Profit before tax	**353**	**299**	**18**

Business Banking's profit before tax increased by 21% to £189 million reflecting the benefits from our investment in building a high performing team of business bankers. Volume growth was strong with loan book growth of 27% and deposit growth of 14%. Loan margins have remained stable in an environment of increased funding costs as the costs have been substantially passed to customers. Asset quality continues to be strong with an impairment loss charge of 13bps compared to 9bps in the prior year reflecting the slowing economic environment in the UK and the softening trend in the UK property market.

The Mortgage business delivered profit before tax of £147 million in the year ended 31 March 2008, similar to the performance in the year ended 31 March 2007. There are a number of factors influencing this outcome including competitor activity which impacted negatively on volume and margin in the first half of the year and higher funding costs which emerged in the second half of the year.

The mortgage market changed significantly in the second half of our financial year as a number of providers exited the market as a result of funding constraints arising from the market dislocation. Notwithstanding the slowdown in the overall market due to lower house prices, we experienced greater demand for our mortgage products. In addition, we achieved significantly higher pricing on our mortgage products not only covering the higher cost of funding but also improving the economics of new mortgage business flows. The residential mortgage book increased by 14% to £27 billion at 31 March 2008 reflecting significant growth in the final quarter of the fiscal year, with strong growth in the buy to let and standard business being partially offset by more moderate growth in self certified business. Credit performance remains strong with arrears levels significantly below the industry average and the impairment charge for mortgages at 2bps for the year ended 31 March 2008 compared to 1bp for the year ended 31 March 2007.

Consumer Financial Services, our joint ventures with the UK Post Office, delivered a very strong performance with profits almost doubling. POFS has made good progress with customer numbers increasing to 1.4 million at 31 March 2008 and the business continues to add approximately 60,000 new customers every month. We continue to gain market share in insurance products and also continue to achieve strong deposit volume growth. Total deposits in POFS were £3.3 billion at 31 March 2008. Policy renewals on insurance products and retentions after the initial incentive period on savings accounts are both in line with industry leading levels demonstrating the strong loyalty and affinity with the Post Office brand. FRES, the joint venture with the UK Post Office for the provision of foreign exchange services, delivered profit after tax growth of 13%, as a result of strong margin management and a 5% increase in sales.

Division Centre reported a net loss of £29 million for the year ended 31 March 2008 compared to £26 million for the year ended 31 March 2007. This increase includes the costs associated with completing the corporate restructuring of Bristol & West.

Group Centre

Group Centre, which comprises earnings on surplus capital, unallocated support costs and some smaller business units, had a net loss of €176 million in the year ended 31 March 2008, compared to €159 million in the year ended 31 March 2007. The key drivers behind the higher net loss were increased funding costs due to the market dislocation and the cost of additional subordinated debt capital raised during the financial year partly offset by lower costs particularly from reduced compliance spend resulting from the implementation of the Basel II and Sarbanes Oxley Programmes.

Income Statement – Business Segments

Year ended 31 March 2008	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 €m	Share of income from associates and joint ventures (post tax) €m	Profit on disposal of property €m	Profit on disposal of business activities €m	**Profit before taxation €m**
Retail Republic of Ireland	1,429	-	417	**1,846**	-	**1,846**	(983)	(146)	(1)	-	-	**716**
Bank of Ireland Life	(7)	1,900	(899)	**994**	(776)	**218**	(110)	-	-	-	-	**108**
Capital Markets	1,030	-	89	**1,119**	-	**1,119**	(416)	(53)	-	1	-	**651**
UK Financial Services	846	-	163	**1,009**	-	**1,009**	(533)	(33)	47	5	-	**495**
Group Centre	(35)	40	(61)	**(56)**	(22)	**(78)**	(98)	-	-	-	-	**(176)**
Group - underlying	3,263	1,940	(291)	**4,912**	(798)	**4,114**	(2,140)	(232)	46	6	-	**1,794**
Profit on disposal of business assets	-	-	-	**-**	-	**-**	-	-	-	33	-	**33**
Gross-up for policyholder tax in the Life business	-	-	(60)	**(60)**	-	**(60)**	-	-	-	-	-	**(60)**
Investment return on treasury stock held for policyholders	-	-	189	**189**	-	**189**	-	-	-	-	-	**189**
Hedge ineffectiveness on transition to IFRS	-	-	(6)	**(6)**	-	**(6)**	-	-	-	-	-	**(6)**
Cost of restructuring programme	-	-	-	**-**	-	**-**	(17)	-	-	-	-	**(17)**
Group total	3,263	1,940	(168)	**5,035**	(798)	**4,237**	(2,157)	(232)	46	39	**-**	**1,933**

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 – Business Segments

Year ended 31 March 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 €m	Share of income from associates and joint ventures (post tax) €m	Profit on disposal of property €m	Profit on disposal of business activities €m	**Profit before taxation €m**
Retail Republic of Ireland	1,311	-	377	**1,688**	-	**1,688**	(927)	(63)	-	-	-	**698**
Bank of Ireland 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	(59)	**(30)**	(8)	**(38)**	(126)	1	-	-	4	**(159)**
Group - underlying	2,757	2,188	1,133	**6,078**	(2,213)	**3,865**	(2,110)	(103)	44	-	4	**1,700**
Profit on disposal of business assets	-	-	32	**32**	-	**32**	-	-	-	87	239	**358**
Gross-up for policyholder tax in the Life business	-	-	19	**19**	-	**19**	-	-	-	-	-	**19**
Investment return on treasury stock held for policyholders	-	-	(68)	**(68)**	-	**(68)**	-	-	-	-	-	**(68)**
Hedge ineffectiveness on transition to IFRS	-	-	(2)	**(2)**	-	**(2)**	-	-	-	-	-	**(2)**
Cost of restructuring programme	-	-	-	-	-	-	(49)	-	-	-	-	**(49)**
Group total	2,757	2,188	1,114	**6,059**	(2,213)	**3,846**	(2,159)	(103)	44	87	243	**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.

Risk Management

Risk Management and Control

Prudent risk management is firmly embedded in our corporate culture. It provides a solid foundation for sustained growth in earnings and shareholder value even in times of increased financial volatility.

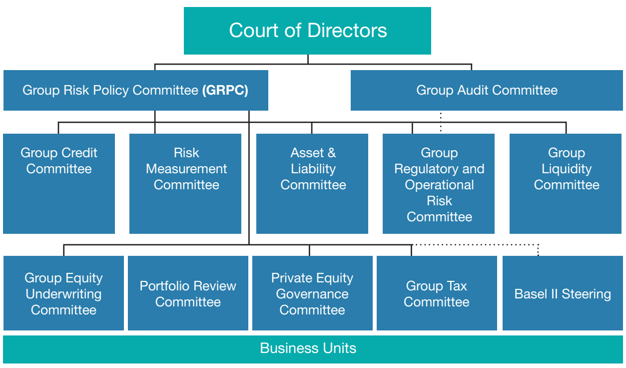
Risks are unexpected future events that could influence the achievement of the Group's strategic, financial, capital or other objectives. One of the Group's core business objectives is to engage in calculated, profitable risk taking, applying strong risk management skill to ensure risk diversification and the achievement of targeted returns. Proactive identification and management of risk is therefore central to delivery of the Group's strategy and underpins operations throughout the Group.

Risk Management Approach

The Group follows an integrated approach to risk management to ensure that all material classes of risk are taken into account and that its risk management and capital management strategies are aligned with its overall business strategy.

This integrated approach is set out in the Group Risk Framework, which is approved by the Court of Directors. It identifies the Group's formal governance process around risk and the approach to risk identification, assessment, analysis and reporting.

Risk Governance



- **The Court of Directors**

The Court of Directors is responsible for approving high level policy and strategic direction in relation to the nature and scale of risk that the Group is prepared to assume to achieve its corporate objectives. The Court ensures that an appropriate system of internal control is maintained and reviews its effectiveness.

Specifically the Court:
- approves the Group's risk appetite and top down loss tolerance guidepoints;
- approves other key high level risk limits as required by risk policies (e.g. Value at Risk (VaR) limits);
- approves the terms of reference, operating parameters and membership of the Group Risk Policy Committee (GRPC);
- approves the Group Risk Framework and the Group's credit policy and high level principles governing market and liquidity risk, including material changes thereto;
- reviews regular reports on the size and composition of key risks; and
- reviews the proceedings of the GRPC.

- **Group Risk Policy Committee**

The GRPC, which is chaired by the Group Chief Risk Officer (GCRO), is the executive committee with responsibility for risk management. Its membership includes Executive Directors and it operates as a sub committee of the Court. The GRPC exercises authority delegated by the Court to approve business initiatives that have material implications for the level or composition of risk, and which are consistent with high level policy 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 to specific committees that are accountable to it. These committees are:
- Group Credit Committee (GCC) – approval of all large credit transactions
- Portfolio Review Committee (PRC) – assessment of the composition of the Group's loan portfolio, concentration risk and identification of unused risk appetite
- Group Asset and Liability Committee (ALCO) – oversight of interest rate, market and liquidity risk, capital and funding
- Group Liquidity Committee – management of the liquidity and funding positions of the Group. This committee is invoked during periods of market disruption
- Risk Measurement Committee (RMC) – governance of credit risk measurement and risk model validation
- Group Regulatory and Operational Risk Committee – governance of regulatory and operational risk
- Group Equity Underwriting Committee – approval of equity underwriting transactions
- Private Equity Governance Committee – approval of equity investments
- Group Tax Committee – approval of tax based transactions and oversight of tax policy
- Basel II Steering – governance and oversight of Basel II Programme.

Group Internal Audit (GIA) provides independent assurance on the continued effectiveness of the Group's control environment.

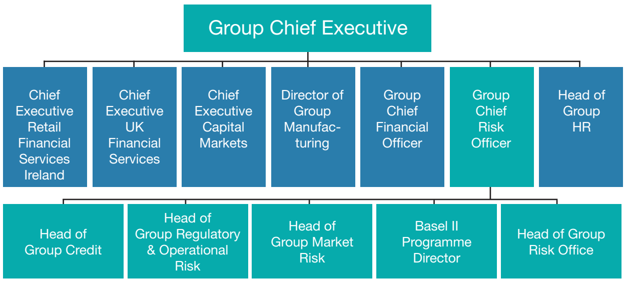
Risk Management Structure & Organisation

The organisational structure for risk management is designed to facilitate reporting and escalation of risk concerns from business units and risk functions upwards to the GRPC and the Court of Directors, and conveying approved risk management policies and decisions from the Court and the GRPC to business units.

In addition, while Finance is responsible for Asset and Liability Management (which includes Capital Management), there is close collaboration with Group Risk on the risk aspects of these responsibilities.

• Group Chief Risk Officer

The Group Risk function is headed by the Group Chief Risk Officer (GCRO), who is a member of the Group Executive Committee (GEC).



The GCRO reports directly to the Group Chief Executive and is responsible for oversight of all risk categories, the formulation of risk appetite recommendations, development of policies and establishment of integrated Group wide risk measurement and management standards. As owner of the risk management framework, the GCRO leads a team of functional experts who work together to identify, measure, analyse, monitor, control and report on risks across the Group.

In addition to the core responsibility of risk oversight, the GCRO provides independent advice and constructive challenge to the GEC in the support of risk informed business decisions. This involves acting as an enabler of well structured business growth opportunities that can be shown to fit within the Group's risk appetite.

• Central risk management functions

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 four centrally based risk management functions reporting to the GCRO:

- Credit Risk
- Market Risk
- Group Regulatory and Operational Risk
- Group Risk Office

Risk specialists within the risk management functions assist the GCRO in the formulation of risk policy and strategy, which are approved through the Group risk governance framework.

• Business risk management

A key principle of risk management within the Group is the reliance on individual responsibility. Business managers are accountable for identifying and controlling risk in their own business areas, assisted, where appropriate, by risk specialists. Overall guidance is provided by the Group Risk Management functions.

Risk Strategy and Appetite

Risk strategy is an essential component of strategic planning. The Group sets out its corporate business objectives in its 5 Year Strategic Plan and annual Operating Plan / Budget. The risk strategy describes the principles that underpin the Group's approach to managing risks arising from its business activities. In principle, risks are accepted if:

- the risks represent an attractive investment from a risk return perspective;
- they are aligned with Group strategy;
- the Group has the skilled resources to analyse and manage the risks;
- stress and scenario testing around the risks exist, and are satisfactory;
- governance structures have been defined; and,
- new product approval processes capture the risks.

Appetite for particular levels of risk is defined and measures are adopted to identify, assess and manage risks within appetite parameters. The Group's risk appetite is determined on the basis that it aims to deliver sustainable growth through the pursuit of business opportunities that can be managed effectively. It is conditioned by the Group's dividend policy, target debt rating, the need to protect access to funding and capital, by the economic and competitive climate (both national and international), and by the need to protect the Group's core franchise.

The Group defines how much risk it is willing to take based on three fundamental principles:

Ensure Short Term Financial Stability	Maintain Capital Levels	Protect the Long Term Group Franchise
Setting top down Loss Tolerance Guidepoints to protect against undesired earnings volatility	Ensuring that economic and regulatory capital are in line with target capital levels	Ensuring support to the Group's strategy and future growth by maintaining target debt rating, and protecting access to / cost of funding, market position and reputation

To ensure that it operates within its risk appetite, the Group assesses the risks in its existing businesses and prospective business plans and estimates possible financial earnings volatility and associated capital requirements.

The Group's risk appetite is set out in its Risk Appetite Statement which is approved by the Court of Directors on the recommendation of the GRPC and reviewed annually.

Principal risks and uncertainties facing the Group

Risks facing the Group are identified and assessed at least annually through the Group's Comprehensive Risk Identification process. The results of this assessment drive the Group's risk management actions.

Risks that are deemed material are included in the Group Risk Framework, owner(s) identified, appropriate policies put in place and a formalised measurement and management process defined and implemented. The Group may set aside capital in order to mitigate the risk, or determine that other mitigants may be more appropriate.

The principal material risks managed by the Group are shown below; the Group's approach to the management of these risks is set out on pages 31 to 40.

Credit risk: defined as the risk of loss resulting from a counterparty being unable to meet its contractual obligations to the Group in respect of loans or other financial transactions. This risk includes concentration risk and country risk, among others.

Market risk: the risk of loss in Group income or net worth arising from potential adverse change in interest rates, exchange rates or market prices.

Life insurance risk: the volatility in the amount and timing of claims caused by unexpected changes in mortality, morbidity and longevity.

Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events and outsourcing arrangements. In the case of legal and contractual risk, this includes the risk of loss due to litigation arising from errors, omissions, and acts by the Group in the conduct of its business.

Liquidity risk: the risk that the Group will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptable cost.

Regulatory risk: arising 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. Regulatory risk also includes, among others, tax compliance risk, which is the risk of loss due to non compliance with tax legislation and the Group's tax policy.

In addition to the risks listed above, the Group also manages:

Pension risk: the risk that the value of the liabilities of the Group's defined benefit pension schemes would exceed the value of the schemes' assets to such a degree that the Group would elect to make unanticipated contributions to reduce the deficit.

Business and strategic risk: the risk of loss due to uncertainty in profits or revenue that damages the franchise or operational economics of the business. It includes volatility caused by changes in the competitive environment, new market entrants, new products or failure to develop and execute a strategy or anticipate or mitigate related risk.

Model risk: the risk that the Group's suite of risk models inaccurately measures the Group's exposures, resulting in the mispricing of deals, holding inadequate regulatory capital and being subject to economic, regulatory and / or market censure.

Reputation risk: the risk to earnings arising from adverse perception of the Group's image on the part of customers, counterparties, stockholders, investors or regulators.

For each of the material risks, Group Risk identifies a risk owner. While business units remain responsible for the identification and management of risk in their business, risk management functions are responsible for establishing a risk control framework. Under the Group Risk Framework, risk owners ensure that:

- a policy is in place for the risk they have ownership of;
- exposure to the risk is correctly identified, assessed according to the Group's materiality criteria, and reported upon; and
- identified risk events are appropriately managed or escalated.

The Group is also exposed to, among other things, unfavourable changes in economic conditions, which could impact profits.

On a quarterly basis, the GCRO assesses the economic environment to which the Group is exposed, with input from the Group's Chief Economist, risk functions and business managers. This assessment is reported to the GRPC and the Court.

The Group's Capital Management function assesses the impact of the most material risks on the Group's capital ratios.

Concentration Risk

In addition to reviewing these risk classes in aggregate and the individual exposures within each risk class independently, the Group assesses potential risk concentrations. As with any lending institution, the largest concentrations of risk occur with credit risk.

Credit concentration risk is the risk of loss due to exposures to a single entity or group of entities engaged in similar activities and having similar economic characteristics and / or dependencies that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Undue concentrations could lead to increased volatility in the Group's expected outcomes. It is the policy of the Group to avoid, where possible, undue concentrations of counterparty, industry / sector, product, geography or other forms of significant connected risk in its credit books. In order to avoid risk concentrations, monetary risk limits and guide points are set by the GRPC. The PRC is charged with monitoring emerging credit risk concentrations and with directing actions to avoid unacceptable concentrations.

Macro Risk Identification

In addition to the Comprehensive Risk Identification process, the top risks facing the Group are identified on a half yearly basis through a process led by the GCRO with input from members of the GEC and the GRPC to identify and assess the top macro risks using the following criteria:

i) the severity of the risk in terms of materiality and the length of time it would take the Group to recover;

ii) the likelihood of the risk occurring; and

iii) the impact of the risk, taking mitigants and likelihood into account.

The GRPC and the GEC members use this assessment to agree the top risks which are presented to the Court half yearly for its consideration.

Risk Monitoring

Responsibility for risk monitoring lies primarily with each business unit head. The specific processes for monitoring, reporting and reviewing risks are set out in the relevant policy documents. At Group level, the risk monitoring and review process is the responsibility of the GRPC and its operating sub-committees (see diagram on page 27).

The GRPC and the Court of Directors regularly review capital and key risk indicators, to assess the degree to which the Group is operating within its risk appetite, loss tolerance and other specific risk limits. This is in addition to detailed risk information regularly reviewed by the Group's risk functions and by business units.

Risk Measurement

Risk management systems are in place to facilitate measuring, monitoring and analysis of risk. These systems are in line with good practice and designed to ensure compliance with regulatory requirements.

• Economic capital

The Group has elected to use Economic Capital (Ecap) as the common metric by which risk is assessed, risk based budgets and strategic plans are articulated and an internal risk based capital framework applied. Ecap is used internally for capital planning as well as for the calculation of risk adjusted returns. The common measure of return on risk used by the Group is Risk Adjusted Return on Economic Capital (RAROC).

• Stress testing and scenario analysis

As a core part of its risk management framework, relevant risks are subject to scenario based stress tests to examine the impact of extreme but plausible events. The tests are applied to current risk positions and also to projected positions envisaged in the strategic plan, taking into account expected management action. Impacts are measured in terms of potential losses, liquidity position, and regulatory and economic capital ratios.

The stress tests assist the GRPC and the Court in determining whether the Group would be comfortable with the possible financial consequences of a set of macroeconomic scenarios, taking into account the Group's target capital ratios, dividend cover and loss tolerance.

Risk Reporting

The GCRO presents a Quarterly Risk Report to the GRPC and the Court. The report comments on the risk environment in which the Group is operating and includes an assessment of all material risks, the current list of which is set out on page 29.

Management of Principal Risks

The information set out below up to the end of page 38 forms an integral part of the audited financial statements as detailed in the accounting policies to the financial statements on page 78.

Credit Risk

Definition

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

Credit risk comprises default risk, recovery risk, counterparty risk, the credit risk in securitisation, cross border (or transfer) risk, credit concentration risk and settlement risk.

How Credit Risk Arises

The Group's typical customer base includes retail customers, financial institutions and commercial entities. The Group is exposed to credit risk as a result of the financial transactions it enters into with them.

The main types of financial transaction the Group enters into and which give rise to credit risk are loans and advances. The Group is also exposed to credit risk through its debt securities and derivatives activity. In addition, credit risk arises in Bank of Ireland Life, primarily in relation to its reinsurance activities.

In relation to loans and advances, credit risk arises as a result of amounts the Group has actually lent and amounts which the Group has committed to lend. Such commitments take a number of forms, the key ones are as follows: undrawn loans and overdrafts, guarantees, performance bonds and letters of credit. As regards commitments, the Group could potentially suffer loss to an amount equivalent to its total unused commitments. However, the Group does not expect to incur losses to that extent as most retail commitments can be cancelled and commitments of a commercial nature are entered into subject to the customer continuing to achieve specific credit standards.

The nature of the Group's exposure to credit risk and the manner in which it arises, its objectives, policies and processes for managing credit risk and the methods it uses to measure credit risk remain materially unchanged from the previous reporting period and are outlined below.

Credit Risk Management

• Credit policy

The core values governing the provision of credit are contained in the Group Credit Policy, which is approved by the Court on the recommendation of the GRPC. Business unit credit policies, approved by the GRPC / Head of Group Credit as appropriate, 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 included in policy documents. In a number of cases, business unit policies are supplemented by sectoral credit policies.

• Lending authorisation

The Group's credit risk management systems operate through a hierarchy of lending authorities, which are related to internal loan ratings. All exposures above certain levels require approval by the Group Credit Committee (GCC), other exposures are approved according to a system of tiered individual authorities. Individuals are allocated lending limits according to credit competence, proven judgment, experience and the nature and scale of lending in their business unit.

Material lending proposals are referred to credit units for independent assessment, formulation of a recommendation and subsequent adjudication by the applicable level of approval authority.

Lending caps are put in place when it is considered appropriate to limit exposure to certain sectors.

Group Credit Review, an independent function within Group Credit, reviews the quality and management of risk assets across the Group and reports to the GRPC on a quarterly basis.

• Credit related commitments

The Group classifies and manages credit related commitments as follows:

Guarantees and standby letters of credit: irrevocable commitments by the Group to make payments at a future date in specified circumstances on behalf of a customer. These instruments are assessed on the same basis as loans for credit approval and management.

Performance or similar bonds and guarantees: group undertakings on behalf of a customer to deliver funds to a third party in specified circumstances should the customer fail in their obligations to the third party. These instruments are assessed on the same basis as loans for credit approval and management.

Documentary and commercial letters of credit: written undertakings by the Group on behalf of a customer authorising a third party to draw drafts or payment instruments on the Group to a stipulated amount under specific terms and conditions. Also, situations where the Group confirms / guarantees to a foreign bank in respect of export letters of credit. These instruments are collateralised by the underlying shipment of goods to which they relate. These instruments are assessed on the same basis as loans for credit approval and management.

Commitments: unused elements of authorised credit in the form of loans, guarantees or letters of credit, where the Group is potentially exposed to loss in an amount equal to the total unused commitments. The likely amount of loss is less than the total unused commitments, as most commitments are contingent upon customers maintaining specific credit and performance standards. These instruments are assessed on the same basis as loans for credit approval and management.

Letters of offer: where the Group has made an irrevocable offer to extend credit to a customer and the customer may or may not have confirmed acceptance of the offer on the terms outlined, the exposure is assessed on the same basis as loans for credit approval and management. The exposure to credit risk is considerably less than the face value of offer letters, as not all offers will be accepted.

- **Derivatives**

Credit risk exposure arising from derivative instruments is managed as part of the overall lending limits with customers.

Credit risk exposure on derivative transactions is calculated using a methodology that estimates the maximum cost of rewriting the contract in the event of counterparty default. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. The credit process limits gross derivative positions. Collateral, other security or margin deposits may be required from counterparties.

- **Country risk**

The Group is exposed to country risk as a result of the increasing international focus of the Group's specialist niche businesses.

Country risk exposures are managed within a framework approved by the Court annually.

- **Settlement risk**

Settlement risk arises in any situation where a payment in cash, securities or equities is made in expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risks arising from the Group's market transactions on any single day.

Credit Risk Measurement

The use of internal credit rating models, which measure the degree of risk inherent in lending to specific counterparties, is central to credit risk management within the Group.

The primary model measures used to assess credit risk are:

1. Probability of Default (PD): the probability of a given counterparty defaulting on any of its borrowings from the Group;
2. Loss Given Default (LGD): the loss incurred on a specific transaction should the borrower default, expressed as a percentage of Exposure at Default (see below);
3. Exposure at Default (EAD): the exposure the Group has to a defaulting borrower at time of default; and
4. Maturity (M): the contractual or estimated time period until an exposure is fully repaid or cancelled.

These measures are fully embedded in, and form an essential component of, the Group's daily and strategic credit risk management and credit pricing.

Where appropriate, an independent unit validates internal credit risk models from a performance and compliance perspective annually. This unit reports to the RMC.

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

The measures to calculate credit risk referred to above are used to calculate expected loss. A different basis is, however, used to derive the amount of incurred credit losses for financial reporting purposes. For financial reporting purposes, impairment allowances are recognised only with respect to losses that have been incurred at the balance sheet date based on objective evidence of impairment. This alternative basis of measurement means that the amount of incurred credit losses shown in the financial statements differs from expected loss.

Credit Risk Mitigation

An assessment of the borrower's ability to service and repay the proposed level of debt is undertaken for credit requests and is a key element in the Group's approach to mitigating risk. In addition, the Group mitigates credit risk through the adoption of both proactive preventative measures, (e.g. controls and limits) and the development and implementation of strategies to assess and reduce the impact of particular risks, should these materialise (e.g. hedging, securitisation and collateralisation).

- **Controls and limits**

Currently the Group imposes risk control limits and guide points to mitigate significant concentration risk. These limits and guidepoints are informed by the Group's loss tolerance guidepoints and are set in the context of the Group's risk strategy and risk appetite.

The GRPC approves country maximum exposure limits annually based on internal country risk rating models supported by external ratings.

Bank maximum exposure limits are also approved annually by the GRPC for each rating category based on credit risk modelling techniques combined with expert judgement.

• Risk transfer and financing strategies

The objective of risk mitigation / transfer is to limit the risk impact to acceptable (quantitative and qualitative) levels and protect Group income streams. These Group uses appropriate risk transfer and financing strategies to protect against risk concentrations that might arise from its business activities.

Where the risk review process indicates the possible emergence of undue risk concentrations, the GCRO will explore and recommend appropriate risk transfer and mitigation options to the PRC. These options may include hedging strategies and securitisation programmes.

The Group currently makes very limited use of hedging strategies or credit derivatives for risk mitigation purposes. A number of securitisation transactions for residential mortgages and a small collateralised debt obligation (CDO) vehicle for leveraged loans have been undertaken. While there are some risk transfer characteristics inherent in the structures, the primary purpose of these initiatives was for regulatory capital and liquidity management.

• Collateral

Credit risk mitigation includes the requirement to obtain collateral, depending on the nature of the product and local market practice, as set out in the Group's policies and procedures. The nature and level of security required depends on a number of factors, including but not limited to the amount of the exposure, the type of facility provided, the term of the facility, the amount of the borrower's own cash input and an evaluation of the level of risk or probability of default.

A variety of types of collateral are accepted including property, securities, cash, guarantees and insurance, grouped broadly as follows:

- Financial collateral (lien over deposits, shares, etc.)
- Residential and commercial real estate
- Physical collateral (plant & machinery, etc.)
- Other collateral (debtors, guarantees, insurance, etc.)

The Group's requirements around completion, valuation and management requirements for collateral are set out in appropriate Group or business unit policies and procedures.

As operationally impracticable, the Group has availed of the option under IFRS 7 not to disclose the fair value of collateral held against past due or impaired financial assets.

• Master netting arrangements

The Group reduces its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of balance sheet assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement, to the extent that, if a default occurs, all amounts with the counterparty are terminated and settled on a net basis.

• Credit risk avoidance

The Group chooses not to assume certain types of credit risk exposure by not operating in particular markets, avoiding particular business activities and / or not selling particular products and services.

Loan Loss Provisioning

The Group's impairment provisioning methodologies are compliant 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. The criteria used to determine that there is objective evidence of impairment include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties;
- Breach of loan covenants or conditions;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- External rating downgrade below acceptable level; and
- Initiation of bankruptcy proceedings

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

Impairment provisions are also recognised for 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 business units review and confirm the appropriateness of their provisioning methodologies and the adequacy of their impairment provisions on a half yearly basis and their conclusions are reviewed by Group Credit and the GRPC.

Market Risk

Definition

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

How Market Risk Arises

- **Market risk arising from customer and wholesale banking business**

Market risk arises in customer facing banking units mainly on the asset side of the balance sheet through fixed rate lending. At 31 March 2008 the Group had €14 billion of fixed rate lending in euros and €29 billion equivalent in Sterling (31 March 2007: €11 billion and €27 billion respectively), the major part of which was mortgage lending that is fixed for periods of between 1 and 3 years. These books are hedged by way of maturity matched funding from Bank of Ireland Global Markets (BoIGM). This exposure is, in turn, substantially eliminated by BoIGM with external markets

The Group's wholesale banking activity encompasses funding, debt issuance and the maintenance of a prudent stock of liquid assets. The interest rate risk which arises from wholesale activity is managed using a range of instruments (mainly derivative), including swaps and futures.

- **Discretionary market risk**

BoIGM is the sole Group business permitted to take discretionary market risk on behalf of the Group. Discretionary risk is taken in both the Trading and Banking Books in BoIGM. Positions are allocated to the Trading Book in line with the criterion of *intent to trade* as set out in the EU's Capital Requirements Directive and are marked to market for financial reporting purposes. Trading Book positions arise in the main from derivative and foreign exchange transactions executed with customers or through the proactive assumption of trading positions in these instruments and markets (pure proprietary trading).

Discretionary risk is also taken in the Banking Book in BoIGM. Banking Book risk positions arise from internal hedging transactions which are not fully or immediately eliminated with the market, from wholesale funding in cash and debt markets and from the management of liquidity. While these positions do not arise from an intent to trade, they are actively monitored and exposures can be reduced or eliminated if market conditions warrant.

The major part of the Group's discretionary risk is interest rate risk in the euro, Sterling and US dollar markets, assumed in money markets, securities, money and bond futures, swaps and option on futures. The Group's foreign exchange risk is mainly taken in US dollar / euro, US dollar / Yen and euro / Sterling exchange rates.

- **Structural market risk**

Structural interest rate risk arises from the existence of non-interest bearing assets and liabilities on the balance sheet and structural foreign exchange risk arises from the Group's net investment in its non-euro based subsidiaries. The measurement and management of structural market risk is discussed separately below.

Market Risk Management

The management of market risk in the Group is governed by high level principles approved by the Court and a detailed statement of policy approved by the GRPC. It is a requirement of policy that market risk (both interest rate risk and currency risk) which arises from customer business in the Group's retail, mortgage, corporate banking and specialist finance businesses is transferred, by way of internal hedging arrangements, to BoIGM.

Discretionary market risk is subject to strict controls which set out the markets and instruments in which risk can be assumed, the types of positions which can be taken and the limits which must be complied with.

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. VaR is discussed below. ALCO approves VaR limits for BoIGM, including limits for interest rate, foreign exchange (fx) and credit spread VaR. Market risk limits are rigorously enforced and compliance is monitored by ALCO.

Market Risk Measurement

- **Bank of Ireland Global Markets**

The Group employs a VaR approach to measure, and set limits on, discretionary market risk in BoIGM. This applies to both the Trading and Banking Books. VaR is 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. VaR is measured using a variance covariance matrix approach. Matrices are updated weekly using the Exponentially Weighted Moving Average (EWMA) methodology. This widely used approach gives greater weight to more recent data and, as a consequence, estimates of VaR are more responsive to changes in market conditions.

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 large moves. For these reasons, VaR limits are supplemented by a range of controls that includes position limits and loss tolerances. In addition, scenario based stress tests and long run historic simulations, which measure the effect of past periods of market stress (going back to the early 1990s) on current positions, are used to assess and manage discretionary market risk.

The Group measures VaR for a 1 day horizon at the 99% level of statistical confidence. This means that, for a given set of market risk positions on a given day, the Group believes there is no more than a 1% chance of a gain or loss in excess of the VaR number over the following day. In the course of the year ended 31 March 2008, the Group changed the basis of its VaR measurement from a 95% to a 99% level of statistical confidence. This was intended to bring market risk measurement into line with representative practice in the Industry.

The Group's peak, average and end of year 1 day Trading Book VaR in the year ended 31 March 2008 is summarised in the following table:

	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m
Interest Rate VaR		
Peak	5.2	4.0
Average	2.3	2.0
End year	2.7	1.7
Fx VaR		
Peak	1.8	1.5
Average	1.0	0.8
End year	0.9	0.7

- **Consolidated banking book risk**

The Group measures the interest rate risk in its consolidated Banking Book (or non-trading book) by calculating the impact on net interest income of a 1% straight line increase and decrease in short dated interest rates over a period of a year (i.e. 8.3bps per month). This captures the combined effect of changes in interest rates on Banking Book exposures in BoIGM, the maturity and reinvestment of assets held to manage structural interest rate risk and minor frictional risks in business units where market risk is managed at an overall balance sheet level. The 1% change assumes that net asset or liability positions are rolled over from month to month, all spread (basis) relationships remain constant and all assets and liabilities reprice in line with the change in market rates. By convention, the net interest income simulation also assumes no intervention to mitigate the risk arising on these exposures as interest rates change which, although these are not trading positions, would be unrealistic in some circumstances.

The impact on net interest income of a 1% straight line increase and decrease in euro and Sterling interest rates, applied to positions at 31 March 2008, is shown in the following table:

	31 March 2008 €m	31 March 2007 €m
Euro		
1% increase	(1.9)	1.1
1% decrease	1.5	(1.3)
GBP		
1% increase	(13.9)	10.4
1% decrease	6.3	(12.4)

The sensitivities to interest rate increases and decreases will not necessarily be symmetric to the extent that the yield curve is not flat and is already discounting an increase or decrease in short term rates.

Financial Assets Available For Sale

At 31 March 2008, the Group held €29.3 billion in debt securities classified as Available for Sale Financial Assets (31 March 2007: €33.4 billion). These securities are held at fair value on the balance sheet and accrual accounted in the income statement. This accounting practice can give rise to a credit or debit to reserves.

