Bank of Ireland

Preliminary Statement
Year ended 31 March 2008

Forward-Looking Statement

This document contains certain forward-looking statements within the meaning of Section 21E of the US Securities Exchange Act of 1934 and Section 27A of the US Securities Act of 1933 with respect to certain of the Bank of Ireland Group's (the Group) plans and its current goals and expectations relating to its future financial condition and performance and the markets in which it operates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use words such as 'aim', 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe', or other words of similar meaning. Examples of forward-looking statements include among others, statements regarding the Group's future financial position, income growth, business strategy, projected costs, estimates of capital expenditures, and plans and objectives for future operations. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, risks and uncertainties relating to profitability targets, prevailing interest rates, the performance of the Irish and UK economies and the performance and volatility of the international capital markets, the expected level of credit defaults, the Group's ability to expand certain of its activities, development and implementation of the Group's strategy, including the ability to achieve estimated cost reductions, competition, the Group's ability to address information technology issues and the availability of funding sources. Any forward looking statements speak only as at the date they are made. The Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof. The reader should however, consult any additional disclosures that the group has made or may make in documents filed or submitted or may make in documents it has filed or submitted or may file or submit to the US Securities and Exchange Commission.

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Bank of Ireland will host a results presentation at 9am today, 21 May 2008 at the following venues:

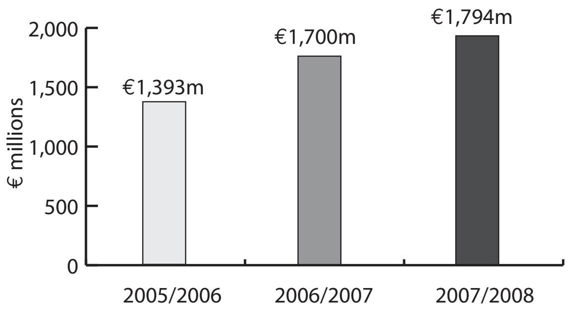
Bank of Ireland Head Office, Lower Baggot Street, Dublin 2
UBS Investment Bank, 1 Finsbury Avenue, London, EC2M 2PP

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

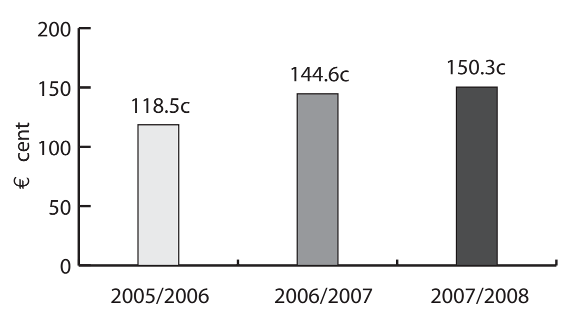
Performance Highlights

3 year financial summary

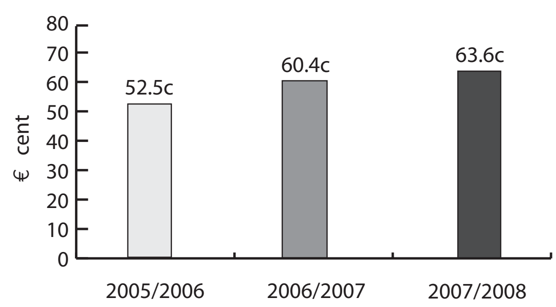
Profit before tax (underlying*)



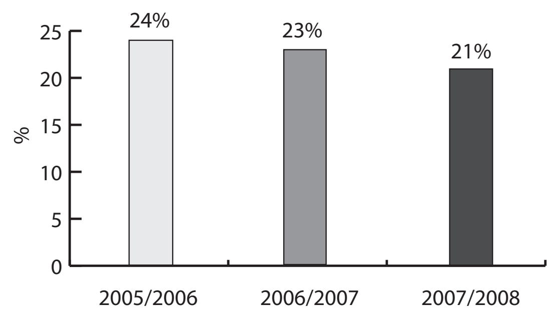
Earnings per share (underlying*)



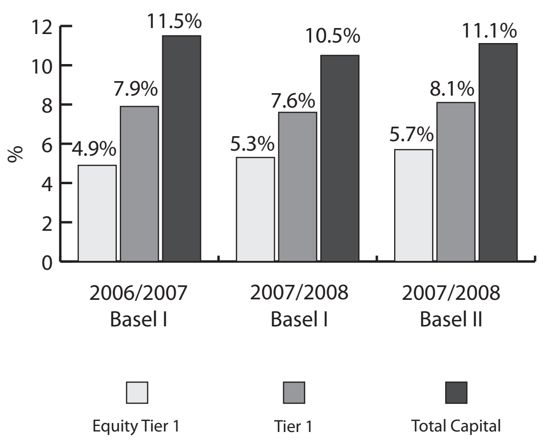
Dividends



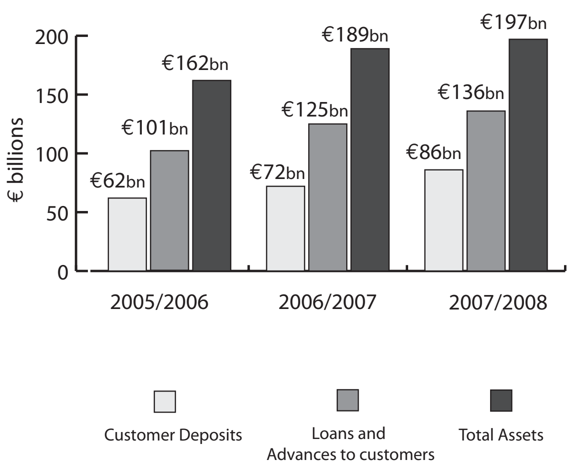
Return on equity



Capital ratios**



Balance sheet



** Based on underlying performance, which excludes the impact of non-core items (see page 8)*
*** All ratios are after deducting proposed dividends at year end.*

