

Bank of Ireland Group

Interim Statement for the half-year to 30 September 2006

“This has been another excellent performance by Bank of Ireland Group in the half-year to the end of September 2006, delivering on our promise of consistent and sustainable growth in all of our main businesses and markets. The strength of our franchise and the commitment and skill of our employees will enable us to continue to drive this momentum across the Group. We are confident of delivering an excellent full year performance to March 2007.”

Brian Goggin, Bank of Ireland Group Chief Executive, commented

Group Performance Highlights*

- Excellent underlying Group profit growth of 28% – in all our main businesses and markets
- Delivering successfully on our growth & investment strategies
- Exceeding objectives of our Strategic Transformation Programme
- Group income growth of 14% driven by very strong lending and resources growth
- Slowing rate of margin attrition
- Cost growth well contained at 5% with excellent improvement in our efficiency ratios (cost/income ratio down 4% to 53%)
- Excellent asset quality – annualised impairment being 9bps
- Strong Capital ratios – Total Capital and Tier 1 ratios at 10.9% and 7.7% respectively
- Strong business momentum resulting in revised guidance - with EPS growth of c. 20% to March 2007 from a base of 118.5c for the year to March 2006

Divisional Highlights*

- In Retail Republic of Ireland: PBT +26%
 - Excellent business momentum with strong growth in resources and lending
 - Significant efficiency gains resulting in improved cost/income performance
- In Life: Operating profit +27%
 - Excellent sales growth and effective cost-control driving performance
 - In the current period, weaker stock markets impacting negatively on the mark to market of Embedded Value, and no change in discount rate resulting in PBT performance down 1%
- In Wholesale: PBT + 52%
 - Businesses across the Division performing strongly
 - Investment in expanding Corporate Banking franchise driving a particularly strong performance
 - Arrangement fees and some provision write-backs during the period contributing to this performance
- In UKFS: PBT +33%
 - Particularly strong performance from UK Financial Services
 - Benefits of investment in Business Banking a key driver of performance – delivering excellent loan and resource growth
 - Mortgage Business positioned well & delivering strong growth in specialist lending
 - UK Post Office joint ventures progressing well
- In Asset Management Services: PBT -35%
 - Good progress in integrating newly acquired businesses
 - New leadership and restructured investment team in BIAM

**Note: based on underlying performance*

Performance Highlights

	Half-Year 30-9-2006	Half-Year 30-9-2005	%
			Change
Group Profitability (€Million)			
Profit before tax (PBT)	887	848	5
Non-core items:			
<i>Gain on disposal of business assets</i>	40	183	
<i>Gross-up for policyholder tax in the Life business</i>	15	31	
<i>Hedge ineffectiveness on transition to IFRS</i>	(1)	(21)	
<i>Restructuring programme</i>	(19)	(10)	
	35	183	
Underlying profit before tax	852	665	28
Per Unit of €0.64 Ordinary Stock (€)			
Basic earnings per share	76.7c	74.6c	3
Underlying earnings per share	73.0c	57.3c	27
Dividend	21.0c	18.2c	15
Divisional Pre-tax Performance (€Million)*			
Retail Republic of Ireland	339	268	26
Bank of Ireland Life	67	68	(1)
Wholesale Financial Services	253	166	52
UK Financial Services	222	167	33
Asset Management Services	33	51	(35)
Group Centre	(62)	(55)	13
Underlying profit before tax	852	665	28
Group Performance*			
Net interest margin (%)**	1.73	1.79	
Cost/income ratio (%)	53	57	
Cost-income jaws (%)	9	3	
Annualised impaired loan loss charge	9bps	11bps	
Return on equity (%)	25	25	
Balance Sheet			
Total stockholders' equity (€Million)	5,839	4,532	29
Total assets (€Billion)	178	146	22
Total lending (€Billion)	120	97	24
Total customer accounts (€Billion)	71	57	24
Capital			
Tier 1 ratio (%)	7.7	7.3	
Total capital ratio (%)	10.9	10.6	
Risk-weighted assets (€Billion)	109.3	88.5	23

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

** The Group net interest margin of 1.73% includes the favourable impact of 5bps arising from the categorisation of income under the application of IAS 32 & 39. Excluding this favourable impact, the adjusted Group net interest margin is 1.68%.

Forward-Looking Statement

This statement contains certain forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995 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. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to risks and uncertainties relating to profitability targets, prevailing interest rates, the performance of the Irish and UK economies and the international capital markets, the Group's ability to expand certain of its activities, competition, the Group's ability to address information technology issues and the availability of funding sources. The Bank of Ireland Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

Overview

The Bank of Ireland Group is pleased to announce an excellent performance for the six-month period to 30 September 2006. Group profit before tax (PBT) is up 5% to €887 million and basic earnings per share up 3% to 76.7c. Excluding non-core items (outlined on page 18 of this document), Group underlying PBT is up 28% to €852 million and underlying EPS is up 27% to 73.0c. This performance is driven by the rigorous execution of strategy against a backdrop of strongly performing economies.