Within the total of €29.3 billion, fixed rate government securities amounted to €1.8 billion and the balance consisted of floating rate paper, predominantly bank senior debt and a relatively smaller holding of corporate securities. A 1bp increase in the average yield on the government securities book at 31 March 2008 would have reduced its value by €0.5 million (31 March 2007: €2.0 million). A 1bp increase in the average spread to Euribor or Libor of the floating rate book at 31 March 2008 would have reduced its value by €6.9 million (31 March 2007: €6.9 million).

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 and risk mitigation. 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 very 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 16 and the accounting policy is set out on pages 84 and 85.

- **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 GRPC. 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 derivatives, such as interest rate futures, bond futures, forward rate agreements, 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 more complex derivatives are typically 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.

Structural Market Risk

Structural interest rate risk arises from the existence of non-interest bearing assets and liabilities on the Group's balance sheet. These consist mainly of non-interest bearing current accounts plus equity less fixed assets. If these net liabilities were used to fund floating rate assets, the Group's earnings would fully reflect any variation in interest rates from one reporting period to the next. It is Group policy to invest the major part of these net liabilities 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 consists of swaps, fixed rate loans and government bonds and is continuously reinvested to maintain approximately a 4 year average life.

At 31 March 2008, the volume of net liabilities subject to this investment convention was €11.1 billion in euro and €4.4 billion equivalent in sterling (31 March 2007 €10.2 billion and €5 billion respectively).

Structural foreign exchange (fx) risk is defined as the Group's non trading net asset position in non-euro currencies. Structural fx risk arises substantially from the Group's net investment 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 fx 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. This is designed to ensure that capital ratios have a low sensitivity to changes in exchange rates. At 31 March 2008, the Group's structural fx position was as follows:

	31 March 2008 €m	31 March 2007 €m
Sterling - net assets	3,693	3,980
US dollar - net assets	280	256
Total structural fx position	3,973	4,236

A 10% depreciation of the euro against Sterling and the US dollar at 31 March 2008 would have resulted in a gain taken to reserves of €397 million (31 March 2007: gain of €424 million)

Market Risk in Bank of Ireland Life

Market risk in the Group's life business arises in two areas - non-linked life assurance business and the value in force (VIF) asset on unit linked insurance contracts. For non-linked life assurance business, market risk arises to the extent that the expected duration of cash flows on the liability side differs from the duration of the matching fixed interest assets. The expected duration of the liabilities is derived from a projection of contractual cash flows based on prudent estimates of mortality, morbidity and voluntary terminations. BoI Life pursues a policy of close asset / liability matching and any difference in the mean duration of assets and liabilities is minimised by buying and selling euro fixed interest government securities. No corporate bonds or equities are held.

At 31 March 2008, the sensitivity of the non-linked portfolio to a 50bps parallel shift in the yield curve was as follows:

	31 March 2008 €m	31 March 2007 €m
50bps increase	(0.1)	(1.1)
50bps decrease	(0.6)	(1.6)

BoI Life does not bear equity risk directly; this is borne by the unit linked policyholders. However, the VIF asset on unit linked insurance contracts is indirectly affected because the management fees the company receives are related to the value of assets under management. A 5% fall in equity and property markets, applied to the book at 31 March 2008 would reduce earnings by €9 million (31 March 2007: a reduction of €8 million for the same percentage decline).

Similarly, the company bears indirect exposure to changes in exchange rates through management fees earned on non-euro unit linked funds under management. A 5% increase in the euro against all other currencies midway through the year would reduce earnings by €5 million (31 March 2007: a reduction of €4 million for the same percentage decline).

More details of the VIF asset are included in the life assurance business note to the financial statements. See note 54 on page 171.

Liquidity Risk

Definition

Liquidity risk is the risk that the Group will experience difficulty in financing its assets and meeting its contractual payment obligations, or will only be able to do so at an unacceptable cost.

How Liquidity Risk Arises

Liquidity distress is almost invariably associated with a severe deterioration in financial performance, but it can also result from unexpected adverse events or systemic difficulties. The Group has in place a risk management framework to manage liquidity risk.

The Group's contractual financial liabilities are reported in note 44 to the financial statements, as required by IFRS 7.

Liquidity Risk Management

The Group's exposure to liquidity risk is governed by policy approved by the Court and the GRPC. The operation of this policy is delegated to ALCO.

Group Asset and Liability Management, on behalf of ALCO, is responsible for monitoring the liquidity risk of the Group and for the development and monitoring of liquidity policy. BoIGM are responsible for the day to day management of the Group's liquidity position.

In addition to our internal liquidity risk management processes, the Group complies with the requirements of the Irish Financial Regulator in respect of liquidity management and with the requirements of local regulators in those jurisdictions in which the liquidity requirements apply to the Group.

Liquidity management within the Group consists of two main activities. The first is tactical liquidity management by monitoring current and expected future cashflows to ensure that the Group's liquidity needs can be met. This is achieved by taking into account the Group's access to unsecured funding (customer deposits and wholesale funding) and the liquidity characteristics of a portfolio of highly marketable assets that can be easily liquidated as protection against any unforeseen interruption to the Group's cashflow.
The second set of activities is strategic in nature and is focused on assessing the maturity profile of assets and liabilities on the balance sheet and the Group's debt issuance strategy.

Liquidity Risk Measurement

The Group's cash flow and liquidity reporting processes provide daily liquidity risk information by designated cash flow categories to management. These processes capture the cash flows from both balance sheet and off balance sheet transactions. In respect of specific products such as customer deposits, mortgage repayments and off balance sheet commitments, the Group applies behavioural adjustments to reflect the Group's experience of these cash flows based on historical trends. The Court has set a coverage limit for the Group's net outflows in the 0 to one month period; ALCO has established subsidiary controls.

The marketable assets portfolio represents those securities that can be used to raise liquidity via secured funding transactions. This portfolio is comprised of bank paper, government debt and asset backed securities. The liquidity value of securities is calculated at market value less a margin. In addition the Group has the ability to access secured funding through the tendering operations of central banks.

- **Stress testing and scenario analysis**

The Group performs stress testing and scenario analysis to evaluate the impact of stresses on its liquidity position. These stress tests are at both a Group specific and systemic risk level. The stress tests are run at three levels of moderate, serious and severe. The results of the stresses are compared to the tactical actions which the Group can take in such circumstances to correct the position and bring it back in order. Such actions range from selling assets, switching from unsecured to secured funding and adjusting the price the Group would pay for liabilities. The result of the stress testing is reported at regular intervals to the GRPC and the Court.

Liquidity Risk Mitigation

• Funding diversification

The Group's strategy is to diversify its funding profile by investor types, regions, instruments and currency of activity. The Group's core funding resources such as its retail and corporate deposit base as well as its long term capital markets funding form the core of its liability profile. Institutional investors and interbank funding are also important sources of funding.

Balance Sheet Funding	31 March 2008		31 March 2007	
	€ billion	%	€ billion	%
Deposits by banks	14	8	21	12
CP / CD's	27	15	21	12
Securitisations	8	4	11	6
Senior Debt / ACS	26	14	27	16
Wholesale Funding	75	41	80	46
Customer Deposits	86	47	72	41
Capital / Subordinated Debt	14	8	15	8
Other	10	4	8	5
Total	**185**	**100**	**175**	**100**

Bank of Ireland operates under the robust Liquidity Regime introduced by the Irish Financial Regulator in July 2007. This regime requires that banks have sufficient payment resources (cash inflows and marketable assets) to cover 100% of expected cash outflows in the 0 to 8 day time horizon and 90% of expected cash outflows in the 8 to one month time horizon. The Group continues to maintain a significant liquidity buffer in excess of these requirements. The Group also has in place a liquidity contingency plan which can be activated should the need arise.

Life Insurance Risk

Definition

Life insurance risk is the volatility in the amount and timing of claims caused by unexpected changes in mortality, morbidity and longevity. Mortality risk is the risk of deviations in timing and amounts of cash flows (premiums and benefits) due to the incidence or non-incidence of death. Longevity risk is the risk of such deviations due to increasing life expectancy trends among policy holders and pensioners, resulting in payout ratios higher than what the company originally accounted for. Morbidity risk is the risk of deviations in timing and amount of cash flows (such as claims) due to the incident or non-incident of disability and sickness.

Life Insurance Risk Management

Life insurance risk is taken and managed by Bank of Ireland Life (BoI Life), a wholly owned subsidiary of the Group.

The BoI Life Reinsurance Committee reviews the reinsurance arrangements at least annually and reports to the Audit Committee of BoI Life's Board on this review. This includes a review of the panel of reinsurers that may be used and the optimal structure of its reinsurance arrangements. The Reinsurance Committee is comprised of senior members of the management team with actuarial and underwriting expertise.

Life Insurance Risk Measurement

The amount at risk on each life assurance policy is the difference between the sum assured and the reserve held. BoI Life calculates this amount for the total portfolio on a quarterly basis.

Risk experience is monitored quarterly. Actual claims experience is compared to the underlying risk assumptions, and risk profits and losses are reported to senior management and reflected in new business pricing and new product design.

Life insurance risk is included in the Quarterly Risk Report presented to the GRPC and the Court by the GCRO. The report details a number of insurance risk measures, including actual claims experience and other early warning indicators, with a comprehensive range of follow up actions depending on the status of each indicator.

Life Insurance Risk Mitigation

BoI Life mitigates the potential impact of insurance risk through the use of reinsurance.

End of information that forms an integral part of the audited financial statements.

Management of Regulatory and Operational Risk

The Group Regulatory and Operational Risk (GROR) function manages the Group's risks associated with operations, legal compliance, tax compliance, and compliance with anti money laundering legislation, health and safety and environmental regulations. It also reviews upstream risks in relation to regulatory and operational developments. This function reports to the GCRO with oversight by the Group Regulatory and Operational Risk Committee (GRORC), a sub committee of the GRPC. The objective of the Committee is to:

- define and identify regulatory and operational risks;
- devise and implement a framework for management of these risks;
- report on the status of these risks; and
- make recommendations to the GRPC on the management of these risks as appropriate.

The Committee also promotes awareness of regulatory and operational risks throughout the Group.

The Head of GROR is responsible for formulating and communicating the risk control framework for the management of regulatory and operational risks and for monitoring the implementation of the framework by business management across the Group. The Head of GROR reports to the GRPC and the Group Audit Committee (GAC) on a half yearly basis.

Regulatory Risk

Definition

Regulatory 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 reputational implications and may lead to fines, public reprimands, enforced suspension of operations or, in extreme cases, withdrawal of authorisation to operate.

Management of Regulatory Risk

The Court oversees regulatory compliance with the extensive supervisory and regulatory regimes to which the Group is subject, principally in Ireland, the UK and the US.

The Group manages regulatory risk under an overall framework which is implemented by accountable executives monitored by the GRPC, the GAC and the GRORC, supported by the Group Regulatory and Operational Risk function. The effective management of regulatory compliance is primarily the responsibility of business management.

The Group's regulatory compliance is governed by policy formulated by the GRORC and approved by the GRPC, on behalf of the Court. This requires the conduct of business in accordance with applicable regulations and with an awareness of regulatory risk by all employees. The Group has established a formal approach to the management of regulatory risk and the objective is the identification, assessment, monitoring and management of regulatory risks. Business units, Divisional compliance and GROR undertake risk based compliance monitoring, and annual compliance monitoring plans are reviewed to reflect changes or emerging regulatory risks. Regulatory compliance reports from business units are analysed and reviewed by GROR and by the GRORC.

Operational Risk

Definition

The Basel Committee on Banking Supervision defines Operational Risk for regulatory and supervisory purposes as: "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events." The Group embodies this definition in its policy on operational risk management.

Management of Operational Risk

It is the responsibility of the Court to ensure that the assets of the Group are safeguarded and that attempted fraud or other irregularities are prevented or detected.

The Group's exposure to operational risk is governed by policy formulated by the GRORC and approved by the GRPC, 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 for shareholders.

The Policy document further sets out the responsibilities of management, the requirement for mandatory reporting of incidents and the role of GIA in providing the independent review function.

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 that 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), the 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
- The establishment of organisational structures for the oversight, monitoring and management of operational risk throughout the Group
- Embedding the operational risk management process in all business and support units throughout the Group
- Creating awareness throughout the Group of the need to manage operational risk and training of relevant staff in the operational risk management process.

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

The Group's Operational Risk Management Framework is subject to regular audit by GIA.

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 remediation and 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 operational risk profile of the Group.

On a half yearly basis, the business and support units formally reassess their operational risk profile and provide a certification to GROR. These reports are analysed and consolidated by GROR, and presented to and reviewed by the Group Regulatory and Operational Risk Committee (GRORC), the GRPC and the GAC. 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 management information by the business and support units, and there is a process in place for the immediate reporting of loss events and near incidents which require prompt escalation to senior management.

Mitigation of Operational Risk

The Group manages operational risk under an overall strategy which is implemented by accountable executives monitored by the GRPC, the GAC and the GRORC, supported by the GROR function. Potential risk exposures are assessed and appropriate controls are put in place. Recognising that operational risk cannot be entirely eliminated, the Group implements risk mitigation controls including fraud prevention, information security, contingency planning and incident management. This strategy is further supported by risk transfer mechanisms such as the Group's insurance programme, where appropriate.

Capital Management

The information set out below up to the end of page 42 forms an integral part of the audited financial statements as detailed in the accounting policies to the financial statements on page 78.

Capital Management Objectives and Policies

The objectives of the 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; and
- Manage capital in aggregate and at business level, ensuring that capital is only invested in businesses which deliver adequate returns.

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. The Group's capital includes the Group's equity stockholders' funds together with perpetual and dated subordinated securities with appropriate regulatory adjustments and deductions applied.

The Group in managing its capital uses as the basis for its capital management the capital adequacy requirements set by the Financial Regulator in Ireland which reflect the requirements as set out in the EU Capital Requirements Directive and its preceding directives. These requirements set a floor under which capital levels must not fall. The Group seeks to maintain sufficient capital to ensure that even under stressed conditions these requirements are not breached.

The Group also looks at other methodologies of capital measurement including the capital definitions set out by rating agencies. It also calculates economic capital based on its own internal models.

How the Capital Management Objectives are Met

The Group meets its objectives in terms of capital management through the holding of capital ratios above the minimum levels set by the Financial Regulator. The Group stress tests the capital held to ensure that under stressed conditions that it continues to comply with regulatory minima ratios. It also seeks to minimise refinancing risk by managing the maturity profile of non-equity capital. In addition the currency mix of capital is managed to ensure that the sensitivity of capital ratios to currency movements is minimised.

Capital strategy is integrated into the overall strategy of the Group reflecting its importance as a key enabler.

The Group has a portfolio approach to its businesses to ensure that optimum returns are targeted and earned with a focus on ensuring growth in value enhancing activities. New lending activity and transactions are subject to RAROC return criteria.

Capital Resources

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

	31 March 2008 €m	31 March 2007 €m
Stockholders' funds		
Equity (including other equity reserves)	6,477	6,717
Non-cumulative preference stock	7	7
Minority interests - equity	38	34
Undated loan capital	3,209	3,494
Dated loan capital	4,599	4,314
Total capital resources	14,330	14,566

In the year ended 31 March 2008 total Group capital resources decreased by €236 million to €14,330 million following retentions of €1,074 million, other net negative movements in equity of €1,314 million including changes in the cash flow hedge reserve (€247) million, the AFS reserve (€386) million, foreign exchange adjustments (€712) million, movement in the defined benefit pension schemes (€209) million offset by the issue or reissue of capital stock €194 million and other movements of €46 million.

As at 31 March 2008, the Group had €3,209 million of undated loan capital and €4,599 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 €3,832 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 20 May 2008 are as follows:

Senior Debt	
Moodys	Aa2
Standard & Poors	A+
Fitch	AA-
DBRS	AA

Depending on the degree of subordination, the ratings assigned to loan capital may be one or more notches below the level for senior debt. 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 20 May 2008 and may be changed, superseded or withdrawn as a result of changes in, or unavailability, of such information.

Capital Adequacy Requirements

The Group's capital management policy has been developed within the supervisory requirements of the Irish Financial Regulator.

The EU Capital Requirements Directive (CRD) which came into force from 1 January 2007 introduced significant amendments to the existing capital adequacy framework. The implementation of the CRD results in a more risk sensitive approach to the derivation of a bank's capital requirements.

The CRD is divided into three sections commonly referred to as Pillars. Pillar 1 introduced the Internal Ratings Based Approach (IRBA) which permits banks to use their own internal rating systems to calculate their capital requirements for credit risk. Use of the IRBA is subject to regulatory approval. Where credit portfolios are not subject to IRBA the calculation of the minimum capital requirements is subject to the Standardised Approach is a more granular approach to the calculation of risk weightings.

Under Pillar 2 of the CRD (Supervisory Review) banks undertake an Internal Capital Adequacy Assessment Process (ICAAP) which is then subject to supervisory review.

Pillar 3 of the CRD (Market Discipline) involves the disclosure of a range of qualitative and quantitative information relating to capital and risk. The Group will be disclosing this information in due course.

The CRD also introduced a requirement to calculate capital requirements, and to set capital aside, with respect to operational risk. The Group is also required to set capital aside for market risk.

During the financial year under review all externally imposed capital requirements were complied with.

End of information that forms an integral part of the audited financial statements.

Capital Adequacy Data

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

	31 March 2008 Basel II €m	31 March 2008 Basel I €m	31 March 2007* Basel I €m
Capital base			
Equity Tier 1			
Total equity	6,522	6,522	6,758
Regulatory adjustments retirement benefit obligations	807	807	590
Perpetual preferred securities	2,995	2,995	3,319
Available for sale reserve and cash flow hedge reserve	471	471	(162)
Intangible assets	(827)	(827)	(941)
Revaluation reserves to Tier 2	(173)	(173)	(647)
Other adjustments	(371)	(200)	15
Total Tier 1 capital	9,424	9,595	8,932
Tier 2			
Undated loan capital	229	229	294
Dated loan capital	4,115	4,115	3,995
IBNR provisions	114	159	134
Revaluation reserves	173	173	647
Other adjustments	(208)	(38)	(32)
Total Tier 2 capital	4,423	4,638	5,038
Total supervisory deductions	(816)	(973)	(1,019)
Total Capital	**13,031**	**13,260**	**12,951**
Banking book		122,351	109,968
Trading book		3,482	2,972
Credit risk	107,930		
Market risk	2,908		
Operational risk	6,123		
Total risk weighted assets	**116,961**	**125,833**	**112,940**
Equity Tier 1 Ratio	5.7%	5.3%	4.9%
Tier 1 Ratio	8.1%	7.6%	7.9%
Total Capital Ratio	11.1%	10.5%	11.5%

*After deducting proposed dividend - comparable with 31 March 2008 treatment

Basel I Tier 1 capital increased by €663 million reflecting €1,074 million in retained earnings and €400 million related to the embedded value securities transaction (transfer from Tier 2) offset by negative currency movements of €1,036 million (of which €712 million related to equity) and €225 million of net other movements.

Tier 2 capital benefited from the US$600 million of new Tier 2 capital raised offset by the transfer of €400 million to Tier 1 reflecting the embedded value securities transaction, negative exchange rate movements of €149 million and miscellaneous other movements of €230 million negative.

Capital resources are €229 million lower under Basel II than under Basel I primarily as a result of the deduction of expected losses that are in excess of accounting provisions and with collective provisions on transactions on IRB approach no longer included within Tier 2 capital. The only other amendment relates to the deduction of the first loss on securitisations equally from Tier 1 and Tier 2 as opposed to Total Capital.

Court of Directors

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., Cityjet Ltd, Rentokil Initial plc, Mey Icki San.ve Tic A.S. and Step Green Ltd. (Age 62)

2 **George Magan** *FCA* **◇ ○ * Deputy Governor**
Appointed to the Court in 2003. Senior Independent Director 2005 - 2006. Appointed Deputy Governor in October 2006. Chairman of Babcock & Brown Global Partners, Carlton Capital Partners, Mallett plc, 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 62)

Executive Directors

3 **Brian J Goggin** *MSc(Mgt), FCCA* **Group Chief Executive**
Joined Bank of Ireland in 1969. Subsequently held a variety of senior management positions within Bank of Ireland Group in the US, UK 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 – US Council and is a Global Counsellor of the Conference Board. (Age 56)

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 56)

5 **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 Group's Capital Markets Division in 2006, having held the position of Chief Executive, Wholesale Financial Services Division since 2003. He was CEO of Global Markets from 1999 to 2003 and Chief Operating Officer – International with Bank of Ireland Asset Management from 1993 to 1999. Appointed to the Court in 2006. (Age 54)

6 **Richie Boucher, Chief Executive, Retail Financial Services Ireland**
Joined the Bank of Ireland Group as Chief Executive, Corporate Banking from Royal Bank of Scotland in 2003. He was appointed Chief Executive, Retail Financial Services Ireland in 2005. Appointed to the Court in 2006. He was immediate past President of the Irish Banking Federation. He is President of The Institute of Bankers in Ireland and a member of the boards of Bank of Ireland Private Banking, Bank of Ireland Life, Bank of Ireland Mortgage Bank and ICS Building Society. (Age 49)

7 **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 before being appointed Chief Executive, Retail Banking and Distribution and joining the Group Executive Committee in 2000. In 2004 he was appointed Chief Executive, Retail Financial Services and Chief Executive, UK Financial Services in 2006. Appointed to the Court in 2006. He is a Director of Bristol & West plc, Post Office Financial Services and First Rate Exchange Services, our joint ventures with the UK Post Office and a member of the British Bankers Association Retail Committee. (Age 48)

Non-Executive Directors

8 **David Dilger**, *CBE, BA, FCA* ⬟ ○ ◇
Appointed to the Court in 2003. Appointed Senior Independent Director in September 2007. David recently retired as Chief Executive Officer of Greencore Group plc, a position he held since 1995. He was 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 former director of Enterprise Ireland. Director of IBEC. (Age 51)

9 **Heather Ann McSharry** *B Comm MBS* ○ *
Appointed to the Court in July 2007. General Manager of Reckitt Benckiser in Ireland, a leading global household, health and personal care company, having previously been Managing Director of Boots Healthcare Limited in Ireland. Director of Enterprise Ireland, of the Irish Pharmaceutical Healthcare Association and is a member of the Governing Authority of UCD. (Age 47)

10 **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, and a number of other companies. Chairman of the Mater Hospital Foundation and of UCD Law School Development Council. (Age 62)

11 **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, Camerata Ireland. (Age 62)

12 **Paul Haran** *MSc, BSc* △ ○ #
Appointed to the Court in 2005. Chairman of the National Qualifications Authority of Ireland, of Edward Dillon & Company and of UCD Michael Smurfit Graduate Business School and Principal, UCD College of Business & Law. A member of the Forum of the Economic and Social Research Institute, the Irish Taxation Institute and the Road Safety Authority. 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 50)

13 **Dennis Holt** *BA, ACIB* △ ◇
Appointed to the Court in 2006. Based in the UK, Dennis is former Group Chief Executive Officer of AXA UK plc and a member of Axa's Global Executive Committee from 2001 to 2006 where he also served as Chairman of AXA Ireland Ltd. Prior to 2001 he served for over 30 years with Lloyds TSB, latterly as the Main Board Executive Director responsible for the UK Retail Bank. Chairman of Liverpool Victoria Friendly Society Ltd and Non Executive Director of Automobile Association Insurance Services Ltd and British Islamic Insurance Holdings Ltd. (Age 59)

14 **Rose Hynes** *BCL, AITI, Solr* △
Appointed to the Court in July 2007. Director of Bank of Ireland Mortgage Bank and Total Produce plc, where she is its senior independent Director and chairs its Remuneration Committee. Also a Director of Bord Gais Eireann, Shannon Airport Authority plc and a number of other companies. Previously held senior management positions in GPA Group plc including General Counsel and Head of Commercial and is also a former director of Fyffes plc, Northern Ireland Water Ltd and Aer Lingus. (Age 50)

15 **Jerome Kennedy** *FCA* △
Appointed to the Court in July 2007. Director of Bank of Ireland Life Holdings plc, New Ireland Assurance Company plc and Total Produce plc, where he chairs the Audit Committees. Chairman of Caulfield McCarthy Group Retail and a member of the Irish Board of the UCD Michael Smurfit Graduate Business School. He was Managing Partner with KPMG Ireland for three terms between 1995 and 2004 and is a Chartered Accountant by profession. (Age 59)

⬟ 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

Report of the Directors

The Directors present their report and financial statements for the year ended 31 March 2008.

Results

The Group profit attributable to the stockholders was €1,685 million after non-cumulative preference stock dividends of €14 million. The reported profit for the period amounted to €1,704 million as set out in the consolidated income statement on page 71.

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 2008 to be paid on 23 July 2008 to stockholders on the Register at the close of business on 30 May 2008. The recommended final dividend together with the interim dividend of 24.2 cent per unit of €0.64 ordinary stock paid in January 2008 results in a total dividend of 63.6 cent for the year ended 31 March 2008 and compares with a total of 60.4 cent for the previous year. If approved by stockholders, this would amount to €626 million (31 March 2007: €577 million).

Group activities

The Bank and its Group undertakings (the Group) provide an extensive range of banking and other financial services. The Governor's Statement, the Group Chief Executive's Review and the Operating and Financial Review on pages 2 to 3, pages 4 to 9 and pages 10 to 26 respectively, describe the operations and the development of the Group. Additional disclosures required by the International Financial Reporting Standards and the Fair Value Regulations are contained in the Operating and Financial Review and in the financial statements and notes thereto.

Principal risks and uncertainties

Information concerning the principal risks and uncertainties facing the Group is set out in the Risk Management section of the Business Review.

Capital stock and subordinated liabilities

1,025,549,226 units of ordinary stock, of nominal value of €0.64 each, were in issue at 1 April 2007 of which 70,192,621 were held in treasury stock. During the year the Bank issued units of ordinary stock under staff stock schemes; it also reissued treasury stock under staff stock schemes and under the stock alternative scheme. As at 31 March 2008, the Bank had 1,026,217,250 units of ordinary stock of €0.64 each of which 45,734,778 were held in treasury stock.

The authorities granted at the Annual General Court in July 2007 to purchase up to 98,000,000 units of the Bank's ordinary stock, up to 1,876,090 units of the Bank's Sterling preference stock and up to 3,026,598 units of the Bank's euro preference stock have not been exercised.

Full details of the changes during the year in the capital stock and subordinated liabilities are displayed in note 39 and note 33.

Takeover Bids Regulations

The European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 implement the Takeovers Directive in Ireland and require the Bank to make certain additional disclosures. The required disclosures are set out in a Schedule to the Report of the Directors on pages 48 and 49.

Directors

The names of the members of the Court of Directors as at 31 March 2008 together with a short biographical note on each Director appear on pages 44 to 45.

Rose Hynes, Jerome Kennedy and Heather Ann McSharry were elected to the Court with effect from 17 July 2007. Richard Burrows, David Dilger, George Magan, Declan McCourt and John O'Donovan, retire at the 2008 Annual General Court and, being eligible, offer themselves for re-election.

Directors' interests

The interests of the Directors and Secretary, in office at 31 March 2008 and of their spouses and minor children, in the stock issued by the Bank are shown in the Remuneration Report on pages 50 to 58.

In relation to the Group's business, no contracts of significance to the Group in which the Directors of the Bank had any interest, existed at any time during the year ended 31 March 2008 except as described in note 50.

Substantial stockholdings

There were 79,603 registered holders of the ordinary stock of the Bank at 31 March 2008. An analysis of these holdings is shown on page 179.

As at 14 May 2008, the Bank had received notification of the following substantial interests in its issued ordinary stock:

Name	%
Harris Associates LP *	4.29
Bank of Ireland Asset Management Limited *	3.38
UBS Global Asset Management - Trad *	3.37

* 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 59 to 64.

The Remuneration Report is set out on pages 50 to 58.

Environment

The facilitation of a clean environment and effective environmental protection is a fundamental aspect of good business operations. The Group recognises that its business activities have an impact on the environment, both globally and locally, and 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.com.

Political donations

The Directors, on enquiry, have satisfied themselves that there were no political donations which require disclosure under the Electoral Act 1997, as amended.

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 UK, France, Germany and the US.

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 financial statements.

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

20 May 2008

Schedule to the Report of the Directors

Information required under the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006

As required by these Regulations, the information contained below represents the position at 31 March 2008.

- The structure of the Bank's capital is set out in note 39 to the consolidated financial statements. The percentage of the total capital stock represented by each class and details regarding the rights and obligations attaching to the classes of stock are set out at note 1 below.
- Save in certain limited circumstances set out in the bye-laws, there are no restrictions imposed by the Bank on the transfer of stock, nor are there any requirements to obtain the approval of other stockholders for a transfer of stock. A copy of the bye-laws may be found on www.bankofireland.com or on request to the Group Secretary.
- Details of significant shareholdings may be found on page 47.
- Other than the rights set out in note 1 below, there are no special rights with regard to control of the Bank.
- There are no unusual restrictions on voting rights. Deadlines for exercising voting rights are specified in note 1 of this schedule.
- There are no arrangements between stockholders, known to the Bank, which may result in restrictions on the transfer of securities or voting rights.
- The rules concerning the appointment and replacement of the directors and amendment of the Bank's bye-laws are set out in note 2 of this schedule.
- Details of the powers of the Bank's directors, including powers in relation to issuing or buying back by the Bank of its shares are set out in note 3 of this schedule.
- There are a number of agreements that take effect, alter or terminate upon a change of control of the Bank following a takeover. None of these are deemed to be significant in terms of their potential impact on the business of the Group as a whole.
- There are no agreements between the Bank and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occur because of a bid. There are however provisions for early maturity of employee stock schemes in the event of a change of control.

Note 1 - Percentage of the Bank's capital represented by class of stock and rights and obligations attaching to the classes of stock

The ordinary stock represents 68% of the authorised capital stock and 99% of the issued capital stock. The preference stock represents 32% of the authorised capital stock and 1% of the issued capital stock.

(a) Ordinary stock

Dividend rights
Under Irish law, and under the bye-laws of the Bank, dividends are payable on the ordinary stock of the Bank only out of profits available for distribution. Holders of the ordinary stock of the Bank are entitled to receive such dividends as may be declared by the stockholders in General Court, provided that the dividend cannot exceed the amount recommended by the Directors. The Bank must pay stockholders such interim dividends as appear to the Directors to be justified by the profits of the Bank. Any dividend which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

Voting rights
Voting at any General Court is by a show of hands or by poll. On a show of hands, every stockholder who is present in person or by proxy has one vote regardless of the number of units of stock held by him. On a poll, every stockholder who is present in person or by proxy has one vote for every unit of ordinary stock of €0.64 each. A poll may be demanded by the chairman of the meeting or by at least nine members of the Bank present in person or by proxy and entitled to vote on a poll. The necessary quorum for a General Court is 10 persons present in person or by proxy and entitled to vote.

All business is considered to be special business if it is transacted at an Extraordinary General Court as is all business transacted at an Annual General Court other than the declaration of a dividend, the consideration of the financial statements, the balance sheet and reports of the Directors and Auditors, the election of Directors in the place of those retiring, the re-appointment of the retiring Auditors, and the determination of the remuneration of the Auditors, all of which is deemed ordinary business, Special business is dealt with by way of a special resolution, which must be passed by not less than three fourths of the votes cast by such members as being entitled so to do, vote in person or, where proxies are allowed, by proxy at a General Court at which not less than 21 days' notice specifying the intention to propose a resolution as a special resolution has been duly given. Ordinary business is dealt with by way of an ordinary resolution which requires a simple majority of the votes cast by the members voting in person or by proxy at a General Court. Where an equal number of votes have been cast on any resolution the chairman of the meeting is entitled to a second or casting vote.

Liquidation rights
In the event of any surplus arising on the occasion of the liquidation of the Bank, the ordinary stockholders would be entitled to a share in that surplus pro rata to their holdings of ordinary stock.

(b) Preference stock
The capital of the Bank is divided into ordinary stock and non-cumulative Dollar preference stock, non-cumulative Sterling preference stock and non-cumulative euro preference stock. At 31 March 2008, there was no non-cumulative Dollar preference stock in issue. Any non-cumulative Dollar preference stock issued will rank equivalently to the existing euro or Sterling preference stock as regards entitlements to dividends. The holders of non-cumulative Sterling and euro preference stock are entitled to a fixed annual dividend in accordance with the terms and conditions relating to the issue of the preference stock. Any dividend which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

The non-cumulative Sterling preference stock and the non-cumulative euro preference stock ranks pari passu inter se and the right to a fixed dividend is in priority to the dividend rights of ordinary stock in the capital of the Bank. On a winding-up or other return of capital by the Bank, the non-cumulative Sterling preference stockholders and the non-cumulative euro preference stockholders are entitled to receive, out of the surplus assets available for distribution to the Bank's members, an amount equal to the amount paid up on their preference stock including any preference dividend outstanding at the date of the commencement of the winding-up or other return of capital. Otherwise the preference stockholders are not entitled to any further or other right of participation in the assets of the Bank.

Bye-law 7 enables the Directors to issue and allot new preference stock (the 2005 Preference Stock) which can be either redeemable or non-redeemable, and can be denominated in US dollars, in euro or in Sterling. Any preference stock issued under bye-law 7 will rank equivalently to the existing euro and Sterling preference stock as regards entitlements to dividend. Bye-law 7 permits the substitution of all of the outstanding preferred securities in the event of the occurrence of a trigger event. A trigger event will occur when the capital adequacy requirements of the Financial Regulator have been, or are expected to be, breached.

Variation of class rights

The rights attached to the ordinary stock of the Bank may be varied or abrogated, either while the Bank is a going concern or during or in contemplation of a winding-up, with the sanction of a resolution passed at a class meeting of the holders of the ordinary stock. Similarly, the rights, privileges, limitations or restrictions attached to the preference stock may be varied, altered or abrogated, either while the Bank is a going concern or during or in contemplation of winding-up, with the written consent of the holders of not less than 75% of such class of stock or with the sanction of a resolution passed at a class meeting at which the holders of 75% in nominal value of those in attendance vote in favour of the resolution.