Performance highlights

		Year ended 31 March 2008	Year ended 31 March 2007	% Change
Group profitability (€ million)				
Profit before tax (PBT)		1,933	1,958	(1)
Non-core items:				
Deduct:				
• *Investment return on treasury stock held for policyholders*		(189)	68	
• *Profit on disposal of business assets*		(33)	(358)	
Add:				
• *Gross-up for policyholder tax in the Life business*		60	(19)	
• *Cost of restructuring programme*		17	49	
• *Hedge ineffectiveness on transition to IFRS*		6	2	
Underlying profit before tax		1,794	1,700	6
Per unit of €0.64 ordinary stock (€ cent)				
Basic earnings per share		174.6	172.2	1
Underlying earnings per share		150.3	144.6	4
Dividend		63.6	60.4	5
Divisional PBT performance (underlying)* (€ million)				
Retail Republic of Ireland		716	698	3
Bank of Ireland Life		108	148	(27)
Capital Markets		651	572	14
UK Financial Services		495	441	12
Group Centre		(176)	(159)	(10)
Underlying profit before tax		1,794	1,700	6
Group performance (underlying)*				
Net interest margin		1.66%	1.69%	
Cost / income ratio		51%	54%	
Cost / income jaws		5%	7%	
Impairment charge		17bps	9bps	
Return on equity		21%	23%	
Balance sheet				
Stockholders' equity (€ billion) (see page 16)		6.5	6.7	(3)
Total assets (€ billion)		197	189	5
Total loans and advances to customers (€ billion)		136	125	9
Total customer deposits (customer accounts) (€ billion)		86	72	19
Wholesale funding (€ billion)		75	80	(6)
Wholesale funding / total assets (excluding BoI Life policyholder assets)		41%	46%	
Loans and advances to customers / customer deposits		157%	173%	
Term funding > than 1 year and customer deposits / loans and advances to customers		82%	84%	
Term funding > than 1 year, subordinated debt and customer deposits / loans and advances to customers		87%	91%	
Capital **	**31 March 2008 Basel II**	**31 March 2008 Basel I**	31 March 2007 Basel I	
Equity Tier 1 ratio	5.7%	5.3%	4.9%	
Tier 1 ratio	8.1%	7.6%	7.9%	
Total capital ratio	11.1%	10.5%	11.5%	

* *Underlying performance excludes the impact of non-core items above (see page 8).*

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

Brian J Goggin, Bank of Ireland Group Chief Executive, commented

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

Group Performance Highlights*

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

Divisional Performance Highlights*

- In Retail Republic of Ireland: PBT + 3%
    - o Delivered PBT growth of 3% to €716 million in an increasingly challenging economic environment
    - o Strong cost containment has driven significant efficiency gains
    - o Higher impairment loss charge reflecting the slowdown in the economy
- In Bank of Ireland Life: PBT - 27% (Operating profit +12%)
    - o PBT down 27% primarily due to impact of a negative investment variance of €50 million
    - o A strong performance in the six months to September 2007 was followed by a significant slowdown in sales in the second half of our financial year due to the negative impact of weak and volatile equity markets on investor sentiment
- In Capital Markets: PBT +14% (+ 21% excluding the trading impact of Davy disposal**)
    - o Corporate Banking increased PBT by 13% with international growth delivering strong lending volumes across portfolios and geographies, improved margins and continuing excellent asset quality
    - o Global Markets delivered an excellent performance in volatile trading conditions
- In UK Financial Services: PBT +18% (Sterling)
    - o Business Banking a key driver of performance with PBT + 21%:
        - Excellent growth in loans and deposits
        - Impairment loss charge remains low
    - o Mortgage Business PBT in line with prior year, with strong volume growth of 14% offset by tighter margins
    - o UK Post Office joint ventures performing strongly

** Based on underlying performance, which excludes the impact of non-core items (see page 8)*

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

Overview

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

Market dislocation

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

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

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

Economic environment

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

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

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

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

Asset quality

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

Costs

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

Funding and capital

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

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

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

Divisional performance

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

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

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

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

Outlook

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

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

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

Review of Group Performance

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

** Excludes the impact of non-core items after tax of €198 million (31 March 2007: €225 million) (tax movement explained on page 16)*
*** Under accounting rules, the Group income statement impact of Bank of Ireland stock held by BoI Life policyholders is excluded. The amount above reflects the impact of the stock price movement between 31 March 2007 and 31 March 2008. Units of stock held at 31 March 2008 were 19 million (31 March 2007: 27 million).*

Cost / income ratio	51%	54%	

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

The following commentary is based on the Group's performance excluding the impact of non-core items. A reconciliation of the impact of these non-core items on the income statement line items is shown on pages 23 and 24 of this document.

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

Income

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

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

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

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

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

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

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

Offset by:

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

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

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

Operating Expenses

Operating expenses increased by 1% in the year ended 31 March 2008 or by 5% excluding the impact of the Davy disposal. Efficiency improvements remain a core focus across the Group and we continue to make significant progress in this regard. Our cost / income ratio continues to improve with a further reduction of 3 percentage points from 54% in the year ended 31 March 2007 to 51% in the year ended 31 March 2008.

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

Operating expenses, excluding the trading impact of the Davy disposal, have increased by 5% driven by:

- Investment costs of 2% relating to the continuing international development of our Corporate Banking and Global Markets activities, together with the costs associated with the continuing development and launch of new products in POFS;
- Business as usual cost growth of 6% where 2% is due to volume growth and 4% is due to inflation

Offset by:

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

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

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

Asset quality - Loans and advances to customers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Available for Sale Financial Assets

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

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

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

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

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

Trading Securities

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

Share of Associates and Joint Ventures

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

Balance Sheet – Capital and Funding

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

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

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

Capital

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

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

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

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

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

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

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

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

Funding

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

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

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

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

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

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

Stockholders' Equity

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

(a) foreign exchange adjustments reflect the impact of the strength of the euro on the translation of Sterling and US dollar denominated net investment in foreign subsidiaries.
(b) the AFS reserve movement is driven by the net impact of interest rate changes and the widening of credit spreads on the value of our AFS book (€29 billion) at 31 March 2008. This reserve is expected to reverse as the underlying financial assets mature.
(c) the cash flow hedge reserve movement reflects the impact of sterling weakness on the mark to market of hedge accounted interest rate swaps. Over time this balance will flow through the income statement in line with the underlying hedged instruments with no net income statement impact.
(d) movement in pension fund obligations is primarily as a result of changes in key assumptions including discount rate and mortality together with the impact of the weakness in global financial markets on the valuation of pension fund assets at 31 March 2008.

