

**BANK OF IRELAND
MORTGAGE BANK
REPORT & ACCOUNTS**

31st March 2006

BANK OF IRELAND MORTGAGE BANK
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BANK OF IRELAND MORTGAGE BANK
DIRECTORS AND OTHER INFORMATION

DIRECTORS AND OTHER INFORMATION

Directors at 29th May 2006

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

Secretary

M. Ferns

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 for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Bank was incorporated in Ireland under the Companies Acts, 1963 to 2005 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 €76m (2005 €39m) as set out in the profit and loss account on page 11. A dividend of €35m or €0.07231405 per ordinary share was paid on 29th September 2005. Directors have not proposed a final dividend in the current year.

Profit before tax at €87m was up significantly on the 9 month period of the previous year.

Sale of new mortgages reached a record high of €4.8bn in 2005/06. The mortgage book grew by 26% to €13.9bn. Mortgages continue to be originated exclusively through the Bank of Ireland branch channel although the proposed changes to the Asset Covered Securities Act 2001 may facilitate origination through other Bank of Ireland companies and indeed through other banks.

The quality of the loan book continues to be exceptional and the level of arrears is well below the average for the Irish market. The Bank advanced €2,936m (2005 €1,838m) in net new mortgages in the period and the mortgage book has grown to €13,879m (2005 €10,953).

Net interest margin (net interest income/average interest earning assets) increased from 0.69% in 2004/05 to 0.89% in 2005/06. The principal reasons for the increase in margin were the higher return on placements and capital in the wholesale markets. Mortgage margins show a small decline primarily due to increased competition in the Irish mortgage market..

Fees and commissions paid to related entities of the Bank of Ireland Group increased by €26m in line with the increased volumes originated.

Costs were managed tightly and the increase in costs was due primarily to the costs associated with the bond programme.

Liquidity is very strong at 33.6% which is well in excess of the Central Bank requirement of 25%.

The Bank considers that the Irish housing market is well underpinned by the most important economic indicators and that the future of this market continues to be bright.

The directors are confident of another strong performance by the Bank in 2006/07.

BANK OF IRELAND MORTGAGE BANK

DIRECTORS' REPORT

IMPLEMENTATION OF FRS 25 AND FRS 26

The Bank availed of the EU option to extend the deadline for implementing IFRS to 2007 for companies whose debt securities only are listed. Consequently the financial statements are not prepared under IFRS for the 2005/2006 financial year, however as the Bank holds listed debt it is obliged to implement FRS 25 and 26 in preparing the financial statements.

The financial information has been prepared on the recognition and measurement requirements of FRS 25 and 26 and the Bank has not presented comparative information in accordance with these standards. Accordingly, comparative information for 2005 in respect of financial instruments is prepared on the basis of the Bank's previous accounting policies under IR GAAP.

RISK MANAGEMENT

The Bank has adopted the Risk Management Structure and Controls Framework consistent with that of the Bank of Ireland Group. This is described in the notes to the financial statements, see note 24. Fair Value disclosures regarding all financial instruments are presented in Note 25 on page 42.

In addition the Cover Assets Monitor performs the statutory function in relation to the covered asset pool and reports independently to the Financial Regulator.

ASSET COVERED SECURITIES

During 2005/2006 the Bank continued its successful Programme of Mortgage Bond Issues. In June 2005 the Bank returned to the market with a second transaction for €2bn with a ten-year maturity. In addition the Bank completed €300m in private placement transactions with maturities ranging from five to ten years. This brings the total bonds in issue to €4.3bn and demonstrates the Bank's commitment to establish a €10bn programme with various maturities to establish a benchmark curve incorporating vanilla benchmark and private placement transactions.

SHARE CAPITAL AND SUBORDINATED LIABILITIES

A further 90 million units of €1 ordinary shares were allotted and fully paid during the year.

534,000,000 units of Ordinary Shares, of nominal value of €1.00 each, were in issue at 31st March 2006.

During the year the Bank availed of a €80m interest bearing subordinated loan from its parent. This brought the total subordinated debt to €242m at 31 March 2006 (2005 €162m).

BANK OF IRELAND MORTGAGE BANK

DIRECTORS' REPORT

DIRECTORS' & SECRETARY

The names of the persons who were Directors of the Bank at any time during the year ended 31 March 2006 are set out below. Except where indicated they served as directors for the entire year.

Directors

J. Collins

J. Larkin

S. Crowe

R. Hynes

B. Kealy

D. Mahony

M. Meagher

T.B. Courtney (Director and Secretary)

15 January 2006 Retired

M Ferns (Secretary)

13 February 2006 Appointed

Dr Thomas B Courtney, Director and Secretary, resigned on the 15th of January 2006. Margaret Ferns was appointed Secretary with effect from 13th February 2006.

Directors' and Secretary's Interests in the Share Capital of Governor &Co (the Parent) are set out in the notes to the financial statements, note 5(b) on pages 21 to 24.

DIRECTORS' & SECRETARY'S INTERESTS

The interests of the Directors and Secretary, in office as at 31 March 2006, and of their spouses and minor children, in the shares of the Governor and Company of Bank of Ireland and related Group entities, are disclosed on pages 21 to 24 in Note 5(b) of the financial statements.

BANK OF IRELAND MORTGAGE BANK
DIRECTORS' REPORT

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

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.

BOOKS OF ACCOUNT

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.

EVENTS SINCE THE YEAR END

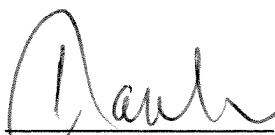
There have been no post balance sheet events that require reporting since the year end, 31st March 2006 and the date of signing.