Note 2 - Rules concerning the appointment and replacement of the directors and amendment of the Bank's bye-laws

All Directors appointed between Annual General Courts are submitted to stockholders for election at the first Annual General Court following their co-option and for re-election at intervals of no more than three years, thereafter. In proposing the election or re-election of any individual Director to the Annual General Court, the reasons why the Court believes that the individual should be elected or re-elected are provided in the Governor's Letter to stockholders.

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.

Rules concerning amendment of the Bank's bye-laws

The Bank's bye-laws may be amended by special resolution passed at an Annual General Court or Extraordinary General Court. An Annual General Court and a Court called for the passing of a special resolution shall be called on 21 days' notice in writing at the least. Special resolutions must be approved by not less than three-fourths of the votes cast by stockholders entitled to vote in person or by proxy. No business may be transacted at any General Court unless a quorum of members is present at the time when the Court proceeds to business. Ten persons present in person or by proxy and entitled to vote shall constitute a quorum.

Note 3 - Powers of Directors including powers in relation to issuing or buying back by the company of its shares

Under its bye-laws, the business of the Bank shall be managed by the Directors, who exercise all powers of the Bank as are not, by the Charter, the Banks Acts or the bye-laws, required to be exercised by the Bank in General Court. The Directors may exercise all the borrowing powers of the Bank and may give security in connection therewith. These borrowing powers may be amended or restricted only by the stockholders in General Court.

The members of the Bank in General Court may at any time and from time to time by resolution enlarge the capital stock of the Bank by such amount as they think proper. Whenever the capital stock of the Bank is so enlarged, the Directors may, subject to various provisions of the bye-laws, issue stock to such amount not exceeding the amount of such enlargement as they think proper. All ordinary stock so issued shall rank in equal priority with existing ordinary stock.

Subject to the Companies Acts, to any rights conferred on any class of stock in the Bank and to the bye-laws, the Bank may purchase any of its stock of any class (including any redeemable stock) and may cancel any stock so purchased. The Bank may hold such stock as treasury stock, in accordance with Section 209 of the Companies Act, 1990 (the treasury stock) with liberty to re-issue any such treasury stock on such terms and conditions and in such manner as the Directors may from time to time determine. The Bank shall not make market purchases of its own stock unless such purchases shall have been authorised by a special resolution passed by the members of the Bank at a General Court (a Section 215 Resolution).

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 financial goals and required leadership behaviours. In the year ended 31 March 2008, the Group's actual year on year underlying earnings per share growth and the achievement of cost savings under the Strategic Transformation Programme were the key financial goals. 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. As the programme was completed satisfactorily no deferral applied to bonuses earned (in the year ended 31 March 2008) and deferred bonuses earned in previous years are now released.

- **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 39 on pages 150 and 151 conditional awards have been made to the Executive Directors as set out in the table on pages 55 and 56.

- **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 39 on pages 150 and 151).

- **Employee Stock Issue Scheme -** The Bank operates an Employee Stock Issue Scheme under which the Court of Directors may set aside an element of Group profit before taxation for allocation to the trustees of the scheme to enable them to acquire units of ordinary stock on behalf of the scheme participants. The amount set aside is related to overall Group performance (see also note 39 on pages 148 and 149). 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 pages 54 and 55 (see also note 39 on page 149).

- **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 a Director's 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). Having reviewed market responses to this development and having taken actuarial advice, 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 income statement 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.

The information set out below up to where indicated on page 58 forms an integral part of the audited financial statements as detailed in the accounting policies to the financial statements on page 78.

Directors' remuneration for the year ended 31 March 2008 (all figures in €'000's)

	Salary (1)	Fees (2)	Performance bonus (3)	Release of deferred bonuses (4)	Other remuneration (5)	Pension contributions (6)	Total 2007 / 2008	Total 2006 / 2007
Governor								
R Burrows	512						512	483
Deputy Governor								
G Magan	164						164	128
Executive Directors								
R Boucher	550		137	398	265	107	1,457	* 1,015
D Crowley	589		194	404	542	(103)	1,626	* 1,133
D Donovan	625		250	452	491	(114)	1,704	* 1,246
B J Goggin	1,155		323	841	1,025	(372)	2,972	3,998
J O'Donovan	525		173	350	400	18	1,466	1,581
Non–Executive Directors								
D Dilger		115					115	94
P Haran		122					122	104
D Holt		102					102	* 48
R Hynes * (appointed 17 July 2007)		+82					82	-
J Kennedy * (appointed 17 July 2007)		+94					94	-
D McCourt		128					128	115
H A McSharry * (appointed 17 July 2007)		69					69	-
C Marland * (retired 17 July 2007)		38					38	98
T Moran * (retired 17 July 2007)		33					33	94
T Neill		117					117	100
Totals	**4,120**	**900**	**1,077**	**2,445**	**2,723**	**(464)**	**10,801**	**10,237**
Ex-gratia payments paid to former Directors / dependants							**440**	**424**

* *From date of appointment or to date of retirement as a Director, as indicated.*
\+ *Includes fees paid in respect of services as Directors of subsidiary companies (R Hynes €18,000, J Kennedy €34,000)*

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 €84,000 per annum 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 for the financial year. Under the rules of the performance related bonus scheme, 25% of any bonus awarded is deferred until the successful completion of the Strategic Transformation Programme in March 2009 or earlier. As the Strategic Transformation Programme has been successfully completed in March 2008, no element of the 2007 / 2008 bonus award has been deferred for payment.

(4) This represents the release of deferred bonuses earned in previous years, together with accrued interest, following completion of the Strategic Transformation Programme which achieved annualised savings of €145 million.

(5) Executives whose contractual pension promise would exceed the pensions 'cap' introduced in the Finance Act 2006 have elected for the option of a taxable cash allowance in lieu of pension foregone.

The figures shown also include car allowance, the benefit of any loans at staff rates and the value of awards under the Employee Stock Issue Scheme.

(6) In the case of B J Goggin, D Crowley and D Donovan their pension accrual is now 'capped' at the increase in thresholds set out in the Finance Act each year, and as a result, a clawback of previously funded benefits arises on an annual basis.

All pension amounts at (5) and (6) have been determined by Watson Wyatt, the Group's actuary, and approved by the Group Remuneration Committee.

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 ended 31 March 2008 are set out in the table below:

	Date of grant	Earliest exercise date	Expiry date	Exercise price €	Options at 1 April 2007 or date of appointment if later	Granted in year	Exercised in year	Market price at exercise date €	Options at 31 March 2008
R Boucher	8 Dec 2003	8 Dec 2006	8 Dec 2013	10.54	20,000		20,000	10.65	-
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	26,000				26,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	23,000				23,000
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	30,500				30,500
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45		33,950			33,950
Total					**99,500**	**33,950**	**20,000**		**113,450**
D Crowley	13 Jul 1999	13 Jul 2002	13 Jul 2009	8.93	20,000		20,000	10.06	-
	21 May 2001	21 May 2004	21 May 2011	11.05	25,000				25,000
	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.50	25,000				25,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000				50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	35,000				35,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	32,500				32,500
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	30,500				30,500
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45		33,950			33,950
Total					**218,000**	**33,950**	**20,000**		**231,950**
D Donovan	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.50	30,000				30,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000				50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	35,000				35,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	32,500				32,500
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	30,500				30,500
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45		33,950			33,950
Total					**178,000**	**33,950**			**211,950**
B J Goggin	13 Jul 1999	13 Jul 2002	13 Jul 2009	8.93	20,000		20,000	13.30	-
	21 May 2001	21 May 2004	21 May 2011	11.05	25,000		25,000	13.30	-
	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.50	25,000				25,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000				50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	92,000				92,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	77,500				77,500
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	78,500				78,500
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45		74,750			74,750
Total					**368,000**	**74,750**	**45,000**		**397,750**
J O'Donovan	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.50	25,000				25,000
	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	50,000				50,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	35,000				35,000
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	32,500				32,500
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	30,500				30,500
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45		33,950			33,950
Total					**173,000**	**33,950**			**206,950**
Secretary	24 Jun 2002	24 Jun 2005	24 Jun 2012	12.50	10,000				10,000
J Clifford	18 Jun 2003	18 Jun 2006	18 Jun 2013	10.77	20,000				20,000
	26 Jul 2004	26 Jul 2007	26 Jul 2014	10.76	21,500				21,500
	21 Jun 2005	21 Jun 2008	21 Jun 2015	12.85	13,000				13,000
	4 Jul 2006	4 Jul 2009	4 Jul 2016	14.00	18,700				18,700
	12 Jun 2007	12 Jun 2010	12 Jun 2017	15.45		13,950			13,950
Total					**83,200**	**13,950**			**97,150**

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 July 2004, under the 2004 Executive Stock Option Scheme, was met in July 2007 and the options became capable of exercise from that date.

The market price of ordinary stock at 31 March 2008 was €9.42 (31 March 2007: €16.15).

(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, the five year scheme matured in May 2005 and the seven year scheme matured in May 2007.

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 2008
Directors:						
B J Goggin	4,261	6.07	4,261	2 May 2007	16.45	-

(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 and the five year scheme will mature in February 2009.

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 2008
Directors:						
J O'Donovan	2,653	10.60				2,653

(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.

Name	Sharesave options granted at 22 December 2006	Market value at date of grant €	Sharesave options held at 31 March 2008
Directors:			
B J Goggin	301	17.33	301
R Boucher	301	17.33	301
Secretary:			
J Clifford	301	17.33	301

(e) Sharesave Scheme options 2007

Under the terms of the Sharesave Scheme offered in 2007, options were granted to all eligible Group employees, who elected to participate, on 24 December 2007 at an option price of €6.96 in Ireland and €7.43 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 2007 Sharesave offer, participants could save for three years.

Name	Sharesave options granted at 24 December 2007	Market value at date of grant €	Sharesave options held at 31 March 2008
Directors:			
B J Goggin	531	10.11	531
D Crowley	574	10.11	574

(f) 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 39 on page 150). 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 July 2004, under the LTIP, were met in July 2007 and 40.25% of awards granted under the scheme vested in participants (29.82% vested in the Group Chief Executive). The percentage vesting levels were established in line with the rules of the plan. The conditional awards of units of ordinary stock made to date to the Executive Directors and the Group Secretary are as follows:

	Date of award	No. of shares conditionally held at 1 April 2007	Conditionally awarded in the year*	Vested in the year	Retained in scheme **	Lapsed in the year	Potential interest in shares at 31 March 2008	Original maturity date	Maturity date **
R Boucher	26 Jul 2004	18,500		7,446		11,054		26 Jul 2007	
	21 Jun 2005	16,000					16,000	21 Jun 2008	
	4 Jul 2006	30,500					30,500	4 Jul 2009	
	12 Jun 2007		33,950				33,950	12 Jun 2010	
	Total	65,000	33,950	7,446		11,054	80,450		
D Crowley	13 Jul 1999				6,158		7,697	13 Jul 2002	13 Jul 2009
	25 May 2000				13,079		16,348	25 May 2003	25 May 2010
	21 May 2001				9,496		11,869	21 May 2004	21 May 2011
	24 Jun 2002				7,070		8,837	24 Jun 2005	24 Jun 2012
	26 Jul 2004	35,000		14,088		20,912		26 Jul 2007	
	21 Jun 2005	32,500					32,500	21 Jun 2008	
	4 Jul 2006	30,500					30,500	4 Jul 2009	
	12 Jun 2007		33,950				33,950	12 Jun 2010	
	Total	98,000	33,950	14,088	35,803	20,912	141,701		
D Donovan	13 Jul 1999				7,544		9,430	13 Jul 2002	13 Jul 2009
	25 May 2000				11,494		14,367	25 May 2003	25 May 2010
	21 May 2001				7,067		8,833	21 May 2004	21 May 2011
	24 Jun 2002				4,714		5,892	24 Jun 2005	24 Jun 2012
	26 Jul 2004	35,000		14,088		20,912		26 Jul 2007	
	21 Jun 2005	32,500					32,500	21 Jun 2008	
	4 Jul 2006	30,500					30,500	4 Jul 2009	
	12 Jun 2007		33,950				33,950	12 Jun 2010	
	Total	98,000	33,950	14,088	30,819	20,912	135,472		

(f) LTIP (continued)

	Date of award	No. of shares conditionally held at 1 April 2007	Conditionally awarded in the year*	Vested in the year	Retained in scheme **	Lapsed in the year	Potential interest in shares at 31 March 2008	Original maturity date	Maturity date **
B J Goggin	13 Jul 1999				9,221		11,526	13 Jul 2002	13 Jul 2009
	25 May 2000				16,249		20,311	25 May 2003	25 May 2010
	21 May 2001				10,379		12,973	21 May 2004	21 May 2011
	24 Jun 2002				8,258		10,322	24 Jun 2005	24 Jun 2012
	26 Jul 2004	139,000		41,450		97,550		26 Jul 2007	
	21 Jun 2005	116,500					116,500	21 Jun 2008	
	4 Jul 2006	117,850					117,850	4 Jul 2009	
	12 Jun 2007		112,100				112,100	12 Jun 2010	
	Total	373,350	112,100	41,450	44,107	97,550	401,582		
J O'Donovan	24 Jun 2002				6,034		7,542	24 Jun 2005	24 Jun 2012
	26 Jul 2004	35,000		14,088		20,912		26 Jul 2007	
	21 Jun 2005	32,500					32,500	21 Jun 2008	
	4 Jul 2006	30,500					30,500	4 Jul 2009	
	12 Jun 2007		33,950				33,950	12 Jun 2010	
	Total	98,000	33,950	14,088	6,034	20,912	104,492		
Secretary									
J Clifford	13 Jul 1999				7,648		9,559	13 Jul 2002	13 Jul 2009
	25 May 2000				12,271		15,339	25 May 2003	25 May 2010
	21 May 2001				5,764		7,204	21 May 2004	21 May 2011
	24 Jun 2002				3,422		4,277	24 Jun 2005	24 Jun 2012
	26 Jul 2004	15,000		6,038		8,962		26 Jul 2007	
	21 Jun 2005	9,500					9,500	21 Jun 2008	
	4 Jul 2006	18,700					18,700	4 Jul 2009	
	12 Jun 2007		9,600				9,600	12 Jun 2010	
	Total	43,200	9,600	6,038	29,105	8,962	74,179		

* *Market price at date of award €15.45*

** *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.*

As performance conditions relating to awards made under the 2003 LTPSP were not met, details of these awards have not been included as all awards lapsed in 2006.

Directors' pension entitlements

Set out below are details of the pension benefits earned by the Directors during the year ended 31 March 2008.

	(a) Additional pension earned in the year €	(b) Increase / decrease in transfer value €	(c) Accrued pension entitlement at 31 March 2008 €
Executive Directors			
R Boucher	19,854	265,901	156,802
D Crowley	2,347	17,571	273,575
D Donovan	2,326	44,345	271,192
B J Goggin	5,634	87,575	656,672
J O'Donovan	10,924	142,815	221,571

Column (a) above is the increase in pension built up during the period. Increases 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 ASP PEN-2, and is based on 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 2008.

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 under the LTPSP and LTIP as set out above, the interests of the Directors and Secretary in office at 31 March 2008, 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	
	As at 31 March 2008 beneficial	**As at 1 April 2007 beneficial**
DIRECTORS		
R Boucher	30,312	1,923
R Burrows	324,219	100,443
D Crowley	128,915	93,187
D Dilger	2,998	2,998
D Donovan	140,377	99,721
B J Goggin	600,260	427,327
P Haran	2,407	2,407
D Holt	10,284	3,031
R Hynes +	25,000	11,600 *
J Kennedy	3,062	3,000 *
D McCourt	50,674	25,674
H A McSharry	7,604	5,000 *
G Magan	70,000	1,898
T Neill	94,300	94,300
J O'Donovan	95,511	76,044
SECRETARY		
J Clifford	135,399	127,945

** as at date of appointment*
+ held as American Depository Receipts (ADR's). One ADR equates to four units of ordinary stock.

There have been no changes in the stockholdings of the above Directors and Secretary between 31 March 2008 and 20 May 2008, except in the case of R Burrows whose holding increased by 3,868 units of ordinary stock arising from an inheritance.

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 stock of the Bank or its Group undertakings at 31 March 2008.

End of information that forms an integral part of the audited financial statements.

Changes in the Directorate during the year

	Executive Director	**Non-Executive Directors and Officers**
Number at 31 March 2007	5	9
Changes during year		
- C Marland (retired 17 July 2007)		
- T Moran (retired 17 July 2007)		
+ R Hynes (appointed 17 July 2007)		
+ J Kennedy (appointed 17 July 2007)		
+ H A McSharry (appointed 17 July 2007)		
Number at 31 March 2008	5	10
Average number during 2007 / 2008 (2006 / 2007)	5 (3.5)	9.7 (9.9)

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 stockholder 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 the year ended 31 March 2008.

The Court of Directors

At 31 March 2008, the Court consisted of 15 Directors, ten of whom were Non-Executive Directors. It held seven scheduled and two additional unscheduled meetings during 2007 / 2008. Agendas and papers are circulated prior to each meeting to provide the Directors with relevant information to enable them to fully 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; and
- 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 62. The terms of reference of the Committees are reviewed annually by the relevant Committees and by the Court and are available on the Bank's website (www.bankofireland.com) or by request to the Group Secretary. The Non-Executive Directors meet at least once annually without the Executive Directors present.

The Bank has put in place 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 holds delegated authority from the Court for the day to day management of the business.

David Dilger was appointed Senior Independent Director on 12 September 2007 in succession to Caroline Marland.

Board Balance and Independence

Each of the Non-Executive Directors brings 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.

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 appointments of Rose Hynes, Jerome Kennedy and Heather Ann McSharry as Non-Executive Directors.

All newly appointed Directors are provided with a comprehensive letter of appointment detailing their responsibilities as Directors, the terms of their appointments 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 a new Non-Executive Director. On an ongoing basis briefings 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 appointed between Annual General Courts are submitted to stockholders for election at the first Annual General Court following their appointment and for re-election at intervals of not more than three years thereafter.

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, Richard Burrows, David Dilger, George Magan, Declan McCourt and John O'Donovan 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 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 Remuneration Report, incorporating the responsibilities of the Group Remuneration Committee, is set out on pages 50 to 58.

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.com) or by request to the Group Secretary. The Group's long term incentive schemes have been approved by stockholders.

Accountability and Audit

The Report of the Directors, including a going concern statement, is on pages 46 and 47.

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 put in place a comprehensive framework 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 Risk Management section on pages 27 to 43.
- 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; and
- a semi annual detailed operational risk assessment by all Group businesses with reports to Divisional Management on the effectiveness of their risk management systems. Heads of business units are required to certify the accuracy of the self assessment and the results arising from this process are noted by the Group Risk Policy Committee.

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

The Directors confirm that the Court, through its Committees, has reviewed the effectiveness of the Group's systems of internal control for the year ended 31 March 2008. 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 financial statements. It also involved an assessment of the ongoing 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 and rather than designating any individual as having recent and relevant financial experience, the Court has determined that the Committee members' collective skills enable it to discharge its responsibilities. The Group Audit Committee 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;
- assessment of 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 2008

Name	Court		Group Audit Committee		Group Nomination & Governance Committee		Group Remuneration Committee		
	A	B	A	B	A	B	A	B	
Richie Boucher	7	7	-	-	-	-	-	-	
Richard Burrows	7	7	-	-	3	3	5	5	
Des Crowley	7	7	-	-	-	-	-	-	
David Dilger	7	7	3	3	3	3	4	4	Retired from Audit Committee 11 September 2007. Appointed to Remuneration Committee and Nominations and Governance Committee 11 September 2007
Denis Donovan	7	7	-	-	-	-	-	-	
Brian J Goggin	7	7	-	-	-	-	-	-	
Paul Haran	7	7	2	2	3	3	-	-	Appointed to the Audit Committee 11 September 2007
Dennis Holt	7	7	5	5	-	-	5	5	
Rose Hynes	5	5	2	2	-	-	-	-	Elected to Court 17 July 2007. Appointed to Audit Committee 11 September 2007
Jerome Kennedy	5	5	2	2	-	-	-	-	Elected to Court 17 July 2007. Appointed to Audit Committee 11 September 2007
Declan McCourt	7	6	5	5	-	-	1	1	Retired from Remuneration Committee 11 September 2007
Heather Ann McSharry	5	5	-	-	1	1	-	-	Elected to Court 17 July 2007. Appointed to Nominations and Governance Committee 11 September 2007
George Magan	7	6	-	-	3	3	5	4	
Caroline Marland	2	2	-	-	1	1	-	-	Retired 17 July 2007
Tom Moran	2	2	3	3	1	1	-	-	Retired 17 July 2007
Terry Neill	7	7	5	5	-	-	5	5	
John O'Donovan	7	7	-	-	-	-	-	-	

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 for its approval. It is also responsible for monitoring the implementation of such proposals and ensuring satisfactory delivery of expected benefits.

Membership of the above committees at 31 March 2008 was as follows:

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

Group Investment Committee
Brian J Goggin * (Chairman)
Richie Boucher *
Christine Brennan
John Clifford
Des Crowley *
Denis Donovan *
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.com) 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 Group 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 2007 / 2008.

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 voting was conducted electronically by way of poll at the Annual General Court in July 2007. The votes for, against and abstaining, on each resolution, including proxies, were immediately provided to those in attendance and were posted on the Group's website following the meeting. 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

Corporate Responsibility

In Bank of Ireland Group, we recognise the importance of long term commitment, cooperation, trust and integrity in the conduct of sustainable relationships with groups of people who have a key stakeholding interest in our business. In addition to our stockholders these include customers, employees, investors, regulators and business partners. We also recognise a wider responsibility towards the communities in which we do business, and the environment in which we operate.

Since formalising our approach to Corporate Responsibility in 2003, the Group has received considerable independent external recognition of its programme including ongoing membership of the FTSE4Good index – a listing of companies that manage their social, ethical and environmental impacts.

In this, our fifth successive Corporate Responsibility report, we give an insight into some of the activity taking place throughout the Group that demonstrates our commitment to the principles of being a good corporate citizen.

Playing our part in the Community

Give Together

In last year's report, we gave details about **Give Together** our new community investment initiative launched in 2007. **Give Together** is based on the strong ethos of volunteering by our employees and facilitates those who wish to volunteer their time and support causes that are important to them. Through **Give Together**, Bank of Ireland provides one day of paid leave to each employee each year to volunteer their time to a cause of their choice. We have also put in place an annual fund to allow the Bank to contribute to employee fundraising and support their volunteering.

Since the launch of **Give Together** in March 2007, employees have truly embraced the opportunity to reach out to their communities and support the causes they hold dear. In the last year over 1,800 employees have participated in fundraising activities and a further 1,000 have used their volunteer days – the equivalent of almost 4 years of paid work hours given to their communities and chosen charities in time. In addition, the funds raised by employees with the help of Give Together, has amounted to €4.5 million.

To date over 800 charitable / community groups have benefited from **Give Together** across a wide range of different causes in the different markets in which the Group operates.

Breakdown by Cause	
Animal Care	3%
Arts	1%
Children's Needs	15%
Community	12%
Education	9%
Homelessness	3%
Hospital & Hospice	15%
Nature Preservation	1%
Scientific Research	9%
Scouts / Girl Guides	2%
Special Olympics	3%
Sport	8%
Support Groups	11%
Third World Support	8%

We also provide extensive information about volunteering and promote volunteering opportunities on our employee intranet, which we receive from the community and charitable sector. This facilitates the participation of employees who might not have a personal favourite charity or those who are looking to make a contribution.

"It's the whole promotion of the scheme that anyone with a slight inclination to volunteer might be more encouraged…. there is a structure there, clearly highlighting the bank's support of volunteering in the community"

Extract of employee research 2007, conducted to ascertain views on Give Together

Millennium Scholars Trust

This is the penultimate year of scholarships being awarded by the Bank of Ireland Millennium Scholars Trust. Since it started in 2000, almost 500 scholarships have been granted to students who otherwise may not have been able to fulfill their potential or personal goals by attending third level education. For the final two years of the Trust, the number of scholarships on offer has been increased to 100 each year so that even more students will be able to participate. Commenting on the importance of the Millennium Scholars Trust at the Annual Awards Event, the former Irish Minister For Education & Science, Mary Hanafin T.D. stressed the importance of widening access to third level education and highlighted the positive impact that increased investment, resources and partnerships has had on higher education.

Withywood

Bank of Ireland UK continues with its support of an Academy in Withywood – a disadvantaged area in South Bristol. In addition to the initial donation of £200,000, a voluntary scheme was launched for local Temple Quay staff in Bristol to help students to design and deliver the 'Preparation for Working Life' part of their syllabus. Since October 2007, three new work streams have been developed to help students including CV Writing and Interview Skills. Classes are taught and delivered by 65 Bank staff in 24 sessions and 6 visits to the Bank's office in Bristol. These provide the opportunity for students to work with a variety of adults in a formal manner, helping to improve social skills and to introduce working life outside the school gates.

Playing our part in the marketplace

- In the Group's Retail Division in Ireland, the Bank launched a Polish Business Proposition in June 2007 in response to the increase in Polish customers setting up businesses here in Ireland. Our highly competitive Business Start Up package was developed to help these customers with their specific needs. Since June, over 400 Polish Business customers have opened Business accounts with us. We have received significant interest from the Branch network, with many branches hosting their own Polish evenings. A key part of our Polish Business customer proposition is our dedicated support panel which has established links with solicitors and accountants throughout Ireland who have Polish speaking personnel. This development builds on previous initiatives to address the financial needs of the growing migrant population in Ireland.

- In our Life Assurance Business in Ireland, we announced our participation in the Hepatitis C insurance scheme operated by the Irish Health Service Executive (HSE). The Hepatitis C Insurance Scheme was launched to make life insurance cover available at normal costs to those who acquired Hepatitis C and / or HIV through State provided infected blood or blood products. Many of those affected would have previously been unable to secure life assurance, making it impossible to provide protection for their families or even take out a mortgage. Participation in the HSE scheme is an important social initiative and the process developed will serve those eligible in a sensitive and efficient manner.

- The Group received considerable external accreditation in 2007, reflecting its positioning in the various markets in which it operates as follows:

  o Bank of Ireland was listed among the **Top 100 World Banks** in The Banker magazine's **Top 1,000 World Banks 2007** ranking. In their 38th annual global listing, and their most comprehensive survey yet, Bank of Ireland achieved an international ranking of 80. Published in the July 2007 issue of The Banker, the Top 1,000 World Banks is a comprehensive listing of the world's leading commercial banks. As well as assessing the strength of banks worldwide, the Top 1,000 listing takes into account a number of performance indicators, such as real profits growth and return on assets. The ranking is also broken down by country and region.

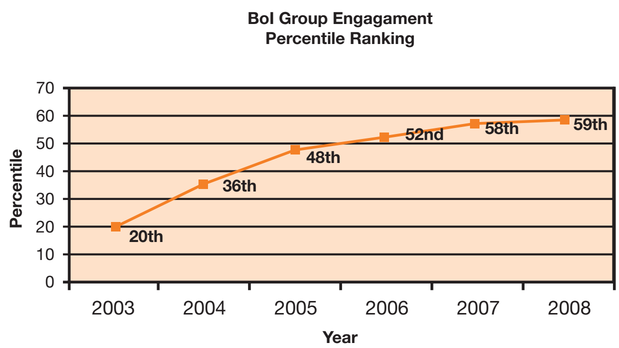
  o 365online.com was named Best Online Banking service at the Irish Internet Association's (IIA) Net Visionary Awards in November 2007. This award came on the back of a €10 million investment and the successful launch of a range of new services introduced on 365online.com in mid October 2007.

  o The Bank also won three awards, including "Customer Service Team of the Year", at the Customer Service Awards Ireland in June 2007. Bank of Ireland Life's Individual Pensions New Business Team won both the Financial Services Customer Service Team of the Year and the grand prix Overall Customer Service Team of the Year 2007, while the Customer Programme Service Excellence Team were winners of Customer Service Training Team of the Year award – for the second year in a row. The Customer Service Awards are significant in that they recognise excellence not only across financial services, but all Irish industry sectors.

  o Bristol & West Mortgages achieved a five star rating in the prestigious Financial Adviser Service Awards. These awards are the UK industry's most prestigious and are considered to be the benchmark for service standards. Only a handful of companies receive a five star rating and this is the first time that we have achieved this level of recognition. The award is voted for by thousands of Independent Financial Advisers and mortgage brokers and is independently audited.

Playing our part in the workplace

- The results of our sixth Group Employee Engagement survey issued in March 2008. 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 improvement 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. Our ratio of employee engagement across the Group is at best practice level when benchmarked against external industry. The chart below illustrates the Group's percentile ranking when benchmarked showing a consistent level of improvement year on year.



- 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. Through our Learningzone service we deliver a wide range of learning and educational programmes via instructor led courses, technology based solutions and support for 3rd level education programmes. During 2007/08, in excess of 22,000 student days of classroom training and 25,000 e learning programmes were completed across the Group.

- Bank of Ireland Private Banking recently commenced its second wealth academy programme aimed at providing an excellent foundation for participants who wish to pursue careers in wealth management. The Bank of Ireland Private Banking Academy was established in 2006 for the purpose of accelerating the development of exceptional client relationship managers via an intensive, full time, six month training programme aimed at enhancing their skills, knowledge and expertise and positioning them to become their clients' principle investment advisor. The programme was created in consultation with Professor John Murray, Chair in Business Studies, Trinity College Dublin and is modelled on a business school concept.

- As part of our objective to ensure our employees share with stockholders in the continuing success of the business, we launched our fourth Save As You Earn (SAYE) scheme, which was taken up by 56% of eligible employees. SAYE allows employees to acquire Bank stock at an attractively discounted price and provides a convenient way to save. The Group also continues to operate its annual Staff Stock Issue / Stock Incentive Plan. Both schemes offer employees an opportunity to avail of a free stock award based on the performance of the Group over the financial year. Both the SAYE and Staff Stock Issue / Stock Incentive Plan schemes operated in the Group are Revenue approved schemes which means that both schemes offer employees the maximum tax efficiency permitted by the Revenue Commissioners and HM Revenue and Customs respectively.

Playing our part in the environment

- Bank of Ireland continues to enjoy a unique position in the fast growing carbon markets, as the sole domestic bank with a transactional capability in the European Union Emissions Trading Scheme (EUETS). During the year we have developed a suite of risk management products for Phase II of the Scheme. We have also extended our activities in the carbon market into the UK and US with a number of initiatives. Our position as treasury specialists in this area has prompted governmental and professional bodies to actively seek our input with regard to the future direction of the market and the formulation of policy.

- During the past year, Bank of Ireland UK launched a new mortgage that will offset the carbon footprint of the average home. The Carbon Offset Mortgage is designed to appeal to the increasing number of consumers who would like to do their bit for the environment. It works by offsetting 100% of an average home's carbon emissions for each year of the promotional period of the loan. The Giraffe Carbon Offset mortgage works by retiring carbon credits from the EUETS. This approach conforms to the UK Government's proposed Code of Best Practice for Carbon Offsetting. Giraffe received this year's 'Your Money' magazine's Editor's Special Award. This award is given to an organisation that has delivered significant value to the consumer in a manner that falls outside the standard judging criteria of the other product categories. 'Your Money' felt that the product was a very real effort to involve home owners in taking an active part in helping the environment and giving the consumer an option to make a positive contribution to cutting carbon emissions.

- As a founding member of Business in the Community Ireland, we actively participate at all relevant opportunities. During the year we have taken part in its "Sharing and Learning Working Group" aimed at reducing the carbon footprint. The purpose of the group is to provide an opportunity for companies to share information and best practice around the issue of climate change and to explore challenges and opportunities facing companies in this area. The companies in this group recognise the role that they can play in addressing the environmental challenges facing society today, working towards improving best practice in this area and measuring their carbon footprint with the intention of reducing it.

In summary, 2007/08 marked further progress in the Group's Corporate Responsibility Programme. We look forward to reporting continued progress in the coming year.

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 International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted by the European Union (EU) 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. In preparing these financial statements, the directors have also elected to comply with IFRS issued by the International Accounting Standards Board (IASB).

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS adopted by the EU and IFRS issued by the IASB; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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 also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

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.

The Directors confirm that, to the best of each Director's knowledge and belief:

- they have complied with the above requirements in preparing the financial statements;
- the financial statements, prepared in accordance with IFRS as adopted by the European Union and with IFRS as issued by the IASB, give a true and fair view of the assets, liabilities, financial position of the Group and the Bank and of the profit of the Group; and
- the management report contained in the Business Review includes a fair review of the development and performance of the business and the position of the Bank and Group, together with a description of the principal risks and uncertainties that they face.

Richard Burrows	***George Magan***	***Brian J Goggin***	***John Clifford***
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Independent Auditors’ Report

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

We have audited the Group and Bank financial statements of the Bank of Ireland for the year ended 31 March 2008 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 Bank Cash Flow Statements, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 68.

Our responsibility is to audit the financial statements 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 financial statements 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 financial statements 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 financial statements 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 financial statements; 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 Combined Code 2006 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 financial statements. The other information comprises only Section 1: Business Review and Section 2: Governance (Report of the Directors, Remuneration Report and Corporate Governance Statement). We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Business Review
Governance
Financial Statements
General Information

Opinion

In our opinion:

- the Group's financial statements 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 2008 and of its profit and cash flows for the year then ended;
- the Bank's financial statements 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 2008 and cash flows for the year then ended;
- the Group's and Bank's financial statements 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 and proper returns adequate for the purpose of our audit have been received from branches not visited by us. 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 financial statements.

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 2008 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.