Effective tax rate

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

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

Dividend

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

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

Return on Equity

Return on equity, excluding the impact of non-core items (set out on page 8) was 21% for the year ended 31 March 2008 compared to 23% for the year ended 31 March 2007. The rate of return has decreased reflecting lower growth in profits in the current year, together with the full year impact of gains from disposals in the prior year which bolstered the Group equity base.

Divisional Performance

Divisional Profit Before Tax	**31 March 2008 €m**	31 March 2007 €m	% Change
Retail Republic of Ireland	716	698	3
Bank of Ireland Life	108	148	(27)
Capital Markets	651	572	14
UK Financial Services	495	441	12
Group Centre	(176)	(159)	(10)
Underlying profit before tax	1,794	1,700	6
Non-core items (see page 8)	139	258	
Profit before tax	1,933	1,958	(1)

Retail Republic of Ireland

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

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

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

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

Cost / income ratio	53%	55%	

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

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

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

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

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

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

Bank of Ireland Life

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

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

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

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

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

Embedded Value Performance

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

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

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

The key assumptions used in the Embedded Value methodology are a discount rate of 8% (31 March 2007: 7.5%), future growth rate on unit linked assets of 6.25% (31 March 2007: 5.5%) and the rate of the tax to be levied on shareholder profits of 12.5% (31 March 2007: 12.5%). Actuarial assumptions are also required in relation to mortality, morbidity and persistency rates and these have been derived from the company's experience.

Capital Markets

Capital Markets Division comprises Corporate Banking, Global Markets, Asset Management Services and IBI Corporate Finance.

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

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

Cost / income ratio	37%	43%

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

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

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

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

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

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

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

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

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

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

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

UK Financial Services (Sterling)

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

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

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

	31 March 2008	31 March 2007	
Cost / income ratio	50%	52%	
	£bn	£bn	% Change
Loans and advances to customers	44	38	19
Customer deposits	17	14	21
Risk weighted assets – Basel I	32	25	29
– Basel II	29	-	

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

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

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

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

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

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

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

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

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

Group Centre

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

Income Statement – Business Segments

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

The reconciliation shows the Group and Divisional underlying income statements with a reconciliation of the impact of the non-core items in arriving at the Group total income statement.

Income Statement – Business Segments

Year ended 31 March 2007	Net interest income €m	Insurance net premium income €m	Other income €m	**Total income €m**	Insurance claims €m	**Total income, net of insurance claims €m**	Operating expenses €m	Impairment losses €m	Share of income from associates and joint ventures (post tax) €m	Profit on disposal of property €m	Profit on disposal of business activities €m	**Profit before taxation €m**
Retail Republic of Ireland	1,311	-	377	**1,688**	-	**1,688**	(927)	(63)	-	-	-	**698**
Bank of Ireland Life	(5)	2,155	307	**2,457**	(2,205)	**252**	(104)	-	-	-	-	**148**
Capital Markets	671	-	379	**1,050**	-	**1,050**	(456)	(21)	(1)	-	-	**572**
UK Financial Services	784	-	129	**913**	-	**913**	(497)	(20)	45	-	-	**441**
Group Centre	(4)	33	(59)	**(30)**	(8)	**(38)**	(126)	1	-	-	4	**(159)**
Group - underlying	2,757	2,188	1,137	**6,078**	(2,213)	**3,865**	(2,110)	(103)	44	-	4	**1,700**
Profit on disposal of business assets	-	-	32	**32**	-	**32**	-	-	-	87	239	**358**
Gross-up for policyholder tax in the Life business	-	-	19	**19**	-	**19**	-	-	-	-	-	**19**
Investment return on treasury stock held for policyholders	-	-	(68)	**(68)**	-	**(68)**	-	-	-	-	-	**(68)**
Hedge ineffectiveness on transition to IFRS	-	-	(2)	**(2)**	-	**(2)**	-	-	-	-	-	**(2)**
Cost of restructuring programme	-	-	-	-	-	-	(49)	-	-	-	-	**(49)**
Group total	2,757	2,188	1,114	**6,059**	(2,213)	**3,846**	(2,159)	(103)	44	87	243	**1,958**

The reconciliation shows the Group and Divisional underlying income statements with a reconciliation of the impact of the non-core items in arriving at the Group total income statement.

Consolidated income statement

for the year ended 31 March 2008

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

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

Consolidated balance sheet

as at 31 March 2008

	Notes	**31 March 2008 €m**	31 March 2007 €m
ASSETS			
Cash and balances at central banks		484	362
Items in the course of collection from other banks		683	811
Central government and other eligible bills		10	11
Trading securities		119	520
Derivative financial instruments		4,568	2,849
Other financial assets at fair value through profit or loss		10,909	12,707
Loans and advances to banks		9,409	7,210
Available for sale financial assets	15	29,307	33,449
Loans and advances to customers	16	135,738	125,048
Interest in associated undertakings		28	26
Interest in joint ventures		70	73
Intangible assets – goodwill		293	347
Intangible assets – other		570	596
Investment property		1,511	1,142
Property, plant and equipment		593	665
Deferred tax assets	20	145	25
Other assets		2,754	2,889
Retirement benefit asset	21	11	-
Assets classified as held for sale		232	83
Total assets		197,434	188,813
EQUITY AND LIABILITIES			
Deposits by banks		14,130	20,405
Customer accounts	17	86,234	72,277
Items in the course of transmission to other banks		254	243
Derivative financial instruments		4,322	2,935
Liabilities to customers under investment contracts		5,662	6,736
Debt securities in issue	18	60,842	59,523
Insurance contract liabilities		7,140	7,190
Other liabilities		3,535	3,983
Provisions		47	87
Deferred tax liabilities	20	131	278
Retirement benefit obligations	21	807	590
Subordinated liabilities	19	7,808	7,808
Total liabilities		190,912	182,055
Equity			
Capital stock	23	664	663
Stock premium account		775	771
Retained earnings	24	5,670	4,672
Other reserves	25	(400)	905
Own shares held for the benefit of life assurance policyholders		(225)	(287)
Stockholders' equity		6,484	6,724
Minority interests		38	34
Total equity		6,522	6,758
Total equity and liabilities		197,434	188,813

