BANK OF IRELAND MORTGAGE BANK REPORT & ACCOUNTS

31st March 2005

BANK OF IRELAND MORTGAGE BANK

CONTENTS

DIRECTORS AND OTHER INFORMATION

Directors at 6 May 2005

J. Collins
J. Larkin
S. Crowe
R. Hynes
B. Kealy
D. Mahony
M. Meagher
T.B. Courtney

Secretary

T.B. Courtney

Registered Office

Bank Of Ireland Mortgage Bank
New Century House
Mayor Street Lower
I.F.S.C
Dublin 1
Registered Number 386415

Bank

Bank Of Ireland
6 Lower O'Connell St
Dublin 1

Cover Assets Monitor

Mazars
Harcourt Centre
Block 3
Harcourt Road
Dublin 2

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
George's Quay
Dublin 2

Legal Advisors

Group Legal Advisors
Bank of Ireland
2 College Green
Dublin 2

BANK OF IRELAND MORTGAGE BANK
DIRECTORS' REPORT

The Directors present their report and financial statements from the date of incorporation 21 May 2004 to 31 March 2005.

PRINCIPAL ACTIVITIES

The bank was incorporated in Ireland under the Companies Acts, 1963 to 2003 on 21 May 2004 as a public limited company under the name Bank of Ireland Mortgage Bank p.l.c. It was subsequently re-registered as a public unlimited company under the name Bank of Ireland Mortgage Bank. The bank obtained an Irish banking licence under the Irish Central Bank Act, 1971 (as amended) and was registered as a designated mortgage credit institution under the Act on 1 July 2004. The Bank is a wholly owned subsidiary of the Governor and Company of the Bank of Ireland.

With effect from 5th July 2004 The Governor and Company of the Bank of Ireland transferred its Irish residential mortgage business and substantially all of its Irish residential mortgage loans and their related security to Bank of Ireland Mortgage Bank, trading as Bank of Ireland Mortgages. The transfer was effected pursuant to section 58 of the 2001 Asset Covered Securities Act, with the approval of the Central Bank and Financial Services Regulatory Authority of Ireland ("CBFSAI").

The Bank's principal activities are the issuance of Irish residential mortgages and Mortgage Covered Securities in accordance with the Asset Covered securities Act, 2001. Such loans may be made directly by the bank or may be purchased from Bank of Ireland and other members of the Group or third parties.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The profit after tax attributable to the Ordinary Shareholders amounted to €39m as set out in the profit and loss account on page 12.

MORTGAGES

The Bank advanced €1,838m in net new mortgages in the period and the mortgage book has grown to €10,953m. The Bank believes that the Irish housing market is well underpinned by strong economic indicators. There is now the highest level of employment in Ireland since the foundation of the State. Conversely, unemployment is at an all-time low. Mortgage interest rates continue to be low and seem destined to remain that way in 2005. Equally significant is the continued increase in the population, due in a large part to the continued influx of immigrants, which will continue to drive demand for new housing.

ASSET COVERED SECURITIES

The Bank issued €2,000m mortgage covered security in September 2004. It was the first Irish Mortgage Asset Securities from an Irish issuer. The transaction was significantly over-subscribed, with in excess of one hundred and thirty investors from twenty-three countries. The deal was priced at mid-swaps + 3bps, at the tight end of the price guidance of 3 – 4 bps. The quality of the deal was widely recognised, and it was voted IFR Euro Bond of the Year 2004, IFR Covered Bond of the Year 2004, and Euroweek - Best Covered Bond 2004.

It is the intention of Bank of Ireland Mortgage Bank to establish a €10bn bond programme over the next four to five years, with various maturities to establish a benchmark curve incorporating vanilla benchmark and private placement transactions.

SHARE CAPITAL AND SUBORDINATED LIABILITIES

444,000,000 units of Ordinary Shares, of nominal value of €1.00 each, were in issue at 1 April 2005.

The bank availed of a €162,000,000 interest bearing subordinated loan from its parent.

DIRECTORS

The names of the persons who were Directors of the Bank and their date of appointment are as follows:

Directors	Date of Appointment
J. Collins	11 June 2004
J. Larkin	11 June 2004
S. Crowe	11 June 2004
R. Hynes	23 August 2004
B. Kealy	11 June 2004
D. Mahony	21 May 2004
M. Meagher	11 June 2004
T.B. Courtney	21 May 2004

The interests of the Directors and Secretary, in office as at 31 March 2005, and of their spouses and minor children, in the shares of the Bank or the Group undertakings are set out in the tables below.