AUDITORS

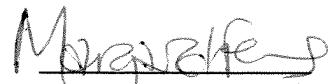
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with Section 160(2) of the Companies Act, 1963.



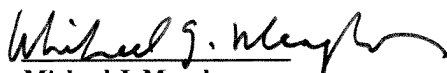
John G. Collins
Director



Joe Larkin
Director



Margaret Ferns
Secretary



Michael J. Meagher
Director

BANK OF IRELAND MORTGAGE BANK
STATEMENT OF DIRECTORS' RESPONSIBILITIES

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland.

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 company and of the profit or loss of the company for that period. In preparing the financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Acts, 1963 to 2005, the European Communities (Credit Institutions: Accounts) Regulations, 1992 and the Asset Covered Securities Act 2001. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

We have audited the financial statements on pages 11 to 43. 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 Directors' Report and financial statements in accordance with applicable Irish law and the accounting standards issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (General Accepted Accounting Practice in Ireland) are set out in the Statement of Directors' Responsibilities on page 8.

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 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 in accordance with General Accepted Accounting Practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Act, 1963 to 2005, 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 financial statements are 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 financial statements; 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, as stated in the balance sheet, 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 and, where practicable, include such information in our report.

We read the Directors' Report and consider the implications on our report if we become aware of any apparent misstatements within it.

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 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.

Opinion

In our opinion, the financial statements

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Bank's affairs as at 31 March 2006 and of its profit and cashflows for the year then ended; and
- have been properly prepared in accordance with the Companies Acts, 1963 to 2005, 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. In our opinion proper books of account have been kept by the Bank. The financial statements are in agreement with the books of account.

In our opinion, the information given in the Report of the Directors on pages 4 to 7 is consistent with the financial statements.

The net assets of the Bank, as stated in the balance sheet on page 13 are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 March 2006 a financial situation which under Section 40 (1) of the Companies (Amendment) Act, 1983, would require the convening of an extraordinary general meeting of the Bank.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

31 May 2006

BANK OF IRELAND MORTGAGE BANK
PROFIT AND LOSS ACCOUNT

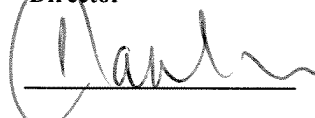
		Year Ended 31 March 2006	Period Ended 31 March 2005
	Notes	€m	€m
Interest receivable and similar income	2	557	328
Interest payable	3	(393)	(234)
NET INTEREST INCOME		----- 164	----- 94
Fees and commissions receivable		2	2
Fees and commissions payable	4	(69)	(43)
TOTAL OPERATING INCOME		----- 97	----- 53
Administrative expenses	5	(12)	(8)
Impairment losses on loans & advances	12	-	-
Net Trading Income	7	2	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		----- 87	----- 45
Taxation on profit on ordinary activities	8	(11)	(6)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		----- 76	----- 39
Dividend	20	(35)	-
PROFIT FOR THE PERIOD RETAINED		----- 41	----- 39
		=====	=====

The movement in the reserves is shown in Note 19

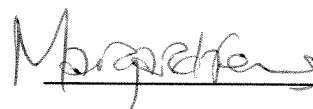
The notes on pages 15 to 43 form part of the financial statements.



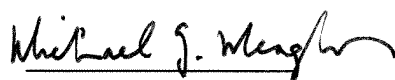
John G. Collins
Director



Joe Larkin
Director



Margaret Ferns
Secretary



Michael J. Meagher
Director

BANK OF IRELAND MORTGAGE BANK
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		Year Ended 31 March 2006	Period Ended 31 March 2005
	Notes	<i>€m</i>	<i>€m</i>
Profit on ordinary activities after taxation	1	76	39
Implementation of FRS 25 & 26	1.2	6	-
TOTAL GAINS RECOGNISED IN YEAR		----- 82 =====	----- 39 =====

BANK OF IRELAND MORTGAGE BANK
BALANCE SHEET

AS AT 31 MARCH

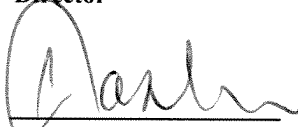
	Notes	2006	2005
		€m	€m
ASSETS			
Cash and balances at central banks	9	-	-
Loans and advances to banks	10	6,616	3,724
Loans and advances to customers	11	13,879	10,953
Other assets		-	52
		<u>20,495</u>	<u>14,729</u>
LIABILITIES			
Deposits by banks	14	14,549	11,267
Debt securities in issue	15	5,040	2,755
Derivative financial instruments	13	41	-
Other liabilities	16	2	23
Accruals and deferred income		-	39
Subordinated liabilities	17	243	162
		<u>19,875</u>	<u>14,246</u>
SHAREHOLDERS' FUNDS			
Called up capital stock	18	534	444
Profit and loss account	19	86	39
		<u>620</u>	<u>483</u>
		<u>20,495</u>	<u>14,729</u>

The notes on pages 15 to 43 form part of the financial statements.

Commitments see note 27.



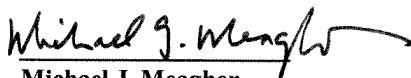
John G. Collins
Director



Joe Larkin
Director



Margaret Ferns
Secretary



Michael J. Meagher
Director

BANK OF IRELAND MORTGAGE BANK
CASHFLOW STATEMENT

		Period Ended 31 March 2006	Period Ended 31 March 2005
	Notes	€m	€m
<i>Net cash flow from operating activities</i>	21	(108)	(599)
Returns on Investment and Servicing of Finance	21	(41)	(2)
Taxation		(11)	(5)
Financing	21	170	606
Increase/(decrease) in cash in the period		----- 10 =====	----- - =====

The notes on pages 15 to 43 form part of the financial statements.