Richard Burrows	***George Magan***	***Brian J Goggin***	***John Clifford***
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Statement of recognised income and expense

for the year ended 31 March 2008

	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m
Net change in property revaluation reserve	(29)	18
Net change in cash flow hedge reserve	(247)	135
Net change in available for sale reserve	(386)	(49)
Net change in pension fund obligations	(209)	190
Foreign exchange translation (losses) / gains	(712)	49
Amount recognised in equity	(1,583)	343
Profit for the period	1,704	1,652
Total recognised income for the year	121	1,995
Attributable to:		
Equity holders of the Bank	116	1,994
Minority interests	5	1
	121	1,995

Richard Burrows	**George Magan**	**Brian J Goggin**	**John Clifford**
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Cash flow statement

for the year ended 31 March 2008

	Year ended 31 March 2008 €m	Year ended 31 March 2007 €m
Cash flows from operating activities		
Profit before taxation	1,933	1,958
Share of profit of associated undertakings and joint ventures	(46)	(44)
Profit on disposal of business activities	-	(243)
Profit on disposal of property	(39)	(87)
Depreciation and amortisation	137	151
Net change in prepayments and interest receivable	(12)	(292)
Net change in accruals and interest payable	114	323
Provisions for impairment	232	103
Loans and advances written off net of recoveries	(29)	(34)
Revaluation of investment property	149	(96)
Profit on disposal of investment property	-	(6)
Interest expense on subordinated liabilities and other capital instruments	450	381
Profit on disposal of available for sale financial assets	(34)	(10)
Charge for share based payments	13	12
Amortisation of premiums and discounts	(94)	(52)
Amortisation of debt issue expenses	18	5
Cash flows from operating activities before changes in operating assets and liabilities	2,792	2,069
Net change in deposits by banks	(6,024)	(11,810)
Net change in customer accounts	19,333	9,988
Net change in loans and advances to customers	(20,309)	(22,736)
Net change in loans and advances to banks	857	3,035
Net change in non investment debt and equity securities	400	(68)
Net change in derivative financial instruments	(558)	621
Net change in assets at fair value through profit or loss	1,830	(2,317)
Net change in items in the course of collection	114	83
Net change in debt securities in issue	3,061	22,624
Net change in insurance contract liabilities	(50)	1,998
Net change in other assets	64	191
Net change in liabilities to customers under investment contracts	(1,074)	86
Net change in other liabilities	(384)	(313)
Effect of exchange translation and other adjustments	2,979	1
Net cash inflow from operating assets and liabilities	239	1,383
Net cash inflow from operating activities before taxation	3,031	3,452
Taxation paid	(276)	(272)
Net cash inflow from operating activities	2,755	3,180
Investing activities (section a)	1,279	(5,792)
Financing activities (section b)	(466)	709
Net change in cash and cash equivalents	3,568	(1,903)
Opening cash and cash equivalents	4,297	6,162
Effect of exchange translation adjustments	(218)	38
Closing cash and cash equivalents	7,647	4,297

Cash flow statement (continued)

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

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Accounting policies

Basis of preparation

The Group accounting policies have not changed in the preparation of these financial statements. The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted by the European Union (EU) and with those parts of the Companies Act, 1963 to 2006 applicable to companies reporting under IFRS with the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with the Asset Covered Securities Act, 2001 to 2007. The EU adopted version of IAS 39 currently relaxes some of the hedge accounting rules in IAS 39 'Financial Instruments – Recognition and Measurement'. The Group has not availed of this, hence these financial statements comply with both IFRS as adopted by the EU and IFRS as issued by the IASB.

The financial statements have been prepared under the historical cost convention as modified to include the fair valuation of certain financial instruments and land and buildings.

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

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

Foreign currency translation

The principal rates of exchange used in the preparation of the financial statements are as follows:

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

Notes to the financial statements

The accounts in this preliminary announcement are not the statutory financial statements of the Bank a copy of which is required to be annexed to the Bank's annual return to the Companies Registration Office in Ireland. A copy of the statutory financial statements required to be annexed to the Bank's annual return in respect of the year ended 31 March 2007 has in fact been so annexed. A copy of the statutory financial statements in respect of the year ended 31 March 2008 will be annexed to the Group's annual return for 2008. The auditors of the Group have made a report, without any qualification on their audit of the statutory financial statements of the Group in respect of the year ended 31 March 2007. The directors approved the Group's statutory financial statements for the year ended 31 March 2008 on 20 May 2008 and the auditors have made a report without any qualification on their audit of those statutory financial statements.

Notes to the consolidated financial statements

1 Segmental reporting

The segmental analysis of the Group's results and financial position is set out below by business class.

Revenue comprises interest income, net insurance premium income, fees and commissions income, net trading expense, life assurance investment income and (losses) / gains, other operating income, net of insurance contract liabilities and claims paid and income from associates and joint ventures. The Group has five business classes detailed in the table below. These segments reflect the internal financial and management reporting structure.

The analysis of results by business class is based on management accounts information. Transactions between the business segments are on normal commercial terms and conditions. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Business segments

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

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

Eliminations represent inter segment transactions which are eliminated upon consolidation.