SHARES IN GOVERNOR & COMPANY OF THE BANK OF IRELAND

Directors	As at 31 March 2005 SHARES	As at 21 May 2004 (or date of appointment if later) SHARES
J. Collins	109,039	107,884
J. Larkin	15,074	13,919
S. Crowe	9,598	8,594
R. Hynes	-	-
B. Kealy	1,789	1,131
D. Mahony	12,354	11,696
M. Meagher	68,078	68,078
T. Courtney	4,031	3,393

DIRECTORS' OPTIONS IN GOVERNOR & COMPANY OF THE BANK OF IRELAND

Directors	Date of Grant	Earliest Exercise Date	Exercise Price €	As at 31 March 2005	As at 21 May 2004 (or date of appointment if later)
J. Collins	15 Dec 2003	1 Feb 2007	7.84	1,522	1,522
	18 June 2003	18 June 2006	10.77	50,000	50,000
	24 June 2002	24 June 2005	12.50	40,000	40,000
	21 May 2001	21 May 2004	11.05	25,000	25,000
	25 Nov 1999	Currently Exercisable	8.43	20,000	20,000
J. Larkin	28 Feb 2000	1 May 2005	5.40	3,880	3,880
	21 May 2001	21 May 2004	11.05	10,000	10,000
	18 June 2003	18 June 2006	10.77	15,000	15,000
	26 July 2004	26 July 2007	10.76	18,000	18,000
S. Crowe	15 Dec 2003	1 Feb 2009	7.84	2,653	2,653
R. Hynes	-	-	-	-	-
B. Kealy	15 Dec 2003	1 Feb 2007	7.84	1,522	1,522
	18 June 2003	18 June 2006	10.77	8,000	8,000
	26 July 2004	26 July 2007	10.76	11,500	-
D. Mahony	15 Dec 2003	1 Feb 2007	7.84	1,522	1,522
	13 July 1999	13 July 2002	8.933	10,000	10,000
M. Meagher	-	-	-	-	-
T. Courtney	15 Dec 2003	1 Feb 2007	7.84	1,522	1,522
	21 May 2001	21 May 2004	11.05	10,000	10,000
	18 June 2003	18 June 2006	10.77	8,000	8,000

DIRECTORS' OPTIONS IN GOVERNOR & COMPANY OF THE BANK OF IRELAND LONG TERM PERFORMANCE STOCK PLAN

Directors	Date of Award	No. of Shares Conditionally Held	As at 31 March 2005	As at 21 May 2004 (or date of Appointment if later)
J. Collins	24 June 2002	10,338	10,338	10,338
	18 June 2003	13,121	13,121	13,121
J. Larkin	24 June 2002	5,342	5,342	5,342
	18 June 2003	7,054	7,054	7,054
	26 July 2004	12,500	12,500	-
	31 May 2004	3,957	3,957	3,957
S. Crowe	-	-	-	-
R. Hynes		-	-	-
B. Kealy		-	-	-
D. Mahony		-	-	-
M. Meagher		-	-	-
T. Courtney		-	-	-

DIRECTORS' INTEREST IN SAVINGS SHARES IN ICS BUILDING SOCIETY

Directors	As at 31 March 2005	As at 21 May 2004 (or date of appointment if later)
J. Collins	671	671
J. Larkin	668	668
S. Crowe	-	-
R. Hynes	-	-
B. Kealy	-	-
D. Mahony	24	24
M. Meagher	-	-
T. Courtney	11,805	8,156

SAFETY, HEALTH AND WELFARE AT WORK ACT 1989

The wellbeing of the company's employees is safeguarded through the strict adherence to health and safety standards. The Safety, Health and Welfare at Work Act, 1989 imposes certain requirements on employers, and the company has taken the necessary action to ensure compliance with adoption of a safety statement.

POLITICAL DONATIONS

The Electoral Act 1997 requires companies to disclose all political donations over €5,079 in aggregate made during the financial year. The directors on enquiry have satisfied themselves that no such donations have been made by the Bank during the financial year.

GOING CONCERN AND BOOKS OF ACCOUNT

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

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

AUDITORS

The auditors, PricewaterhouseCoopers were appointed on 25 May 2004. The auditors have indicated their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.

John G. Collins
Director

Joe Larkin
Director

Michael J. Meagher
Director

Thomas B. Courtney
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditor's Report set out on pages 10 and 11, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

Irish company law requires the Directors to ensure that accounts, which give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for the year, are prepared for each financial year.

With regard to the accounts on pages 12 to 27, the Directors have determined that it is appropriate that they continue to be prepared on a going concern basis and consider that in their preparation:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates that are reasonable and prudent have been made; and
- applicable accounting standards have been followed.