Our strategy is to maximise our returns from our leading position in Ireland, substantially grow our businesses in the UK and grow our portfolio of niche, skill-based businesses internationally. New business growth across the Group is strong with loans and resources both up 24%. Cost growth is firmly contained and the Strategic Transformation Programme is ahead of target. We continue to make significant progress in achieving efficiency gains across the Group and our cost/income ratio continues to improve, down 4% to 53% in the reporting period. The continuing benign credit environment has contributed to the exceptionally low loan loss charge, which at 9bps annualised remains significantly below trend.

The reorganisation we announced in mid-September 2006 (effective 1 October 2006) with the creation of our new Capital Markets Division now aligns our structure more closely to our strategy. This Division, together with Retail Financial Services Ireland and UK Financial Services Divisions, are all delivering strong momentum and excellent profit performance.

We completed, on 31 October 2006, the sale of our 90.444% equity stake in our stockbroking firm, Davy, for a cash consideration of €16.55 million. The profit on disposal after tax is expected to be approximately €25 million and will be reflected in the results for the year ending 31 March 2007.

Outlook

The economic outlook for the markets in which we operate remains positive, underpinning the strong momentum in our business. As a result of the strong performance in the first half of our financial year, we are guiding underlying EPS growth of c. 20% for the full year (from a base of 118.5c for the year to March 2006).

Divisional Performance

Divisional Profit Before Tax

	30-9-2006	30-9-2005	% Change
	€m	€m	
Retail Republic of Ireland	339	268	26
Bank of Ireland Life	67	68	(1)
Wholesale Financial Services	253	166	52
UK Financial Services	222	167	33
Asset Management Services	33	51	(35)
Group Centre	(62)	(55)	13
Underlying profit before tax	852	665	28
Non-core items	35	183	
Profit before tax	887	848	5

Retail Republic of Ireland

Retail Republic of Ireland delivered an excellent performance for the half-year to 30 September 2006 with pre-tax profit growth of 26% to €339 million. Total operating income rose by 15% and operating expenses by 6% – a 9% cost-income jaws. This excellent performance was enabled by the continuing buoyancy of the Irish economy and the strength of our leading franchise in Ireland: the broadest distribution platform; the most extensive suite of retail and business banking products and services; commitment to service excellence and focus on efficiency.

Retail Republic of Ireland: Income Statement

	30-9-2006	30-9-2005	%
	€m	€m	Change
Net interest income	632	546	16
Other income*	189	168	13
Total operating income	821	714	15
Total operating expenses	(449)	(423)	6
Impairment losses on loans and advances	(33)	(23)	43
Profit before tax	339	268	26

* Includes share of associates/joint ventures.

Income growth was driven by the strong business momentum across our retail activities with total lending and resource growth of 25% and 16% respectively. In Business Banking, our focus on strengthening our competitive position in the SME segment has delivered with September 2005 to September 2006 growth in our loan book of 29%. Our mortgage business loan book grew by 25% compared to September 2005. Interest rate increases are beginning to impact on affordability, particularly in the residential property first time buyer segment. While the mortgage market remains highly competitive, our distribution capability and service proposition have ensured that Bank of Ireland retains a leading position for mortgages in Ireland. Our Private Banking business performed particularly well. Our personal lending book grew by 19% with credit card volumes buoyant.

Cost management was excellent and we achieved significant improvement in the cost/income ratio with a reduction from 59% to 55%.

The impairment losses on loans and advances were €33 million or 16 bps annualised as a percentage of average advances. This compares to €23 million or 14 bps annualised for September 2005 and reflects the rise in volume and changing mix of business. Asset quality remains excellent.

Bank of Ireland Life

Bank of Ireland Life, the Group's life and pensions business, continues to perform strongly with impressive sales growth and effective cost control the main drivers of performance. IFRS operating profit grew by 27% to €71 million.

The Life business achieved excellent growth in new sales volumes with a 26% increase to €199 million on an annual premium equivalent basis. The completion of the investment last year in our new life administrative platforms has resulted in the Life company achieving significant efficiency gains in the processing of new life business volumes and plans are well advanced for further enhancement of our pension processing capability for individual pensions.

The Bank of Ireland Life business has a leading position in the Irish market resulting from the combination of our multi-channel distribution platform and unique sales model. This combination together with the continuing favourable economic and demographic backdrop ensures the outlook for the Life business remains positive.

IFRS Performance

Life Business: Income Statement

	30-9-2006	30-9-2005	% Change
	€m	€m	
Income	121	104	16
Costs	(50)	(48)	4
Operating profit	71	56	27
Investment variance	(4)	8	
Discount rate change	-	4	
Profit before tax	67	68	(1)

Profit before tax at €67 million was 1% lower than the previous half year due to a negative investment variance of €4 million compared to a positive contribution in the prior period. The prior period also benefited from the positive impact of a 0.5% reduction in the discount rate to 7.5%. There was no change to the discount rate in the current reporting period.