1 Segmental reporting (continued)

Business segments

31 March 2007	Retail Republic of Ireland €m	BoI Life €m	Capital Markets €m	UK Financial Services €m	Group Centre €m	Eliminations €m	Group €m
Interest income	5,191	8	6,572	4,163	(2,032)	(5,765)	8,137
Interest expense	(3,880)	(13)	(5,901)	(3,379)	2,028	5,765	(5,380)
Net interest income	1,311	(5)	671	784	(4)	-	2,757
Net insurance premium income	-	2,155	-	-	33	-	2,188
Other income	377	326	379	129	(97)	-	1,114
Total operating income	1,688	2,476	1,050	913	(68)	-	6,059
Insurance contract liabilities and claims paid	-	(2,205)	-	-	(8)	-	(2,213)
Total operating income, net of insurance claims	1,688	271	1,050	913	(76)	-	3,846
Operating expenses	(852)	(100)	(439)	(458)	(159)	-	(2,008)
Depreciation and amortisation	(75)	(4)	(17)	(39)	(16)	-	(151)
Impairment losses	(63)	-	(21)	(20)	1	-	(103)
Share of profit of associated undertakings and joint ventures	-	-	(1)	45	-	-	44
Profit on disposal of business activity / property	87	-	-	6	237	-	330
Profit before taxation	785	167	572	447	(13)	-	1,958
Profit on disposal of business activities	-	-	-	(6)	(233)	-	(239)
Profit on disposal of property	(87)	-	-	-	-	-	(87)
Gross up of policyholder tax in the Life business	-	(19)	-	-	-	-	(19)
Investment return on treasury stock held for policyholders	-	-	-	-	68	-	68
Hedge ineffectiveness on transition to IFRS	-	-	-	-	2	-	2
Sale of Head Office	-	-	-	-	(32)	-	(32)
Cost of restructuring programme	-	-	-	-	49	-	49
Group profit before tax excluding the impact of above items	698	148	572	441	(159)	-	1,700
Capital expenditure	54	7	18	58	25	-	162
External assets	51,672	15,411	64,706	55,788	1,236	-	188,813
Inter segment assets	45,929	452	101,692	17,011	31,250	(196,334)	-
Total assets	97,601	15,863	166,398	72,799	32,486	(196,334)	188,813
External liabilities	41,806	14,605	86,517	31,521	7,606	-	182,055
Inter segment liabilities	53,354	330	78,306	38,920	25,424	(196,334)	-
Total liabilities	95,160	14,935	164,823	70,441	33,030	(196,334)	182,055

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

2 Interest income

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

Included within interest income is €31 million (31 March 2007: €19 million) in respect of impaired loans and advances to customers. Net interest income also includes a credit of €185 million (31 March 2007: credit of €80 million) transferred from the cash flow hedge reserve (see note 25).

3 Interest expense

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

4 Net insurance premium income

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

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

5 Fees and commissions income

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

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

6 Net trading expense

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

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

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

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

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

7 Life assurance investment income and (losses) / gains

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

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

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

8 Other operating income

	2008 €m	2007 €m
Elimination of investment return on treasury stock held for the benefit of policyholders (see note 7)	91	(40)
Other insurance income	91	176
Transfer from available for sale reserve on asset disposal (see note 25)	34	10
Other income	22	21
Gain on sale of Head Office premises	-	32
Other operating income	238	199

9 Insurance contract liabilities and claims paid

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

10 Total operating expenses

	2008 €m	2007 €m
Administrative expenses		
- Staff costs	1,235	1,244
- Other administrative expenses	785	764
Depreciation		
- Intangible assets	87	97
- Property, plant and equipment	50	54
Total operating expenses	2,157	2,159
Staff costs, including performance reward are further analysed as follows:		
Wages and salaries	963	986
Social security costs	93	90
Retirement benefit costs – defined benefit plans (note 21)	130	119
Retirement benefit costs – defined contribution plans	4	4
Share based payment schemes (note 25)	13	12
Other	32	33
Staff costs	1,235	1,244

Staff numbers

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

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

11 Profit on disposal of business activities

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

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

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

12 Acquisitions

Year ended 31 March 2008
There were no acquisitions in the year ended 31 March 2008.

Year ended 31 March 2007
In the year ended 31 March 2007, the Bank entered into a joint venture partnership with Paul Capital Partners, a leading US private equity specialist, establishing Paul Capital Investments LLC providing private equity funds products and advisory services to institutional and other investors worldwide. The consideration at the time of acquisition was US$25 million. The acquisition is currently being accounted for as a joint venture using the equity method of accounting.

13 Taxation

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

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

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

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

14 Earnings per share

The calculation of basic earnings per unit of €0.64 ordinary stock is based on the profit attributable to ordinary stockholders divided by the weighted average ordinary stock in issue excluding treasury stock and own stock held for the benefit of life assurance policyholders.

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

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

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

15 Available for sale financial assets

	2008 €m	2007 €m
Available for sale financial assets		
Government bonds	1,755	6,380
Other debt securities		
– listed	21,059	21,530
– unlisted	6,450	5,490
Equity securities		
– listed	20	30
– unlisted	23	19
Available for sale financial assets	29,307	33,449

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

The movement on available for sale financial assets may be summarised as follows:

	2008 €m	2007 €m
At 1 April	33,449	28,205
Revaluation, exchange and other adjustments	(2,293)	(604)
Additions	22,312	30,465
Sales	(10,367)	(8,256)
Redemptions	(13,883)	(16,333)
Amortisation	94	52
Provision for impairment	(5)	1
Reclassification	-	(81)
At 31 March	29,307	33,449

16 Loans and advances to customers

	2008 €m	2007 €m
Loans and advances to customers		
Loans and advances to customers	132,575	121,933
Finance leases and hire purchase receivables	3,759	3,543
	136,334	125,476
Less allowance for losses on loans and advances to customers	(596)	(428)
Loans and advances to customers	135,738	125,048

17 Customer accounts

	2008 €m	2007 €m
Current accounts	16,327	16,932
Demand deposits	36,788	25,393
Term deposits and other products	31,514	27,333
Other short term borrowings	1,605	2,619
Customer accounts	86,234	72,277

18 Debt securities in issue

	2008 €m	2007 €m
Bonds and medium term notes	27,836	29,837
Other debt securities in issue	33,006	29,686
Debt securities in issue	60,842	59,523

19 Subordinated liabilities

Undated loan capital	2008 €m	2007 €m
Bank of Ireland UK Holdings plc		
(a) €600 million 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	615	618
(b) Stg£350 million 6.25% Guaranteed Callable Perpetual Preferred Securities	394	448
BOI Capital Funding (No. 1) LP		
(c) €600 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	590	588
BOI Capital Funding (No. 2) LP		
(d) US$800 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	541	583
BOI Capital Funding (No. 3) LP		
(e) US$400 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	270	294
BOI Capital Funding (No. 4) LP		
(f) Stg£500 million Fixed Rate / Variable Rate Guaranteed Non-voting Non-Cumulative Perpetual Preferred Securities	602	707
Bank of Ireland		
(g) Stg£75 million $13\frac{3}{8}$% Perpetual Subordinated Bonds	156	182
Bristol & West plc		
(h) Stg£32.6 million $8\frac{1}{8}$% Non-Cumulative Preference Shares	41	74
	3,209	3,494