The Directors have a responsibility for ensuring that proper books of account are kept which disclose with reasonable accuracy at any time the financial position of the Bank and which enable them to ensure that the accounts are prepared in accordance with accounting standards generally accepted in Ireland and to comply with Irish law including the Companies Acts, 1963 to 2003, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act 2001. They also have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

John G. Collins
Director

Joe Larkin
Director

Michael J. Meagher
Director

Thomas B. Courtney
Secretary

PRICEWATERHOUSECOOPERS

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Independent Auditors' Report to the Members of Bank of Ireland Mortgage Bank

We have audited the accounts on pages **12** to **27**.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for ensuring that the Report and Accounts are prepared in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 9 in the statement of Directors' responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in Ireland. This report, including the opinion, has been prepared for and only for the Bank's members 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 accounts give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2003,the European Communities (Credit Institutions: Accounts) Regulations 1992 and the Asset Covered Securities Act 2001. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the Bank 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 the Directors' report is consistent with the accounts, and
- whether at the balance sheet date there existed a financial situation, which may require the Bank to convene an extraordinary general meeting, such a financial situation may exist if the net assets of the Bank are not more than half of its called-up share capital.

We also report to you if, in our opinion, information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the audited accounts. The other information comprises only the report of the Directors.

Basis of audit opinion

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

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

Chartered Accountants

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Bank as at 31 March 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act, 2001.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. The balance sheet of the Bank is in agreement with the books of account.

In our opinion, the information given in the Report of the Directors on pages **4** to **8** is consistent with the accounts.

In our opinion, the balance sheet of the Bank on page 13 does not show a financial situation which, under section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Bank.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

6 May 2005

Chartered Accountants

BANK OF IRELAND MORTGAGE BANK
PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM INCORPORATION TO 31 MARCH 2005

	Notes	Period Ended 31 March 2005 €m
Interest receivable and similar income	2	328
Interest payable	3	(234)
NET INTEREST INCOME		94
Fees and commissions receivable		2
Fees and commissions payable	4	(43)
TOTAL OPERATING INCOME		53
Administrative expenses	5	(8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		45
Taxation	7	(6)
PROFIT FOR THE PERIOD RETAINED		39

The movement in the reserves is shown in Note 17.

The notes on pages 14 to 27 form part of the accounts.

NOTE OF HISTORICAL COST PROFIT AND LOSS

There is no difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis (all of which relates continuing activities).

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no other recognised gains and losses for the period other than disclosed of in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

John G. Collins
Director

Joe Larkin
Director

Michael J. Meagher
Director

Thomas B. Courtney
Secretary

BANK OF IRELAND MORTGAGE BANK

BALANCE SHEET **AS AT 31 MARCH 2005**

	Notes	2005 €m
ASSETS		
Cash and balances at central banks	8	0
Loans and advances to banks	9	3,724
Loans and advances to customers	10	10,953
Other assets		52
		14,729
LIABILITIES		
Deposits by banks	12	11,267
Debt securities in issue	13	2,755
Other liabilities	14	23
Accruals and deferred income		39
Subordinated liabilities	15	162
		14,246
EQUITY SHAREHOLDERS' FUNDS		
Called up capital stock	16	444
Profit and loss account	17	39
		483
		14,729

The notes on pages 14 to 27 form part of the accounts.

Commitments see note 25.

John G. Collins
Director

Joe Larkin
Director

Michael J. Meagher
Director

Thomas B. Courtney
Secretary

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

1.1 Accounting Convention

The financial statements on pages 12 to 27 have been prepared under the historical cost convention, in accordance with the Companies Acts, 1963 to 2003,the European Communities (Credit Institutions: Accounts) Regulations 1992, the Asset Covered Securities Act 2001 and with applicable accounting standards. The accounts are drawn up in euro (€) and except where otherwise indicated are expressed in millions. Costs, assets and liabilities are inclusive of irrecoverable value added taxes, where appropriate. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

1.2 Income Recognition

Interest income is recognised as it accrues. Interest is accounted for on a cash receipts basis where the recovery of such interest is considered to be remote. Fees receivable, which represent a return for services provided, risk borne or which, are in the nature of interest are credited to income when the service is performed or over the period of the product as appropriate.

1.3 Mortgage Broker Commission

Fees and commissions payable to Mortgage Intermediaries are amortised over the expected average life of the loans.

1.4 Derivatives

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

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

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

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

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

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

1.5 Capital Instruments Mortgage Covered Securities Bond

Issue expenses incurred in connection with the issue of dated capital instruments other than equity shares are deducted from the proceeds of the issue and amortised to the profit and loss account as appropriate so that the finance costs are allocated to accounting periods at a constant rate based on the carrying amount of the instrument. The amortisation of premiums and discounts is included in interest income.