BANK OF IRELAND MORTGAGE BANK

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES**1.1 Basis of Preparation**

The financial statements on pages 11 to 43 have been prepared under the historical cost convention, modified by the revaluation of certain financial instruments, in accordance with the Companies Acts, 1963 to 2005, the European Communities (Credit Institutions: Accounts) Regulations 1992, the Asset Covered Securities, Act 2001 and with accounting standards generally accepted in Ireland.

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost convention amounts to €2 million. (2005, €Nil).

The financial information has been prepared on the recognition and measurement requirements of FRS 25 and 26 and the Bank has not presented comparative information in accordance with these standards. Accordingly, comparative information for 2005 in respect of financial instruments is prepared on the basis of the Bank's previous accounting policies.

The financial information is 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 Changes in Accounting Policy

The company adopted the following new accounting standards which were issued during 2004 and 2005 and apply to listed entities for accounting periods beginning on or after 1 January 2005:

FRS 20 Share based payments
FRS 21 Events after the balance sheet date
FRS 22 Earnings per share
FRS 23 The effects of changes in foreign exchange rates
FRS 24 Financial reporting in Hyperinflationary economies
FRS 25 Financial Instruments: Disclosure and presentation
FRS 26 Financial Instruments: Measurement
FRS 28 Corresponding amounts

The adoption of these standards has resulted in some changes to the company's accounting policies. In summary:

FRS 20, FRS 22, FRS 23, FRS 24 and FRS 28 had no material effect on the company's policies;
FRS 21 requires that distributions which have not been declared in the financial year cannot be reflected in the financial statements. Such distributions should be shown by way of note disclosure only. Where this is a change in accounting policy a prior year adjustment is required;
FRS 23 had no material effect on the Company's policy. The functional currency of the company has been re-evaluated based on the guidance in the revised standard and is still considered appropriate;
FRS 25 has set down requirements for disclosure and presentation of financial instruments.
FRS 26 requires changes to the classification, recognition and measurement of financial assets and liabilities. The key impacts of the adoption of the standard are as set out below. The bank has availed of the option in FRS 26 not to restate comparatives arising from these changes.

- (a) Derivative financial instruments have been recognised at fair value on the date of adoption of the standard (1st April 2005). This resulted in a net fair value gain to retained reserves of €31m.

BANK OF IRELAND MORTGAGE BANK

NOTES TO THE FINANCIAL STATEMENTS

- (b) Hedge Accounting – the bank has designated the derivatives hedging the ACS debt securities bond at the transition date (€2bn) as fair value hedges in accordance with the standard. The fair value adjustment arising from the hedged liability amounts to €31m loss to reserves on transition.
- (c) Interest income and expenditure are recognised in the Profit and Loss Account on an effective interest basis. This spread the interest income together with the related fee and acquisition costs over the expected life of the financial instrument. On adoption of the standard this resulted in a net credit (after related deferred tax) of €3m to reserves.
- (d) Impairment losses – the reassessment of the impairment provisions on implementation of the standard resulted in a reduction in the provision and a credit in reserves of €3m.
- (e) Reclassification of accrued interest on financial assets and liabilities into the relevant asset/liability line item on the balance sheet. In the prior year the accrued interest would have been classified in other assets or other liabilities.

The financial information has been prepared on the recognition and measurement requirements of FRS 25 and 26 and the Bank has not presented comparative information in accordance with these standards.

FRS 28 sets out the requirements for the disclosure of corresponding amounts for items shown in an entity's primary financial statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards.

1.3 Interest Income and Expense

Interest income and expense are recognised in the Profit & Loss 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 Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees, broker commissions 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.

1.4 Fees & commission income / payable

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. Fees and commissions payable relating to the cost of services obtained are in general recognised on an accrual basis.

BANK OF IRELAND MORTGAGE BANK

NOTES TO THE FINANCIAL STATEMENTS

1.5 Financial Assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

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

(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 Bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the profit and loss statement in the period in which they arise.

1.6 Financial Liabilities

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

1.7 Derivative financial instruments and hedge accounting

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

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

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

- (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or,
- (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

1.7 Derivative financial instruments and hedge accounting continued

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(b) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the profit and loss in trading income.

1.8 Impairment of financial assets

(a) Assets carried at amortised cost

The Bank 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 Bank about the following loss events:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) the Bank 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;
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) 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 Bank 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 Bank 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 has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

BANK OF IRELAND MORTGAGE BANK

NOTES TO THE FINANCIAL STATEMENTS

1.8 Impairment of financial assets continued

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Bank's grading process that considers asset type, 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 Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. 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 Bank 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, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss.

When a loan is uncollectable, 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 profit and loss.

1.9 Issued Debt Securities**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 payable.

1.10 Pensions

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.

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.

The pension cost relating to this scheme is assessed in accordance with the advice of a qualified actuary. Contributions are charged to the profit and loss account in the period in which they became payable. The disclosures required under Financial Reporting Standard 17 ("Retirement Benefit") for the year ended 31st March 2006 are shown in note 23.