Dated loan capital		
Bank of Ireland		
€750 million 6.45% Subordinated Bonds due 2010	767	775
€600 million Subordinated Floating Rate Notes due 2013	600	600
Can$400 million Fixed - Floating Rate Subordinated Notes due 2015	242	255
€600 million Subordinated Floating Rate Notes due 2017	599	599
€750 million Subordinated Floating Rate Notes due 2017	768	748
Stg£400 million Fixed - Floating Rate Subordinated Notes due 2018	500	584
US$600 million Subordinated Floating Rate Notes due 2018	379	-
Stg£75 million $10\frac{3}{4}$% Subordinated Bonds due 2018	98	111
€650 million Fixed Floating Rate - Subordinated Notes due 2019	646	642
	4,599	4,314
	7,808	7,808

20 Deferred tax

	2008 €m	2007 €m
The movement on the deferred tax account is as follows:		
At 1 April	253	177
Income statement credit for year (note 13)	(84)	(21)
Available for sale securities – transferred to reserves	(54)	(8)
Cash flow hedges – transferred to reserves	(68)	53
Revaluation / reclassification of property during year	(8)	16
Pension	(36)	21
Other movements	(17)	15
At 31 March	(14)	253
Represented on the balance sheet as follows:		
Deferred tax assets	(145)	(25)
Deferred tax liabilities	131	278
	(14)	253

21 Retirement benefit obligations

The Group operates a number of defined benefit and defined contribution schemes in Ireland and overseas. The defined benefit schemes are funded and the assets of the schemes are held in separate trustee administered funds. In determining the level of contributions required to be made to each scheme and the relevant charge to the income statement the Group has been advised by independent actuaries, Watson Wyatt (Ireland) Limited.

The most significant defined benefit scheme in the Group is the Bank of Ireland Staff Pension Fund (BSPF) which accounts for approximately 85% of the pension liability on the consolidated Group balance sheet. The BSPF was closed to new members from 1 October 2006 although a small percentage of staff still retain an option to switch into this scheme following agreement reached on the introduction of the new Group pension scheme, Bank of Ireland Group Pension Fund (BIGPF). The BIGPF is a hybrid scheme which includes elements of both a defined benefit and a defined contribution scheme.

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

The last formal valuation of the BSPF, using the projected unit method, was carried out at 31 March 2007. The projected unit method measures liabilities taking account of the projected future levels of pensionable earnings at the time of commencement of benefits i.e. at normal retirement date.

The valuation disclosed that the fair value of scheme assets, after allowing for expected future increases in earnings and pensions, represented 109% of the benefits that have accrued to members. The actuary has recommended a contribution rate increase of 0.7% of salaries in the funding programme following the conclusion of the formal valuation of the fund at 31 March 2007. The next formal valuation will be made as at 31 March 2010. The BSPF met the statutory funding standard as at 31 March 2007.

During the year the Group rationalised some of its pension schemes in the UK and with effect from 31 March 2008 the Bristol & West Staff Pension Fund and the Bank of Ireland Home Mortgages Limited Retirement Benefits Scheme merged into the Bank of Ireland Group UK Pension Fund. This merger did not impact the benefits arising under these schemes.

The actuarial valuations are available for inspection to the members of the schemes.

21 Retirement benefit obligations (continued)

The financial assumptions used in the preparation of these financial statements are set out in the table below.

Financial assumptions	**2008** **% p.a**	2007 % p.a
Irish Schemes		
Inflation rate	2.40	2.25
Discount rate	5.85	4.95
Rate of general increase in salaries	3.51*	3.38*
Rate of increase in pensions in payment	3.23*	3.08*
Rate of increase to deferred pensions	2.40	2.25
UK Schemes		
Inflation rate	3.50	3.00
Discount rate	6.50	5.30
Rate of general increase in salaries	4.69*	4.22*
Rate of increase in pensions in payment	3.91*	3.58*
Rate of increase to deferred pensions	3.50	3.00

** Weighted average increase across all group schemes and allows for additional 0.5% for 5 years beginning 1 April 2005 for the BSPF*

Mortality assumptions

The mortality assumptions used in estimating the actuarial value of the liabilities for the BSPF were reviewed during the formal actuarial review at 31 March 2007. This review concluded that the assumptions required updating to take account of improvements in life expectancy in the period since the last review. The table below sets out the revised assumptions.

Post retirement mortality assumption (main scheme)	**2008** **years**	2007 years
Longevity at age 70 for current pensioners		
Male	15.0	14.0
Female	17.3	16.8
Longevity at age 60 for active members currently aged 60 years		
Male	25.1	24.5
Female	28.0	27.5
Longevity at age 60 for active members currently aged 40 years		
Male	27.5	24.5
Female	30.3	27.5

21 Retirement benefit obligations (continued)

The expected long term rates of return for the major jurisdictions and market value of assets of the material defined benefit plans on a combined basis as at 31 March 2008 and 31 March 2007 were as follows:

	2008 Expected long term rate of return			2007 Expected long term rate of return		
	ROI %	**UK %**	**Market Value €m**	ROI %	UK %	Market Value €m
Equities	7.5	8.5	2,378	7.4	7.9	3,014
Debt securities	4.8	6.1	1,051	4.4	5.1	953
Property	6.2	6.2	460	5.7	6.5	457
Cash	4.2	4.5	78	4.1	4.0	81
Total market value of schemes assets			3,967			4,505
Actuarial value of liabilities of funded schemes			(4,752)			(5,082)
Aggregate deficit in schemes			(785)			(577)
Unfunded schemes			(10)			(10)
Net pension deficit			(795)			(587)

22 Contingent liabilities and commitments

The tables below gives the contract amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contract amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security prove worthless.