1.6 Pensions

Bank of Ireland Mortgage Bank is a participating employer in the ICS Building Society Pension Plan. In accordance with SSAP 24, contributions to this scheme on behalf of the Bank's employees are charged to the profit and loss for the period in which they are incurred.

1.7 Provision for Bad and Doubtful Debts

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

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

1.8 Deferred Taxation

Deferred taxation is recognised on all timing differences where the transaction or event that gives rise to an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted by the balance sheet date

2 INTEREST RECEIVABLE AND SIMILAR INCOME

	2005
	€m
Loans and advances to banks	67
Loans and advances to customers	261
	328

3 INTEREST PAYABLE

	2005
	€m
Interest on subordinated liabilities	3
Other interest payable	231
	234

4 FEES AND COMMISSIONS PAYABLE

	2005
	€m
Broker commission payable	1
Fees payable to group companies	42
	43

5 OPERATING EXPENSES

	2005
	€000
Staff Costs:	
- wages and salaries	340
- social security costs	33
- pension costs	12
	385
Other administrative expenses	7,710
Total administrative expenses	8,095

5(a) EMPLOYEE INFORMATION

For the period ended 31 March 2005 the average number of employees was 6.

6 **PROFIT BEFORE TAXATION**

	2005 €'000
Profit before taxation has been arrived at after charging:	
Auditors Remuneration	
Statutory audit (including expenses)	60
Audit and assurance services	17
Other Services	
Tax advisory	20
Total	97
Directors' remuneration	
Fees	34
Salaries	-
Pension contributions to directors	-
	34

The aggregate amounts outstanding is respect of all loans and credit transactions made by the Bank to three of its Directors, was €0.5m as at 31 March 2005.
There were no contracts of any significance in relation to the business of Bank of Ireland Mortgage Bank in which the directors had any interest as defined in the Companies Act 1990.

7 **TAXATION**

	2005 €000
Current Tax	
Irish Corporation tax @ 12.5%	5,622
	5,622

The tax charge for the period is at an effective rate of 12.5%, which is the same as the standard Irish corporation tax rate.

There is no unprovided deferred tax at 31 March 2005

8 **CASH AND BALANCES AT CENTRAL BANKS**

	2005 €000
Funds placed with Central Bank of Ireland	25
	25
Repayable on demand	-
Other loans and advances to banks by remaining maturity	
- 3 months or less	-
- 1 year or less but over 3 months	25
	25

The Bank is required to maintain balances with the Central Bank of Ireland.

9 LOANS AND ADVANCES TO BANKS

	2005 €m
Funds placed with Bank of Ireland	3,724
	3,724
Repayable on demand	-
Other loans and advances to banks by remaining maturity	
- 3 months or less	1,724
- 1 year or less but over 3 months	-
- 5 years or less but over 1 year	2,000
- over 5 years	-
	-
	3,724

10 LOANS AND ADVANCES TO CUSTOMERS

	Notes	2005 €m
Repayable on demand		-
- 3 months or less		107
- 1 year or less but over 3 months		320
- 5 years or less but over 1 year		1,831
- over 5 years		8,695
Less Provision for Bad and Doubtful debts.	(11)	-
		10,953

The Bank's exposure to credit risk is mainly from its mortgage lending activities on residential property in Ireland. For details of bad and doubtful debts see note 11.

11 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

With effect from 5th July 2004 The Governor and Company of the Bank of Ireland transferred its Irish residential mortgage business and substantially all of its Irish residential mortgage loans and their related security to Bank of Ireland Mortgage Bank, trading as Bank of Ireland Mortgages. The mortgage book was transferred from Bank of Ireland on 5th July 2004 net of bad debt provisions of €9m.

The Bank charged no additional provision for bad or doubtful debts as at 31 March 2005.

12 DEPOSITS BY BANKS

	2005 €m
Deposits by Banks	11,267
Repayable on demand	-
Other deposits by remaining maturity	
- 3 months or less	11,267
Due to Bank of Ireland	11,267

13 DEBT SECURITIES IN ISSUE

	Notes	2005 €m
Bonds and medium term notes by remaining maturity		
- 3 months or less		-
- 1 year or less but over 3 months		-
- 5 years or less but over 1 year	(1)	1,995
Other debt securities in issue by remaining maturity		
- 3 months or less	(2)	760
- 1 year or less but over 3 months		-
- 5 years or less but over 1 year		-
		2,755

Notes

(1) The Bank issued €2,000m 3.5% in mortgages covered security in September 2004 maturing September 2009.The deal was priced at mid-swaps + 3bps. The mortgage-covered security is shown on the balance sheet net of issue costs and expenses incurred in connection with its issue of €5m. The discount on par and issue costs on the mortgage covered security are amortised to the profit and loss account as appropriate so that the finance cost are allocated to accounting periods at a constant rate based on the carrying amount of the instrument