Separate opinion in relation to IFRSs

As explained in the basis of preparation on page 78, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group's financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 March 2008 and of its profit and cash flows for the year then ended.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

20 May 2008

Consolidated income statement

for the year ended 31 March 2008

	Notes	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m
Interest income	2	10,397	8,137
Interest expense	3	(7,134)	(5,380)
Net interest income		3,263	2,757
Net insurance premium income	4	1,940	2,188
Fees and commissions income	5	816	898
Fees and commissions expense		(150)	(160)
Net trading expense	6	(246)	(70)
Life assurance investment income and (losses) / gains	7	(826)	247
Other operating income	8	238	199
Total operating income		5,035	6,059
Insurance contract liabilities and claims paid	9	(798)	(2,213)
Total operating income, net of insurance claims		4,237	3,846
Total operating expenses	10	(2,157)	(2,159)
Operating profit before impairment losses		2,080	1,687
Impairment losses	21	(232)	(103)
Operating profit		1,848	1,584
Share of profit of associated undertakings and joint ventures (after tax)		46	44
Profit on disposal of business activities	11	-	243
Profit on disposal of property	27	39	87
Profit before taxation		1,933	1,958
Taxation	13	(229)	(306)
Profit for the period		1,704	1,652
Attributable to minority interests		5	1
Attributable to stockholders		1,699	1,651
Profit for the period		1,704	1,652
Earnings per unit of €0.64 ordinary stock (cent)	14	174.6 c	172.2 c
Diluted earnings per unit of €0.64 ordinary stock (cent)	14	173.9 c	171.0 c

Richard Burrows
Governor

George Magan
Deputy Governor

Brian J Goggin
Group Chief Executive

John Clifford
Secretary

Consolidated balance sheet

as at 31 March 2008

	Notes	31 March 2008 €m	31 March 2007 €m
ASSETS			
Cash and balances at central banks		484	362
Items in the course of collection from other banks		683	811
Central government and other eligible bills		10	11
Trading securities	15	119	520
Derivative financial instruments	16	4,568	2,849
Other financial assets at fair value through profit or loss	17	10,909	12,707
Loans and advances to banks	18	9,409	7,210
Available for sale financial assets	19	29,307	33,449
Loans and advances to customers	20	135,738	125,048
Interest in associated undertakings	22	28	26
Interest in joint ventures	23	70	73
Intangible assets – goodwill	25	293	347
Intangible assets – other	25	570	596
Investment property	26	1,511	1,142
Property, plant and equipment	27	593	665
Deferred tax assets	36	145	25
Other assets	28	2,754	2,889
Retirement benefit asset	37	11	-
Assets classified as held for sale	29	232	83
Total assets		197,434	188,813
EQUITY AND LIABILITIES			
Deposits by banks	30	14,130	20,405
Customer accounts	31	86,234	72,277
Items in the course of transmission to other banks		254	243
Derivative financial instruments	16	4,322	2,935
Liabilities to customers under investment contracts		5,662	6,736
Debt securities in issue	32	60,842	59,523
Insurance contract liabilities	54	7,140	7,190
Other liabilities	34	3,535	3,983
Provisions	35	47	87
Deferred tax liabilities	36	131	278
Retirement benefit obligations	37	807	590
Subordinated liabilities	33	7,808	7,808
Total liabilities		190,912	182,055
Equity			
Capital stock	39	664	663
Stock premium account	40	775	771
Retained earnings	41	5,670	4,672
Other reserves	42	(400)	905
Own shares held for the benefit of life assurance policyholders		(225)	(287)
Stockholders' equity		6,484	6,724
Minority interests	43	38	34
Total equity		6,522	6,758
Total equity and liabilities		197,434	188,813

Richard Burrows
Governor

George Magan
Deputy Governor

Brian J Goggin
Group Chief Executive

John Clifford
Secretary

Bank balance sheet

as at 31 March 2008

	Notes	31 March 2008 €m	31 March 2007 €m
ASSETS			
Cash and balances at central banks		462	347
Items in the course of collection from other banks		683	811
Trading securities	15	119	520
Derivative financial instruments	16	4,653	3,557
Other financial assets at fair value through profit or loss	17	59	-
Loans and advances to banks	18	32,052	59,770
Available for sale financial assets	19	27,053	29,700
Loans and advances to customers	20	114,873	71,434
Shares in Group undertakings	24	1,262	2,041
Intangible assets – other	25	418	399
Property, plant and equipment	27	481	522
Deferred tax assets	36	104	-
Other assets	28	1,098	1,227
Retirement benefit asset	37	11	-
Assets classified as held for sale	29	144	78
Total assets		183,472	170,406
EQUITY AND LIABILITIES			
Deposits by banks	30	30,860	46,679
Customer accounts	31	90,110	66,367
Items in the course of transmission to other banks		254	243
Derivative financial instruments	16	4,322	3,397
Debt securities in issue	32	45,778	41,797
Other liabilities	34	2,229	2,465
Provisions	35	46	50
Deferred tax liabilities	36	-	41
Retirement benefit obligations	37	707	464
Subordinated liabilities	33	5,380	4,934
Total liabilities		179,686	166,437
Equity			
Capital stock	39	664	663
Stock premium account	40	775	771
Retained earnings	41	2,817	2,027
Other reserves	42	(470)	508
Stockholders' equity		3,786	3,969
Total equity and liabilities		183,472	170,406

Richard Burrows	***George Magan***	***Brian J Goggin***	***John Clifford***
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Statement of recognised income and expense

for the year ended 31 March 2008

	Group		Bank	
	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m	**Year ended 31 March 2008 €m**	Year ended 31 March 2007 €m
Net change in property revaluation reserve	(29)	18	(23)	7
Net change in cash flow hedge reserve	(247)	135	(247)	135
Net change in available for sale reserve	(386)	(49)	(249)	(51)
Net change in pension fund obligations	(209)	190	(195)	176
Foreign exchange translation (losses) / gains	(712)	49	(420)	15
Amount recognised in equity	(1,583)	343	(1,134)	282
Profit for the period	1,704	1,652	1,385	1,558
Total recognised income for the year	121	1,995	251	1,840
Attributable to:				
Equity holders of the parent	116	1,994	251	1,840
Minority interests	5	1	-	-
	121	1,995	251	1,840

Richard Burrows	***George Magan***	***Brian J Goggin***	***John Clifford***
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Cash flow statement

for the year ended 31 March 2008

	Group		Bank	
	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m	**Year ended 31 March 2008 €m**	Year ended 31 March 2007 €m
Cash flows from operating activities				
Profit before taxation	1,933	1,958	982	819
Share of profit of associated undertakings and joint ventures	(46)	(44)	-	-
Profit on disposal of business activities	-	(243)	-	-
Profit on disposal of property	(39)	(87)	(33)	(88)
Depreciation and amortisation	137	151	109	112
Net change in prepayments and interest receivable	(12)	(292)	(53)	(228)
Net change in accruals and interest payable	114	323	40	145
Provisions for impairment	232	103	148	103
Loans and advances written off net of recoveries	(29)	(34)	(20)	(24)
Revaluation of investment property	149	(96)	-	-
Profit on disposal of investment property	-	(6)	-	-
Interest expense on subordinated liabilities and other capital instruments	450	381	283	192
Profit on disposal of available for sale financial assets	(34)	(10)	(33)	(9)
Charge for share based payments	13	12	13	12
Amortisation of premiums and discounts	(94)	(52)	(100)	(51)
Amortisation of debt issue expenses	18	5	3	2
Cash flows from operating activities before changes in operating assets and liabilities	2,792	2,069	1,339	985
Net change in deposits by banks	(6,024)	(11,810)	(15,599)	1,998
Net change in customer accounts	19,333	9,988	28,328	8,655
Net change in loans and advances to customers	(20,309)	(22,736)	(49,902)	(15,163)
Net change in loans and advances to banks	857	3,035	30,754	(4,173)
Net change in non investment debt and equity securities	400	(68)	400	(18)
Net change in derivative financial instruments	(558)	621	(463)	718
Net change in assets at fair value through profit or loss	1,830	(2,317)	(59)	15
Net change in items in the course of collection	114	83	114	83
Net change in debt securities in issue	3,061	22,624	4,656	10,325
Net change in insurance contract liabilities	(50)	1,998	-	-
Net change in other assets	64	191	146	29
Net change in liabilities to customers under investment contracts	(1,074)	86	-	-
Net change in other liabilities	(384)	(313)	(107)	(44)
Effect of exchange translation and other adjustments	2,979	1	2,939	626
Net cash inflow from operating assets and liabilities	239	1,383	1,207	3,051
Net cash inflow from operating activities before taxation	3,031	3,452	2,546	4,036
Taxation paid	(276)	(272)	(167)	(125)
Net cash inflow from operating activities	2,755	3,180	2,379	3,911
Investing activities (section a)	1,279	(5,792)	1,439	(5,991)
Financing activities (section b)	(466)	709	(296)	874
Net change in cash and cash equivalents	3,568	(1,903)	3,522	(1,206)
Opening cash and cash equivalents	4,297	6,162	3,954	5,122
Effect of exchange translation adjustments	(218)	38	(203)	38
Closing cash and cash equivalents (note 48)	7,647	4,297	7,273	3,954

Business Review

Governance

Financial Statements

General Information

Cash flow statement (continued)

	Group		Bank	
	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m	**Year ended 31 March 2008 €m**	Year ended 31 March 2007 €m
(a) Investing activities				
Net change in financial investments	2,006	(5,865)	963	(6,937)
Additions to tangible fixed assets	(54)	(57)	(51)	(44)
Disposal of tangible fixed assets	10	257	5	247
Additions to intangible assets	(98)	(109)	(53)	(81)
Purchase of investment property	(529)	(263)	-	-
Disposal of investment property	11	30	-	-
Purchase of assets held for sale	(211)	(10)	(124)	(10)
Disposal of assets held for sale	113	-	104	-
Disposal of business activities	-	323	-	-
Cash balances of subsidiary disposed of	-	(122)	-	-
Dividends received from joint ventures	34	68	-	-
Net change in interest in associated undertakings	(3)	(4)	-	-
Deferred consideration paid	-	(19)	-	-
Increase in investment in subsidiaries	-	-	-	(58)
Dividend received from Group undertakings	-	-	595	892
Acquisition of joint venture	-	(21)	-	-
Cash flows from investing activities	1,279	(5,792)	1,439	(5,991)
(b) Financing activities				
Reissue of treasury stock and issue of ordinary stock	194	133	178	110
Issue of new subordinated liabilities	439	1,479	439	1,479
Reduction in subordinated liabilities	(22)	-	-	-
Interest paid on subordinated liabilities	(450)	(361)	(271)	(161)
Equity dividends paid	(611)	(524)	(628)	(539)
Dividends on other equity interests	(14)	(15)	(14)	(15)
Dividends paid to minority interests	(2)	(3)	-	-
Cash flows from financing activities	(466)	709	(296)	874

Richard Burrows	***George Magan***	***Brian J Goggin***	***John Clifford***
Governor	*Deputy Governor*	*Group Chief Executive*	*Secretary*

Group accounting policies

Index to accounting policies

Accounting policies

The following are Bank of Ireland Group's principal accounting policies.

Financial statements

The financial statements comprise the Consolidated Income Statement, the Consolidated and Bank Balance Sheets, the Consolidated and Bank Statement of Recognised Income and Expense and the Consolidated and Bank Cash Flow Statement together with the notes to the Consolidated Financial Statements. The notes include:

- information contained in the Business Review on pages 31 to 38 and pages 41 to 42 that are cross referenced to the financial statements. These disclosures are required under IAS 1 'Presentation of Financial Statements' relating to the management of capital and IFRS 7 'Financial Instruments: Disclosures' relating to the nature and management of risks. These disclosures form an integral part of the financial statements and are indicated as such on the relevant pages.
- information contained in the remuneration report as set out on pages 52 to 58 that is described as being audited.

Basis of preparation

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted 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 to 2007. The EU adopted version of IAS 39 currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments – Recognition and Measurement'. The Group has not availed of this, hence these financial statements comply with both IFRS as adopted by the EU and IFRS as issued by the IASB. The parent company financial statements have been prepared in accordance with IFRS as issued by the IASB and adopted by the EU, and in accordance with Irish statute.

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 financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. A description of the critical estimates and judgements is set out on page 94 and 95.

During the year the Transparency (Directive 2004/109/EC) Regulations 2007 (signed into Irish law on 13 June 2007) became effective for the Group. This directive aims to enhance transparency in EU capital markets in order to improve investor protection and market efficiency. It sets out reporting requirements in respect of interim and annual reports and provides time lines for the publication of management statements during the year. This directive does not have a significant impact on the Group financial statements.

Adoption of new accounting standards

The following standards / amendments to standards have been adopted by the Group from 1 April 2007:

- IFRS 7 – Financial Instruments: Disclosures (effective for periods beginning on or after 1 January 2007). This standard requires more detailed qualitative and quantitative disclosures about exposures to risks arising from the Group's financial instruments. As a disclosure standard, the application of the standard has not had any impact on the amounts recognised in the financial statements. The IFRS 7 disclosures are set out in these financial statements and in the risk management report on pages 31 to 38. IFRS 7 supercedes IAS 30 'Disclosures in the Financial Statements of Banks and Similar Institutions' and the disclosure requirements previously contained in IAS 32 'Financial Instruments: Presentation'.
- Amendment to IAS 1 – Capital Disclosures (effective for 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. These disclosures are set out in these financial statements and in the Risk Management section on page 41 to 42.
- IFRIC 9 – Reassessment of Embedded Derivatives (effective for 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 the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. The adoption of this interpretation has not had an impact on the Group.

- IFRIC 10 – Interim Financial Reporting and Impairment (effective for periods beginning on or after 1 November 2006). This interpretation clarifies that any impairment losses on goodwill and equity instruments recognised in an interim period may not be reversed in subsequent interim periods. This currently does not have an impact on the Group.
- IFRIC 11 – Group and Treasury Share Transactions (effective for periods beginning on or after 1 March 2007). This interpretation deals with accounting for share based payments in the standalone financial statements of the parent and group companies, hence it has no impact on the consolidated financial statements.

Details of those IFRS pronouncements which will be relevant to the Group but which were not effective at 31 March 2008 and which have not yet been adopted by the Group are set out on pages 92 and 93.

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 reclassified to amend the income statement presentation in respect of the profit on disposal of business activities and the profit on sale of property. This has impacted total operating income but profit before / after tax is unchanged.

Group accounts

(1) Subsidiaries
Subsidiaries, which are those companies and other entities (including Special Purpose Entities (SPE's)) in which the Group, directly or indirectly, has power to govern the financial and operating policies, generally accompanying a shareholding of more than half of its voting rights, are consolidated.

Assets, liabilities and results of all group undertakings have been included in the Group financial statements on the basis of financial statements made up to the end of the financial 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 financial statements for any acquisitions or business combinations that took place prior to 1 April 2004.

(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:
- the rights to the cash flows have expired or been transferred;
- 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
- 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 the above conditions apply to a fully proportionate share of all or specifically identified cash flows, 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 or 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 available for sale 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 categorised 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 disposal.

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 financial statements are as follows:

	31 March 2008		31 March 2007	
	Average	**Closing**	Average	Closing
€ / US$	1.4328	1.5812	1.2912	1.3318
€ / Stg£	0.7116	0.7958	0.6783	0.6798

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 under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is included within net interest income and is recognised over the term of the lease reflecting a constant periodic rate of return on the net investment in the lease.

Financial assets

(1) Classification, Recognition and Measurement:
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
Financial assets at fair value through profit or loss can either be held for trading, if acquired principally for the purpose of selling in the short term, or designated at fair value through profit or loss at inception.

A financial asset may be designated as at fair value through profit or loss 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; or
(iii) a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The principal category of assets designated at fair value through profit or loss are those held by the Group's life assurance business, which are managed on a fair value basis.

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Thereafter they are carried on the balance sheet at fair value, with all changes in fair value included in the income statement.

(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.

Loans are recorded at fair value plus transaction costs when cash is advanced to the borrowers. They are subsequently accounted for at amortised cost using the effective interest method.

(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.

Purchases and sales of held to maturity investments are recorded on trade date. They are initially recognised at fair value plus transaction costs and are subsequently accounted for at amortised cost using the effective interest method.

(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 available for sale financial assets are recognised on trade date. They are initially recognised at fair value plus transaction costs and subsequently accounted for at fair value with all measurement gains or losses recognised in equity. Interest is calculated using the effective interest method and is recognised in the income statement.

If an available for sale financial asset is derecognised or impaired the cumulative gain or loss previously recognised in equity is removed from equity and included in profit or loss.

Dividends on available for sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

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

(3) Shares in Group Entities
The Bank'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 or 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 profit or loss 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; or
(iii) a contract contains one or more embedded derivatives that significantly changes the cash flows of the contract and the separation of the embedded derivative(s) is not prohibited.

The Group designates certain financial liabilities at fair value through profit or loss as set out in note 45 to the financial statements.

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

Valuation of financial instruments

The Group recognises certain financial instruments at fair value in the balance sheet. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

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

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique which primarily uses observable market inputs. When such evidence exists, the initial valuation of the instrument may result in the Group recognising a profit on initial recognition. In the absence of such evidence, the instrument is initially valued at the transaction price.

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 by 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 within the income statement.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which the contract is entered into and are subsequently remeasured at their fair value at each balance sheet date. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Certain derivatives embedded in other financial instruments 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.

Fair value gains or losses on derivatives are normally recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

The Group designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities (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 applied to these derivatives 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 criteria for hedge accounting cease to be met, no further adjustments are made to the hedged item for fair value changes attributable to the hedged risk. The cumulative adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity using the effective interest method.

(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 affects 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.

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:
    - adverse changes in the payment status of borrowers in the group; or
    - national or local economic conditions that correlate with defaults on the assets in the group.

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

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the 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 financial assets
The Group assesses at each balance sheet date whether there is objective evidence that an available for sale financial 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 by independent external valuers. Revaluations are to be made with sufficient regularity to ensure that the carrying amount does not differ materially from the open market value at the balance sheet date.

All other property, plant and equipment, including freehold and leasehold adaptations, are stated at historical cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the 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 reserve in stockholders' equity. Decreases that offset previous increases on the same asset are charged against 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 and leasehold property	15 years, or the remaining period of the lease
Computer and other equipment	Maximum of 10 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 the disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining profit before tax. If the asset being disposed of had previously been revalued then any amount in the revaluation reserve relating to that asset is transferred to retained earnings on disposal.

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. Goodwill is allocated to cash generating units (CGU) for the purpose of impairment testing. The CGU is considered to be the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The Group impairment model compares the recoverable amount of the CGU with the carrying value at the review date. An impairment loss arises if the carrying value of the CGU exceeds the recoverable amount. The recoverable amount of a CGU is the higher of its fair value less costs to sell or its value in use, where the value in use is the present value of the future cash flows expected to be derived from the CGU.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(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 its value in use.

(c) Other intangible assets
Other intangible assets are amortised on a straight line basis over their 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 its value in use.

Assets classified as held for sale

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

Properties held for sale are not depreciated. Impairment losses subsequent to classification of properties held for sale are recognised in profit or loss. Increases in fair value less costs to sell of property that has been classified as held for sale are recognised in profit or loss to the extent that the increase is not in excess of any cumulative impairment loss previously recognised in respect of the asset.

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.

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

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 the options or shares are granted by reference to their fair value, excluding the impact of any non-market vesting conditions (for example, growth in 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 Group revises its estimate of the number of options or shares that are expected to vest. It recognises the impact of the revision of the original estimates, if any, in the 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

(a) Current income tax
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.

(b) Deferred income tax
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 financial statements. 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 remeasurement 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.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of 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.

Capital stock

(1) Stock issue costs
Incremental external costs directly attributable to the issue of new equity stock 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 stock
Dividends on ordinary stock are recognised in equity in the period in which they are approved by the Bank's stockholders. Dividends for the year which are declared after the balance sheet date are dealt with in note 47.

(3) Treasury stock
Where the Bank or its subsidiaries purchases the Bank's equity capital stock, the consideration paid is deducted from total stockholders' equity as treasury stock until they are cancelled. Where such stock is subsequently sold or reissued, any consideration received is included in stockholders' equity. Any changes in the value of treasury stock held are recognised in equity at the time of the disposal and dividends are not recognised as income or distributions.

This is particularly relevant in respect of Bank of Ireland stock held by Bank of Ireland Life for the benefit of policyholders. The Group believes that this treatment, while required by IFRS, creates an artificial profit or loss and does not present fairly the legal and economic consequences of these transactions. The number of units of Bank of Ireland stock held by Bank of Ireland Life on behalf of policyholders at 31 March 2008 was 19 million (31 March 2007: 27 million). The impact of the negative movement in the Bank of Ireland stock price, during the period, in accordance with accounting rules, has not been reflected in the Group's income statement, however, it has been reflected as a reduction in the Group's insurance contract liabilities. The net impact is to increase the Group's profit before tax by €189 million (2007: decrease of €68 million).

Life assurance operations

In accordance with IFRS 4, 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 IAS 39. All of the Group's investment contracts are unit linked in nature. These contracts are accounted for as financial liabilities whose value is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the balance sheet date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

Non unit linked insurance liabilities are calculated using either a gross premium or net premium method of valuation. The assumptions are also set in accordance with the guidelines in the Insurance Regulations and contain a margin for adverse development. The key assumptions used in the valuation of insurance contract liabilities are:

Interest rate	The interest rates are derived in accordance with the guidelines in the Insurance Regulations. Margins for risk are allowed for in the derived interest rates.
Mortality and morbidity	The mortality and morbidity assumptions, which include an allowance for improvements in longevity for annuitants, are set with regard to the Group's actual experience and / or relevant industry data.
Maintenance expenses	Allowance is made for future policy costs and expense inflation explicitly.

The Group will recognise an asset for deferred acquisition costs relating to investment contracts. Up front fees received for investment management services are deferred. These amounts are amortised over the period of the contract.

The Group recognises the value of in force life assurance business asset as the present value of future profits expected to arise from contracts classified as insurance under IFRS 4. The asset is determined by projecting the future statutory surpluses attributable to stockholders estimated to arise from insurance contracts. The surpluses are projected using appropriate assumptions as to future investment returns, persistency, mortality and expense levels 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 receivable 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, subject to meeting the significant insurance risk test in IFRS 4. 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.

Segmental reporting

The segmental analysis of the Group's results and financial position is set out in note 1 by business class and by geographic segment. The Group has five business classes that reflect the internal financial and management reporting structure. 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.

The geographical segmental analysis provides financial information on products and services within a particular economic environment that is subject to risks and rewards that are different to those operating in other economic environments.

Materiality

In its assessment of materiality, the Group considers the impact of any misstatements based on both:

- the amount of the misstatement originating in the current year income statement; and
- 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 occurred.

Impact of new accounting standards

The following standard has been approved by the IASB and adopted by the EU but has not been early adopted by the Group.

IFRS 8 – Operating Segments (effective 1 January 2009). This standard replaces IAS 14 - Segmental Reporting and requires an entity to base their segmental reporting on the information that is reported internally to management. This standard will be adopted by the Group in the year ended 31 March 2010. The impact is not expected to be significant for the Group.

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

Amendment to IFRS 2 – Share-based payments: Vesting Conditions and Cancellations (effective 1 January 2009). This amendment clarifies the accounting treatment of cancellations and vesting conditions. It is not expected to have a significant impact on the Group.

IFRS 3 Revised – Business Combinations (effective 1 July 2009). This standard deals with how an acquirer recognises, measures and discloses in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The significant changes from existing practice as a result of this revised standard are in relation to acquisitions that are achieved in stages and acquisitions where less than 100% of the equity is acquired. The objective is to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The impact on the Group will be dependent on the nature of any future acquisition.

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

IFRIC 13 – Customer Loyalty Programmes (effective 1 July 2008). This interpretation deals with accounting for customer loyalty award schemes, hence it is not expected to have a material impact on the Group.

IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008). This interpretation deals with accounting for refunds in contributions and minimum funding requirements. This IFRIC will not have a material impact on the Group.

Amendment to IAS 1 - Presentation of Financial Statements, (effective 1 January 2009). This amendment revises the requirements for the presentation, structure and content of financial statements. This amendment will impact on the presentation of the financial statements of the Group, however this is not expected to be significant.

Amendment to IAS 23 - Borrowing Costs (effective 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.

Amendment to IAS 27 – Consolidated and Separate Financial Statements (effective 1 July 2009). The objective of this amendment is to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control. The introduction of this amendment will impact Group reporting although this is not expected to be significant.

Amendment to IAS 32 – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective 1 January 2009). This amendment changes the classification from liabilities to equity of (a) some puttable financial instruments and (b) some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation to be classified as equity. This amendment is not expected to impact 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 financial assets

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. See note 21 for more information.

(b) Fair value of financial instruments

The Group measures certain of its financial instruments at fair value in the balance sheet. This includes trading securities, other financial assets and liabilities at fair value through profit or loss, all derivatives and available for sale financial assets. The fair values of financial instruments are determined by reference to observable market prices where available and an active market exists. Where market prices are not available or are unreliable, fair values are determined using valuation techniques including discounted cash flow models which, to the extent possible, use observable market inputs.

Where valuation techniques are used they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are calibrated to ensure that outputs reflect actual data and comparable market prices. Using valuation techniques may necessitate the estimation of certain pricing inputs, assumptions or model characteristics such as credit risk, volatilities and correlations and changes in these assumptions could affect reported fair values.

The fair value movement on assets and liabilities held at fair value through profit or loss, including those held for trading, are included in net trading income. Fair values in respect of financial assets and liabilities are disclosed in note 45.

(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 37 on retirement benefit obligations for more information.

(d) Life assurance operations

The Group accounts for the value of the stockholder's interest in long term assurance business using the embedded value basis of accounting. Embedded value is comprised of the net tangible assets of Bank of Ireland Life and the present value of its in force business. The value of in force business is calculated by projecting future surpluses and other net cash flows attributable to the shareholder arising from business written up to the balance sheet date and discounting the result at a rate which reflects the shareholder's overall risk premium, 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 income statement for the period. See note 54 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 (see note 34).

(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 2008 was €293 million (31 March 2007: €347 million). 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 or its value in use. Value in use is the present value of expected future cash flows 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. See note 25 for further information.

Notes to the consolidated financial statements

Index to the notes to the consolidated financial statements

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 comprises interest income, net insurance premium income, fees and commissions income, net trading expense, life assurance investment income and (losses) / gains, other operating income, net of insurance contract liabilities and claims paid 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.

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

31 March 2008	Retail Republic of Ireland €m	BoI Life €m	Capital Markets €m	UK Financial Services €m	Group Centre €m	Eliminations €m	Group €m
Interest income	7,452	14	8,612	5,484	(2,792)	(8,373)	10,397
Interest expense	(6,023)	(21)	(7,582)	(4,638)	2,757	8,373	(7,134)
Net interest income	1,429	(7)	1,030	846	(35)	-	3,263
Net insurance premium income	-	1,900	-	-	40	-	1,940
Other income	417	(959)	89	163	122	-	(168)
Total operating income	1,846	934	1,119	1,009	127	-	5,035
Insurance contract liabilities and claims paid	-	(776)	-	-	(22)	-	(798)
Total operating income, net of insurance claims	1,846	158	1,119	1,009	105	-	4,237
Operating expenses	(909)	(106)	(405)	(497)	(103)	-	(2,020)
Depreciation and amortisation	(74)	(4)	(11)	(36)	(12)	-	(137)
Impairment losses	(146)	-	(53)	(33)	-	-	(232)
Share of profit of associated undertakings and joint ventures	(1)	-	-	47	-	-	46
Profit on disposal of property	33	-	1	5	-	-	39
Profit before taxation	749	48	651	495	(10)	-	1,933
Profit on disposal of property	(33)	-	-	-	-	-	(33)
Gross-up of policyholder tax in the Life business	-	60	-	-	-	-	60
Investment return on treasury stock held for policyholders	-	-	-	-	(189)	-	(189)
Hedge ineffectiveness on transition to IFRS	-	-	-	-	6	-	6
Cost of restructuring programme	-	-	-	-	17	-	17
Group profit before tax excluding the impact of above items	716	108	651	495	(176)	-	1,794
Capital expenditure	56	15	14	57	10	-	152
External assets	59,555	13,678	66,888	56,690	623	-	197,434
Inter segment assets	58,295	907	114,889	13,973	40,747	(228,811)	-
Total assets	117,850	14,585	181,777	70,663	41,370	(228,811)	197,434
External liabilities	43,237	13,307	97,336	28,587	8,445	-	190,912
Inter segment liabilities	72,065	368	83,404	40,761	32,213	(228,811)	-
Total liabilities	115,302	13,675	180,740	69,348	40,658	(228,811)	190,912

Capital expenditure comprises additions to property, plant and equipment (note 27) and intangible assets (note 25) including additions resulting from acquisitions through business combinations.

Eliminations represent inter segment transactions which are eliminated upon consolidation.

1 Segmental reporting (continued)

Business segments

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
Interest income	5,191	8	6,572	4,163	(2,032)	(5,765)	8,137
Interest expense	(3,880)	(13)	(5,901)	(3,379)	2,028	5,765	(5,380)
Net interest income	1,311	(5)	671	784	(4)	-	2,757
Net insurance premium income	-	2,155	-	-	33	-	2,188
Other income	377	326	379	129	(97)	-	1,114
Total operating income	1,688	2,476	1,050	913	(68)	-	6,059
Insurance contract liabilities and claims paid	-	(2,205)	-	-	(8)	-	(2,213)
Total operating income, net of insurance claims	1,688	271	1,050	913	(76)	-	3,846
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 on disposal of business activities / property	87	-	-	6	237	-	330
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 stock held for policyholders	-	-	-	-	68	-	68
Hedge ineffectiveness on transition to IFRS	-	-	-	-	2	-	2
Sale of Head Office	-	-	-	-	(32)	-	(32)
Cost of restructuring programme	-	-	-	-	49	-	49
Group profit before tax excluding the impact of above items	698	148	572	441	(159)	-	1,700
Capital expenditure	54	7	18	58	25	-	162
External assets	51,672	15,411	64,706	55,788	1,236	-	188,813
Inter segment assets	45,929	452	101,692	17,011	31,250	(196,334)	-
Total assets	97,601	15,863	166,398	72,799	32,486	(196,334)	188,813
External liabilities	41,806	14,605	86,517	31,521	7,606	-	182,055
Inter segment liabilities	53,354	330	78,306	38,920	25,424	(196,334)	-
Total liabilities	95,160	14,935	164,823	70,441	33,030	(196,334)	182,055

Capital expenditure comprises additions to property plant, and equipment (note 27) and intangible assets (note 25) including additions resulting from acquisitions through business combinations.

1 Segmental reporting (continued)

31 March 2008

Geographical segments	Ireland €m	United Kingdom €m	Rest of World €m	Eliminations €m	Total €m
External revenues	7,306	4,119	142	-	11,567
Inter segment revenue	1,267	2,341	225	(3,833)	-
Gross revenue	8,573	6,460	367	(3,833)	11,567
Profit before taxation	1,412	491	30	-	1,933
Capital expenditure	93	57	2	-	152
External assets	133,925	61,471	2,038	-	197,434
Inter segment assets	38,440	33,023	13,296	(84,759)	-
Total assets	172,365	94,494	15,334	(84,759)	197,434
External liabilities	130,490	47,414	13,008	-	190,912
Inter segment liabilities	37,299	45,815	1,645	(84,759)	-
Total liabilities	167,789	93,229	14,653	(84,759)	190,912

31 March 2007

	Ireland €m	United Kingdom €m	Rest of World €m	Eliminations €m	Total €m
External revenues	5,741	3,556	133	-	9,430
Inter segment revenue	1,333	1,083	194	(2,610)	-
Gross revenue	7,074	4,639	327	(2,610)	9,430
Profit before taxation	1,603	314	41	-	1,958
Capital expenditure	95	58	9	-	162
External assets	126,547	60,524	1,742	-	188,813
Inter segment assets	34,458	25,075	9,767	(69,300)	-
Total assets	161,005	85,599	11,509	(69,300)	188,813
External liabilities	126,646	45,951	9,458	-	182,055
Inter segment liabilities	29,603	38,409	1,288	(69,300)	-
Total liabilities	156,249	84,360	10,746	(69,300)	182,055

2 Interest income

	Group 2008 €m	Group 2007 €m
Loans and advances to customers	8,213	6,272
Available for sale financial assets	1,604	1,342
Loans and advances to banks	323	292
Finance leases	251	222
Other	6	9
Interest income	10,397	8,137

Included within interest income is €31 million (31 March 2007: €19 million) in respect of impaired loans and advances to customers. Net interest income also includes a credit of €185 million (31 March 2007: credit of €80 million) transferred from the cash flow hedge reserve (see note 42).

3 Interest expense

	Group 2008 €m	Group 2007 €m
Debt securities in issue	3,041	1,935
Customer accounts	2,808	2,009
Deposits by banks	840	1,066
Subordinated liabilities	445	370
Interest expense	7,134	5,380

4 Net insurance premium income

	Group 2008 €m	Group 2007 €m
Gross premiums written	2,101	2,220
Ceded reinsurance premiums	(173)	(35)
Net premiums written	1,928	2,185
Change in provision for unearned premiums	12	3
Net insurance premium income	1,940	2,188

Bank of Ireland Life completed a transaction to reinsure a significant part of the annuity book during the year ended 31 March 2008.

5 Fees and commissions income

	Group 2008 €m	Group 2007 €m
Retail banking customer fees	401	372
Asset management fees	189	208
Credit related fees	81	50
Insurance commissions	42	40
Brokerage fees	23	27
Trust and other fiduciary fees	6	9
Other	74	192
Fees and commissions income	816	898

Other fees and commissions income includes amounts in respect of Davy in the year ended 31 March 2007.

6 Net trading expense

	Group 2008 €m	2007 €m
Financial assets designated at fair value	(6)	(9)
Related derivatives held for trading	12	14
	6	5
Financial liabilities designated at fair value	107	(297)
Related derivatives held for trading	(272)	170
	(165)	(127)
Other financial instruments held for trading	(79)	51
Net fair value hedge ineffectiveness	(6)	(9)
Cash flow hedge ineffectiveness	(2)	10
Net trading expense	(246)	(70)

Net trading expense of €246 million (31 March 2007: €70 million) includes the gains and losses on financial instruments held for trading and those designated at fair value through profit or loss (other than unit linked life assurance assets and investment contract liabilities). It includes the gains and losses arising on the purchase and sale of these instruments, the interest income receivable and expense payable and the fair value movement on these instruments, together with the funding cost of the trading instruments. It also includes €28 million (31 March 2007: €53 million) in relation to net gains arising from foreign exchange.