1.11 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. Deferred Tax is measured on a non discounted basis.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

2	INTEREST RECEIVABLE AND SIMILAR INCOME	Year Ended 31 March 2006	Period Ended 31 March 2005
		€m	€m
	Loans and advances to banks	128	67
	Loans and advances to customers	429	261
		<u>557</u>	<u>328</u>
		<u><u>557</u></u>	<u><u>328</u></u>
3	INTEREST PAYABLE	2006	2005
		€m	€m
	Other interest payable	283	183
	Debt securities in issue	104	48
	Interest on subordinated liabilities	6	3
		<u>393</u>	<u>234</u>
		<u><u>393</u></u>	<u><u>234</u></u>
4	FEES AND COMMISSIONS PAYABLE	2006	2005
		€m	€m
	Broker commission payable	-	1
	Service fee payable to group companies	69	42
		<u>69</u>	<u>43</u>
		<u><u>69</u></u>	<u><u>43</u></u>
5	ADMINISTRATIVE EXPENSES	2006	2005
		€000	€000
	Staff Costs:		
	- wages and salaries	555	340
	- social security costs	57	33
	- pension costs	51	12
		<u>663</u>	<u>385</u>
		<u><u>663</u></u>	<u><u>385</u></u>
	Other administrative expenses	11,617	7,710
	Total administrative expenses	<u>12,280</u>	<u>8,095</u>
		<u><u>12,280</u></u>	<u><u>8,095</u></u>

BANK OF IRELAND MORTGAGE BANK

NOTES TO THE FINANCIAL STATEMENTS

5(a) EMPLOYEE INFORMATION

For the year ended 31 March 2006 the average number of employees was 6, (2005 6 employees).

5 (b) DIRECTORS' & SECRETARY'S INTERESTS

The interests of the Directors and Secretary, in office as at 31 March 2006, and of their spouses and minor children, in the shares of the Bank of Ireland or the Group undertakings are set out in the tables below.

SHARES IN GOVERNOR & COMPANY OF THE BANK OF IRELAND

Directors and Secretary	As at 31 March 2006	As at 31 March 2005 (or date of appointment if later)
	SHARES	SHARES
J. Collins	119,031	109,039
J. Larkin	22,988	15,074
S. Crowe	10,536	9,598
R. Hynes	Nil	Nil
B. Kealy	2,671	1,789
D. Mahony	12,850	12,354
M. Meagher	68,078	68,078
Secretary		
M. Ferns	439	439

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

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

Directors	Date of Grant	Earliest Exercise Date	Exercise Price €	As at 31 March 2006	As at 31 March 2005
J. Collins	18 June 2003	18 June 2006	10.77	50,000	50,000
	24 June 2002	24 June 2005	12.50	40,000	40,000
J. Larkin	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
	21 July 2005	21 June 2008	12.85	14,000	Nil
S. Crowe	15 Dec 2003	1 Feb 2009	7.84	2,653	2,653
R. Hynes	-	-	Nil	Nil	Nil
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	11,500
	14 July 2005	21 June 2008	12.85	9,500	Nil
D. Mahony	15 Dec 2003	1 Feb 2007	7.84	1,522	1,522
	13 July 1999	13 July 2002	8.93	10,000	10,000
	21 June 2005	21 June 2008	12.85	3,000	Nil
M. Meagher	-	-	Nil	Nil	Nil
Secretary					
M. Ferns	15 Dec 2003	1 Feb 2007	7.84	1,522	1,522

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

**DIRECTORS' & SECRETARY'S INTERESTS IN GOVERNOR & COMPANY OF THE BANK OF IRELAND
LONG TERM PERFORMANCE STOCK PLAN (LTPSP)**

Included in the table below are the Shares conditionally awarded to the Directors under the terms of the LTPSP.

Directors	Date of Award	No. of Shares Conditionally Held	As at 31 March 2006 Options	As at 31 March 2005 Options
J. Collins	18 June 2003	13,121	13,121	13,121
J. Larkin	18 June 2003	7,054	7,054	7,054
	26 July 2004	12,500	12,500	12,500
	21 June 2005	10,500	10,500	Nil
S. Crowe	-	Nil	Nil	Nil
R. Hynes	-	Nil	Nil	Nil
B. Kealy	-	Nil	Nil	Nil
D. Mahony	-	Nil	Nil	Nil
M. Meagher	-	Nil	Nil	Nil
Secretary				
M. Ferns	-	Nil	Nil	Nil

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

DIRECTORS' & SECRETARY'S INTEREST IN SAVINGS SHARES IN ICS BUILDING SOCIETY

Directors	As at 31 March 2006	As at 31 March 2005
J. Collins	671	671
J. Larkin	1,152	668
S. Crowe	Nil	Nil
R. Hynes	Nil	Nil
B. Kealy	Nil	Nil
D. Mahony	23	24
M. Meagher	Nil	Nil
Secretary		
M. Ferns	12,013	Nil

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

6	PROFIT BEFORE TAXATION	2006	2005
		€'000	€'000
	Profit before taxation has been arrived at after charging:		
	Auditors Remuneration (Including VAT)		
	Statutory audit	42	60
	Other assurance services	67	17
	Other Services		
	Tax advisory	15	20
	Total	----- 124	----- 97
		=====	=====
	Directors' remuneration		
	Fees	46	34
	Salaries	-	-
	Pension contributions to directors	-	-
	Total	----- 46	----- 34
		=====	=====

The aggregate amounts outstanding in respect of all loans and credit transactions made by the Bank to three of its Directors, was €1.6 m as at 31 March 2006 (2005 €0.5 m for three Directors). 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 NET TRADING INCOME

For the year ended 31 March 2006 the net trading income comprising the gains / losses on trading derivatives and the ineffective element of hedging instruments was €2m.