Bank of Ireland Mortgage Bank is a directly, wholly-owned, subsidiary of Governor & Co, holds a banking licence and is a designated mortgage credit institution within the meaning of the Asset Covered Securities Act, 2001. The Act provides, among other things, for the registration of eligible credit institutions as designated mortgage credit institutions, the maintenance by designated mortgage credit institutions of a defined pool of prescribed mortgage credit assets and limited classes of other assets, known as a cover assets pool (Pool) and the issuance by designated mortgage credit institutions of certain asset covered securities secured by a statutory preference under the Act on the assets (Cover Assets) comprised in the Pool. Asset covered securities issued by Institutions in accordance with the Act are called mortgage covered securities (Mortgage Covered Securities). (the "2001 Act"). As at 31 March 2005 there are no mortgage credit assets secured on commercial property in Bank of Ireland Mortgage Bank.

In accordance with the 2001 Act see tables 13 (a) –13(g) below.

(2) This represents borrowing from the Central Bank and Irish Financial Services Authority under a mortgage-backed promissory (short-term) note programme, which the Bank has put in place. The programme is secured by a floating charge over Irish Residential Mortgage Credit Assets, which are not in the covered assets pool, and has a facility limit of €1 billion. The deed of floating charge was executed by the Bank of Ireland Mortgage Bank and dated 5 July 2004 in favour of the Central Bank and Irish Financial Services Regulatory Authority.

13(a) Mortgage Accounts & Principals Outstanding in the Mortgage Covered pool as at 31 March 2005

From Range	To Range	Number of Accounts	Total Balances of Accounts (1)
€000's	€000's		€000's
0	100	21,931	947,557
100	200	6,061	824,871
200	500	1,103	291,222
Over 500		54	34,127
		29,149	2,097,777

(1) The total balance of accounts represents the cumulative amount outstanding on the all the mortgage accounts in the pool as at 31 March 2005.

13 DEBT SECURITIES IN ISSUE (continued)

13(b) Geographical Location and Details for the Pool

Geographical Area	% of Over all Properties	Number of Accounts (2)	Number of Properties
Dublin	21%	6,318	5,298
Non Dublin	79%	22,831	20,260
	100%	29,149	25,558

(2) The number of accounts represents the cumulative number of mortgage accounts held in the pool, as at 31 March 2005, there could be one or more accounts per mortgaged property giving rise to different figures for the number of accounts and the number of properties in the pool as at 31 March 2005.

13(c) Pool Accounts in Default as at 31 March 2005

As at 31 March 2005 there were 74 accounts in default (the term default is defined as relating to mortgage accounts that are in arrears exceeding 90 days or more). The cumulative current balance on these accounts was €5,547,391 with an arrears amount of €176,525 as at 31 March 2005.

13(d) Pool Accounts in Default with Arrears >€1000.00 as at 31 March 2005

As at 31 March 2005 61 of the 74 accounts in default had arrears of more than €1000 on them. The cumulative current balance on these accounts in arrears of over €1000 was €5,254,048 with an arrears amount of €167,873 as at 31 March 2005.

13(e & f) Replacement of Non Performing Assets in the Pool

The Bank can replace a non-performing asset in the pool with another of mortgage satisfying pool criteria with permission of the Covered Asset Monitor, Mazars. There were no mortgage credit assets replaced in the period to 31 March 2005 due to non-performance. The total amount in arrears in respect of mortgage assets that had not been written off as at 31 March 2005 was €176,525.

13(g) Total Mortgage Principal and Interest Repayments on Pooled Accounts by customers for period ended 31 March 2005

For the period ended 31 March 2005 the total amount of interest and capital repaid in respect of mortgage credit assets was €41,456,006 and €205,044,343 respectively.

14 OTHER LIABILITIES

		2005 €m
Amounts due to other Bank of Ireland Group Companies	(1)	22
Current Taxation		1
		23

(1) Amounts due to other Bank of Ireland Group companies are non-interest bearing and repayable on normal commercial terms.

15 SUBORDINATED LIABILITIES

On 2nd July 2005 Bank of Ireland Mortgage Bank availed of a €162m interest bearing subordinated loan from its parent Governor and Company of the Bank of Ireland. The loan is subordinated in right of payment to the claims of depositors and all other creditors of the Bank. The loan rate is linked to the three-month euribor rate and it reprices quarterly. The loan matures on 4th July 2014.