Net trading expense includes the fair value movement (including interest receivable and payable) on derivatives which act as economic hedges of the interest rate and foreign exchange risk inherent in some cash instruments (including financial assets and liabilities designated at fair value through profit or loss above). The offsetting net interest receivable of €346 million (31 March 2007: €122 million) on the cash instruments is reported in net interest income.

Net fair value hedge ineffectiveness comprises a net gain from hedging instruments of €168 million (31 March 2007: net loss of €112 million) offsetting a net loss from hedged items of €174 million (31 March 2007: net gain of €103 million).

The net gain from the change in credit spreads relating to the Group's issued notes designated at fair value through profit or loss was €32 million (31 March 2007: nil)

See notes 45 and 46 for details of the assets and liabilities designated at fair value through profit or loss.

7 Life assurance investment income and (losses) / gains

	Group 2008 €m	2007 €m
Gross life assurance investment income and (losses) / gains	(924)	275
Elimination of investment return on treasury stock held for the benefit of policyholders	98	(28)
Life assurance investment income and (losses) / gains	(826)	247

IFRS requires that Bank of Ireland stock held by the Group, including those held by BoI Life for the benefit of policyholders, are reclassified as treasury stock and accounted for as a deduction from equity. Changes in the value of any treasury stock held are recognised in equity at the time of disposal and dividends are not recognised as income or distributions.

The impact on the Group income statement of accounting for the stock held by BoI Life for the benefit of policyholders is that life assurance investment income and (losses) / gains of (€924) million has been reduced by €98 million, which relates to the investment return on stock held under insurance contracts. Other operating income (see note 8) has been increased by €91 million, which relates to the investment return on stock held under investment contracts. The effect of the combined adjustment of €189 million can be seen in note 1.

8 Other operating income

	Group 2008 €m	Group 2007 €m
Elimination of investment return on treasury stock held for the benefit of policyholders (see note 7)	91	(40)
Other insurance income	91	176
Transfer from available for sale reserve on asset disposal (note 42)	34	10
Other income	22	21
Profit on sale of Head Office premises	-	32
Other operating income	238	199

9 Insurance contract liabilities and claims paid

	Group 2008 €m	Group 2007 €m
Gross claims	1,013	683
Reinsurance	(27)	(22)
	986	661
Change in liabilities:		
Gross	(41)	1,579
Reinsurance	(147)	(27)
	(188)	1,552
Insurance contract liabilities and claims paid	798	2,213
Gross claims are analysed as follows:		
Surrenders	851	552
Death and critical illness	113	86
Annuities	32	29
Maturities	3	7
Other	14	9
	1,013	683

10 Total operating expenses

	Group	
	2008 €m	2007 €m
Administrative expenses		
- Staff costs	1,235	1,244
- Other administrative expenses	785	764
Depreciation		
- Intangible assets (note 25)	87	97
- Property, plant and equipment (note 27)	50	54
Total operating expenses	2,157	2,159

Staff costs, including performance reward, are analysed as follows:		
Wages and salaries	963	986
Social security costs	93	90
Retirement benefit costs – defined benefit plans (note 37)	130	119
Retirement benefit costs – defined contribution plans	4	4
Share based payment schemes (note 42)	13	12
Other	32	33
Staff costs	1,235	1,244

Staff numbers

In the year ended 31 March 2008 the average full time equivalents was 16,026 (31 March 2007: 15,952) categorised as follows in line with the business segments as stated in note 1.

	2008	2007
Retail Republic of Ireland	8,467	8,451
BoI Life	1,183	1,100
Capital Markets	1,737	1,986
UK Financial Services	3,599	3,415
Group Centre	1,040	1,000
Total	16,026	15,952

11 Profit on disposal of business activities

Year ended 31 March 2008

There were no disposals of business activities in the year ended 31 March 2008.

Year ended 31 March 2007

The total profit on disposal of business activities in the year ended 31 March 2007 was €243 million as follows:

	€m
Davy Stockbrokers	229
Enterprise Finance Europe GmbH	8
Writeback in relation to Bristol & West plc	6
Total	243

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

On 31 October 2006 the Group completed the sale of its 90.444% equity stake in Davy Stockbrokers, which is analysed further below.

	€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, €6 million was written back to the Group income statement 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.

12 Auditors' remuneration

		Group			
				2008	2007
	Notes	**RoI €m**	**Overseas (i) €m**	**Total €m**	Total €m
Audit and assurance services (including VAT)					
Statutory audit (including expenses)		3.6	1.3	4.9	4.6
Other audit and assurance services	(ii)	4.1	0.7	4.8	7.8
		7.7	2.0	9.7	12.4
Other services (including VAT)					
Taxation services		0.4	0.7	1.1	2.5
		8.1	2.7	10.8	14.9

The figures in the above table relate to fees paid to PricewaterhouseCoopers (PwC). The Group 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 UK;
(ii) Other audit and assurance services consist primarily of fees in connection with reporting to regulators, letters of comfort, reporting on Sarbanes Oxley and accounting matters.

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

13 Taxation

	Group 2008 €m	Group 2007 €m
Current tax		
Irish corporation tax		
– current year	236	244
– prior year	(2)	12
Double taxation relief	(62)	(30)
Foreign tax		
– current year	140	98
– prior year	1	3
	313	327
Deferred tax		
Origination and reversal of temporary differences (note 36)	(84)	(21)
Taxation	229	306

The reconciliation of tax on profit at the standard Irish corporation tax rate to the Group's actual tax charge for the years ended 31 March 2008 and 2007 is as follows:

	Group 2008 €m	Group 2007 €m
Profit before taxation multiplied by the standard rate of corporation tax in the Republic of Ireland of 12.5% (2007: 12.5%)	242	245
Effects of:		
Foreign earnings subject to different rates of tax	86	49
BoI Life - different basis of accounting	(53)	16
Elimination of investment return on treasury stock held for the benefit of policyholders	(24)	8
Tax exempted profits and income at a reduced Irish tax rate	2	(26)
Non-deductible expenses	7	11
Prior year adjustments	(1)	6
Shares of profit of associates and joint ventures shown post tax in income statement	(6)	(5)
Other adjustments for tax purposes	(24)	2
Taxation charge	229	306

The taxation charge for the Group was €229 million for year ended 31 March 2008 compared to €306 million in the year ended 31 March 2007. The effective tax rate was 11.8% in the year ended 31 March 2008 compared to 15.6% for the year ended 31 March 2007. The rate has decreased largely as a result of a reduction in the tax charge of BoI Life due to lower investment income earned and lower capital gains, together with the effect of the elimination of the investment return on treasury stock held by BoI Life on behalf of policyholders.

14 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 stock held for the benefit of life assurance policyholders.

	Group	
	2008 €m	2007 €m
Basic		
Profit attributable to stockholders	1,699	1,651
Dividends on other equity interests (note 41)	(14)	(15)
Profit attributable to ordinary stockholders	1,685	1,636
Weighted average number of units of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	965m	950m
Basic earnings per share (cent)	174.6 c	172.2 c

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 stock held for the benefit of life assurance policyholders adjusted for the effect of all dilutive potential ordinary stock.

	Group	
	2008 €m	2007 €m
Diluted		
Profit attributable to stockholders	1,699	1,651
Dividends on other equity interests (note 41)	(14)	(15)
Profit attributable to ordinary stockholders	1,685	1,636
Weighted average number of units of stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders	965m	950m
Effect of all dilutive potential ordinary stock	4m	7m
	969m	957m
Diluted earnings per share (cent)	173.9 c	171.0 c

15 Trading securities

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Debt securities – listed	119	520	119	520
Trading securities	119	520	119	520

The Group holds a portfolio of bonds for trading purposes typically taking positions in financial and corporate risk with ratings between investment grade AAA and BBB (average rating A).

16 Derivative financial instruments

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 banking and other 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 very limited basis, within its trading portfolio to take exposure to specific and general credit spread movements and in its balance sheet to provide default protection on specific credit exposures. The Group's objectives and policies on managing the risks that arise in connection with derivatives, including the policies for hedging, are included in the Risk Management section from page 27 to 43.

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

The fair values and notional amounts of derivative instruments held are set out in the following tables:

		Fair Values	
Group	**Contract / notional amount**	**Assets**	**Liabilities**
31 March 2008	**€m**	**€m**	**€m**
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	55,078	906	835
Currency swaps	756	71	24
Over the counter currency options	2,561	74	78
Total foreign exchange derivatives held for trading	58,395	1,051	937
Interest rate derivatives			
Interest rate swaps	147,174	940	960
Cross currency interest rate swaps	29,999	893	1,268
Forward rate agreements	11,919	5	4
Over the counter interest rate options	8,873	50	50
Total interest rate derivatives held for trading	197,965	1,888	2,282
Equity and commodity contracts			
Equity index linked contracts held	7,051	446	259
Total derivative assets / liabilities held for trading	263,411	3,385	3,478
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	16,115	256	190
Cross currency interest rate swaps	1,195	122	-
Total designated as fair value hedges	17,310	378	190
Derivatives designated as cash flow hedges			
Interest rate swaps	83,950	585	654
Cross currency interest rate swaps	4,370	220	-
Total designated as cash flow hedges	88,320	805	654
Total derivative assets / liabilities held for hedging	105,630	1,183	844
Total derivative assets / liabilities	369,041	4,568	4,322

16 Derivative financial instruments (continued)

Group 31 March 2007	Contract / notional amount €m	Fair values Assets €m	Fair values Liabilities €m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	33,591	148	266
Currency swaps	952	28	14
Over the counter 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
Over the counter 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 designated as fair value hedges	16,858	200	236
Derivatives designated as cash flow hedges			
Interest rate swaps	100,257	735	436
Cross currency interest rate swaps	6,598	-	13
Total designated as cash flow hedges	106,855	735	449
Total derivative assets / liabilities held for hedging	123,713	935	685
Total derivative assets / liabilities	415,346	2,849	2,935

16 Derivative financial instruments (continued)

Bank	Contract / notional amount	Fair Values Assets	Fair Values Liabilities
31 March 2008	€m	€m	€m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	55,078	906	835
Currency swaps	754	71	24
Over the counter currency options	2,561	74	78
Total foreign exchange derivatives held for trading	58,393	1,051	937
Interest rate derivatives			
Interest rate swaps	185,720	1,333	1,274
Cross currency interest rate swaps	29,748	947	1,081
Forward rate agreements	11,919	5	4
Over the counter interest rate options	8,874	50	50
Total interest rate derivatives held for trading	236,261	2,335	2,409
Equity and commodity contracts			
Equity index linked contracts held	7,051	446	259
Total derivative assets / liabilities held for trading	301,705	3,832	3,605
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate swaps	7,510	114	63
Cross currency interest rate swaps	1,195	122	-
Total designated as fair value hedges	8,705	236	63
Derivatives designated as cash flow hedges			
Interest rate swaps	83,950	585	654
Total designated as cash flow hedges	83,950	585	654
Total derivative assets / liabilities held for hedging	92,655	821	717
Total derivative assets / liabilities	394,360	4,653	4,322
Amounts include:			
Due from / to Group undertakings	31,452	338	209

16 Derivative financial instruments (continued)

Bank	Contract / notional amount	Fair values Assets	Fair values Liabilities
31 March 2007	€m	€m	€m
Derivatives held for trading			
Foreign exchange derivatives			
Currency forwards	33,592	149	266
Currency swaps	942	27	14
Over the counter 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
Over the counter 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 designated as fair value hedges	7,308	128	50
Derivatives designated as cash flow hedges			
Interest rate swaps	100,257	735	436
Total designated as cash flow hedges	100,257	735	436
Total derivative assets / liabilities held for hedging	107,565	863	486
Total derivative assets / liabilities	442,990	3,557	3,397
Amounts include:			
Due from / to Group undertakings	34,947	752	515

16 Derivative financial instruments (continued)

The Group designates certain derivatives as hedging instruments in either fair value or cash flow hedge relationships.

Fair value hedges

Certain interest rate and cross currency interest rate derivatives are designated as hedging instruments. These are primarily used to reduce the interest rate and foreign exchange exposure on the Group's fixed rate debt held and debt issued portfolios.

Cash flow hedges

The Group designates certain interest rate and cross currency interest rate swaps in cash flow hedge relationships in order to hedge the exposure to variability in future cash flows arising from variable rate assets and liabilities. See note 42 for the movement in the cash flow hedge reserve.

The periods in which the hedged cash flows are expected to occur are shown in the table below.

Group	**Up to 1 year**	**Between 1 to 2 years**	**Between 2 to 5 years**	**More than 5 years**	**Total**
2008	**€m**	**€m**	**€m**	**€m**	**€m**
Forecast receivable cash flows	616	553	1,373	656	3,198
Forecast payable cash flows	(2,458)	(2,292)	(4,594)	(1,001)	(10,345)

Group	Up to 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
2007	€m	€m	€m	€m	€m
Forecast receivable cash flows	905	803	1,439	620	3,767
Forecast payable cash flows	(2,970)	(3,301)	(4,978)	(2,210)	(13,459)

The hedged cash flows are expected to impact the income statement in the following periods, excluding any hedge accounting adjustments that may be applied:

Group	**Up to 1 year**	**Between 1 to 2 years**	**Between 2 to 5 years**	**More than 5 years**	**Total**
2008	**€m**	**€m**	**€m**	**€m**	**€m**
Forecast receivable cash flows	726	541	1,335	596	3,198
Forecast payable cash flows	(2,750)	(2,173)	(4,472)	(950)	(10,345)

Group	Up to 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years	Total
2007	€m	€m	€m	€m	€m
Forecast receivable cash flows	1,083	718	1,393	573	3,767
Forecast payable cash flows	(3,353)	(3,096)	(4,850)	(2,160)	(13,459)

There are no forecast transactions for which hedge accounting had previously been used, but are now no longer expected to occur.

16 Derivative financial instruments (continued)

The periods in which the hedged cash flows are expected to occur are shown in the table below.

Bank **2008**	**Up to 1 year** **€m**	**Between 1 to 2 years** **€m**	**Between 2 to 5 years** **€m**	**More than 5 years** **€m**	**Total** **€m**
Forecast receivable cash flows	616	553	1,373	656	3,198
Forecast payable cash flows	(1,238)	(1,209)	(1,899)	(1,001)	(5,347)

Bank 2007	Up to 1 year €m	Between 1 to 2 years €m	Between 2 to 5 years €m	More than 5 years €m	Total €m
Forecast receivable cash flows	905	803	1,439	620	3,767
Forecast payable cash flows	(1,438)	(1,665)	(1,912)	(1,016)	(6,031)

The hedged cash flows are expected to impact the income statement in the following periods, excluding any hedge accounting adjustments that may be applied:

Bank **2008**	**Up to 1 year** **€m**	**Between 1 to 2 years** **€m**	**Between 2 to 5 year** **€m**	**More than 5 years** **€m**	**Total** **€m**
Forecast receivable cash flows	726	541	1,335	596	3,198
Forecast payable cash flows	(1,529)	(1,090)	(1,776)	(952)	(5,347)

Bank 2007	Up to 1 year €m	Between 1 to 2 years €m	Between 2 to 5 year €m	More than 5 years €m	Total €m
Forecast receivable cash flows	1,083	718	1,393	573	3,767
Forecast payable cash flows	(1,821)	(1,460)	(1,784)	(966)	(6,031)

There are no forecast transactions for which hedge accounting had previously been used, but are now no longer expected to occur.

17 Other financial assets at fair value through profit or loss

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Equity securities	7,484	9,241	-	-
Government bonds	2,142	2,168	-	-
Unit trusts	868	542	-	-
Debt securities	356	756	-	-
Loans to customers	59	-	59	-
Other financial assets at fair value through profit or loss	10,909	12,707	59	-

A portion of the Group's life assurance business takes the legal form of investment contracts, under which legal title to the underlying investment is held by the Group, but the inherent risks and rewards in the investments is borne by the investors. Due to the nature of these contracts, the carrying value of the assets is always the same as the value of the liabilities due to policyholders and any change in the value of the assets results in an equal but opposite change in the value of the amounts due to policyholders. At 31 March 2008, such assets amounted to €10,460 million (31 March 2007: €12,403 million), while the remaining €449 million (31 March 2007: €304 million) relates to other Group businesses. The associated liabilities are included in liabilities to customers under investment contracts and insurance contract liabilities on the balance sheet.

18 Loans and advances to banks

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Mandatory deposit with central banks	3,748	2,124	3,642	2,063
Placements with other banks	3,275	2,338	26,024	55,006
Funds placed with central banks	2,218	906	2,218	859
Securities purchased with agreement to resell	168	1,842	168	1,842
Loans and advances to banks	9,409	7,210	32,052	59,770
Amounts include:				
Due from Group undertakings			23,014	53,036
Due from associates and joint ventures			-	-

19 Available for sale financial assets

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Government bonds	1,755	6,380	1,755	6,380
Other debt securities				
– listed	21,059	21,530	19,511	19,280
– unlisted	6,450	5,490	5,785	4,027
Equity securities				
– listed	20	30	1	9
– unlisted	23	19	1	4
Available for sale financial assets	29,307	33,449	27,053	29,700

Amounts include:				
Due from Group undertakings			527	20

At 31 March 2008, available for sale financial assets at fair value of €582 million (31 March 2007: €5,659 million) had been pledged to third parties in sale and repurchase agreements for periods not exceeding six months.

The movement on available for sale financial assets may is analysed as follows:

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
At 1 April	33,449	28,205	29,700	22,785
Revaluation, exchange and other adjustments	(2,293)	(604)	(1,786)	(607)
Additions	22,312	30,465	21,684	29,330
Sales	(10,367)	(8,256)	(9,673)	(7,912)
Redemptions	(13,883)	(16,333)	(12,972)	(14,446)
Amortisation	94	52	100	51
Provision for impairment (note 21)	(5)	1	-	1
Transfer from subsidiary	-	-	-	569
Reclassification	-	(81)	-	(71)
At 31 March	29,307	33,449	27,053	29,700

20 Loans and advances to customers

	Group 2008 €m	Group 2007 €m	Bank 2008 €m	Bank 2007 €m
Loans and advances to customers	132,575	121,933	113,770	70,328
Finance leases and hire purchase receivables	3,759	3,543	1,567	1,450
	136,334	125,476	115,337	71,778
Less allowance for impairment losses on loans and advances to customers (note 21)	(596)	(428)	(464)	(344)
Loans and advances to customers	135,738	125,048	114,873	71,434
Amounts include:				
Due from Group undertakings			17,104	16,709
Due from associates and joint ventures			153	181

Finance leases and hire purchase receivables

Loans and advances to customers include finance leases and hire purchase receivables, which are analysed as follows:

	Group 2008 €m	Group 2007 €m	Bank 2008 €m	Bank 2007 €m
Gross investment in finance leases:				
Not later than 1 year	1,512	1,409	664	603
Later than 1 year and not later than 5 years	2,565	2,385	1,055	977
Later than 5 years	104	125	19	21
	4,181	3,919	1,738	1,601
Unearned future finance income on finance leases	(422)	(376)	(171)	(151)
Net investment in finance leases	3,759	3,543	1,567	1,450
The net investment in finance leases is analysed as follows:				
Not later than 1 year	1,359	1,273	598	546
Later than 1 year and not later than 5 years	2,303	2,155	951	885
Later than 5 years	97	115	18	19
	3,759	3,543	1,567	1,450

Securitisations and other asset transfers

As part of its capital management process, the Group has engaged in securitisation transactions of certain of the residential mortgage assets in its portfolio. In general, the assets, or interests in the assets, are transferred to Special Purpose Entities (SPEs), which then issue liabilities to third party investors. All the Group's securitisation SPEs are consolidated in the financial statements of the Group.

21 Credit risk exposures

The table below represents the maximum exposure to credit risk for financial assets with material credit risk at 31 March 2008 and 31 March 2007 taking no account of collateral or other credit enhancements held. Exposures are based on the net carrying amounts as reported in the balance sheet for on balance sheet assets. The breakdown of loans and advances to customers in this note, with the exception of the geographical / industry analysis table, reflects how the risk is managed. Equity securities are included in the maximum exposure table for completeness purposes. Interest receivable has been excluded from the table. Details of interest receivable can be found in note 28. The following tables should be read in conjunction with the credit risk information contained in the Risk Management section on pages 27 to 43.

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Maximum exposure to credit risk (before collateral or other credit enhancements)				
Loans and receivables				
- Loans and advances to banks	9,409	7,210	32,052	59,770
- Loans and advances to customers				
> Mortgages	60,028	58,811	34,901	465
> Personal	7,189	6,152	4,908	4,032
> Commercial	69,117	60,513	75,528	67,281
Gross loans and advances to customers	136,334	125,476	115,337	71,778
Less allowance for losses on loans and advances	(596)	(428)	(464)	(344)
Loans and advances to customers	135,738	125,048	114,873	71,434
Financial assets at fair value through profit or loss				
- Trading securities	119	520	119	520
- Designated at initial recognition				
> Unit trusts	868	542	-	-
> Government bonds	2,142	2,168	-	-
> Equity securities	7,484	9,241	-	-
> Debt securities	356	756	-	-
> Loans and advances to customers	59	-	59	-
Derivative financial instruments	4,568	2,849	4,653	3,557
Available for sale financial assets				
- Government bonds	1,755	6,380	1,755	6,380
- Treasury bills and other bills eligible for refinancing with central banks	10	11	-	-
- Equity securities	43	49	2	13
- Debt securities	27,514	27,020	25,296	23,307
Less allowance for losses on available for sale financial assets	(5)	-	-	-
Other assets				
- Reinsurance asset	484	336	-	-
Total	190,544	182,130	178,809	164,981
Off balance sheet (note 38)				
Contingent liabilities	2,915	2,503	2,757	2,289
Commitments	36,881	36,013	30,619	24,364
Total off balance sheet	39,796	38,516	33,376	26,653
Total maximum exposure	230,340	220,646	212,185	191,634

21 Credit risk exposures (continued)

In the table below, the industry breakdown of loans and advances to customers is based on the sector / type of the borrower or the guarantor of ultimate risk and the geographic breakdown is based on the location of the business unit where the borrowing is booked.

The Group's primary markets are Ireland and the UK and exposures originated and managed in these countries represent a material concentration of 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, construction and property.

The Group's residential mortgage portfolio is widely diversified by individual borrower and amounts to 45% (31 March 2007: 47%) of the gross loans and advances to customers, 34% (31 March 2007: 36%) of the loans and advances in Ireland and 59% (31 March 2007: 62%) in the UK.

	Group	
	2008 €m	2007 €m
Geographical / industry analysis		
Ireland		
Personal		
- Residential mortgages	26,696	24,634
- Other lending	6,589	6,146
Construction and property	20,313	16,305
Business and other services	9,032	6,284
Manufacturing	5,727	5,446
Distribution	3,726	3,305
Transport	1,860	1,829
Financial	1,720	2,381
Agriculture	1,379	1,300
Energy	1,131	889
Total Ireland	78,173	68,519
UK		
Personal		
- Residential mortgages	34,064	35,053
- Other lending	2,820	2,808
Construction and property	15,173	13,374
Business and other services	2,905	2,910
Manufacturing	1,236	1,183
Distribution	566	514
Transport	315	319
Financial	295	353
Agriculture	113	105
Energy	112	83
Total UK	57,599	56,702
Other		
Personal		
- Residential mortgages	1	2
Construction and property	110	16
Business and other services	111	46
Manufacturing	126	46
Distribution	6	6
Transport	64	-
Financial	144	139
Total Other	562	255
Gross loans and advances to customers	136,334	125,476

21 Credit risk exposures (continued)

The tables below summarise the Group's financial assets over the following categories: neither past due nor impaired, past due but not impaired and impaired. Other financial instruments also includes the Group's reinsurance asset. Exposures are based on the gross amount, before provisions for impairment.

Group

31 March 2008

Summary	**Mortgages €m**	**Personal €m**	**Commercial €m**	**Other financial instruments €m**	**Total €m**
Financial assets neither past due nor impaired	58,320	6,696	67,237	54,803	187,056
Financial assets past due but not impaired	1,693	262	1,064	-	3,019
Impaired financial assets	15	231	816	8	1,070
Total	60,028	7,189	69,117	54,811	191,145

Group

31 March 2007

Summary	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Financial assets neither past due nor impaired	57,199	5,753	58,750	57,075	178,777
Financial assets past due but not impaired	1,592	245	1,258	-	3,095
Impaired financial assets	20	154	505	7	686
Total	58,811	6,152	60,513	57,082	182,558

Bank

31 March 2008

Summary	**Mortgages €m**	**Personal €m**	**Commercial €m**	**Other financial instruments €m**	**Total €m**
Financial assets neither past due nor impaired	33,750	4,464	73,857	63,935	176,006
Financial assets past due but not impaired	1,132	241	1,048	-	2,421
Impaired financial assets	19	203	623	-	845
Total	34,901	4,908	75,528	63,935	179,272

Bank

31 March 2007

Summary	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Financial assets neither past due nor impaired	459	3,671	65,635	93,547	163,312
Financial assets past due but not impaired	-	228	1,249	-	1,477
Impaired financial assets	6	133	397	-	536
Total	465	4,032	67,281	93,547	165,325

Financial assets neither past due nor impaired

The Group uses internal ratings as part of its credit risk management system. These have been mapped to the summary ratings below.

Mortgage, personal and commercial loans are assigned an internal credit grade based on an assessment of the credit quality of the borrower. A thirteen point grade scale is used for more complex, individually managed exposures, including wholesale, corporate and business lending. A seven point grade scale is used for standardised products (including mortgages, personal and small business loans). Other loans and financial instruments are assigned an internal rating supported by external ratings of the major rating agencies.

21 Credit risk exposures (continued)

High quality ratings apply to highly rated financial obligors, strong corporate counterparties and personal borrowers (including residential mortgages) with whom the Group has an excellent repayment experience. High quality are derived from grades 1 to 4 on the thirteen point grade scale, grades 1 and 2 on the seven point grade scale and ratings equivalent to AAA, AA+, AA, AA-, A+, A, A-, BBB+ and BBB for the external major rating agencies.

Satisfactory quality ratings apply to financial assets that are performing as expected, including loans and advances to small and medium sized enterprises, leveraged entities and more recently established businesses. Satisfactory quality also includes some element of the Group's retail portfolios. Satisfactory ratings are derived from grades 5 to 7 on the thirteen point grade scale, grade 3 on the seven point grade scale and external ratings equivalent to BBB- and BB+.

Acceptable quality ratings apply to customers with increased risk profiles that are subject to closer monitoring and scrutiny by lenders with the objective of managing risk and moving accounts to an improved rating category. Acceptable quality ratings are derived from grades 8 and 9 on the thirteen point grade scale, grade 4 outstandings that are neither past due nor impaired within the seven point scale and external ratings equivalent to BB- and B+.

The lower quality but not past due nor impaired rating applies to risks that are neither in arrears nor expected to result in loss but where the Group requires a work down or work out of the relationship unless an early reduction in risk is achievable. Lower quality ratings are derived from outstandings that are neither past due nor impaired within ratings grades 10 and 11 on the thirteen point grade scale and grade 5 on the seven point grade scale and external ratings equivalent to B or below.

All assets in grades 12 and 13 on the thirteen point grade scale and grades 6 and 7 on the seven point grade scale are impaired.

Group

31 March 2008

Risk profile of financial assets neither past due nor impaired	**Mortgages €m**	**Personal €m**	**Commercial €m**	**Other financial instruments €m**	**Total €m**
High quality	57,754	5,123	15,075	45,748	123,700
Satisfactory quality	545	1,394	45,152	8,977	56,068
Acceptable quality	21	170	6,336	65	6,592
Lower quality but not past due nor impaired	-	9	674	13	696
Total	58,320	6,696	67,237	54,803	187,056

Group

31 March 2007

Risk profile of financial assets neither past due nor impaired	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
High quality	56,753	4,028	13,433	46,394	120,608
Satisfactory quality	417	1,641	41,239	10,570	53,867
Acceptable quality	29	84	3,736	99	3,948
Lower quality but not past due nor impaired	-	-	342	12	354
Total	57,199	5,753	58,750	57,075	178,777

21 Credit risk exposures (continued)

Bank

31 March 2008

Risk profile of financial assets neither past due nor impaired	**Mortgages €m**	**Personal €m**	**Commercial €m**	**Other financial instruments €m**	**Total €m**
High quality	33,184	2,891	27,921	63,396	127,392
Satisfactory quality	545	1,394	39,812	463	42,214
Acceptable quality	21	170	5,572	63	5,826
Lower quality but not past due nor impaired	-	9	552	13	574
Total	33,750	4,464	73,857	63,935	176,006

Bank

31 March 2007

Risk profile of financial assets neither past due nor impaired	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
High quality	13	1,983	25,840	93,349	121,185
Satisfactory quality	417	1,604	36,063	86	38,170
Acceptable quality	29	84	3,503	100	3,716
Lower quality but not past due nor impaired	-	-	229	12	241
Total	459	3,671	65,635	93,547	163,312

Financial assets past due but not impaired

Where possible, the tables will generally exclude amounts arising from operational / timing issues that are outside the control of customers.

Consistent with the introduction of a 'past due but not impaired' category, the Group has reclassified those loans which are past due more than 90 days on which it does not expect to incur a loss, from impaired loans.

As operationally impracticable, the Group has availed of the option under IFRS 7 to not disclose the fair value of collateral held against past due or impaired financial assets.

Group

31 March 2008

Financial assets past due but not impaired	**Mortgages €m**	**Personal €m**	**Commercial €m**	**Other financial instruments €m**	**Total €m**
Past due up to 30 days	849	200	744	-	1,793
Past due 31 – 60 days	318	44	165	-	527
Past due 61 – 90 days	134	16	100	-	250
Past due more than 90 days	392	2	55	-	449
Total	1,693	262	1,064	-	3,019

21 Credit risk exposures (continued)

Group

31 March 2007

Financial assets past due but not impaired	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Past due up to 30 days	862	190	659	-	1,711
Past due 31 – 60 days	307	39	336	-	682
Past due 61 – 90 days	134	13	140	-	287
Past due more than 90 days	289	3	123	-	415
Total	1,592	245	1,258	-	3,095

Bank

31 March 2008

Financial assets past due but not impaired	**Mortgages €m**	**Personal €m**	**Commercial €m**	**Other financial instruments €m**	**Total €m**
Past due up to 30 days	621	187	730	-	1,538
Past due 31 – 60 days	225	39	164	-	428
Past due 61 – 90 days	92	13	99	-	204
Past due more than 90 days	194	2	55	-	251
Total	1,132	241	1,048	-	2,421

Bank

31 March 2007

Financial assets past due but not impaired	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Past due up to 30 days	-	180	651	-	831
Past due 31 – 60 days	-	34	335	-	369
Past due 61 – 90 days	-	11	140	-	151
Past due more than 90 days	-	3	123	-	126
Total	-	228	1,249	-	1,477

Impaired financial assets

Please refer to page 33 of the Risk Management section for information on the Group's approach to assessing impairment.

Group

31 March 2008

Impaired financial assets	**Mortgages €m**	**Personal €m**	**Commercial €m**	**Other financial instruments €m**	**Total €m**
Impaired financial assets	15	231	816	8	1,070
Allowance at beginning of year	19	121	288	-	428
Exchange adjustments	(2)	(4)	(23)	-	(29)
Amounts written off	(3)	(15)	(25)	-	(43)
Recoveries	2	6	5	-	13
Charge against income statement	5	79	143	5	232
Allowance at end of year	21	187	388	5	601

21 Credit risk exposures (continued)

Allowances include specific and 'incurred but not reported' (IBNR) allowances. IBNR allowances can be recognised on all categories of loans for losses not specifically identified but which, experience and observable data indicate, are present in the portfolio at the date of assessment. The classification of loans in the prior year has been updated to reflect the IFRS 7 segments. In particular, only those loans on which the Group expects to incur a loss are classified as impaired in line with IFRS. All other loans are classified as 'neither past due nor impaired' or 'past due but not impaired'. The effect of this is to reduce impaired loans and advances to customers in the prior year from €968 million to €679 million.

The allowance of €601 million at 31 March 2008, is held against loans and advances to customers - €596 million (31 March 2007: €428 million) and available for sale financial assets - €5 million (31 March 2007: nil). The commercial classification includes an allowance of €2 million at the beginning and end of the year relating to other financial instruments.

The Commercial classification includes €81 million relating to the Group's exposure to Structured Investment Vehicles (SIVs) with the related impairment provision of €45 million.

The Group had a total exposure to Collateralised Debt Obligations (CDOs) of €43 million at 31 March 2008 all of which is classified as other financial instruments. Of this amount, €30 million relates to the Group's own CDO vehicle, Partholon (see note 53) which is fully consolidated into the Group's financial statements. Of the remaining exposure, €9 million is neither impaired nor past due while the balance of €4 million is impaired with a related €2 million provision.

The Group's exposure to Monoline Insurers (primarily through wrapped products) of €127 million is neither past due nor impaired and it is classified in other financial instruments.

Group

31 March 2007

Impaired financial assets	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Impaired financial assets	20	154	505	7	686
Allowance at beginning of year	8	102	250	-	360
Exchange adjustments	-	-	1	-	1
Amounts written off	(2)	(28)	(23)	-	(53)
Recoveries	1	9	9	-	19
Charge against income statement	12	42	49	-	103
Other movements	-	(4)	2	-	(2)
Allowance at end of year	19	121	288	-	428

Bank

31 March 2008

Impaired financial assets	**Mortgages €m**	**Personal €m**	**Commercial €m**	**Other financial instruments €m**	**Total €m**
Impaired financial assets	19	203	623	-	845
Allowance at beginning of year	-	107	237	-	344
Exchange adjustments	-	(1)	(15)	-	(16)
Amounts written off	(2)	(10)	(18)	-	(30)
Recoveries	-	5	5	-	10
Transfer of provisions from subsidiary undertakings	8	-	-	-	8
Charge against income statement	4	72	72	-	148
Allowance at end of year	10	173	281	-	464

21 Credit risk exposures (continued)

Bank

31 March 2007

Impaired financial assets	Mortgages €m	Personal €m	Commercial €m	Other financial instruments €m	Total €m
Impaired financial assets	6	133	397	-	536
Allowance at beginning of year	-	69	192	-	261
Exchange adjustments	-	-	2	-	2
Amounts written off	-	(20)	(20)	-	(40)
Recoveries	-	10	6	-	16
Charge against income statement	-	48	56	-	104
Other movements	-	-	1	-	1
Allowance at end of year	-	107	237	-	344

Financial assets renegotiated that would otherwise be past due or impaired

Financial assets may be renegotiated at the request of the Group or the customer for commercial purposes, where there is evidence of the continuing ability of the customer to meet renegotiated payment obligations. Where facilities that are past due or impaired are renegotiated, it is the Group's standard practice to retain these facilities in the past due or impaired classifications until the customer has demonstrated the ability to meet present and future commitments. The balance of facilities that have been renegotiated that would otherwise be past due or impaired as at 31 March 2008 was nil (31 March 2007: nil).