	2008 Contract amount €m	2007 Contract amount €m
Contingent liabilities		
Acceptances and endorsements	47	39
Guarantees and irrevocable letters of credit	2,199	1,719
Other contingent liabilities	669	745
	2,915	2,503
Commitments		
Other commitments		
- Documentary credits and short-term trade-related transactions	312	176
- Undrawn note issuance and revolving underwriting facilities	175	758
- Undrawn formal standby facilities, credit lines and other commitments to lend		
- revocable or irrevocable with original maturity of 1 year or less	26,162	24,232
- irrevocable with original maturity of over 1 year	10,232	10,847
	36,881	36,013

23 Capital stock

	2008	2007
Authorised		
€	**€m**	€m
1,500 million units of €0.64 of ordinary stock	960	960
100 million units of non-cumulative preference stock of €1.27 each	127	127
100 million units of undesignated preference stock of €0.25 each	25	25
Stg£	**£m**	£m
100 million units of non-cumulative preference stock of Stg£1 each	100	100
100 million units of undesignated preference stock of Stg£0.25 each	25	25
US$	**$m**	$m
8 million units of non-cumulative preference stock of US$25 each	200	200
100 million units of undesignated preference stock of US$0.25 each	25	25

Allotted and fully paid	**2008 €m**	2007 €m
980.5 million units of €0.64 of ordinary stock	628	611
45.7 million units of €0.64 of treasury stock	29	45
1.9 million units of non-cumulative preference stock of Stg£1 each	3	3
3.0 million units of non-cumulative preference stock of €1.27 each	4	4
	664	663

The weighted average ordinary stock in issue at 31 March 2008, used in the earnings per share calculation, excludes the treasury stock which does not represent ordinary stock in issue. Treasury stock does not rank for dividend. While own stock held for the benefit of life assurance policyholders legally rank for dividend, this dividend does not accrue in the Group financial statements.

24 Retained earnings

	2008 €m	2007 €m
At 1 April	4,672	3,188
Profit for period attributable to stockholders	1,699	1,651
Equity dividends	(611)	(524)
Dividends on other equity interests	(14)	(15)
Transfer to capital reserves	(101)	(70)
Profit retained	973	1,042
Reissue of treasury stock	189	129
Transfer from revaluation reserve	41	108
Transfer from share based payments reserve	4	15
Pension fund obligations	(209)	190
At 31 March	5,670	4,672

25 Other reserves

Other reserves are summarised as follows:

	2008 €m	2007 €m
Other reserves		
Capital reserve	530	429
Share based payments reserve	33	24
Foreign exchange reserve	(788)	(76)
Revaluation reserve	182	252
Available for sale reserve	(419)	(33)
Cash flow hedge reserve	(52)	195
Other equity reserve	114	114
Closing balance	(400)	905
Other reserves are analysed as follows:		
Capital reserve		
Opening balance	429	359
Transfer from retained profit	101	70
Closing balance	530	429
Share based payments reserve		
Opening balance	24	27
Charge to the income statement	13	12
Transfer to retained profit	(4)	(15)
Closing balance	33	24
Foreign exchange reserve		
Opening balance	(76)	(125)
Exchange adjustments during year	(712)	49
Closing balance	(788)	(76)
Revaluation reserve		
Opening balance	252	342
Transfer to revenue reserve on sale of property	(41)	(108)
Revaluation of property	(37)	34
Deferred tax on revaluation of property	8	(16)
Closing balance	182	252
Available for sale reserve		
Opening balance	(33)	26
Net changes in fair value	(406)	(57)
Deferred tax on fair value changes	54	8
Transfer to income statement on asset disposal	(34)	(10)
Closing balance	(419)	(33)

25 Other reserves (continued)

	2008 €m	2007 €m
Cash flow hedge reserve		
Opening balance	195	60
Net changes in fair value	128	268
Transferred to income statement		
- Net interest income	(185)	(80)
- Net trading expense (foreign exchange)	(258)	-
Deferred tax on reserve movements	68	(53)
Closing balance	(52)	195
Other equity reserve		
Opening and closing balance	114	114

The capital reserve represents transfers from retained earnings and other reserves in accordance with relevant legislation. The reserves are not distributable.

The foreign exchange reserve represents the cumulative gains and losses on the retranslation of the Group's investment in its foreign operations.

The revaluation reserve represents the cumulative gains and losses on the revaluation of the Group's property portfolio.

The available for sale reserve represents the unrealised change in the fair value of available for sale investments since initial recognition.

The cash flow hedge reserve represents the cumulative gains and losses on effective cash flow hedging instruments that will be transferred to the income statement when the hedged transactions impact the Group's profit or loss.

Other equity reserves comprises a US$150 million undated floating rate primary capital note which was reclassified from subordinated liabilities in accordance with IAS 32 on transition to IFRS in the year ended 31 March 2006.

Capital adequacy data

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

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

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

Average balance sheet and interest rates

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for each of the years ended 31 March 2008 and 2007. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group.

	Year ended 31 March 2008			Year ended 31 March 2007		
	Average Balance €m	**Interest €m**	**Rate %**	Average Balance €m	Interest €m	Rate %
ASSETS						
Loans and advances to banks						
Domestic offices	5,936	230	3.9	7,625	259	3.4
Foreign offices	1,360	93	6.8	726	33	4.5
Loans and advances to customers[1]						
Domestic offices	75,090	4,668	6.2	62,574	3,354	5.4
Foreign offices	59,179	3,796	6.4	53,133	3,140	5.9
Central government and other eligible bills						
Domestic offices	10	-	3.9	10	-	3.4
Foreign offices	-	-	-	-	-	-
Available for sale financial assets						
Domestic offices	32,932	1,579	4.8	30,368	1,283	4.2
Foreign offices	424	25	5.9	1,414	59	4.2
Other financial assets at fair value through profit or loss						
Domestic offices	24	-	-	29	-	-
Foreign offices	228	-	-	276	-	-
Other	-	6	-	-	9	-
Total interest-earning assets	175,183	10,397	5.9	156,155	8,137	5.2
Domestic offices	113,992	6,477	5.7	100,606	4,896	4.9
Foreign offices	61,191	3,914	6.4	55,549	3,232	5.8
Other	-	6	-	-	9	-
	175,183	10,397	5.9	156,155	8,137	5.2
Allowance for impairment losses	(498)	-	-	(391)	-	-
Non interest earning assets[3]	24,726	-	-	22,146	-	-
Total assets	199,411	10,397	5.2	177,910	8,137	4.6
Percentage of assets applicable to foreign activities	30.6%			31.2%		