16 SHARE CAPITAL

	2005 €m
Authorised	
1,000m units of €1. of Ordinary Shares	1,000
	1,000

Allotted and fully paid	**2005 €m**
Equity	
444m units of €1.00 of Ordinary Shares	444
	444

During the year there were seven issues of Ordinary Shares as set out in the table below as a result of capital injections from the parent company.

Date of Acquisition by Allotment	**No. of Ordinary Share Issued**
21 May 2004	7
25 May 2004	39,993
30 June 2004	6,500,000
2 July 2004	317,460,000
25 August 2004	30,000,000
28 September 2004	50,000,000
28 January 2005	40,000,000
Total Allotted and fully paid	444,000,000

All units of Ordinary Shares in issue carry the same voting rights. The bank was incorporated in Ireland under the Companies Acts, 1963 to 2003 on 21 May 2004 as a public limited company under the name Bank of Ireland Mortgage Bank p.l.c. It was subsequently re-registered as a public unlimited company under the name Bank of Ireland Mortgage Bank.

17 RESERVES

Profit and loss account	**€m**
Opening balance	-
Profit for the period	39
Closing balance	39

18 CASHFLOW STATEMENT

The Bank's parent company the Governor and Company of the Bank of Ireland prepares consolidated financial statements including a consolidated cash flow statement, which is publicly available. Consequently, the Bank has availed of the exemption under Financial Reporting Standard No.1 (revised) from publishing a cash flow statement.

19 SEGMENTAL INFORMATION

The Bank's income and assets are entirely attributable to mortgage lending activity in the Republic of Ireland.

20 PENSION COSTS

Bank of Ireland Mortgage Bank is a minority participating employer in the ICS Building Society Pension Plan. The scheme is a Defined Benefit Scheme based on final pensionable pay and operated for eligible employees of ICS Building Society and the Bank.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions as incurred over the employees' average working lives with ICS as a stable percentage of expected future pay. An independent actuary, on the basis of triennial actuarial reviews, determines contributions to the ICS scheme.

Whilst the scheme is a defined benefit scheme the Bank is unable to identify its share of the underlying assets and liabilities of the scheme and hence it is treated as a defined contribution scheme in the accounts of the Bank.

Contributions on behalf of the Bank's employees amounted to €12,000 for the period to March 2005. There were no outstanding amounts to be paid to the scheme at 31 March 2005.

21 RISK MANAGEMENT AND CONTROL

The Board of Directors approves policies and limits with respect to credit risk, market risk, liquidity risk and operational risk. The Head of Credit and Risk Management for Personal Lending for Bank of Ireland has overall responsibility for credit policy implementation at executive level and the Finance Director has overall responsibility for market, liquidity and operational policy implementation at executive level. The Credit Risk Management unit has responsibility for the day-to-day operation of the credit risk policy. The Treasury Unit has responsibility for the day-to-day operation of the market risk and liquidity risk policies. The Compliance and Operational Risk Unit has responsibility for operational risk and reviews the operation of the financial and operating controls. The credit risk, market risk, operational risk and liquidity risk policies are reviewed on an annual basis. The Bank's risk management and control policies comply with the Bank of Ireland Group policies on credit risk, market risk, liquidity risk and operational risk. In addition, Bank of Ireland Group Credit and Group Internal Audit review compliance with the Bank of Ireland Group credit risk, market risk, liquidity risk and operational risk policies as part of their ongoing work in Bank of Ireland Mortgage Bank. The general scheme of risk management, financial and operational controls is designed to safeguard the Bank's assets while allowing sufficient operational freedom to earn a satisfactory profit before tax.

21 RISK MANAGEMENT AND CONTROL (continued)

Credit Risk

Credit Risk reflects the risk that counterparties will be unable to meet their contractual obligations to the Bank in respect of loans or other financial transactions thereby causing the Bank to incur a loss.

Credit risk within the Bank arises primarily from residential mortgage lending. The credit risk policy is agreed by the Board of Directors and complies fully with overall Bank of Ireland Group Lending Policy. The policy is reviewed regularly. Clear policies for approval of loans are documented. The quality of all lending is monitored and measured using portfolio grading tools and proactive quality assurance measures. A robust arrears management process ensures that the impact of arrears on the Bank's performance is minimised.

The Bank primarily assesses credit risk on the criteria of repayment capacity, loan to value ratios, income multiples and adequacy of security. The residential mortgage-lending book is managed on a portfolio basis. Diversification is achieved through maintenance of an acceptable risk spread in relation to a range of risk parameters including geographical locations, product concentrations, loan to value ratios and interest rates.