Repossessed collateral

During the year ended 31 March 2008, the Group took possession of collateral held as security, as follows:

	31 March 2008 €m	31 March 2007 €m
Residential properties	34	33

Repossessed properties are sold as soon as practicable, with the proceeds applied against outstanding indebtedness.

22 Interest in associated undertakings

	Group 2008 €m	2007 €m
At 1 April	26	21
Share of results after tax	(1)	1
Increase in investments	3	4
At 31 March	28	26

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

23 Interest in joint ventures

	Group 2008 €m	2007 €m
At 1 April	73	75
Acquisitions	-	21
Share of results after tax	47	43
Exchange adjustments	(16)	2
Dividends received	(34)	(68)
At 31 March	70	73

The joint ventures are First Rate Exchange Services, Enterprise 2000 Fund and Paul Capital Investments, LLC. The joint venture with Paul Capital Partners was established in June 2006. See note 51 for further details.

24 Shares in Group undertakings

	Bank 2008 €m	Bank 2007 €m
At 1 April	2,041	1,965
Exchange adjustments	(28)	18
Net change during the year	(751)	58
At 31 March	1,262	2,041
Group undertakings of which		
- Credit Institutions	635	635
- Others	627	1,406
	1,262	2,041

On 1 October 2007, the business of Bristol & West plc transferred to the UK branch of the Governor and Company of the Bank of Ireland, pursuant to a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000.

25 Intangible assets

Group	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost					
At 1 April 2007	347	313	726	151	1,537
Exchange adjustments	(54)	(19)	(14)	(22)	(109)
Reclassifications	-	(33)	37	-	4
Additions	-	10	67	21	98
Disposals / write-offs	-	(4)	(9)	(1)	(14)
At 31 March 2008	293	267	807	149	1,516
Accumulated amortisation and impairment losses					
At 1 April 2007	-	(212)	(341)	(41)	(594)
Exchange adjustments	-	6	5	7	18
Reclassifications	-	-	(4)	-	(4)
Disposals / write-offs	-	4	9	1	14
Charge for the year	-	(9)	(70)	(8)	(87)
At 31 March 2008	-	(211)	(401)	(41)	(653)
Net Book Value at 31 March 2008	293	56	406	108	863

25 Intangible assets (continued)

Group	Goodwill €m	Computer software externally purchased €m	Computer software internally generated €m	Other externally purchased intangible assets €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 / write-offs	-	(10)	(14)	-	(24)
Goodwill written back on disposals	(2)	-	-	-	(2)
At 31 March 2007	347	313	726	151	1,537
Accumulated amortisation and impairment losses					
At 1 April 2006	-	(210)	(289)	(27)	(526)
Acquisition / disposal of subsidiary undertaking	-	10	-	-	10
Disposals / write-offs	-	6	13	-	19
Charge for the year	-	(18)	(65)	(14)	(97)
At 31 March 2007	-	(212)	(341)	(41)	(594)
Net Book Value at 31 March 2007	347	101	385	110	943

Bank	**Computer software externally purchased €m**	**Computer software internally generated €m**	**Other externally purchased intangible assets €m**	**Total €m**
Cost				
At 1 April 2007	201	649	-	850
Exchange adjustments	(9)	(9)	-	(18)
Transfers to / from other Group units	16	31	37	84
Additions	8	45	-	53
Disposals / write-offs	(1)	(7)	-	(8)
Reclassification	1	(1)	-	-
At 31 March 2008	216	708	37	961
Accumulated amortisation and impairment losses				
At 1 April 2007	(143)	(308)	-	(451)
Exchange adjustments	3	2	-	5
Transfers to / from other Group units	(16)	(9)	(12)	(37)
Disposals / write-offs	-	6	-	6
Charge for the year	(7)	(58)	(1)	(66)
At 31 March 2008	(163)	(367)	(13)	(543)
Net book value at 31 March 2008	53	341	24	418

25 Intangible assets (continued)

Bank	Computer software internally generated €	Computer software internally generated €m	Other externally purchased intangible assets €m	Total €m
Cost				
At 1 April 2006	187	596	-	783
Exchange adjustments	1	1	-	2
Additions	17	64	-	81
Disposals / write-offs	(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 / write-offs	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

Impairment Review - Goodwill

Goodwill is reviewed annually for impairment or more frequently if events or circumstances indicate that impairment may have occurred by comparing the carrying value of goodwill to its recoverable amount. An impairment loss arises if the carrying value exceeds the recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, where the value in use is the present value of the future cash flows expected to be derived from the asset.

Impairment testing of goodwill

At 31 March 2008, total goodwill on the Group balance sheet was €293 million (31 March 2007: €347 million). Goodwill is allocated to cash generating units at a level which represents the smallest identifiable group of assets that generate largely independent cash flows.

Included in the total goodwill are €48 million (31 March 2007: €56 million) relating to Burdale, €168 million (31 March 2007: €199 million) relating to Iridian and €72 million (31 March 2007: €86 million) relating to Guggenheim. The remaining aggregate Group goodwill at 31 March 2008 of €5 million (31 March 2007: €6 million) was comprised of balances not considered individually significant.

The calculation of the recoverable amount of goodwill for each of these cash generating units is based upon a value in use calculation that discounts expected pre-tax cash flows at an interest rate appropriate to the cash generating unit. The determination of both require the exercise of judgement. The estimation of pre-tax cash flows is sensitive to the periods for which forecasted cash flows are available and to assumptions underpinning the sustainability of those cash flows. While forecasts are compared with actual performance and external economic data, expected cash flows reflect management's view of future performance.

The values assigned to key assumptions reflect past experience, performance of the business to date and management judgement. The recoverable amount calculations performed for the significant amounts of goodwill are sensitive to changes in the following key assumptions:

Cash flow forecasts

Cash flow forecasts are based on internal management information for a period of up to five years, after which a growth factor appropriate for the business is applied. Initial cash flows are based on performance in the current year and the next four years cash flows are consistent with approved plans for each business. The cash flows for Iridian and Guggenheim are sensitive to future management and performance fees and growth in assets under management.

25 Intangible assets (continued)

Growth rates
Growth rates beyond five years are determined by reference to local economic growth, inflation projections or long term bond yields. The assumed growth rates are 2.25% for Burdale and 3% for Iridian and Guggenheim.

Discount rate
The discount rate applied in all cases is the pre-tax weighted average cost of capital for the Group increased to include a risk premium to reflect the specific risk profile of the cash generating unit to the extent that such risk is not already reflected in the forecast cash flows. A rate of 9% has been used in the models.

Certain elements within these cash flow forecasts are critical to the performance of the business. The impact of changes in these cash flows, growth rate and discount rate assumptions has been assessed by the Directors in the review. The Directors consider that reasonable changes in key assumptions used to determine the recoverable amounts of Burdale, Iridian and Guggenheim will not result in any material impairment of goodwill.

No impairment was identified in the years ended 31 March 2008 or 31 March 2007.

26 Investment property

	Group	
	2008	2007
	€m	€m
At 1 April	1,142	807
Revaluation	(149)	96
Additions	529	263
Disposals	(11)	(24)
At 31 March	1,511	1,142

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.

27 Property, plant and equipment

Group	Freehold land and buildings and long leaseholds (at fair value) €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 2007	442	127	683	8	7	1,267
Exchange adjustments	(13)	(4)	(25)	(1)	-	(43)
Additions	-	-	23	-	31	54
Disposals	(1)	(1)	(24)	-	-	(26)
Revaluation	(37)	-	-	-	-	(37)
Reclassifications	(11)	2	1	-	(3)	(11)
At 31 March 2008	380	124	658	7	35	1,204
Accumulated depreciation and amortisation						
At 1 April 2007	-	(42)	(553)	(7)	-	(602)
Exchange adjustments	-	2	19	1	-	22
Disposals	-	1	18	-	-	19
Charge for the year	-	(16)	(34)	-	-	(50)
At 31 March 2008	-	(55)	(550)	(6)	-	(611)
Net book value at 31 March 2008	380	69	108	1	35	593

The net book value of property, plant and equipment at 31 March 2008 above is analysed as follows:

	€m
At cost	213
At fair value	380
	593

27 Property, plant and equipment (continued)

Group	Freehold land and buildings and long leaseholds (at fair value) €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 / write-offs	(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 / write-offs	-	-	14	1	-	15
Charge for the 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

The net book value of property, plant and equipment at 31 March 2007 above is analysed as follows:

	€m
At cost	223
At fair value	442
	665

27 Property, plant and equipment (continued)

Bank	Freehold land and buildings and long leaseholds (at fair value) €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 2007	337	111	553	5	5	1,011
Transfers to / from other Group Units	-	1	34	2	-	37
Exchange adjustments	(4)	(3)	(17)	-	-	(24)
Additions	-	-	20	-	31	51
Disposals / write-offs	(1)	(1)	(8)	-	-	(10)
Reclassifications	(11)	1	1	-	(2)	(11)
Revaluation	(30)	-	-	-	-	(30)
At 31 March 2008	291	109	583	7	34	1,024
Accumulated depreciation and amortisation						
At 1 April 2007	-	(37)	(447)	(5)	-	(489)
Transfer to / from other group units	-	-	(28)	(1)	-	(29)
Exchange adjustments	-	1	12	-	-	13
Disposals / write-offs	-	1	3	-	-	4
Charge for the year	-	(14)	(28)	-	-	(42)
At 31 March 2008	-	(49)	(488)	(6)	-	(543)
Net book value at 31 March 2008	291	60	95	1	34	481

The net book value of property, plant and equipment at 31 March 2008 above is analysed as follows:

	€m
At cost	190
At fair value	291
	481

Business Review
Governance
Financial Statements
General Information

27 Property, plant and equipment (continued)

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

The net book value of property, plant and equipment at 31 March 2007 above is analysed as follows:	€m
At cost	185
At fair value	337
	522

Property

A revaluation of all Group property was carried out as at 31 March 2008. All freehold and long leasehold (50 years or more unexpired) commercial properties were valued by Lisneys as external valuers, who also reviewed the valuation of all other property carried out by the Bank's professionally qualified staff. Valuations were made on the basis of open market value.

Sale and leaseback

The Group executed sale and leaseback transactions for 30 retail branches (31 March 2007: 36 retail branches) which yielded a profit of €33 million (31 March 2007: €86 million). Ongoing rental commitments are €4 million and the leases are classified as operating leases. Other properties that were sold in the normal course of business netted a profit on disposal of €6 million (31 March 2007: €1 million).

Further disposals are being progressed with a net book value of €19 million (31 March 2007: €73 million) which includes €8 million carried forward from the year ended 31 March 2007 and €11 million that have been reclassified from property, plant and equipment. These properties are shown as assets classified as held for sale (note 29) in the year ended 31 March 2008.

27 Property, plant and equipment (continued)

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Future capital expenditure				
- contracted but not provided in the financial statements	19	3	19	3
- authorised by the Directors but not contracted	39	14	39	13

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

	Group	
	Payable €m	**Receivable €m**
Year ended 31 March 2008		
Not later than 1 year	73	2
Later than 1 year and not later than 5 years	256	6
Later than 5 years	540	2

28 Other assets

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Interest receivable	900	911	800	789
Sundry debtors and other	574	794	163	317
Value in force of life assurance business (note 54)	548	580	-	-
Reinsurance asset	484	336	-	-
Accounts receivable and prepayments	248	268	135	121
Other assets	2,754	2,889	1,098	1,227
Other assets are analysed as follows:				
Within 1 year	1,690	1,946	1,096	1,224
After 1 year	1,064	943	2	3
	2,754	2,889	1,098	1,227

29 Assets classified as held for sale

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Retail branches	11	56	11	56
Other properties	221	27	133	22
Assets classified as held for sale	232	83	144	78

Other properties primarily relate to transactions that the Group has entered into on behalf of private clients. It is anticipated that these properties will be disposed of in due course.

30 Deposits by banks

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Deposits by banks	12,099	14,258	28,829	40,532
Securities sold under agreement to repurchase	1,749	6,147	1,749	6,147
Other bank borrowings	282	-	282	-
Deposits by banks	14,130	20,405	30,860	46,679
Amounts include:				
Due to Group undertakings			16,750	26,980
Due to associates and joint ventures			-	-

31 Customer accounts

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Demand deposits	36,788	25,393	35,819	22,036
Term deposits and other products	31,514	27,333	24,838	19,866
Current accounts	16,327	16,932	28,282	23,578
Other short term borrowings	1,605	2,619	1,171	887
Customer accounts	86,234	72,277	90,110	66,367
Amounts include:				
Due to Group undertakings			11,959	6,649
Due to associates and joint ventures			131	150

32 Debt securities in issue

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Bonds and medium term notes	27,836	29,837	18,828	20,610
Other debt securities in issue	33,006	29,686	26,950	21,187
Debt securities in issue	60,842	59,523	45,778	41,797

33 Subordinated liabilities

	Group		Bank	
Undated loan capital	**2008 €m**	2007 €m	**2008 €m**	2007 €m
Bank of Ireland UK Holdings plc				
(a) €600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	615	618	-	-
(b) Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities	394	448	-	-
BOI Capital Funding (No. 1) LP				
(c) €600 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	590	588	-	-
BOI Capital Funding (No. 2) LP				
(d) US$800 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	541	583	-	-
BOI Capital Funding (No. 3) LP				
(e) US$400 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	270	294	-	-
BOI Capital Funding (No. 4) LP				
(f) Stg£500 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	602	707	-	-
Bank of Ireland				
(g) Stg£75 million $13^3/_8$% Perpetual Subordinated Bonds	156	182	156	-
Bristol & West plc				
(h) Stg£32.6 million $8^1/_8$% Non-Cumulative Preference Shares	41	74	-	-
	3,209	3,494	156	-
Dated loan capital				
Bank of Ireland				
€750 million 6.45% Subordinated Bonds due 2010	767	775	767	775
€600 million Subordinated Floating Rate Notes due 2013	600	600	600	600
Can$400 million Fixed - Floating Rate Subordinated Notes due 2015	242	255	242	255
€600 million Subordinated Floating Rate Notes due 2017	599	599	599	599
€750 million Subordinated Floating Rate Notes due 2017	768	748	768	748
Stg£400 million Fixed - Floating Rate Subordinated Notes due 2018	500	584	500	584
US$600 million Subordinated Floating Rate Notes due 2018	379	-	379	-
Stg£75 million $10^3/_4$% Subordinated Bonds due 2018	98	111	98	-
€650 million Fixed Floating Rate - Subordinated Notes due 2019	646	642	646	642
Stg£500 million Fixed - Floating Rate Subordinated Loan due 2036	-	-	625	731
	4,599	4,314	5,224	4,934
	7,808	7,808	5,380	4,934

33 Subordinated liabilities (continued)

(a) €600 million 7.40% Guaranteed Step-Up Callable Perpetual Preferred Securities
On 7 March 2001 Bank of Ireland UK Holdings plc (the Issuer) issued €600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities (the Preferred Securities) which have the benefit of a subordinated guarantee by the Bank.

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

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

(b) Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities
On 17 March 2003 Bank of Ireland UK Holdings plc (the Issuer) issued Stg£350 million 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 six month Stg£ 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.

(c) €600 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities
On 2 March 2005 BOI Capital Funding (No.1) LP (the Issuer) issued €600 million 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 six month 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 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.

33 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 (i) 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 (ii) or (iii) below and any other liability expressed to rank pari passu with or junior to the subordinated guarantee), (ii) pari passu with parity securities issued by the guarantor and any guarantee of the guarantor ranking pari passu with the subordinated guarantee and (iii) senior to junior share capital.

(d) US$800 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities
On 27 January 2006 BOI Capital Funding (No.2) LP (the Issuer) issued US$800 million 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 (i) 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 (ii) or (iii) below and any other liability expressed to rank pari passu with or junior to the subordinated guarantee), (ii) pari passu with parity securities issued by the Guarantor and any guarantee of the guarantor ranking pari passu with the subordinated guarantee and (iii) senior to junior share capital.

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

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

33 Subordinated liabilities (continued)

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 (i) 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 (ii) or (iii) below and any other liability expressed to rank pari passu with or junior to the subordinated guarantee), (ii) pari passu with parity securities issued by the Guarantor and any guarantee of the Guarantor ranking pari passu with the subordinated guarantee and (iii) senior to junior share capital.

(f) Stg£500 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities
On 19 September 2006 BOI Capital Funding (No.4) LP (the Issuer) issued Stg£500 million 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 Stg£ 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.

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 (i) 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 (ii) or (iii) below and any other liability expressed to rank pari passu with or junior to the subordinated guarantee), (ii) pari passu with parity securities issued by the Guarantor and any guarantee of the Guarantor ranking pari passu with the Subordinated Guarantee and (iii) senior to junior share capital.

33 Subordinated liabilities (continued)

(g) Stg£75 million 13 3/8% Perpetual Subordinated Bonds

On 1 October 2007 Bank of Ireland replaced Bristol & West plc as the issuer of the 13 3/8% Perpetual Subordinated Bonds which have a nominal value of Stg£75m and were revalued as part of the fair value adjustments on the acquisition of Bristol & West plc.

(h) Stg£32.6 million 8 1/8% Non-Cumulative preference shares

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

Holders of the Preference Shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. 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.

On 1 October 2007 in connection with the transfer of the business of Bristol & West plc to Bank of Ireland, Bank of Ireland entered into a Guarantee and Capital Maintenance Commitment (the Guarantee) with respect to the preference shares.

Under the terms of the Guarantee, the liability of Bristol & West plc in relation to the ongoing payment of dividends and any repayment of capital in relation to the preference shares that remained following the transfer of business would be protected. Under the Guarantee Bank of Ireland agrees subject to certain conditions to (1) contribute capital to Bristol & West plc to the extent required to ensure that Bristol & West plc has sufficient distributable reserves to pay the dividends on the preference shares and to the extent required, repay the preference shares capital and (2) guarantee Bristol & West plc's obligations to make repayment of the dividends and Preference Share capital.

In this connection the Guarantee contains provisions to the effect that the rights of Bank of Ireland's creditors under the Guarantee are subordinated to (i) unsubordinated creditors and debtors of Bank of Ireland and (ii) subordinated creditors of Bank of Ireland other than those whose claims rank, or are expressed to rank pari passu or junior to the payments under the Guarantee.

At the time of the business transfer on 1 October 2007 a total of 46 million preference shares of Stg£1 each were tendered for the cash election offered to preference share holders leaving 32.6 million preference shares outstanding post the cash election being completed. The preference shares tendered for the cash election included the shares previously held by Bank of Ireland UK Holdings plc.

Dated loan capital

The Bank set up a Stg£500 million Euro Note Programme (the Programme) in July 1995. The Programme was increased to Stg£1 billion in July 1997. On 9 November 1999 the Programme was redenominated from Sterling to euro and increased to €4 billion. On 10 February 2000 the Bank issued €600 million 6.45% Subordinated Bonds due 2010. On 22 January 2001 the Bank issued an additional €150 million 6.45% Subordinated Bonds due 2010 which are fungible and form a single series with the €600 million 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 €4 billion to €8 billion. In February 2003 the Programme was again increased from €8 billion to €10 billion and on 18 December 2003 €600 million Subordinated floating rate notes were issued due 2013. In February 2004 the Programme was increased from €10 billion to €15 billion and on 25 February 2004 the bank issued €650 million, Fixed / Floating Rate Subordinated Notes due 2019.

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

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

The Bank issued on 5 July 2007 US$600 million Subordinated Floating Rate Notes due 2018.

Interest rates on the floating rate and fixed rate subordinated liabilities (accommodated through swaps) are determined by reference to the relevant currency reference rate.

On 1 October 2007 Bank of Ireland replaced Bristol & West plc as the issuer of the 10 3/4% Subordinated Bonds due 2018 which have a nominal value of Stg£75 million.

34 Other liabilities

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Accrued interest payable	1,052	1,045	723	715
Notes in circulation	744	839	744	839
Sundry creditors	497	558	252	419
Accruals and deferred income	263	222	54	45
Current taxation	102	105	59	55
Other	877	1,214	397	392
Other liabilities	3,535	3,983	2,229	2,465

Other liabilities at 31 March 2008 and at 31 March 2007 are due within 1 year.

The Bank is authorised to issue bank notes in Northern Ireland under the Bankers (Ireland) Act 1845 and the Bankers (Northern Ireland) Act, 1928.

35 Provisions

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
At 1 April	87	153	50	91
Exchange adjustments	(7)	1	(1)	-
Additional provisions charged to income statement	9	23	3	15
Utilised during the year	(33)	(70)	(24)	(48)
Unused amounts reversed during the year	(9)	(20)	(2)	(8)
Other movements	-	-	20	-
At 31 March	47	87	46	50

Provisions recognised within this caption include restructuring and re-organisation costs.

36 Deferred tax

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
The movement on the deferred tax account is as follows:				
At 1 April	253	177	41	(4)
Income statement credit for year (note 13)	(84)	(21)	(14)	(32)
Available for sale financial assets – transferred to reserves (note 42)	(54)	(8)	(35)	(8)
Cash flow hedges – transferred to reserves (note 42)	(68)	53	(68)	53
Revaluation / reclassification of property during year (note 42)	(8)	16	(7)	14
Pension	(36)	21	(36)	17
Other movements	(17)	15	15	1
At 31 March	(14)	253	(104)	41
Deferred tax assets and liabilities are attributable to the following items:				
Deferred tax liabilities				
Accelerated capital allowances:				
- on finance leases	59	66	5	6
- on equipment used by the Group	29	32	20	22
Cash flow hedge reserve	-	64	-	64
Property revaluation surplus	42	64	40	60
Life companies	68	148	-	-
Other temporary differences	10	17	10	10
Deferred tax liabilities	208	391	75	162
Deferred tax assets				
Pensions and other post retirement benefits	118	95	105	69
Provision for loan impairment	11	11	12	12
Other provisions	6	6	3	-
Cash flow hedge reserve	12	-	12	-
Available for sale reserve	57	6	39	6
Other temporary differences	18	20	8	34
Deferred tax assets	222	138	179	121
Represented on the balance sheet as follows:				
Deferred tax assets	(145)	(25)	(104)	-
Deferred tax liabilities	131	278	-	41
	(14)	253	(104)	41

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 income 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 the 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 €1,840 million (31 March 2007: €2,060 million).

36 Deferred tax (continued)

Deferred tax assets have not been recognised in respect of tax losses, tax credits and temporary differences in the amount of €10 million because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. Those losses do not expire under current tax legislation.

The deferred tax credit in the income statement comprises the following temporary differences:

	Group	
	2008 €m	2007 €m
Accelerated tax depreciation	(8)	-
Pensions and other retirement benefits	14	-
Other provisions	2	3
Property disposals	(13)	(21)
Life companies	(81)	14
Other temporary differences	2	(17)
	(84)	(21)

37 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. 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 most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pension Fund (BSPF) which accounts for approximately 85% of the pension liability on the consolidated Group balance sheet. The BSPF was closed to new members from 1 October 2006 although a small percentage of staff still retain an option to switch into this scheme following agreement reached on the introduction of the new Group pension scheme, Bank of Ireland Group Pension Fund (BIGPF). The BIGPF is a hybrid scheme which includes elements of both a defined benefit and a defined contribution scheme.

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.

The last formal valuation of the BSPF, using the projected unit method, was carried out at 31 March 2007. 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 fair value of scheme assets, after allowing for expected future increases in earnings and pensions, represented 109% of the benefits that have accrued to members. The actuary has recommended a contribution rate increase of 0.7% of salaries in the funding programme following the conclusion of the formal valuation of the fund at 31 March 2007. The next formal valuation will be made as at 31 March 2010. The BSPF met the statutory funding standard as at 31 March 2007.

During the year the Group rationalised some of its pension schemes in the UK and with effect from 31 March 2008 the Bristol & West Staff Pension Fund and the Bank of Ireland Home Mortgages Limited Retirement Benefits Scheme merged into the Bank of Ireland Group UK Pension Fund. This merger did not impact the benefits arising under these schemes.

The actuarial valuations are available for inspection to the members of the schemes.

37 Retirement benefit obligations (continued)

The financial assumptions used in the preparation of these financial statements are set out in the table below.

Financial assumptions	2008 % p.a	2007 % p.a
Irish Schemes		
Inflation rate	2.40	2.25
Discount rate	5.85	4.95
Rate of general increase in salaries	3.51*	3.38*
Rate of increase in pensions in payment	3.23*	3.08*
Rate of increase to deferred pensions	2.40	2.25
UK Schemes		
Inflation rate	3.50	3.00
Discount rate	6.50	5.30
Rate of general increase in salaries	4.69*	4.22*
Rate of increase in pensions in payment	3.91*	3.58*
Rate of increase to deferred pensions	3.50	3.00

** Weighted average increase across all group schemes and allows for additional 0.5% for 5 years beginning 1 April 2005 for the BSPF*

Mortality assumptions

The mortality assumptions used in estimating the actuarial value of the liabilities for the BSPF were reviewed during the formal actuarial review at 31 March 2007. This review concluded that the assumptions required updating to take account of improvements in life expectancy in the period since the last review. The table below sets out the revised assumptions.

Post retirement mortality assumption (main scheme)	2008 years	2007 years
Longevity at age 70 for current pensioners		
Male	15.0	14.0
Female	17.3	16.8
Longevity at age 60 for active members currently aged 60 years		
Male	25.1	24.5
Female	28.0	27.5
Longevity at age 60 for active members currently aged 40 years		
Male	27.5	24.5
Female	30.3	27.5

37 Retirement benefit obligations (continued)

The expected long term rates of return for the major jurisdictions and market value of assets of the material defined benefit plans on a combined basis as at 31 March 2008 and 31 March 2007 were as follows:

	2008			2007		
	Expected long term rate of return			Expected long term rate of return		
	ROI %	UK %	Market Value €m	ROI %	UK %	Market Value €m
Equities	7.5	8.5	2,378	7.4	7.9	3,014
Debt securities	4.8	6.1	1,051	4.4	5.1	953
Property	6.2	6.2	460	5.7	6.5	457
Cash	4.2	4.5	78	4.1	4.0	81
Total market value of schemes assets			3,967			4,505
Actuarial value of liabilities of funded schemes			(4,752)			(5,082)
Aggregate deficit in schemes			(785)			(577)
Unfunded schemes			(10)			(10)
Net pension deficit			(795)			(587)

The expected rates of return on individual asset classes are estimated using current and projected economic and market factors. The expected long term rate of return on the total of the Group schemes assets as at 31 March 2008 is 6.6% (31 March 2007: 6.5%) The overall expected return on plan assets is based upon the weighted average of the assumed returns on the major asset classes.

The retirement benefit scheme assets included Bank of Ireland stock amounting to €29 million (31 March 2007: €69 million) and property occupied by Bank of Ireland Group companies to the value of €46 million (31 March 2007: €50 million).

The following table sets out the components of the cost of the defined benefit schemes for the years ended 31 March 2008 and 31 March 2007.

Components of pension expenses	2008 €m	2007 €m
Current service cost	169	162
Past service cost	6	15
Curtailments	-	(10)
Expected return on retirement benefit scheme assets	(296)	(272)
Interest on pension scheme liabilities	251	224
Cost of providing defined retirement benefits	130	119

Actual return on scheme assets	2008 €m	2007 €m
Expected return on scheme assets	296	272
Actuarial (loss) / gain on scheme assets	(823)	144
Actual return on scheme assets	(527)	416

Movement in defined benefit obligations during the year	2008 €m	2007 €m
Defined benefit obligation at beginning of year	5,092	4,878
Current service cost	169	162
Actual member contributions	16	14
Past service cost	6	15
Interest cost	251	224
Actuarial gain on scheme liabilities	(486)	(85)
Benefits paid	(130)	(127)
Curtailments	-	(10)
Currency (gain) / loss	(156)	21
Defined benefit obligation at end of year	4,762	5,092

37 Retirement benefit obligations (continued)

Movement in the fair value of scheme assets during the year	**2008 €m**	2007 €m
Fair value of scheme assets at beginning of year	4,505	4,070
Expected return	296	272
Actual member contributions	16	14
Actuarial (loss) / gain on scheme assets	(823)	144
Contributions by employer	166	127
Benefits paid	(130)	(127)
Currency (loss) / gain	(63)	5
Fair value of scheme assets at end of year	3,967	4,505

Analysis of the amount recognised in the Statement of Recognised Income and Expense (SORIE)	**2008 €m**	2007 €m
Actuarial (loss) / gain on scheme assets	(823)	144
Experience loss on liabilities	(58)	(126)
Gain on change of assumptions (financial and demographic)	544	211
Currency gain / (loss)	93	(16)
Total (loss) / gains recognised in the SORIE during the year before adjustment of tax	(244)	213
Cumulative amount of losses recognised in SORIE to end of year	(362)	(118)

History of experience gains and losses	**2008 €m**	2007 €m	2006 €m	2005 €m
Actuarial (loss) / gain on scheme assets:				
Amount	(823)	144	401	114
Percentage of scheme assets	(20.7%)	3.2%	9.9%	3.3%
Experience (losses) / gain on scheme liabilities:				
Amount	(58)	(126)	(46)	43
Percentage of scheme liabilities	(1.2%)	(2.5%)	(0.9%)	1.0%
Total actuarial (loss) / gain recognised in SORIE:				
Amount	(244)	213	131	(462)
Percentage of scheme liabilities	(5.1%)	4.2%	2.7%	(10.6%)

Defined benefit pension plans	**2008 €m**	2007 €m	2006 €m	2005 €m
Present value of obligations	4,762	5,092	4,878	4,341
Scheme assets	3,967	4,505	4,070	3,417
Deficit within schemes	795	587	808	924
This is shown in the balance sheet as				
Retirement benefit obligations	806	587	808	924
Retirement benefit asset	(11)	-	-	-
Deficit within schemes	795	587	808	924

The deficit above includes a deficit of €696 million (31 March 2007: €464 million) relating to the defined benefit schemes in the Bank.

The liability to defined contribution schemes at 31 March 2008 was €1 million (31 March 2007: €3 million) and this amount is included in retirement benefit obligations in the consolidated balance sheet.

Additional information For year ending:	**31 March 2009 €m**	**31 March 2008 €m**	**31 March 2007 €m**
Expected employer contributions	**114**	111	113
Expected employee contribution	**17**	14	13

Sensitivity analysis for each of the assumptions used to measure the scheme liabilities 31 March 2008

Factor	Change in assumption	BSPF Impact on actuarial liabilities
Discount rate	Decrease 0.1%	Increase 2.0%
Rate of inflation	Increase 0.1%	Increase 2.0%
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.

38 Contingent liabilities and commitments

The tables below gives the contract 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 prove worthless.

Group	**2008 Contract amount €m**	2007 Contract amount €m
Contingent liabilities		
Acceptances and endorsements	47	39
Guarantees and irrevocable letters of credit	2,199	1,719
Other contingent liabilities	669	745
	2,915	2,503
Commitments		
Other commitments		
- Documentary credits and short term trade related transactions	312	176
- Undrawn note issuance and revolving underwriting facilities	175	758
- Undrawn formal standby facilities, credit lines and other commitments to lend		
- revocable or irrevocable with original maturity of 1 year or less	26,162	24,232
- irrevocable with original maturity of over 1 year	10,232	10,847
	36,881	36,013

Bank		
Contingent liabilities		
Acceptances and endorsements	47	39
Guarantees and irrevocable letters of credit	2,041	1,506
Other contingent liabilities	669	744
	2,757	2,289
Commitments		
Other commitments		
- Documentary credits and short term trade related transactions	413	176
- Undrawn note issuance and revolving underwriting facilities	175	758
- Undrawn formal standby facilities, credit lines and other commitments to lend:		
- revocable or irrevocable with original maturity of 1 year or less	24,361	17,054
- irrevocable with original maturity of over 1 year	5,670	6,376
	30,619	24,364

39 Capital stock

	2008	2007
Authorised		
€	**€m**	€m
1,500 million units of €0.64 of ordinary stock	960	960
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
Stg£	**£m**	£m
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	$m
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

Allotted and fully paid	2008 €m	2007 €m
980.5 million units of €0.64 of ordinary stock	628	611
45.7 million units of €0.64 of treasury stock	29	45
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
	664	663

The weighted average ordinary stock in issue at 31 March 2008, used in the earnings per share calculation, excludes the treasury stock which does not represent ordinary stock in issue. Treasury stock does not rank for dividend. While own stock held for the benefit of life assurance policyholders legally rank for dividend, this dividend does not accrue in the Group financial statements.

	Ordinary		Treasury	
Movements in ordinary and treasury stock (units)	**2008**	2007	**2008**	2007
At 1 April	955,356,605	947,903,170	70,192,621	77,212,319
Stock option schemes	378,386	988,540	(52,000)	(682,400)
Sharesave scheme	3,035,654	3,753,075	(2,708,545)	(3,625,478)
Long term incentive plan (LTIP)	247,373	16,082	(232,844)	(16,082)
Employee stock issue scheme	2,599,085	2,610,538	(2,599,085)	(2,610,538)
Stock alternative scheme	11,379,394	2,139,653	(11,379,394)	(2,139,653)
Stock sold / purchased and held for the benefit of life assurance policyholders	7,485,975	(2,054,453)	(7,485,975)	2,054,453
At 31 March	980,482,472	955,356,605	45,734,778	70,192,621

39 Capital stock (continued)

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 955,356,605 units of nominal value of €0.64 each to 980,482,472 units of nominal value of €0.64 each as a result of:

378,386 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 €4.53 to €12.85 by the reissue of treasury stock (52,000 units) and by the issue of new ordinary stock (326,386 units).