8 TAXATION

		2006	2005
		€000	€000
	Current Tax		
	Irish Corporation tax @ 12.5%	10,913	5,622
	Deferred Tax	-----	-----
	Mortgage Discounts	(86)	-
	Total	----- 10,827	----- 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.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

9	CASH AND BALANCES AT CENTRAL BANKS	2006 €000	2005 €000
	Funds placed with Central Bank of Ireland	25	25
		-----	-----
	Other loans and advances to banks by remaining maturity	25	25
		=====	=====
	Repayable on demand		
	- 3 months or less	-	-
	- 1 year or less but over 3 months	25	25
		-----	-----
		25	25
		=====	=====

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

10	LOANS AND ADVANCES TO BANKS	2006 €m	2005 €m
	Funds placed with Governor & Company of the Bank of Ireland	6,616	3,724
		-----	-----
	Other loans and advances to banks by remaining maturity		
	Repayable on demand	14	-
	- 3 months or less	2,302	1,724
	- 1 year or less but over 3 months	-	-
	- 5 years or less but over 1 year	2,000	2,000
	- over 5 years	2,300	-
		-----	-----
		6,616	3,724
		=====	=====

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

11	LOANS AND ADVANCES TO CUSTOMERS	Notes	2006 €m	2005 €m
	Repayable on demand		-	-
	3 months or less		118	107
	1 year or less but over 3 months		353	320
	5 years or less but over 1 year		2,065	1,831
	Over 5 years		11,349	8,695
	Less provisions for bad and doubtful debts	12	(6)	-
			-----	-----
			<u>13,879</u>	<u>10,953</u>

The Bank's exposure to credit risk is from its mortgage lending activities on residential property in Ireland. For details of bad and doubtful debts see note 12.

12 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. Therefore, loans and advances to customers were presented on a net basis in the prior year.

Upon implementation of FRS 26 the loan loss provision was reassessed in the Bank resulting in a €3m reduction in the provision at the 31st March 2006.

Loans and advances to customers in 2006 as presented in note 11 are shown gross of provision for bad and doubtful debts.

Interest on impaired mortgage balances at 31 March 06 was €2.152m

The movement on the provision for bad and doubtful debts is included in the table below:

12(b)	PROVISION FOR BAD AND DOUBTFUL DEBTS	Notes	2006 €000's
	Opening Provision at 1 April 2005		9,397
	Transition Adjustment		(3,412)
	Charge against Profits		193
	At 31 March 2006		----- <u>6,178</u>

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

13	DERIVATIVE FINANCIAL INSTRUMENTS AS AT 31 MARCH 2006	2006 €m Contract / Notional Amount €m	2006 €m Fair Value Liability €m
13 (a)	Derivatives held for trading		
	Non-Pooled Swaps	9,269	-
	Pooled Swaps	4,218	-
	Private Placing Swaps	160	0.2
	Total derivatives held for trading	----- 13,647 =====	----- 0.2 =====
13(b)	Derivatives held for hedging		
	Interest rate swaps	4,000	40.8
	Total derivatives held for hedging	----- 4,000 =====	----- 41 =====
	Total derivatives	----- 17,647 =====	----- 41 =====

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The following table represents the underlying principal and replacement costs of the bank's derivatives as at 31 March 2006.

31 st March 2006	Within one year €m	Over one year €m	Total €m
Underlying Principal Amount			
Interest Rate Contracts	13,487	4,160	17,647
Replacement Costs			
Interest Rate Contracts	-	-	-

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

31 st 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.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

13 DERIVATIVE FINANCIAL INSTRUMENTS AS AT 31 MARCH 2006 continued

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 €31m.

14 DEPOSITS BY BANKS

	2006	2005
	€m	€m
Deposits by Banks	14,549	11,267
	=====	=====
Other deposits by remaining maturity		
Repayable on demand	4	-
- 3 months or less	14,545	11,267
	-----	-----
Due to Governor & Company of the Bank of Ireland	14,549	11,267
	=====	=====

15 DEBT SECURITIES IN ISSUE

	Notes	2006	2005
		€m	€m
Bonds and medium term notes by remaining maturity			
- 3 months or less		50	-
- 1 year or less but over 3 months		36	-
- 5 years or less but over 1 year	1(a)	1,986	1,995
- Greater than 5 years	1(b)	2,198	
Other debt securities in issue by remaining maturity			
- 3 months or less	2	770	760
- 1 year or less but over 3 months			-
- 5 years or less but over 1 year			-
		-----	-----
		5,040	2,755
		=====	=====

Notes

(1) (a) The Bank issued €2,000m of fixed rate (3.5%) in mortgage covered securities in September 2004 maturing September 2009.

(b) In June 2005 the Bank issued €2,000m of fixed rate (3.25%) in mortgage covered securities maturing June 2015. The Bank also issued three private placing ACS Bonds totalling €300m during the year with floating rates repricing quarterly. The mortgage-covered securities are shown on the balance sheet net of issue costs and expenses incurred in connection with their issue and the basis adjustment relating to the fair value hedges.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

15 DEBT SECURITIES IN ISSUE continued

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"). The value of the pool including mortgage assets and cash at the 31st of March 2006 securing these assets was €4.8bn. As at 31 March 2006 there are no mortgage credit assets secured on commercial property in Bank of Ireland Mortgage Bank.

In accordance with the 2001 Act, see the required disclosures set out in tables 15 (a) – 15(g) below.

(2) €770m (2005, €760m) of other debt securities comprise the bank's obligations to the Central Bank and Financial Services Authority of Ireland ("CBFSAI") under the terms of the Mortgage Backed Promissory Note (MBPN) programme. These obligations have been secured by way of a first floating charge to the CBFSAI over all its right, title, interest and benefit, in €1bn of loans and advances to customers. The bank has pledged under the terms of the floating charge to maintain the assets so charged free from any encumbrance and otherwise than in the ordinary course of business not to sell, transfer, lend or otherwise dispose of any part of the charged assets without the prior written consent of the CBFSAI. The deed of floating charge was executed by the Bank of Ireland Mortgage Bank and dated 5 July 2004 in favour of the Central Bank and Irish Financial Services Regulatory Authority. The mortgages in the MBPN programme are secured by a floating charge over Irish Residential Mortgage Credit Assets, which are not in the covered assets pool.