The entire credit risk process is managed on a daily basis by the Credit Risk Management function. In turn this function is independently reviewed by the Bank of Ireland Group Credit Review function, which reports to the Bank of Ireland Group Credit Committee on the quality and adequacy of overall portfolio quality, credit management standards and control procedures.

Market Risk and Interest Rate Risk Strategy

Market risk is the exposure of the bank's earnings and net worth to changes in interest rates, foreign exchange rates or other market prices. The Bank's principal market risk is interest rate risk. Interest rate risk primarily arises from fixed rate customer lending and the issuance of fixed rate Mortgage Covered Securities. This exposure is substantially eliminated through hedging arrangements and interest rate swaps with Bank of Ireland, which have the effect of transforming fixed rate risk into floating-rate risk.

The Bank's interest rate risk strategy aims to provide the Bank with protection against material adverse changes in interest rates by undertaking controlled management of the interest rate structure in the Bank's mortgage products. The strategy operates within limits set by the Board of Directors. The Bank's interest rate risk strategy incorporates the policies of the Bank of Ireland Group. The Bank has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures.

The Bank's policy is not to trade in derivatives (see below) but to use these instruments to hedge exposures, where appropriate. The underlying principal amount for derivatives was €12bn as at 31 March 2005.

The primary tool for the measurement of interest rate risk is sensitivity to a 1% swing in interest rates. This exposure is monitored on a monthly basis and compared to a limit set by the Bank of Ireland Group Asset and Liability Committee and endorsed by the Board of Directors. Any excess in respect of this limit is reported to the Bank of Ireland Group Asset and Liability Committee and appropriate action to bring the exposure within the limit agreed.

During the period to 31 March 2005, the Bank's exposure to a parallel 1 per cent upward shift in the euro yield curve was minimal in line with the Bank's policy. Under regulations made under the ACS Act, 2001 the Bank is required to ensure that it's sensitivity to a 1% parallel shift in the yield curve does not exceed 10% of the level of own funds.

The Bank has no material net exposure to foreign exchange rate fluctuations or changes in non-euro zone interest rates.

22 INTEREST RATE REPRICING

The table below provides an indication of the repricing mismatch at 31 March 2005. For the major categories of assets and liabilities, this 'gap' table shows the volumes maturing in selected maturity bands, taking account of any amortisation of principal. Items are allocated to time bands by reference to the earlier of the next interest rate repricing date and the maturity date.

			31 March 2005				
Interest Rate Repricing	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than five years	Over five years	Non interest bearing	Total
	€000	€000	€000	€000	€000	€000	€000
Assets							
Cash and balances at Central Bank	-	-	25	-	-	-	25
Loans and advances to banks	1,724,073	2,000,000		-	-	-	3,724,073
Loans and advances to customers	8,700,882	506,497	835,209	865,214	45,291	-	10,953,093
Debt securities and equity shares	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	52,139	52,139
Total assets	10,424,955	2,506,497	835,234	865,214	45,291	52,139	14,729,330
Liabilities							
Deposits by banks	11,266,897	-	-	-	-	-	11,266,897
Customer accounts	-	-	-	-	-	-	-
Debt securities in issue	760,000	-	-	2,000,000	-	(4,944)	2,755,056
Other liabilities	-	-	-	-	-	62,024	62,024
Subordinated liabilities	162,000	-	-	-	-	-	162,000
Minority interests and shareholders' funds	-	-	-	-	-	483,353	483,353
Total liabilities	12,188,897	0	0	2,000,000	0	540,433	14,729,330
Net Position	(1,763,942)	2,506,497	835,234	(1,134,786)	45,291	(488,294)	(0)
Off balance sheet items	2,252,211	(2,506,497)	(835,209)	1,134,786	(45,291)	-	0
Interest rate sensitivity gap	488,269	0	25	0	0	(488,294)	(0)
Cumulative interest rate repricing gap	488,269	488,269	488,294	488,294	488,294	(0)	-

LIQUIDITY RISK

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

It is the Bank's policy to ensure that resources are at all times available to meet the Bank's obligations arising from savings and mortgage products, capital and revenue expenditure. The day-to-day management of liquidity is the responsibility of the Treasury Unit.

Limits on potential cash flow mismatches over defined time horizons are the principal basis of liquidity control. The cashflow mismatch methodology involves estimating the net volume of funds, which must be refinanced in particular time periods, taking account of the value of assets, which could be liquidated during these periods.

LIQUIDITY RISK (continued)

The Bank reports to its parent, all relevant balance sheet and off balance sheet items on a monthly basis to ensure compliance with Bank of Ireland Group liquidity requirements.