3,035,654 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, €8.37, €12.28, and €13.09 by the reissue of treasury stock (2,708,545 units) and by the issue of new units of ordinary stock (327,109 units).

247,373 units of ordinary stock were issued on the vesting of awards under the terms of the LTIP at prices of €10.76 and €12.73 per unit, by the reissue of treasury stock (232,844 units) and by the issue of new ordinary stock (14,529 units).

2,599,085 units of ordinary stock were issued to employees under the terms of the Employee Stock Issue Scheme at prices of €15.00 and €12.92 per unit, by the reissue of units of treasury stock.

11,379,394 units of ordinary stock were issued to stockholders under the terms of the Stock Alternative Scheme at prices of €15.22 and €9.28 per unit, by the reissue 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 receiving their dividend by way of cash or in stock units.

27,049,251 units of ordinary stock held by the Group's life assurance company as at 31 March 2007 are categorised as 'own shares'. 7,485,975 units of ordinary stock were disposed of by the life assurance company during the year ended 31 March 2008.

All units of ordinary stock in issue carry the same voting rights.

Preference Stock

The preference stock is non-redeemable. The holders of preference stock are entitled to receive a non-cumulative preferential dividend, which in the case of the Sterling preference stock will be payable in Sterling, in a gross amount of Stg£1.2625 per unit and in the case of euro preference stock will be payable in euro in a gross amount of €1.523686 per unit per annum, in equal semi-annual instalments, in arrears, on February 20 and August 20 in each year.

On a winding up of, or other return of capital by the Bank (other than on a redemption), the holders of preference stock will be entitled to receive an amount equal to the amount paid up on each unit of the preference stock held (including the premium) out of the surplus assets available for distribution to the holders of ordinary stock.

The preference stockholders are not entitled to vote at any General Court except in certain exceptional circumstances when a restricted vote may apply.

The Bank has an obligation to increase the cash dividend payable on each unit of preference stock so that the sum of the cash dividend paid or payable together with the associated dividend tax credit shall equal the appropriate gross amounts.

As at 31 March 2008 and 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 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.

39 Capital stock (continued)

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. 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 table below shows the option price for each year, and what discount this represented of the market price at that time.

Grant Dates		SAYE 2007	SAYE 2006	SAYE 2003
Option Price	ROI	€6.96	€12.28	€7.84
	UK	€7.43	€13.09	€8.37
Discount	ROI	25%	25%	25%
	UK	20%	20%	20%

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

As at 31 March 2008, there are outstanding options under the scheme of 9,596,947 units of ordinary stock of the issued ordinary capital. These options are ordinarily exercisable, provided the participant's savings contracts are complete, between February 2009 and August 2011.

2008	ROI					UK					
	2000 7yr	2003 3yr	2003 5yr	2006 3yr	2007 3yr	2000 7yr	2003 3yr	2003 5yr	2006 3yr	2007 3yr	Total
Outstanding at beginning of period	2,389,431	428,770	2,116,618	2,310,960	-	531,916	70,594	392,339	513,615	-	8,754,243
Granted	-	-	-	-	3,967,756	-	-	-	-	811,265	4,779,021
Exercised *	(2,311,311)	(216,607)	(26,019)	(128)	-	(422,805)	(47,630)	(10,904)	(250)	-	(3,035,654)
Lapsed	(78,120)	(212,163)	(60,059)	(277,955)	(16,772)	(109,111)	(22,964)	(37,591)	(76,610)	(9,318)	(900,663)
Outstanding at end of period	-	-	2,030,540	2,032,877	3,950,984	-	-	343,844	436,755	801,947	9,596,947
Weighted average exercise price	€5.40	€7.84	€7.84	€12.28	€6.96	€5.40	€8.37	€8.37	€13.09	€7.43	€8.64

* The weighted average market price on the date the options were exercised was €15.75 (2007: €16.93). None of the options outstanding at 31 March 2008 were exercisable.

(c) Stock Option Scheme

Options to subscribe for units of ordinary stock are granted under the terms of the Stock Option Scheme. The scheme was approved by the stockholders at the Annual General Court in 1996 - 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 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.

39 Capital stock (continued)

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 2008		March 2007	
	Number of options	**Weighted average exercise price (€)**	Number of options	Weighted average exercise price (€)
Outstanding at beginning of period	7,016,309	11.55	6,732,803	10.66
Granted during the period	1,151,782	15.20	1,416,190	13.14
Exercised during period	378,386	7.88	988,540	9.23
Expired during period	214,120	11.63	144,144	11.75
Outstanding at end of period	7,575,585	12.26	7,016,309	11.55
Exercisable at end of period	3,980,149	10.58	2,957,605	10.15

**The weighted average market price on the date the options were exercised was €13.64 (2007: €15.53)*

Exercise Price Range (€)	Number of options
6.96 - 9.75	681,932
10.54 - 10.76	2,430,499
11.05 - 13.68	2,027,514
14.00 - 17.16	2,435,640
Total	7,575,585

Outstanding options under the Stock Option Scheme are exercisable at price ranges above. The weighted average remaining contractual life of the outstanding options under the Stock Option Scheme is 1 year.

(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% (150% 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%, then the proportion of these units which actually vest in the executive on the third 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:

39 Capital stock (continued)

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.

	2008		2007 *	
	Number of conditional units	**Weighted average grant price €**	Number of conditional units	Weighted average grant price €
Outstanding at beginning of period	2,104,333	12.73	1,721,993	11.57
Granted during the period	602,226	14.87	874,173	14.19
Vested during period	247,373	10.88	16,082	11.04
Expired during period	470,181	11.22	475,751	11.31
Outstanding at end of period	1,989,005	13.96	2,104,333	12.73

* The March 2007 figures have been restated to include the potential additional units that could be awarded under the LTPSP scheme if the vested stock is retained for two years (additional award of 20%) and then a further five years (additional award is a further 30%). This increases the outstanding number of conditional units as at 31 March 2007 by 65,579 units (from 2,038,754 to 2,104,333).

Outstanding units under the LTIP were granted at prices ranging between €9.75 to €17.16.

The weighted average remaining contractual life of the outstanding options under the LTIP Scheme is 1 year (the potential matching awards of 30% on the previous LTPSP schemes are excluded from this calculation).

39 Capital 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		LTIP	
	2008	2007	**2008**	2007
Volatility	20%	25%	20%	25%
Dividend yield	3.4%	3.4%	3.4%	3.4%
Risk free rate	4.6%	4%	N/A	N/A
Implied term	9.4 years	8.5 years	3 years	3 years
Fair value	€3.06	€3.17	€6.00	€5.10
Exercise price	€15.45	€14	nil	nil
No. of options (000's)	1,151.8	1,416.2	580.4	853.1
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%	20%	20%	20%
Dividend yield	4.2%	3.3%	4.2%	3.3%
Risk free rate	4.1%	3.8%	4.1%	3.8%
Implied term	3 years	3 years	3 years	3 years
Fair value	€2.94	€5.10	€2.62	€4.55
Exercise price	€6.96	€12.28	€7.43	€13.09
No. of options (000's)	3,967.8	2,311.0	811.3	513.6
Vesting period	3 years	3 years	3 years	3 years

	SAYE (ROI)	SAYE (UK)
	5 Year 2003	**5 Year 2003**
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's)	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.

40 Stock premium account

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
At 1 April	**771**	767	**771**	767
Premium on issue of stock	**4**	4	**4**	4
At 31 March	**775**	771	**775**	771

41 Retained earnings

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
At 1 April	**4,672**	3,188	**2,027**	621
Profit for period attributable to stockholders	**1,699**	1,651	**1,385**	1,558
Equity dividends (note 47)	**(611)**	(524)	**(628)**	(539)
Dividends on other equity interests	**(14)**	(15)	**(14)**	(15)
Transfer to capital reserves (note 42)	**(101)**	(70)	**-**	-
Profit retained	**973**	1,042	**743**	1,004
Reissue of treasury stock	**189**	129	**173**	106
Transfer from revaluation reserve (note 42)	**41**	108	**39**	107
Transfer from share based payments reserve (note 42)	**4**	15	**4**	15
Pension fund obligations (note 37)	**(209)**	190	**(195)**	176
Reserves transferred to / from other units	**-**	-	**26**	(2)
At 31 March	**5,670**	4,672	**2,817**	2,027

42 Other reserves

Other reserves are summarised as follows:

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Other reserves				
Capital reserve	530	429	48	48
Share based payments reserve	33	24	33	24
Foreign exchange reserve	(788)	(76)	(472)	(52)
Revaluation reserve	182	252	145	216
Available for sale reserve	(419)	(33)	(286)	(37)
Cash flow hedge reserve	(52)	195	(52)	195
Other equity reserve	114	114	114	114
Closing balance	(400)	905	(470)	508

Other reserves are analysed as follows:

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Capital reserve				
Opening balance	429	359	48	48
Transfer from retained profit	101	70	-	-
Closing balance	530	429	48	48

The capital reserve represents transfers from retained earnings and other reserves in accordance with relevant legislation. The reserves are not distributable.

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Share based payments reserve				
Opening balance	24	27	24	27
Charge to the income statement	13	12	13	12
Transfer to retained profit	(4)	(15)	(4)	(15)
Closing balance	33	24	33	24
Foreign exchange reserve				
Opening balance	(76)	(125)	(52)	(67)
Exchange adjustments during year	(712)	49	(420)	15
Closing balance	(788)	(76)	(472)	(52)

The foreign exchange reserve represents the cumulative gains and losses on the translation of the Group's investment in its foreign operations.

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Revaluation reserve				
Opening balance	252	342	216	316
Transfer to revenue reserve on sale of property	(41)	(108)	(39)	(107)
Revaluation of property	(37)	34	(30)	21
Deferred tax on revaluation of property (note 36)	8	(16)	7	(14)
Other movement	-	-	(9)	-
Closing balance	182	252	145	216

The revaluation reserve represents the cumulative gains and losses on the revaluation of the Group's property portfolio. It includes the revaluation of property classified as property, plant and equipment and assets classified as held for sale.

42 Other reserves (continued)

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Available for sale reserve				
Opening balance	(33)	26	(37)	23
Net changes in fair value	(406)	(57)	(251)	(59)
Deferred tax on fair value changes (note 36)	54	8	35	8
Transfer to income statement on asset disposal	(34)	(10)	(33)	(9)
Closing balance	(419)	(33)	(286)	(37)

The available for sale reserve represents the unrealised change in the fair value of available for sale financial assets since initial recognition.

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Cash flow hedge reserve				
Opening balance	195	60	195	60
Net changes in fair value	128	268	(66)	253
Transferred to income statement				
- Net interest income	(185)	(80)	(249)	(65)
- Net trading expense (foreign exchange)	(258)	-	-	-
Deferred tax on reserve movements (note 36)	68	(53)	68	(53)
Closing balance	(52)	195	(52)	195

The cash flow hedge reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be transferred to the income statement when the hedged transactions impact the Group's profit or loss.

	Group		Bank	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Other equity reserve				
Opening and closing balance	114	114	114	114

Other equity reserves comprises a US$150 million undated floating rate primary capital note which was reclassified from subordinated liabilities in accordance with IAS 32 on transition to IFRS in the year ended 31 March 2006.

43 Minority interests

	Group	
	2008 €m	2007 €m
At 1 April	34	45
Share of net profit	5	1
Dividends paid to minority interest	(2)	(3)
Disposal of minority interest (Davy)	-	(9)
Other movement	1	-
At 31 March	38	34

44 Liquidity risk

The tables below analyse the financial assets and financial liabilities (excluding those arising from insurance and participating investment contracts) of the Group and the Bank into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The Group does not manage liquidity risk on the basis of contractual maturity. Instead, the Group manages liquidity risk based on expected cash flows. The Group's approach to liquidity risk management is outlined in the Risk Management section on pages 27 to 43.

Group
As at 31 March 2008

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	484	-	-	-	-	-	484
Central government and other eligible bills	10	-	-	-	-	-	10
Trading securities	-	-	16	94	9	-	119
Derivative financial instruments	1,093	819	555	1,078	1,023	-	4,568
Other financial assets at fair value through profit or loss	-	402	289	719	1,147	8,352	10,909
Loans and advances to banks	4,861	4,432	37	34	45	-	9,409
Available for sale financial assets	-	5,061	3,808	16,025	4,370	43	29,307
Loans and advances to customers	3,963	7,880	11,553	40,981	71,957	-	136,334
Total	10,411	18,594	16,258	58,931	78,551	8,395	191,140
Liabilities							
Deposits by banks	1,738	10,594	796	915	87	-	14,130
Customer accounts	51,055	28,599	3,382	2,686	512	-	86,234
Derivative financial instruments	1,058	830	310	1,034	1,090	-	4,322
Debt securities in issue	232	22,213	13,096	12,068	13,233	-	60,842
Subordinated debt	-	-	-	767	7,041	-	7,808
Total	54,083	62,236	17,584	17,470	21,963	-	173,336

44 Liquidity risk (continued)

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
Trading securities	20	10	37	342	111	-	520
Derivative financial instruments	826	214	215	1,183	411		2,849
Other financial assets at fair value through profit or loss	-	1,017	116	477	1,314	9,783	12,707
Loans and advances to banks	2,465	4,204	438	54	49	-	7,210
Available for sale financial assets	106	2,965	5,655	17,334	7,340	49	33,449
Loans and advances to customers	2,918	6,612	10,249	38,273	67,424	-	125,476
Total	6,708	15,022	16,710	57,663	76,649	9,832	182,584
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
Derivative financial instruments	759	263	219	736	958	-	2,935
Debt securities in issue	270	15,975	8,168	18,919	16,191	-	59,523
Subordinated debt	-	-	-	775	7,033	-	7,808
Total	47,658	50,808	14,834	23,915	25,733	-	162,948

Bank

As at 31 March 2008

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	462	-	-	-	-	-	462
Trading securities	-	-	16	94	9	-	119
Derivative financial instruments	1,098	819	555	1,103	1,078	-	4,653
Other financial assets at fair value through profit or loss	-	-	-	11	48	-	59
Loans and advances to banks	24,176	5,378	615	1,277	606	-	32,052
Available for sale financial assets	3	5,124	3,693	14,867	3,364	2	27,053
Loans and advances to customers	5,641	18,107	11,881	33,811	45,897	-	115,337
Total	31,380	29,428	16,760	51,163	51,002	2	179,735
Liabilities							
Deposits by banks	3,558	16,161	1,613	4,556	4,972	-	30,860
Customer accounts	51,603	23,393	4,272	5,399	5,443	-	90,110
Derivative financial instruments	1,157	830	330	1,067	938	-	4,322
Debt securities in issue	232	22,209	13,096	9,704	537	-	45,778
Subordinated debt	-	-	-	767	4,613	-	5,380
Total	56,550	62,593	19,311	21,493	16,503	-	176,450

44 Liquidity risk (continued)

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	Total €m
Assets							
Cash and balances at central banks	347	-	-	-	-	-	347
Trading securities	20	10	37	342	111	-	520
Derivative financial instruments	873	214	215	1,323	932	-	3,557
Loans and advances to banks	2,489	29,825	6,171	17,631	3,654	-	59,770
Available for sale financial assets	9	2,898	5,533	15,462	5,785	13	29,700
Loans and advances to customers	4,263	15,443	9,339	24,261	18,472	-	71,778
Total	8,001	48,390	21,295	59,019	28,954	13	165,672
Liabilities							
Deposits by banks	2,857	21,358	12,331	4,115	6,018	-	46,679
Customer accounts	41,044	16,432	2,333	2,368	4,190	-	66,367
Derivative financial instruments	765	264	268	1,087	1,013	-	3,397
Debt securities in issue	260	15,967	8,147	16,787	636	-	41,797
Subordinated debt	-	-	-	775	4,159	-	4,934
Total	44,926	54,021	23,079	25,132	16,016	-	163,174

44 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial instrument liabilities, excluding those arising from insurance and participating investment contracts at 31 March 2008 and 31 March 2007 based on contractual undiscounted repayment obligations. Unit linked investment liabilities and unit linked insurance liabilities with a carrying value of €5,662 million and €7,140 million respectively (31 March 2007: €6,736 million and €7,190 million respectively) are excluded from this analysis as their repayment is linked directly to the financial assets backing these contracts. The Group does not manage liquidity risk on the basis of contractual maturity. Instead the Group manages liquidity risk based on expected cash flows. The balances will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and interest payments.

Group

31 March 2008

	Demand €m	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Deposits by banks	1,740	10,673	836	951	142	14,342
Customer accounts	51,112	28,868	3,579	3,044	708	87,311
Debt securities in issue	234	22,856	14,140	15,420	21,172	73,822
Subordinated liabilities and other capital instruments	2	87	281	1,572	7,416	9,358
Contingent liabilities	2,915	-	-	-	-	2,915
Commitments	26,649	-	-	10,232	-	36,881
Total	82,652	62,484	18,836	31,219	29,438	224,629

Derivative financial instruments	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Gross settled derivative liabilities - outflows	-	39,124	7,140	13,677	8,351	68,292
Gross settled derivative liabilities - inflows	-	(37,660)	(6,389)	(12,098)	(6,593)	(62,740)
Gross settled derivative liabilities - net flows	-	1,464	751	1,579	1,758	5,552
Net settled derivative liabilities	-	360	312	1,091	402	2,165
Total	-	1,824	1,063	2,670	2,160	7,717

Group

31 March 2007

	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits by banks	2,767	13,724	3,515	534	97	20,637
Customer accounts	43,840	21,039	3,235	3,279	1,762	73,155
Debt securities in issue	260	16,144	8,959	23,689	28,177	77,229
Subordinated liabilities and other capital instruments	-	90	281	1,506	8,824	10,701
Contingent liabilities	2,503	-	-	-	-	2,503
Commitments	25,166	-	-	10,847	-	36,013
Total	74,536	50,997	15,990	39,855	38,860	220,238

44 Liquidity risk (continued)

Group

31 March 2007

Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Gross settled derivative liabilities - outflows	-	13,975	7,406	11,627	14,590	47,598
Gross settled derivative liabilities - inflows	-	(13,725)	(6,988)	(10,380)	(12,754)	(43,847)
Gross settled derivative liabilities - net flows	-	250	418	1,247	1,836	3,751
Net settled derivative liabilities	-	79	116	535	603	1,333
Total	-	329	534	1,782	2,439	5,084

The tables below summarises the maturity profile of the Bank's financial instrument liabilities at 31 March 2008 and 31 March 2007 based on contractual undiscounted repayment obligations.

Bank

31 March 2008

	Demand €m	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Deposits by banks	3,560	16,240	1,652	4,590	5,027	31,069
Customer accounts	51,657	23,615	4,466	5,739	5,991	91,468
Debt securities in issue	234	22,677	13,638	10,250	699	47,498
Subordinated liabilities and other capital instruments	2	45	205	1,572	5,477	7,301
Contingent liabilities	2,757	-	-	-	-	2,757
Commitments	24,949	-	-	5,670	-	30,619
Total	83,159	62,577	19,961	27,821	17,194	210,712

Derivative financial instruments	**Demand €m**	**Up to 3 months €m**	**3-12 months €m**	**1-5 years €m**	**Over 5 years €m**	**Total €m**
Gross settled derivative liabilities - outflows	-	38,873	6,534	11,693	1,766	58,866
Gross settled derivative liabilities - inflows	-	(37,460)	(5,901)	(10,534)	(1,353)	(55,248)
Gross settled derivative liabilities - net flows	-	1,413	633	1,159	413	3,618
Net settled derivative liabilities	-	360	312	1,091	402	2,165
Total	-	1,773	945	2,250	815	5,783

44 Liquidity risk (continued)

Bank

31 March 2007

	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Deposits by banks	2,858	19,607	5,242	9,502	9,718	46,927
Customer accounts	41,040	15,818	2,720	2,326	4,965	66,869
Debt securities in issue	260	16,029	8,333	18,851	1,350	44,823
Subordinated liabilities and other capital instruments	-	19	178	1,458	5,053	6,708
Contingent liabilities	2,289	-	-	-	-	2,289
Commitments	17,988	-	-	6,376	-	24,364
Total	64,435	51,473	16,473	38,488	21,086	191,980

Derivative financial instruments	Demand €m	Up to 3 months €m	3-12 months €m	1-5 years €m	Over 5 years €m	Total €m
Gross settled derivative liabilities - outflows	-	13,778	6,519	8,514	4,569	33,380
Gross settled derivative liabilities - inflows	-	(13,580)	(6,287)	(7,861)	(4,124)	(31,852)
Gross settled derivatives liabilities - net flows	-	198	232	653	445	1,528
Net settled derivatives liabilities	-	79	116	535	603	1,333
Total	-	277	348	1,188	1,048	2,861

45 Fair values of financial assets and liabilities

The carrying amount and the fair value of the Group's trading and non trading financial assets and liabilities as at 31 March 2008 and 31 March 2007 are set out in this note.

The Group's accounting policy on valuation is set out on page 83 and page 94 gives details on the critical accounting estimates and judgments made by management in relation to the fair value of financial instruments.

Where possible, the Group calculates fair value using observable market prices. Where market prices are not available or unreliable, fair values are determined using valuation techniques which may include discounted cash flow models or comparisons to instruments with characteristics either identical or similar to those of the instruments held by the Group.

These techniques are subjective in nature and involve assumptions which are based upon management's view of market conditions at year end 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 loans and advances 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 2008 or 31 March 2007.

Set out below is a summary of the methods and assumptions used in estimating the fair values of financial instruments, which are disclosed in the following table.

Financial assets held for trading and other financial instruments designated at fair value through profit or loss
These instruments are valued using observable market prices where available. Where the market prices are unavailable, fair value is calculated using discounted cash flow models based on observable market inputs.

Derivative financial instruments
Derivative financial instruments are valued using discounted cash flow models, based primarily on observable market inputs, which take account of current market interest rates and changes in credit spreads.

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

Loans and advances to customers
Loans and advances are net of provisions for impairment. The fair value of fixed rate loans and advances is calculated using a valuation technique which uses current market rates to discount the estimated future cash flows expected to be received. The fair value of floating rate loans is normally assumed to be equal to carrying value.

Available for sale financial assets
Available for sale financial assets are valued using quoted market prices where available. Where the market prices are unavailable, fair value is calculated using discounted cash flow models based on observable market inputs.

Deposits by banks and Customer accounts
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 prices is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

45 Fair values of financial assets and liabilities (continued)

Debt securities in issue and subordinated liabilities

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

Liabilities to customers under investment contracts

The fair value of liabilities to customers under investment contracts is contractually linked to the fair value of the financial assets within the policyholders' unit linked funds. The value of the unit linked financial liabilities is determined using current unit prices multiplied by the number of units attributed to the contract holders at the balance sheet date. Their value is never less than the amount payable on surrender, discounted for the required notice period where applicable.

	2008		2007	
Group	**Carrying amount €m**	**Fair values €m**	Carrying amount €m	Fair values €m
Financial instruments held for trading				
Debt securities (1)	119	119	520	520
Derivative financial instruments - trading				
Foreign exchange contracts (1)	114	114	(103)	(103)
Interest rate contracts (1)	(394)	(394)	(294)	(294)
Equity and commodity contracts (1)	187	187	61	61
Non trading financial instruments				
Assets				
Cash and balances at central banks (1)	484	484	362	362
Items in course of collection from other banks (1)	683	683	811	811
Central government bills and other eligible bills (1)	10	10	11	11
Loans and advances to banks	9,409	9,409	7,210	7,219
Loans and advances to customers	135,738	134,902	125,048	125,124
Available for sale financial assets (1)	29,307	29,307	33,449	33,449
Other financial assets at fair value through profit or loss (1)	10,909	10,909	12,707	12,707
Liabilities				
Deposits by banks	14,130	14,118	20,405	20,482
Customer accounts	86,234	86,259	72,277	72,491
Items in course of transmission to other banks (1)	254	254	243	243
Debt securities in issue	60,842	60,030	59,523	59,562
Liabilities to customers under investment contracts (1)	5,662	5,662	6,736	6,736
Insurance contract liabilities (1)	7,140	7,140	7,190	7,190
Subordinated liabilities	7,808	6,655	7,808	7,951
Derivative financial instruments - hedging				
Interest rate contracts (1)	339	339	250	250

(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.

46 Measurement basis of financial assets and liabilities

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

	At fair value through profit or loss			At fair value through equity				
Group 31 March 2008	**Derivatives designated as fair value hedging instruments €m**	**Held for trading €m**	**Designated upon initial recognition €m**	**Available for sale €m**	**Cash flow hedge derivatives €m**	**Loans and receivables / Held at amortised cost €m**	**Insurance contracts €m**	**Total €m**
Financial assets								
Cash and balances at central banks	-	-	-	-	-	484	-	484
Items in the course of collection from other banks	-	-	-	-	-	683	-	683
Central government and other eligible bills	-	-	-	10	-	-	-	10
Trading securities	-	119	-	-	-	-	-	119
Derivative financial instruments	378	3,385	-	-	805	-	-	4,568
Other financial assets at fair value through profit or loss	-	-	10,909	-	-	-	-	10,909
Loans and advances to banks	-	-	-	-	-	9,409	-	9,409
Available for sale financial assets	-	-	-	29,307	-	-	-	29,307
Loans and advances to customers	-	-	-	-	-	135,738	-	135,738
Total financial assets	378	3,504	10,909	29,317	805	146,314	-	191,227
Financial liabilities								
Deposits by banks	-	-	282	-	-	13,848	-	14,130
Customer accounts	-	-	2,524	-	-	83,710	-	86,234
Items in course of transmission to banks	-	-	-		-	254	-	254
Derivative financial instruments	190	3,478	-	-	654	-	-	4,322
Liabilities to customers under investment contracts	-	-	5,662	-	-	-	-	5,662
Debt securities in issue	-	-	971	-	-	59,871	-	60,842
Insurance contract liabilities	-	-	-	-	-	-	7,140	7,140
Subordinated liabilities	-	-	242	-	-	7,566	-	7,808
Total financial liabilities	190	3,478	9,681	-	654	165,249	7,140	186,392

46 Measurement basis of financial assets and liabilities (continued)

Group 31 March 2007	At fair value through profit or loss Derivatives designated as fair value hedging instruments €m	Held for trading €m	Designated upon initial recognition €m	At fair value through equity Available for sale €m	Cash flow hedge derivatives €m	Loans and receivables / Held at amortised cost €m	Insurance contracts €m	Total €m
Financial assets								
Cash and balances at central banks	-	-	-	-	-	362	-	362
Items in the course of collection from other banks	-	-	-	-	-	811	-	811
Central government and other eligible bills	-	-	-	11	-	-	-	11
Trading securities	-	520	-	-	-	-	-	520
Derivative financial instruments	200	1,914	-	-	735	-	-	2,849
Other financial assets at fair value through profit or loss	-	-	12,707	-	-	-	-	12,707
Loans and advances to banks	-	-	-	-	-	7,210	-	7,210
Available for sale financial assets	-	-	-	33,449	-	-	-	33,449
Loans and advances to customers	-	-	-	-	-	125,048	-	125,048
Total financial assets	200	2,434	12,707	33,460	735	133,431	-	182,967
Financial liabilities								
Deposits by banks	-	-	-	-	-	20,405	-	20,405
Customer accounts	-	-	2,574	-	-	69,703	-	72,277
Items in course of transmission to banks	-	-	-	-	-	243	-	243
Derivative financial instruments	236	2,250	-	-	449	-	-	2,935
Liabilities to customers under investment contracts	-	-	6,736	-	-	-	-	6,736
Debt securities in issue	-	-	1,264	-	-	58,259	-	59,523
Insurance contract liabilities	-	-	-	-	-	-	7,190	7,190
Subordinated liabilities	-	-	255	-	-	7,553	-	7,808
Total financial liabilities	236	2,250	10,829	-	449	156,163	7,190	177,117

The fair value and contractual amount due on maturity of financial liabilities designated at fair value upon initial recognition are shown in the table below.

	31 March 2008 **Fair values €m**	**Contractual amount due on maturity €m**	31 March 2007 Fair values €m	Contractual amount due on maturity €m
Deposits by banks	282	282	269	269
Customer accounts	2,524	2,682	2,574	3,491
Liabilities to customers under investment contracts	5,662	5,662	6,736	6,736
Debt securities in issue	971	979	1,264	1,274
Subordinated liabilities	242	246	255	260
Financial liabilities designated at fair value through profit or loss	9,681	9,851	11,098	12,030

See note 6 for information on how changes in the fair value of financial liabilities affected the income statement.

47 Dividend per unit of ordinary stock

	2008 cent per unit	2007 cent per unit	**2008 €m**	2007 €m
Final dividend for previous year paid during the current year	39.4	34.3	371	318
Interim dividend for the current year	24.2	21.0	240	206
	63.6	55.3	611	524

The final proposed dividend of 39.4 cent per unit of ordinary stock, amounting to €386 million (before adjustment for treasury stock), is not accounted for until ratified at the Annual General Court on 8 July 2008. The financial statements for the year ended 31 March 2008 do not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the year ended 31 March 2009.

The total dividend in respect of the year ended 31 March 2008 is 63.6 cent per unit of ordinary stock (31 March 2007: 60.4 cent per unit of ordinary stock) amounting to a total of €626 million (31 March 2007: €577 million).

48 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises the following balances:

	Group		**Bank**	
	2008 €m	2007 €m	**2008 €m**	2007 €m
Cash and balances at central banks	484	362	462	347
Loans and advances to banks (with an original maturity of less than 3 months)	7,153	3,924	6,811	3,607
Central government and other eligible bills	10	11	-	-
Cash and cash equivalents	7,647	4,297	7,273	3,954

49 General

(a) The Bank has given a letter of comfort to the regulatory authority of the Isle of Man in respect of its banking subsidiary Bank of Ireland (IOM) Limited for the protection of the depositors of that subsidiary.

(b) The Bank has provided a guarantee under Section 17 of the Companies (Amendment) Act, 1986 for the following companies: Premier Direct Management Limited, Premier Direct Insurance Services Limited, Tustin Limited, Hill Wilson Secretarial Limited, Bank of Ireland Insurance Services Limited, Bank of Ireland Asset Management (US) Limited, Bank of Ireland Asset Management Limited, Bank of Ireland Car Loans Limited, Bank of Ireland Commercial Finance 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, Edendork Leasing Limited, First Rate Enterprises Limited, Florenville Limited, IBI Corporate Finance Limited, Nerling Limited, Nestland Limited.

(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 Bank is availing of the exemption of presenting its individual income statement to the Annual General Court and from filing it with the Registrar of Companies. The Bank's profit for the financial year determined in accordance with IFRS is €1,385 million (31 March 2007: €1,558 million).

50 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 18, 20, 30 and 31.

(a) Associated undertakings and joint ventures

The Group provides and receives from its associated undertakings and joint ventures certain banking and financial services on similar terms to third party transactions and are not material to the Group. These include loans, deposits and foreign currency transactions; the volumes outstanding at the year end are set out in notes 18, 20, 30 and 31.

(b) Pension funds

The Group provides a number of normal banking and financial services to 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 retirement benefit obligations are set out in note 37.

The Group occupies a number of premises owned by the Group's various pension schemes; the total value of these properties is €46 million.

(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 50 to 58 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 between the Bank to its key management personnel, as defined above, including members of their close families and entities controlled by them are shown below:

Key management personnel	**Aggregate amount outstanding**		**Number of persons**	
	31 March 2008 €'000	31 March 2007 €'000	**31 March 2008**	31 March 2007
Directors				
Loans	9,661	73,989	12	13
Executive officers				
Loans	1,473	4,368	4	5
Total	11,134	78,357	16	18

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 €639,717 (31 March 2007: €250,725).

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 2008 amounted to €12 million (31 March 2007: €12.3 million).

*In addition to the Executive Directors, the GEC comprises the Group Chief Risk Officer, the Head of Group HR and the Director, Group Manufacturing.

50 Related party transactions (continued)

(d) Compensation of key management personnel	2008 €'000	2007 €'000
Remuneration		
Salaries and other short term benefits (1)	14,894	22,179
Post employment benefits (2)	634	690
Termination benefits	1,426	750
Equity compensation benefits (3)	3,139	3,761
Total remuneration	20,093	27,380

(1) Comprises salary, fees, bonus, cash in lieu of pension, 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, Save As You Earn schemes, LTIP, Staff Stock Issue in Ireland and Stock Incentive Plan in UK which are described in note 39.

51 Acquisitions

Year ended 31 March 2008

There were no acquisitions in the year ended 31 March 2008.

Year ended 31 March 2007

In the year ended 31 March 2007, 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 funds products and advisory services to institutional and other investors worldwide. The consideration at the time of acquisition was US$25 million. The acquisition is currently being accounted for as a joint venture using the equity method of accounting (see note 23).

52 Principal subsidiaries

The principal Group undertakings at 31 March 2008 were:

Name	Principal activity	Country of incorporation	Statutory year end
Bank of Ireland Asset Management Limited	Asset management	Ireland	31 March
Bank of Ireland International Finance Limited*	International asset financing	Ireland	31 March
Bank of Ireland (IOM) Limited	Retail banking	Isle of Man	31 March
Bank of Ireland Life Holdings plc*	Life assurance and pensions	Ireland	31 December
Bank of Ireland Mortgage Bank*	Mortgage lending and mortgage covered securities	Ireland	31 March
Bristol & West plc[1]	Mortgages, savings and investments	England	31 March
First Rate Enterprises (UK) Limited[2]	Foreign exchange	England	31 March
ICS Building Society*	Building society	Ireland	31 December

**Direct subsidiary of The Governor and Company of the Bank of Ireland.*
[1]On 1 October 2007, the business of Bristol & West plc transferred to the UK branch of the Governor and Company of the Bank of Ireland, pursuant to a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000.
[2]This is a joint venture with the UK Post Office, with each party owning 50% of the equity of the business.