15(a) Mortgage Accounts & Principal Outstanding in the Mortgage Covered Pool as at 31 March 2006

From Range	To Range	Number of Accounts 2006	Total Balances of Accounts (1) 2006	Number of Accounts 2005	Total Balances of Accounts (1) 2005
€000's	€000's		€000's		€000's
0	100	26,597	1,261,089	21,931	947,557
100	200	12,447	1,754,663	6,061	824,871
200	500	3,847	1,025,194	1,103	291,222
Over 500		203	139,131	54	34,127
		-----	-----	-----	-----
		<u>43,094</u>	<u>4,180,077</u>	<u>29,149</u>	<u>2,097,777</u>

(1) The total balance of accounts represents the cumulative amount outstanding on the all the mortgage accounts in the pool as at 31 March 2006.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

15 DEBT SECURITIES IN ISSUE continued

15(b) Geographical Location and Details for the Pool as at 31st March 2006.

Geographical Area	% of Over all Properties	Number of Accounts (2)	Number of Properties
Dublin	21%	9,149	7,825
Outside Dublin	79%	33,945	29,993
	----- 100%	----- 43,094	----- 37,818
	=====	=====	=====

15 (b) Geographical Location and Details for the Pool 31 March 2005

Geographical Area	% of Over all Properties	Number of Accounts (2)	Number of Properties
Dublin	21%	6,318	5,298
Outside 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 2006 and 31 March 2005, there are one or more accounts per mortgaged property therefore giving rise to different figures for the number of accounts and the number of properties in the pool as at 31 March 2006 and for comparatives at 31 March 2005.

15(c) Pool Accounts in Default as at 31 March 2006

As at 31 March 2006 there were 27 accounts (2005, 74) in default (the term default is defined as relating to mortgage accounts that are in arrears exceeding 90 days). The cumulative current balance on these accounts was €2,112,064 with an arrears amount of €59,069 as at 31 March 2006. (31 March 2005 cumulative balance was €5,547,391 with arrears of €176,525).

15(d) Pool Accounts in Default with Arrears >€1000 as at 31 March 2006

During the year there were 164 accounts, which had been in default with arrears of more than €1,000. The cumulative current balance on these accounts was €16,175,211 with an arrears amount of €562,160. As at 31 March 2006 there were 21 accounts with arrears in excess of €1,000. The cumulative current balance on these accounts was €1,956,585 with an arrears balance of €54,302.

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.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

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

During the year ended 31st March 2006, 170 accounts that were non-performing (2005 Nil) were replaced with other mortgage credit assets. The total amount in arrears in respect of mortgage assets that had not been written off as at 31st March 2006 was €59,069 (2005 €176,525).

15(g) Total Mortgage Principal and Interest Repayments on Pooled Accounts by customers for year ended 31 March 2006

For the year ended 31 March 2006 the total amount of interest and capital repaid in respect of mortgage credit assets was €116,470,619 and €748,141,057 (2005 €41,456,006 and €205,044,343) respectively.

16 OTHER LIABILITIES

		2006	2005
		€m	€m
Amounts due to other Bank of Ireland Group Companies		-	22
Current and deferred taxation	(1)	2	1
		<u>2</u>	<u>23</u>

(1) Deferred Taxation Liability

	2006
	€000's
Deferred tax 1 April 2005	-
Deferred Tax on Implementation of FRS 26 Profit and Loss	804 (86)
	<u>718</u>

The closing Deferred Tax balance at the 31st March 2006 is made up of €343,000 on Mortgage Discounts and €375,000 on Loan Loss Provisions.

17 SUBORDINATED LIABILITIES

On 2nd July 2004 Bank of Ireland Mortgage Bank availed of a €162m interest bearing subordinated loan from its parent the 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 plus a margin of 35 basis points and it reprices quarterly. The loan matures on 4th July 2014.

On 30 June 2005 Bank of Ireland Mortgage Bank availed of a further €80m interest bearing subordinated loan from its parent the Governor and Company of the Bank of Ireland. This brings the total to €243m, €242m being the loan balance and €1m accrued interest at the 31 March 2006. (2005 €162m) 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 plus a margin of 30 basis points and it reprices quarterly. The loan matures on 2nd July 2015.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

18	SHARE CAPITAL	2006	2005
		€m	€m
	Authorised		
	1,000m units of €1.00 of Ordinary Shares	1,000	1,000
		-----	-----
		<u>1,000</u>	<u>1,000</u>
	Allotted and fully paid	2006	2005
		€m	€m
	Equity		
	534m units of €1.00 of Ordinary Shares	534	444
		-----	-----
		<u>534</u>	<u>444</u>

During the year there were 90m units of €1 Ordinary Shares issued 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
28 July 2005	40,000,000
19 December 2005	50,000,000

Total Allotted and fully paid	<u>90,000,000</u>

All units of Ordinary Shares in issue carry the same voting rights.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

19 RESERVES	Notes	2006 €m	2005 €m
Profit and loss account			
Opening balance		39	-
Profit for the period		76	39
Dividend Paid	20	(35)	-
Implementation of FRS 25 & 26	1	6	
Closing balance		----- 86 =====	----- 39 =====
20 DIVIDEND		2006 €m	2005 €m
Dividend Paid		35 =====	- =====