Average balance sheet and interest rates (continued)

	Year ended 31 March 2008			Year ended 31 March 2007		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
LIABILITIES AND STOCKHOLDERS' EQUITY						
Deposits by banks (2)						
Domestic offices	7,995	263	3.3	12,526	294	2.3
Foreign offices	10,761	577	5.4	15,318	772	5.0
Customer accounts						
Domestic offices	33,601	1,229	3.7	31,389	880	2.8
Foreign offices	30,287	1,579	5.2	25,331	1,129	4.5
Debt securities in issue						
Domestic offices	49,627	2,351	4.7	36,214	1,609	4.4
Foreign offices	11,586	697	6.0	6,914	326	4.7
Subordinated liabilities						
Domestic offices	4,472	226	5.1	3,722	167	4.5
Foreign offices	3,515	229	6.5	3,357	214	6.4
Other	-	(17)	-	-	(11)	-
Total interest bearing liabilities	151,844	7,134	4.7	134,771	5,380	4.0
Domestic offices	95,695	4,069	4.3	83,851	2,950	3.5
Foreign offices	56,149	3,082	5.5	50,920	2,441	4.8
Other	-	(17)	-	-	(11)	-
Non interest bearing liabilities	151,844	7,134	4.7	134,771	5,380	4.0
Current accounts	12,533	-	-	11,958	-	-
Other non interest bearing liabilities(3)	28,084	-	-	25,069	-	-
Stockholders equity	6,950	-	-	6,112	-	-
Total liabilities and stockholders' equity	199,411	7,134	3.6	177,910	5,380	3.0
Percentage of liabilities and stockholders equity applicable to foreign activities	28.2%			28.6%		

(1) Loans to customers include non-accrual loans and loans classified as impaired loans. The Group applies hedge accounting on a macro cash flow basis to the total balance sheet. The outcome of this activity has been allocated between domestic and foreign loans and advances to customers as appropriate.

(2) The deposit by banks domestic and foreign balance and interest lines above have been adjusted to correct for inter-jurisdictional funding items that arise through normal business activities, to give a more meaningful picture of the Group's domestic and foreign activities.

(3) The balance sheets of the life assurance companies have been consolidated and are reflected under non interest earning assets and other non interest bearing liabilities.

Consolidated income statement

for the year ended 31 March 2008

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
Interest income	10,397	16,439	8,274
Interest expense	(7,134)	(11,280)	(5,677)
Net interest income	3,263	5,159	2,597
Net insurance premium income	1,940	3,068	1,544
Fees and commissions income	816	1,290	649
Fees and commissions expense	(150)	(237)	(119)
Net trading expense	(246)	(389)	(196)
Life assurance investment income and (losses) / gains	(826)	(1,306)	(657)
Other operating income	238	376	189
Total operating income	5,035	7,961	4,007
Insurance contract liabilities and claims paid	(798)	(1,261)	(635)
Total operating income, net of insurance claims	4,237	6,700	3,372
Total operating expenses	(2,157)	(3,411)	(1,717)
Operating profit before impairment losses	2,080	3,289	1,655
Impairment losses	(232)	(367)	(184)
Operating profit	1,848	2,922	1,471
Share of profit of associated undertakings and joint ventures (after tax)	46	73	36
Profit on disposal of property	39	61	31
Profit before taxation	1,933	3,056	1,538
Taxation	(229)	(362)	(182)
Profit for the period	1,704	2,694	1,356
Attributable to minority interests	5	8	4
Attributable to stockholders	1,699	2,686	1,352
Profit for the period	1,704	2,694	1,356

(1) Converted at closing exchange rates.

Consolidated balance sheet

as at 31 March 2008

(EURO, US$ & STG£)	€m	US$m(1)	Stg£m(1)
ASSETS			
Cash and balances at central banks	484	765	385
Items in the course of collection from other banks	683	1,080	543
Central government and other eligible bills	10	16	8
Trading securities	119	188	95
Derivative financial instruments	4,568	7,223	3,635
Other financial assets at fair value through profit or loss	10,909	17,249	8,681
Loans and advances to banks	9,409	14,878	7,488
Available for sale financial assets	29,307	46,340	23,323
Loans and advances to customers	135,738	214,629	108,020
Interest in associated undertakings	28	44	22
Interest in joint ventures	70	111	56
Intangible assets – goodwill	293	463	233
Intangible assets – other	570	901	454
Investment property	1,511	2,389	1,202
Property, plant & equipment	593	938	472
Deferred tax asset	145	229	115
Other assets	2,754	4,355	2,192
Retirement benefit asset	11	17	9
Assets classified as held for sale	232	367	185
Total assets	197,434	312,182	157,118
EQUITY AND LIABILITIES			
Deposits by banks	14,130	22,342	11,245
Customer accounts	86,234	136,353	68,625
Items in the course of transmission to other banks	254	402	202
Derivative financial instruments	4,322	6,834	3,440
Liabilities to customers under investment contracts	5,662	8,953	4,506
Debt securities in issue	60,842	96,203	48,418
Insurance contract liabilities	7,140	11,290	5,682
Other liabilities	3,535	5,590	2,813
Provisions	47	74	37
Deferred tax liabilities	131	207	104
Retirement benefit obligations	807	1,276	642
Subordinated liabilities	7,808	12,346	6,214
Total liabilities	190,912	301,870	151,928
Equity			
Capital stock	664	1,050	528
Stock premium account	775	1,225	617
Retained earnings	5,670	8,965	4,512
Other reserves	(400)	(632)	(318)
Own shares held for the benefit of life assurance policyholders	(225)	(356)	(179)
Stockholders' equity	6,484	10,252	5,160
Minority interests	38	60	30
Total equity	6,522	10,312	5,190
Total equity and liabilities	197,434	312,182	157,118

(1) Converted at closing exchange rates.