OPERATIONAL RISK

Operational risk is the risk that human error, systems failure, and inadequate controls and procedures will result in unexpected loss. The Bank of Ireland Group Operational Risk Committee governs the Bank's exposure to operational risk. The Bank operates measures of risk identification, assessment and monitoring as are necessary to ensure that Operational Risk management is consistent with the approach, aims and strategic goals of the Bank and the Bank of Ireland Group.

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

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

REGULATORY RISK & COMPLIANCE

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

DERIVATIVES

Instruments used for risk management purposes include derivative financial instruments (derivatives), which are off balance sheet agreements, which define certain financial rights and obligations, which are contractually linked to interest rates, exchange rates or other market prices. Derivatives are an efficient and cost effective means of managing these risks.

The objective of the Bank in using derivatives is to limit the extent to which the Bank will be affected by changes in interest rates, exchange rates or other factors. Derivatives are not used in trading activity or for speculative purposes and all derivatives are therefore designated as hedging instruments. The Bank uses Interest Rate Swaps for balance sheet risk management. These derivatives are used to hedge the Bank's balance sheet exposure arising from mortgage lending products and the issuance of mortgage covered securities

The interest rate exposure of the Bank relating to its Irish residential lending denominated in euro is managed using two macro interest rate swaps with Bank of Ireland, one of which, the Pool Interest Rate Hedge, relates only to the Pool and Mortgage Covered Securities issued by the Bank and the other, the Non-Pool Interest Rate Hedge, relates only to Irish residential loans denominated in euro which are not included in the Pool.

In the case of the Pool Interest Rate Hedge, this is a cover assets hedge contract for the purposes of the Asset Covered Securities Act, 2001. Under the Pool Interest Rate Hedge, on a monthly basis the Bank pays to Bank of Ireland an amount related to a weighted average basket interest rate, determined by reference to interest rates payable on the residential loans held by the Bank and which are included in the Pool on the relevant date, on a notional amount equal to the principal amount outstanding of those loans on the relevant date. In return on a monthly basis, Bank of Ireland pays to the Bank interest on that notional amount at one month EURIBOR plus an amount related to the composite margin on the underlying mortgage loans. With respect to Mortgage Covered Securities, on an annual basis Bank of Ireland pays under that cover assets hedge contract an amount related to the fixed interest rate payable on the relevant Mortgage Covered Securities on a notional amount equal to the principal amount outstanding of the relevant Mortgage Covered Securities and on a six monthly basis the Bank pays to Bank of Ireland an amount related to six month EURIBOR on that notional amount.

23 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table represents the carrying amount and the fair value of traded financial assets and liabilities of the Bank as at 31 March 2005.

		31 March 2005 Carrying Amount €m	31 March 2005 Fair Values €m
Liabilities			
Debt securities in issue	(1)	2,755	2,796
Derivative financial instruments			
Interest rate contracts	(2)	35	66

(1) The carrying value of short-term debt securities in issue approximate to their fair values. Fair values of other debt securities in issue are based on quoted market prices where available.

(2) The carrying value of interest rate contracts represents amounts accrued at the balance sheet date. The fair value is based on the discounted future cashflows of these contracts.

The following table represents the underlying principal and replacement costs of the bank's derivatives as at 31 March 2005.

	Within one year €m	Over one year €m	Total €m
Underlying Principal Amount			
Interest Rate Contracts		12,685	12,685
Replacement Costs			
Interest Rate Contracts	15	51	66

The above interest rate contracts are all held with financial counterparties.

Unrecognised gains and losses on derivative hedges

Gains and losses on instruments used for hedging are recognised in line with the underlying items, which are being hedged. As a result, any gains or losses on the hedging instrument arising from changes in the fair value are not recognised in the profit and loss account immediately but are accounted for in the same manner as the hedged item.

The unrecognised net gains on instruments used for hedging, as at 31 March 2005 was €31m. The net gains expected to be recognised in 2005/2006 is €14m and thereafter €17m

25 COMMITMENTS

At 31 March 2005 the Bank had €2,632m of mortgage loans applications that, as at the period end had not drawn down.

26 RELATED PARTY TRANSACTIONS

(a) Parent Undertaking and Related Party Disclosures

The Bank's immediate and ultimate parent undertaking is The Governor and Company of the Bank of Ireland, a company incorporated by charter in Ireland. Group accounts are available at Bank of Ireland, Head Office, Lower Baggot Street, and Dublin 2.

Transactions with companies within the Bank of Ireland Group are not disclosed as the Bank has taken advantage of the exemption available under Financial Reporting Standard No. 8 – "Related Party Disclosures", on the basis that the consolidated financial statements of the Bank of Ireland Group in which the Bank is included are publicly available as referred to above.

27 APPROVAL OF THE FINANCIAL STATEMENTS

The Directors approved these financial statements on 6 May 2005