52 Principal subsidiaries (continued)

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 the case of ICS Building Society, 100% of the investment shares.

The addresses of the above undertakings are given on pages 183 to 186.

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 (BoIMB)

BoIMB's principal activities are the issuance of Irish residential mortgages and mortgage covered securities in accordance with the Asset Covered Securities Act 2001 to 2007. Such loans may be made directly by the Bank or may be purchased from Bank of Ireland and other members of the Group or third parties.

As at 31 March 2008, the total amounts outstanding in respect of mortgage covered securities issued was €6.9 billion (31 March 2007: €6.4 billion). As at 31 March 2008, the total amounts of principal outstanding in the mortgage covered pool including mortgage assets and cash was €8.7 billion (31 March 2007: €7.2 billion).

From time to time, BoIMB issues other debt securities comprising the BoIMB's obligation to the Central Bank and Financial Services Authority of Ireland (CBFSAI) under the terms of the Mortgage Backed Promissory Note (MBPN) programme. At 31 March 2008 there were no such debt securities in issue (31 March 2007: nil). These obligations had been secured by way of a first floating charge to the CBFSAI over all its right, title, interest and benefit, in a relevant amount 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 BoIMB 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.

53 Other subsidiaries

The Group has a number of subsidiaries where it does not own more than half of the voting power in the company but which are consolidated. Details of these subsidiaries are listed below.

a) Partholon

The Group has sold a pool of leveraged acquisition finance loan assets to Partholon CDO 1 plc (Partholon), which is incorporated under the Irish Companies Acts, 1963 to 2006 and is registered and operates in the Republic of Ireland. Partholon has issued a series of loan notes to finance this purchase. The Group holds 25% of the subordinated loan notes but does not own, directly or indirectly, any of the share capital of Partholon, which is owned by a charitable trust. The Group also holds €30 million of AAA-rated loan notes in Partholon, which it intends to hold until maturity. This investment is eliminated on consolidation.

Under the terms of separate agreements the Group manages the assets of Partholon, including identification of additional assets for acquisition, for which it receives fees.

b) Kildare Securities

Kildare Securities Limited (Kildare) is a special purpose company which was established for the purpose of acquiring mortgage loans or other financial assets and issuing asset backed securities. Aggregate balances of the mortgages at issue were €3 billion, equal to the amount of asset backed securities issued during March 2007. No new securities were issued by Kildare during the year to 31 March 2008. At 31 March 2008 the aggregate balance of mortgages backing securities issued by Kildare was €2.4 billion.

These mortgages, which are included on the consolidated balance sheet at 31 March 2008, are collateral for the obligations of Kildare. The creditors of Kildare have no recourse to the general credit of the Group.

53 Other subsidiaries (continued)

c) Liberator

Liberator Securities No. 1 plc (Liberator) is a special purpose company which was established for the purpose of acquiring mortgage loans or other financial assets and issuing mortgage backed securities. Aggregate balances of the mortgages at issue were €500 million, equal to the amount of asset backed securities issued during June 2000. At 31 March 2008 the aggregate balance of mortgages backing securities issued by Liberator was €126 million (31 March 2007: €150 million). The notes issued by Liberator are due to be redeemed in July 2008.

These mortgages, which are included on the consolidated balance sheet at 31 March 2008, are collateral for the obligations of Liberator. The creditors of Liberator have no recourse to the general credit of the Group

d) Brunel

Brunel Residential Mortgage Securitisation No. 1 plc (Brunel) is a special purpose company which was established for the purpose of acquiring mortgage loans or other financial assets and issuing asset backed securities. Aggregate balances of the mortgages at issue were Stg£5.5 billion (€8 billion), equal to the value of asset backed securities, and at 31 March 2008 the aggregate balances of the mortgages at issue were Stg£4 billion (€5 billion).

These mortgages, which are included on the consolidated balance sheet at 31 March 2008, are collateral for the obligations of Brunel. The creditors of Brunel have no recourse to the general credit of the Group.

e) Colston

Colston No. 1 plc (Colston) is a special purpose company which was established for the purpose of acquiring mortgage loans or other financial assets and for issuing mortgage backed securities. Aggregate balance of the mortgages at issue on 17 December 2007 were Stg£5.1 billion (€7.1 billion), in excess of the value of asset backed securities issued (Stg£4.6 billion (€6.4 billion)). At 31 March 2008, the aggregate balance of the mortgages backing securities issued by Colston was Stg£4.9 billion (€6.2 billion).

These mortgages, which are included on the consolidated balance sheet at 31 March 2008, are collateral for the obligations of Colston. The creditors of Colston have no recourse to the general credit of the Group.

f) Avondale

Avondale Securities S.A. (Avondale) is a special purpose vehicle, which was principally established for the issuance of financial instruments, the acquisition of financial assets and the entering into of other legally binding instruments. The aggregate balance of notes issued and outstanding by Avondale on 31 March 2008 consists of €400 million of Emergence Offset Notes (EONs), which referenced the embedded value in certain insurance policies originated by BoI Life. The investors in the EONs have no recourse to BoI Life or the rest of the Group if surplus does not emerge from the embedded value.

54 Life assurance business

Value of In force Life Assurance Business	2008 €m	2007 €m
1 April	580	513
Income statement movement value of in force	(32)	67
31 March (see note 28)	548	580

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 useful life of the asset is based on the length of the underlying individual policies upon which the asset is calculated. This useful life is expected to be 6.76 years (31 March 2007: 6.96 years).

The key economic assumptions used in the calculation of the value of in force business are set out below:

	2008	2007
Risk discount rate	8.0%	7.5%
Unit growth rate	6.25%	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.

54 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	(€25 million)
1% decrease in risk discount rate	€27 million
10% improvement in mortality	€14 million
10% deterioration in persistency	(€22 million)
5% improvement in renewal expenses	€6 million
1% increase in equity markets	€2 million

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:

	March 2008 €m	March 2007 €m
Opening balance	7,190	5,192
New business	1,389	1,823
Changes in business	(1,439)	175
Closing Balance	7,140	7,190

Bank of Ireland Life (BoI Life) 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:

54 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 and guarantees
BoI Life 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 and 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 and 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 2007 which is the life subsidiary's statutory year end.

	31 December 2007 €m	31 December 2006 €m
Minimum regulator solvency margin	174	161
Shareholder equity held for life business	438	422

55 Approval of financial statements

The Court of Directors approved the financial statements on 20 May 2008.

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 2008 and 2007. 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 2008			Year ended 31 March 2007		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
ASSETS						
Loans and advances to banks						
Domestic offices	5,936	230	3.9	7,625	259	3.4
Foreign offices	1,360	93	6.8	726	33	4.5
Loans and advances to customers[1]						
Domestic offices	75,090	4,668	6.2	62,574	3,354	5.4
Foreign offices	59,179	3,796	6.4	53,133	3,140	5.9
Central government and other eligible bills						
Domestic offices	10	-	3.9	10	-	3.4
Foreign offices	-	-	-	-	-	-
Available for sale financial assets						
Domestic offices	32,932	1,579	4.8	30,368	1,283	4.2
Foreign offices	424	25	5.9	1,414	59	4.2
Other financial assets at fair value through profit or loss						
Domestic offices	24	-	-	29	-	-
Foreign offices	228	-	-	276	-	-
Other	-	6	-	-	9	-
Total interest earning assets	175,183	10,397	5.9	156,155	8,137	5.2
Domestic offices	113,992	6,477	5.7	100,606	4,896	4.9
Foreign offices	61,191	3,914	6.4	55,549	3,232	5.8
Other	-	6	-	-	9	-
	175,183	10,397	5.9	156,155	8,137	5.2
Allowance for impairment losses	(498)	-	-	(391)	-	-
Non interest earning assets[3]	24,726	-	-	22,146	-	-
Total assets	199,411	10,397	5.2	177,910	8,137	4.6
Percentage of assets applicable to foreign activities	30.6%			31.2%		

Average balance sheet and interest rates (continued)

	Year ended 31 March 2008			Year ended 31 March 2007		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits by banks [2]						
Domestic offices	7,995	263	3.3	12,526	294	2.3
Foreign offices	10,761	577	5.4	15,318	772	5.0
Customer accounts						
Domestic offices	33,601	1,229	3.7	31,389	880	2.8
Foreign offices	30,287	1,579	5.2	25,331	1,129	4.5
Debt securities in issue						
Domestic offices	49,627	2,351	4.7	36,214	1,609	4.4
Foreign offices	11,586	697	6.0	6,914	326	4.7
Subordinated liabilities						
Domestic offices	4,472	226	5.1	3,722	167	4.5
Foreign offices	3,515	229	6.5	3,357	214	6.4
Other	-	(17)	-	-	(11)	-
Total interest bearing liabilities	151,844	7,134	4.7	134,771	5,380	4.0
Domestic offices	95,695	4,069	4.3	83,851	2,950	3.5
Foreign offices	56,149	3,082	5.5	50,920	2,441	4.8
Other	-	(17)	-	-	(11)	-
Non interest bearing liabilities	151,844	7,134	4.7	134,771	5,380	4.0
Current accounts	12,533	-	-	11,958	-	-
Other non interest bearing liabilities[3]	28,084	-	-	25,069	-	-
Stockholders equity	6,950	-	-	6,112	-	-
Total liabilities and stockholders' equity	199,411	7,134	3.6	177,910	5,380	3.0
Percentage of liabilities and stockholders equity applicable to foreign activities	28.2%			28.6%		

(1) Loans to customers include non-accrual loans and loans classified as impaired loans. The Group applies hedge accounting on a macro cash flow basis to the total balance sheet. The outcome of this activity has been allocated between domestic and foreign loans and advances to customers as appropriate.
(2) The deposit by banks domestic and foreign balance and interest lines above have been adjusted to correct for inter-jurisdictional funding items that arise through normal business activities, to give a more meaningful picture of the Group's domestic and foreign activities.
(3) 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 2008

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
Interest income	10,397	16,439	8,274
Interest expense	(7,134)	(11,280)	(5,677)
Net interest income	3,263	5,159	2,597
Net insurance premium income	1,940	3,068	1,544
Fees and commissions income	816	1,290	649
Fees and commissions expense	(150)	(237)	(119)
Net trading expense	(246)	(389)	(196)
Life assurance investment income and (losses) / gains	(826)	(1,306)	(657)
Other operating income	238	376	189
Total operating income	5,035	7,961	4,007
Insurance contract liabilities and claims paid	(798)	(1,261)	(635)
Total operating income, net of insurance claims	4,237	6,700	3,372
Total operating expenses	(2,157)	(3,411)	(1,717)
Operating profit before impairment losses	2,080	3,289	1,655
Impairment losses	(232)	(367)	(184)
Operating profit	1,848	2,922	1,471
Share of profit of associated undertakings and joint ventures (after tax)	46	73	36
Profit on disposal of property	39	61	31
Profit before taxation	1,933	3,056	1,538
Taxation	(229)	(362)	(182)
Profit for the period	1,704	2,694	1,356
Attributable to minority interests	5	8	4
Attributable to stockholders	1,699	2,686	1,352
Profit for the period	1,704	2,694	1,356

(1) Converted at closing exchange rates.

Consolidated balance sheet

as at 31 March 2008

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
ASSETS			
Cash and balances at central banks	484	765	385
Items in the course of collection from other banks	683	1,080	543
Central government and other eligible bills	10	16	8
Trading securities	119	188	95
Derivative financial instruments	4,568	7,223	3,635
Other financial assets at fair value through profit or loss	10,909	17,249	8,681
Loans and advances to banks	9,409	14,878	7,488
Available for sale financial assets	29,307	46,340	23,323
Loans and advances to customers	135,738	214,629	108,020
Interest in associated undertakings	28	44	22
Interest in joint ventures	70	111	56
Intangible assets – goodwill	293	463	233
Intangible assets – other	570	901	454
Investment property	1,511	2,389	1,202
Property, plant & equipment	593	938	472
Deferred tax asset	145	229	115
Other assets	2,754	4,355	2,192
Retirement benefit asset	11	17	9
Assets classified as held for sale	232	367	185
Total assets	197,434	312,182	157,118
EQUITY AND LIABILITIES			
Deposits by banks	14,130	22,342	11,245
Customer accounts	86,234	136,353	68,625
Items in the course of transmission to other banks	254	402	202
Derivative financial instruments	4,322	6,834	3,440
Liabilities to customers under investment contracts	5,662	8,953	4,506
Debt securities in issue	60,842	96,203	48,418
Insurance contract liabilities	7,140	11,290	5,682
Other liabilities	3,535	5,590	2,813
Provisions	47	74	37
Deferred tax liabilities	131	207	104
Retirement benefit obligations	807	1,276	642
Subordinated liabilities	7,808	12,346	6,214
Total liabilities	190,912	301,870	151,928
Equity			
Capital stock	664	1,050	528
Stock premium account	775	1,225	617
Retained earnings	5,670	8,965	4,512
Other reserves	(400)	(632)	(318)
Own shares held for the benefit of life assurance policyholders	(225)	(356)	(179)
Stockholders' equity	6,484	10,252	5,160
Minority interests	38	60	30
Total equity	6,522	10,312	5,190
Total equity and liabilities	197,434	312,182	157,118

(1) Converted at closing exchange rates.

Other disclosures

TARGET 2

During the year ended 31 March 2008, the Group migrated to the TARGET 2 system that enables net interbank settlement at European level.

Please see below for disclosures in relation to the charges arising as a result of the Group's migration to TARGET 2.

1. On 15 February 2008 a first floating charge was placed in favour of the Central Bank and Financial Services Authority of Ireland (CBFSAI) over all Bank of Ireland's right, title, interest and benefit, present and future, in and to the balances now or at any time standing to the credit of Bank of Ireland's account held as a TARGET2 participant with the CBFSAI (the Charged Property) where TARGET2 is a real time gross settlement system for payments in euro with settlement in central bank money.

This floating charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBFSAI, Bank of Ireland shall:
(a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the charged property or any part thereof; or
(b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the charged property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

2. On 15 February 2008 a first floating charge was placed in favour of the CBFSAI over all Bank of Ireland's right, title, interest and benefit, present and future, in and to certain segregated securities (the Charged Property) listed in an Eligible Securities Schedule kept by Bank of Ireland for purposes of participating in TARGET2 where TARGET2 is a real time gross settlement system for payments in euro with settlement in central bank money.

This floating charge contains a provision whereby during the subsistence of the security, otherwise than with the prior written consent of the CBFSAI, Bank of Ireland shall:
(a) not create or attempt to create or permit to arise or subsist any encumbrance on or over the charged property or any part thereof; or
(b) not, otherwise than in the ordinary course of business, sell, transfer, lend or otherwise dispose of the Charged Property or any part thereof or attempt or agree to do so whether by means of one or a number of transactions related or not and whether at one time or over a period of time.

Stockholder information

Holders of ordinary stock

Stockholder profile	31 March 2008 % by value	31 March 2007 % by value
Ireland	14	16
UK	12	15
US	19	18
Europe / other	22	22
Retail	33	29
	100	100

Analysis of stockholdings

Stockholding range - units of stock	Number of stockholdings	% of total holders	Stock held units (million)	% of total stock
Up to 500	27,886	35.03	5.41	0.55
501 to 1,000	13,160	16.53	10.01	1.02
1,001 to 5,000	26,677	33.51	62.26	6.35
5,001 to 10,000	6,209	7.80	43.80	4.47
10,001 to 50,000	4,797	6.03	94.59	9.65
50,001 to 100,000	405	0.51	28.20	2.88
100,001 to 500,000	318	0.40	65.37	6.66
Over 500,000*	150	0.19	670.83	68.42
	79,602	100	980.47	100

* Excludes stockholdings held by BoI Life companies

Financial calendar

Results	Year ended 31 March 2008 - announced 21 May 2008
	Half year to 30 September 2008 - to be announced 13 November 2008
Annual General Court of Proprietors	Tuesday, 8 July 2008
Dividends - ordinary stock	2007 / 2008 final dividend - to be declared 8 July 2008 - payable 23 July 2008
	2008 / 2009 interim dividend - to be announced 13 November 2008 - payable 13 January 2009
Dividends - preference stocks	Payable in equal semi annual instalments - 20 August 2008 - 20 February 2009

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 US 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) Limited,
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.com, clicking on "Investor Relations" and then clicking on "Check your Stock". 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 payment dates 2007 / 2008

An interim dividend of 24.2 cent was paid in respect of each unit of ordinary stock on 15 January 2008.

A final dividend of 39.4 cent is proposed in respect of each unit of ordinary stock payable on or after 23 July 2008.

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 plc non-cumulative preference shares are paid half yearly on 15 May and 15 November.

Payment of dividends directly to your account

Stockholders who wish to have their dividends paid directly 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.

Payment of dividends in Sterling

In order to reduce costs to stockholders, arrangements can be made for stockholders resident in the UK to receive payment of their dividends in the equivalent amounts of Sterling if they so choose. 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 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 2008.

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.

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, please have all your stockholdings amalgamated into one account by contacting the Bank's Registrar.

Stockholder enquiries

All enquiries concerning stockholdings should be addressed to the Bank's Registrar.

Electronic communication

In the interests of protecting the environment and promoting efficiency in our company, stockholders are encouraged to elect for receipt of documentation online as soon as it is published on our website through our registrar (www.computershare.com/register/ie). As well as being speedier and less bulky, you can access some or all of the information at your convenience.

Internet address

Further information about the Bank of Ireland Group can be obtained from the internet at www.bankofireland.com

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.

The Bank's Registrar:
Computershare Investor Services (Ireland) Limited,
PO Box 954,
Sandyford,
Dublin 18.
Telephone: +353 1 247 5414,
Facsimile: +353 1 216 3151

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 Approved Universal Declaration Form.

**Examples of exempt categories include Irish resident companies, pension schemes, PRSA administrators, unit trusts, charities, certain 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.*

Financial calendar

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.

DWT on scrip dividends

Where a stockholder elects to take additional stock instead of a cash dividend, the number of units will reflect the cash amount payable, net of DWT.

Form 20-F

The Form 20-F for year ended 31 March 2008 will be filed with the US Securities and Exchange Commission, Washington DC. Copies will be available to download from the Bank's website (see below) or in hard copy, free of charge, on application to the Group Secretary, or on the website of the US Securities and Exchange Commission.

Holders of American Depositary Shares

American Depositary Receipts (ADRs) are negotiable securities that are used to represent, among other things, a non-US company's publicly traded ordinary share capital. ADRs are traded and dividends are distributed in US dollars just like any US security, alleviating certain obstacles associated with investing directly in the home markets of non-US 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 (US 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 ADRS

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 US, will be exempt from DWT. There is no requirement for such holder to make a declaration in order to obtain that exemption.

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.com

Group Executive

Group Chief Executive	Brian J Goggin
Chief Executive, Retail Financial Services Ireland	Richie Boucher
Chief Executive, Capital Markets	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
Head of Group HR	Christine Brennan
Group Secretary	John Clifford
Head of Group Investor Relations	Geraldine Deighan
Head of Group Corporate Communications	Dan Loughrey
Group Legal Adviser	Finbarr Murphy

RETAIL FINANCIAL SERVICES IRELAND

Branch Network

Network Offices
1st Floor, Arena, Whitestown Way, Tallaght, Dublin 24
Tel: + 353 1 460 6503
Website: www.bankofireland.ie
Director Branch Network: Tim O'Neill

Bank of Ireland Business Banking

40 Mespil Road, Dublin 4
Tel: + 353 1 665 3400, Fax: + 353 1 665 3480
Website: www.bankofireland.ie
Director: Cathal Muckian

Group Customer Operations

1 Grand Canal Quay, Dublin 1
Tel. + 353 1 4882546, Fax +353 1 4882106
Website: www.bankofireland.ie
Head of Group Customer Operations: Joe Larkin

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: Brendan Nevin

Life Assurance
Bank of Ireland Life Holdings plc
(including New Ireland Assurance Company plc)

Grattan House, Bank of Ireland Head Office
Lower Baggot Street, Dublin 2
Tel: + 353 1 703 9500, Fax: + 353 1 662 0811
Email: info@bankofirelandlife.ie
Website: www.bankofirelandlife.ie
Managing Director: Brian Forrester

New Ireland Assurance Company plc

11/12 Dawson Street, Dublin 2
Tel: + 353 1 617 2000, Fax: + 353 1 617 2800
Email: info@newireland.ie
Website: www.newireland.ie
Managing Director: Brian Forrester

General Insurance

Bank of Ireland Insurance Services Ltd
Banking Operations Centre, Cabinteely, Dublin 18
Tel. 1890 604 604, Fax +353 1 2361740
Email: info@boiinsurance.ie
Managing Director: Eamon Slevin

Bank of Ireland Finance
Colm House, 91 Pembroke Road, Ballsbridge, Dublin 4
Tel: + 353 1 614 0300, Fax: + 353 1 614 0301
Email: info@bif.ie
Website: www.bif.ie
Managing Director: Pat Creed

Bank of Ireland Private Banking Ltd
40 Mespil Road, Dublin 4
Tel: + 353 1 637 8600, Fax: + 353 1 637 8700
Email: pb_info@pb.boi.ie
Website: www.privatebanking.ie
Managing Director: Mark Cunningham

Retail Foreign Exchange
Foreign Currency Exchange Corp
7352 Greenbriar Parkway, Orlando, Florida, USA 32819
Tel: + 1 407 992 2790 and + 1 800 999 0689
Fax: + 1 407 992 2780
Website: www.FCECO.com
President & CEO: Brendan Kelly

Cards Business
33/35 Nassau Street, Dublin 2
Tel: 1850 251 251
Fax: + 353 1 679 5351
Email: boics@boimail.com
Website: www.boi.ie/cards
Managing Director: Kevin Murphy

Retail Foreign Exchange
First Rate Enterprises Ltd
3-4 South Frederick Street, Dublin 2
Tel: + 353 1 863 8500, Fax: + 353 1 863 8581
Email: maggie.heaslip@boimail.com
Managing Director: Joe Redmond

UK FINANCIAL SERVICES

Bank of Ireland UK Financial Services
PO Box 27, One Temple Quay, Bristol BS99 7AX
Tel: + 44 11 7909 0900, Fax: + 44 11 7929 3787
Website: www.boiukfs.co.uk
Chief Executive: Des Crowley

Bank of Ireland Personal Lending (UK)
PO Box 27, One Temple Quay, Bristol BS99 7AX
Tel: + 44 117 979 2222 and + 44 117 909 0900
Fax: + 44 117 929 3787
Website: www.bristol-west.co.uk,
www.bim-online.com and www.bristolandwest4brokers.co.uk
Managing Director: Richard Brown

NIIB
32 Central Avenue, Bangor
Count Down BT20 3AD
Tel: +44 2891 469 415 Fax: +44 2891 461 434
Managing Director: Michael Andrews

Bank of Ireland Mortgages
Plaza West, Bridge Street
Reading RG1 2LZ
Tel: +44 118 939 3393 Fax: +44 118 958 7040
Managing Director: Mike Joyce

Post Office Financial Services
4th Floor, 10 Fleet Place,
London EC4M 7RG
Tel: +44 845 641 8931, Fax: +44 207 332 0198
Chief Executive Officer: Patrick Waldron

Business Banking UK
36 Queen Street, London, EC4R 1HJ
Tel: + 44 20 7236 2000, Fax: + 44 20 7634 3110
Website: www.bank-of-ireland.co.uk
Managing Director: David McGowan

Business Banking UK
1 Donegall Square South, Belfast, BT1 5LR
Tel: + 44 28 9043 3000, Fax: + 44 28 9043 3010
Website: www.bankofireland.co.uk
Managing Director: David McGowan

First Rate Exchange Services
Falcon House, 115-123 Staines Road, Hounslow, TW3 3LL
Tel: + 44 208 577 9393, Fax: + 44 208 814 6685
Website: www.firstrate.co.uk
Managing Director: Gordon Gourlay

Bank of Ireland First Currency Services
Wholesale Banknote
4th Floor, 10 Fleet Place
London EC4M 7RG
Tel: + 44 20 8814 8800 Fax: + 44 20 7796 2873
E-mail: info@boifcs.com
Managing Director: Keith Watts

Bank of Ireland (IOM) Ltd
PO Box 246, Christian Road, Douglas, Isle of Man IM99 1XF
Tel: + 44 1624 644200, Fax: + 44 1624 644298
Website: www.boiiom.com
Managing Director: Michael McKay

CAPITAL MARKETS

CORPORATE BANKING

Bank of Ireland Corporate Banking
Lower Baggot Street, Dublin 2
Tel: + 353 1 604 4000, Fax: + 353 1 604 4005
Email: corporate.banking@boimail.com
Website: www.bankofireland.ie/corporatebanking
Chief Executive: Tom Hayes

London
Bank of Ireland Corporate Banking
Eastcheap Court
11 Philpot Lane, London EC3M 8BA
Tel: + 44 207 560 8400
Fax: + 44 207 626 2405

France
Bank of Ireland Corporate Banking
20 Avenue Franklin Roosevelt, 75008 Paris, France
Tel: + 33 1 56 88 05 88, Fax: + 33 1 56 88 79 59
Head of Acquisition Finance France: Philippe Bassouls

Germany
Bank of Ireland Corporate Banking
Taunusanlage 17
60325 Frankfurt am Main, Frankfurt
Tel: + 49 69 7167 33910/20
Head of Acquisition Finance Germany: Ralph Betz

United States
Bank of Ireland Capital Markets U.S Branch
300 First Stamford Place
Stamford CT06902
Tel: + 1 203 3915555
Website: www.bankofireland.ie
Country Manager: John T. Connors

United States
Bank of Ireland California Representative Office
2029 Century Park East, Suite 21-117
Los Angeles, CA90067-2901
Tel: + 1 310 843 9380, Fax: + 1 310 843 9381
Website: wwwbankofireland.ie
Senior Vice President: Anthony Beaudoin

Burdale Capital Finance
300 First Stamford Place,
Stamford CT 06902
Tel: +1 203 391 5964
Managing Director: David Grende

Burdale Financial Limited
53 Queen Anne Street
London WIG 9HP, England
Tel: + 44 207 935 1115, Fax: + 44 207 486 3513
Website: www.burdale.co.uk
Managing Director: Dennis Levine

Australia
BOI Capital Australia Pty Ltd
FL40, MLC Centre
19-29 Martin Place, Sydney, NSW 2000
Tel: +612 9270 8700, Fax: +612 9270 8799
Website: www.bankofireland.ie
Head of Project Finance Asia Pacific: Alasdair Caush

TREASURY

Bank of Ireland Global Markets
Colvill House, Talbot Street, Dublin 1
Tel: + 353 1 799 3000, Fax: + 353 1 799 3035
Email: info@boigm.com
Website: www.boi.ie/capitalmarkets
Chief Executive: Austin Jennings

London
Bank of Ireland Global Markets
Eastcheap Court
11 Philpot Lane, London EC3M 8BA
Tel: + 44 207 560 8600, Fax: + 44 207 560 8690
Website: www.boi.ie/capitalmarkets
Managing Director: Peter Goshawk

Bristol
Bank of Ireland Global Markets
One Temple Quay
Bristol BS 99 7AX
Tel: + 44 117 929 1504, Fax: + 44 117 921 1607
Website: www.boi.ie/capitalmarkets
Chief Dealer: Barry Littlefield

Belfast
Bank of Ireland Global Markets
1 Donegall Square South
Belfast BT1 5LR
Tel: + 44 80 0776 616, Fax: + 44 28 9023 7444
Website: www.boi.ie/capitalmarkets
Head of Global Markets Belfast: Michael Burns

CORPORATE FINANCE

IBI Corporate Finance Ltd
40 Mespil Road, Dublin 4
Tel: + 353 1 637 7800, Fax: + 353 1 637 7801
Website: www.ibicf.ie
Chief Executive: Roisin Brennan

ASSET MANAGEMENT SERVICES

Bank of Ireland Asset Management Ltd
40 Mespil Road, Dublin 4
Tel: + 353 1 637 8000, Fax: + 353 1 637 8100
Website: www.biam.ie
Chief Executive: Mick Sweeney

Bank of Ireland Securities Services Ltd
New Century House, Mayor Street Lower
IFSC, Dublin 1
Tel: + 353 1 670 0300, Fax: + 353 1 829 0144
Email: info@boiss.boi.ie
Website: www.boiss.ie
Managing Director: Liam Manahan

Alternative Investments & International Distribution
40 Mespil Road, Dublin 4
Tel: + 353 1 637 8000, Fax: + 353 1 637 8100
Website: www.biam.ie
Chief Executive: Michael Grealy

Australia
BIAM Australia Pty Ltd
(ABN 55 071 705 630)
Level 12, 492 St Kilda Road, Melbourne VIC 3004
Tel: + 61 3 9832 9400, Fax: + 61 3 9832 9401
Website: www.biam.ie
Regional Director Australasia: Pat Lardner

Canada
Montreal
Bank of Ireland Asset Management (U.S.) Ltd
1000 de la Gauchetière Ouest, Suite 2400
Montreal, Quebec, H3B 4W5, Canada
Tel: + 1 514 448 7538, Fax: + 1 514 849 8118
Website: www.biam.ie
Vice President: Vincent Marcoux

Japan
Bank of Ireland Asset Management (Japan) Ltd
Level 5, Akasaka Tokyu Building, 2-14-3 Nagatacho
Chiyoda-Ku, Tokyo 100-0014, Japan
Tel: + 81 3 3539 3180, Fax: + 81 3 3539 3182
Website: www.biam.ie
President: Kikuo Kuroiwa

Bank of Ireland Corporate Finance Limited
Donegall House
1 Donegall Square South
Belfast BT1 5LR
Tel: +44 2890 433 000, Fax: +44 2890 237 921
Website: www.ibicf.ie
Chief Executive: Roisin Brennan

United Kingdom
Bank of Ireland Asset Management (U.K.) Ltd
36 Queen Street, London EC4R 1HJ
Tel: + 44 207 489 8673, Fax: + 44 207 489 9676
Website: www.biam.ie
Managing Director: Carl McAndrew

United States
Connecticut
Bank of Ireland Asset Management (U.S.) Ltd
300 First Stamford Place, Stamford, CT 06902
Tel: +1 203 328 1820, Fax: +1 203 324 4408
Website: www.biam.ie
Head of International Distribution & President BIAM N.A.:
Brendan Donohoe

Iridian Asset Management LLC
276 Post Road West, Westport, CT 06880
Tel: + 1 203 341 7800, Fax: + 1 203 341 7802
Email: iridian@iridian.com
Chief Executive Officer: Harold Levy
Co-Chief Investment Officers: Harold Levy and David Cohen

California
Paul Capital Investments, LLC
50 California Street, Suite 3000, San Francisco, CA 94111
Tel: + 1 415 283 4300, Fax: + 1 415 283 4301
Website: www.paulcap.com
CEO & Managing Director: David York

New York
Guggenheim Advisors, LLC
135 East 57th Street, New York, NY 10022
Tel: + 1 212 884 6225, Fax: + 1 212 644 2947
Website: www.guggenheimadvisors.com
Chairman & CEO: Loren Katzovitz
President: Patrick Hughes

Index

Index

Glossary of terms

ABS	Asset Backed Securities
ACS	Asset Covered Securities
ADR	American Depository Receipts
ADS	American Depository Shares
AFS	Available for sale
ALCO	Group Asset and Liability Committee
APE	Annual Premium Equivalent
BIGPF	Bank of Ireland Group Pension Fund
BIS	Bank for International Settlements
BoI Life	Bank of Ireland Life
BoIGM	Bank of Ireland Global Markets
bps	Basis points
BSPF	Bank of Ireland Staff Pension Fund
CBFSAI	Central Bank and Financial Services Authority of Ireland
CDs	Certificates of deposit
CDOS	Collateralised debt obligation
CGU	Cash generating units
CMBS	Commercial Mortgage Backed Securities
CP	Commercial Paper
CRD	Capital Requirements Directive (European Union)
CSAs	Collateral Support Agreements
DWT	Dividend withholding tax
EAD	Exposure at default
Ecap	Economic capital
EPS	Earnings per share
EU	European Union
EUETS	European Union Emissions Trading Scheme
Euribor	Euro Inter Bank Offered Rate
EWMA	Exponentially Weighted Moving Average
FRES	First Rate Exchange Services
FRN	Floating Rate Note
GAAP	Generally Accepted Accounting Practice
GAC	Group Audit Committee
GCC	Group Credit Committee
GCRO	Group Chief Risk Officer
GEC	Group Executive Committee
GIA	Group Internal Audit
GROR	Group Regulatory and Operational Risk
GRORC	Group Regulatory and Operational Risk Committee
GRPC	Group Risk Policy Committee
HSE	Health Service Executive
ICAAP	Internal Capital Adequacy Assessment Process
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IBNR	Incurred but not Reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRBA	Internal Ratings Approach
LGD	Loss given default
Libor	London Inter Bank Offered Rate
LTIP	Long Term Incentive Plan
LTPSP	Long Term Performance Stock Plan
MBPN	Mortgage backed promissory note
NI	Northern Ireland
NYSE	New York Stock Exchange
PBT	Profit before tax
PD	Probability of default
POFS	Post Office Financial Services
PRC	Portfolio Review Committee
RAROC	Risk adjusted return on economic capital
repos	repurchase agreements
RMBS	Residual Mortgage Backed Securities
RMC	Risk Measurement Committee
ROE	Return on Equity
RoI	Republic of Ireland
RWA	Risk weighted assets
SAYE	Save as you earn
SIVs	Structured investment vehicles
SME	Small Medium Enterprises
SORIE	Statement of recognised income and expense
SOx	Sarbanes Oxley Act of 2002
SPE	Special Purpose Entity
SSI	Stock Share Issue
STP	Strategic Transformation Programme
TSR	Total shareholder return
UKFS	UK Financial Services
VaR	Value at Risk
VIF	Value in force

Notes

www.bankofireland.com

Bank of Ireland Group
Lower Baggot Street, Dublin 2
Tel: +353 1 661 5933
Fax: +353 1 661 5671