A dividend of €35m or €0.07231405 per ordinary share in issue was paid on 29 September 2005 to the Bank's parent Governor and Company of the Bank of Ireland.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

21 NOTES TO THE CASH FLOW STATEMENT

21(i) RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Notes	Year Ended 31 March 2006	Period Ended 31 March 2005
		€m	€m
Profit on Ordinary activities before taxation		87	45
Amortisation of issue costs and mortgage discounts		4	-
Interest charged on subordinated liabilities		6	3
Fair value adjustments		(2)	-
Net cash flow from trading activities		95	48
Net (increase) in loans and advances to banks		(2,878)	(3,724)
Net (increase) in loans and advances to customers		(2,921)	(10,953)
Net increase in deposits by banks		3,278	11,267
Net increase in debt securities in issue		2,396	2,755
Net decrease in other assets		52	(52)
Net increase in other liabilities		(21)	21
Net increase in accruals and deferred income		(39)	39
Net increase in derivative financial instruments	1	(70)	-
Net cash flow from operating activities		(108)	(599)

Note

(1) Balance sheet movements on derivative financial instruments comprises of movements in interest accruals and fair value movements (non cash).

	Year Ended 31 March 2006	Period Ended 31 March 2005
	€m	€m

21(ii) Returns on investment and servicing of finance

Interest paid on subordinated liabilities	(6)	(2)
Dividend paid	(35)	-
	(41)	(2)
	(41)	(2)

	Year Ended 31 March 2006	Period Ended 31 March 2005
	€m	€m

21 (iii) Financing

Issue of subordinated liabilities	80	162
Issue of Ordinary stock	90	444
	170	606
	170	606

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

21 (iv) ANALYSIS OF THE BALANCES OF CASH AS SHOWN IN THE
BALANCE SHEET

	Cash	Loans and advances to / from Banks on demand	Total Cash
2006			
At 1 April 2005	€m	€m	€
	-	-	-
Cash Flow	-	10	10
At 31 March 2006	----- -	----- 10	----- 10
	=====	=====	=====
2005			
At 5 July 2004	-	-	-
Cash Flow	-	-	-
At 31 March 2005	----- -	----- -	----- -
	=====	=====	=====

22 SEGMENTAL INFORMATION

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

23 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.

An independent actuary, on the basis of triennial actuarial reviews, determines the Bank's contributions to the ICS scheme. The disclosures have been calculated by qualified independent actuaries based on the most recent full actuarial valuations at 1 January 2004 as updated to 31 December 2006. The deficit on the scheme as at 31 December 2006 amounted to €13.5m. With effect from the 5th July 2004 the Bank is contributing to the ICS Plan at a rate of 18.3% of pensionable salaries.

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 on a consistent and reasonable basis, 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 €51,000 for the year ended 31st March 2006 (2005 €12,000). There were no outstanding amounts to be paid to the scheme at 31 March 2006 by the Bank (2005 €Nil).

BANK OF IRELAND MORTGAGE BANK

NOTES TO THE FINANCIAL STATEMENTS

24 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 policy 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.

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 and related funding rates by undertaking controlled management of the interest rate structure in the Bank's mortgage and funding 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.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

24 RISK MANAGEMENT AND CONTROL continued

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 €17.6bn as at 31 March 2006(€12.6bn 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 year ended 31 March 2006, the Bank's exposure to a parallel 1 per cent upward shift in the euro yield curve was €22,108 (2005 €6,000) in line with the Bank's policy, the average for the year was €13,250 (2005 €9,000). Under regulations made under the ACS Act, 2001 the Bank is required to ensure that its 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.

INTEREST RATE REPRICING

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

Interest Rate Repricing	31 March 2006						Total €000
	Not more than three months €000	Over three months but not more than six months €000	Over six months but not more than one year €000	Over one year but not more than five years €000	Over five years €000	Non interest bearing €000	
Assets							
Cash and balances at Central Bank	-	-	25	-	-	-	25
Loans and advances to banks	4,616,201	2,000,000	-	-	-	-	6,616,201
Loans and advances to customers	10,999,552	545,400	827,333	1,224,089	247,101	35,473	13,878,948
Derivative Financial Instruments	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Total assets	<u>15,615,753</u>	<u>2,545,400</u>	<u>827,358</u>	<u>1,224,089</u>	<u>247,101</u>	<u>35,473</u>	<u>20,495,174</u>
Liabilities							
Deposits by banks	14,548,708	-	-	-	-	-	14,548,708
Debt securities in issue	1,039,679	-	-	2,000,000	2,000,000	-	5,039,679
Derivative Financial Instruments	29,506	11,987	-	-	-	-	41,493
Other liabilities	-	-	-	-	-	1,849	1,849
Accruals and Deferred Income	-	-	-	-	-	-	-
Subordinated liabilities	243,118	-	-	-	-	-	243,118
Shareholders' funds	-	-	-	-	-	620,327	620,327
Total liabilities	<u>15,861,011</u>	<u>11,987</u>	<u>0</u>	<u>2,000,000</u>	<u>2,000,000</u>	<u>622,176</u>	<u>20,495,174</u>
Net Position	(245,258)	2,533,413	827,358	(775,911)	(1,752,899)	(586,703)	-
Off balance sheet items	843,923	(2,545,400)	(827,333)	775,911	1,752,899	-	-
Interest rate sensitivity gap	<u>598,665</u>	<u>(11,987)</u>	<u>25</u>	<u>0</u>	<u>0</u>	<u>(586,703)</u>	<u>-</u>
Cumulative interest rate repricing gap	<u>598,665</u>	<u>586,678</u>	<u>586,703</u>	<u>586,703</u>	<u>586,703</u>	<u>-</u>	<u>-</u>

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

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.

Interest Rate Repricing	31 March 2005						Total €000
	Not more than three months €000	Over three months but not more than six months €000	Over six months but not more than one year €000	Over one year but not more than five years €000	Over five years €000	Non interest bearing €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)	-
Off balance sheet items	2,252,211	(2,506,497)	(835,209)	1,134,786	(45,291)	-	-
Interest rate sensitivity gap	488,269	0	25	0	0	(488,294)	-
Cumulative interest rate repricing gap	488,269	488,269	488,294	488,294	488,294	-	-

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.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

LIQUIDITY RISK (continued)

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.

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

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. The Bank does not actively trade in derivative financial instruments. However, derivative transactions which do not qualify for hedge accounting under FRS 26 are classified as trading transactions. The Bank uses Interest Rate Swaps for balance sheet risk management. These derivatives are used to economically hedge the Bank's balance sheet exposure arising from mortgage lending products and the issuance of mortgage covered securities.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

DERIVATIVES (continued)

(a) In the prior year non-trading derivative transactions, comprise transactions held for hedging purposes as part of the Bank's risk management strategy, against assets, liabilities, positions or cash flows, themselves accounted for on an accruals basis. The gains and losses on these instruments (arising from changes in fair value) are not recognised in the profit and loss account immediately as they arise. Derivative transactions entered into for hedging purposes are recognised in the accounts on an accruals basis consistent with accounting treatment of underlying transaction or transactions being hedged.

In the prior year a derivative will only be classified as a hedge where it is designated as a hedge at its inception and where it is reasonably expected that the derivative substantially matches or eliminates the exposure being hedged. Transactions designated as hedges are reviewed and where a transaction originally entered into for hedge purposes no longer represents a hedge, its value is restated at fair value and any change in value is taken to profit and loss account immediately. Interest rate swaps are generally used to modify the interest rate characteristics of balance sheet instruments and are linked to specific assets or groups of similar assets or specific liabilities or groups of similar liabilities.

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

(b) The Bank holds derivatives on the ACS Bonds at the 31st March 2006 as set out in Note 13 of which €4,000m qualify for fair value hedge accounting treatment. The Bank obtained hedge accounting for the swaps taken out to hedge the bonds issued in the current and prior year.

(c) 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 Contract, relates only to the Pool and Mortgage Covered Securities issued by the Bank and the other, the Non-Pool Interest Rate Contract, relates only to Irish residential loans denominated in euro which are not included in the Pool. These macro interest rate swaps are deemed traded derivatives and do not qualify for hedge accounting.

(d) In the case of the Pool Interest Rate Contract, this is a cover assets hedge contract for the purposes of the Asset Covered Securities Act, 2001. Under the Pool Interest Rate Contract, 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.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

25 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

		31 March 2006 Carrying Amount €m	31 March 2006 Fair Values €m	31 March 2005 Carrying Amount €m	31 March 2005 Fair Values €m
<i>Assets</i>					
Loans and advances to banks	(1)	6,616	6,616	3,724	3,724
Loans and advances to customers	(2)	13,879	13,903	10,953	10,982
<i>Liabilities</i>					
Deposits by banks	(3)	14,549	14,549	11,267	11,267
Debt securities in issue	(4)	5,040	4,954	2,755	2,796
Derivative financial instruments	(5)	41	111	35	66

There are no material differences between the fair value and the carrying value of the other assets and liabilities shown on the balance sheet. The following notes summarise the methods and assumptions used in estimating the fair values of financial instruments shown above,

(1) Loans and Advances to Banks

The Bank places funds with Banks. Several different techniques are employed, as considered appropriate, in estimating the fair value of loans and advances. The carrying amount of variable rate loans is considered to be at market value. The fair value of fixed rate loans was calculated by discounting expected cash flows using market rates where practicable, or rates currently offered by other financial institutions with similar characteristics.

(2) Loans and Advances to Customers

The Bank provides lending facilities of varying rates and maturities to corporate and personal customers. Several different techniques are employed as considered appropriate in estimating the fair value of loans and advances.

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type. Each loan category is further segmented into fixed and variable rate interest terms. The carrying amount of variable rate loans was considered to be at market rate if there was no significant change in the credit risk of the borrower. The fair value of fixed rate loans is estimated by discounting future cash flows using market rates for similar loans with the same residual maturities, offered by the Bank.

(3) Deposits by Banks

The fair value of other borrowings is based on the discounted cash flows using market rates applicable for similar types of borrowing arrangements. value of the contractual cash flows. The discount rate is estimated using market rates for deposits with similar remaining maturities. The carrying amount of variable rate loans is considered to be at market value.

(4) Debt Securities in issue

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, otherwise by discounting anticipated cash flows. Included in the carrying value of debt securities in issue is interest payable to the bond holders.

BANK OF IRELAND MORTGAGE BANK
NOTES TO THE FINANCIAL STATEMENTS

25 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

- (5) Derivative financial instruments
The carrying value of interest rate contracts represents amounts accrued and their fair value at the balance sheet date. The fair value is based on the discounted future cashflows of these contracts.

26 EFFECTIVE INTEREST RATE

	31 March 2006
Loans and advances to customers	3.49%
Loans and advances to banks	2.10%
Deposits by banks	2.21%
Debt securities in issue	3.19%
Subordinated Debt	2.56%

27 COMMITMENTS

At 31 March 2006 the Bank had €3,576m (2005, €2,632m) of mortgage loans applications that as at the year end had not drawn down.

28 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.

29 APPROVAL OF THE FINANCIAL STATEMENTS

The Directors approved these financial statements on 29th May 2006.