Embedded Value Performance

The alternative method (which is widely used by the life assurance industry) of presenting the performance of our Life business is on an Embedded Value basis. The Embedded Value basis translates estimated future distributable earnings to a present value and is set out in the following table. Under this treatment, our Life business also shows a strong performance with operating profit up 19% to €81 million. The value of new business has grown particularly strongly with margins increasing from 18% to 23%, reflecting the economies of scale from higher volumes and very low cost growth. A negative investment variance in the current period compared to a positive investment variance in the prior period, and the change to the discount rate in the prior period with no change in the current period, have resulted in profit before tax being 35% lower.

	30-9-2006	30-9-2005	% Change
	€m	€m	
New business profits	45	29	55
Existing business profits			
Expected return	39	35	
Experience variance	8	12	
Operating assumption changes	4	5	
Inter-company payments	(15)	(13)	
Operating profit	81	68	19
Investment variance	(15)	25	
Discount rate change	-	8	
Profit before tax	66	101	(35)

The Embedded Value methodology for the Life business includes a Value of Inforce asset both in respect of contracts classified as Insurance and contracts classified as Investment. In contrast, the IFRS statutory results include a Value of Inforce asset in respect of insurance contracts only.

The key assumptions used in the calculation of this asset are a discount rate of 7.5% (September 2005: 7.5%), future growth rate on unit-linked assets of 5.5% (September 2005: 5.5%) and the rate of tax assumed to be levied on shareholder profits of 12.5% (September 2005: 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.

Wholesale Financial Services

The Wholesale Financial Services Division (WFS) comprises Corporate Banking, Global Markets, Davy Stockbrokers and IBI Corporate Finance. Profit before tax in WFS increased by 52% to €253 million for the six months to September 2006.

WFS: Income Statement

	30-9-2006	30-9-2005	% Change
	€m	€m	
Net interest income	282	181	56
Other income	126	130	(3)
Total operating income	408	311	31
Total operating expenses	(151)	(128)	18
Total operating profit	257	183	40
Impairment losses on loans and advances	(4)	(17)	(76)
Profit before tax	253	166	52

Total operating income rose by 31% to €408 million for the six months to September 2006 driven principally by strong lending volumes, higher margin and higher loan arrangement fee income earned in Corporate Banking. Lending volumes increased by 20% and margins improved, reflecting the mix in the loan book. The growth in net interest income and other income is distorted by the categorisation of income under IAS 32 and 39. Excluding this impact, net interest income grew by 40% and other income grew by 19%.

Operating expenses rose by 18% driven by a combination of continuing investment, higher performance related pay, higher volume, inflation and higher compliance spend.

Credit quality remains good with impairment losses on loans and advances of €4 million for the six months to September 2006, or 4bps annualised when expressed as a percentage of the loan portfolio. This compares to €7 million or 19bps annualised in the first six months of the prior year. Corporate Banking continues to benefit from the current benign credit environment together with some provision write-backs, amounting to €6 million, during the period.

WFS: Business Unit Profit Before Tax

	30-9-2006	30-9-2005	% Change
	€m	€m	
Corporate Banking	158	90	76
Global Markets	71	63	13
Other	24	13	85
Profit before tax	253	166	52

Corporate Banking delivered particularly strong profit growth of 76% for the first half of this year, resulting from strong growth in lending volumes and overall margins. The strategy in Corporate Banking is to continue to grow both our domestic franchise and to broaden our international business by focusing on niche skills-based activities. This is yielding results with the delivery of impressive loan and profit growth.

Our Global Markets business delivers a comprehensive range of risk management products to the Group's customer base and acts as Treasurer for the Group. Profit for the period increased by 13% in challenging market conditions. We continue to broaden the geographic scope of our activities, further build on our technical capability with the recruitment of highly skilled teams, and work closely with other Group businesses to deliver an integrated service to our customers. In October 2006 we also opened a treasury

operation in the US.

The other businesses within the Division, Davy and IBI Corporate Finance, continued to perform well during the period.

On 31 October 2006, the Bank completed the sale of its 90.444% stake in Davy to the management and staff of Davy. The profit on the disposal is expected to be approximately €25 million after tax and will be reflected in the results for the year ending 31 March 2007.

UK Financial Services (Sterling)

	30-9-2006 £m	30-9-2005 £m	% Change	Adjusted ** 30-9-2005 £m	Adjusted** % Change
Net interest income	255	230	11	217	18
Other income*	70	60	17	52	35
Total operating income	325	290	12	269	21
Total operating expenses	(165)	(169)	(2)	(145)	14
Impairment losses on loans and advances	(8)	(7)		(7)	
Profit before tax	152	114	33	117	30

* Note: includes share of associates/joint ventures

** September 2005 figures adjusted for the trading impact of the B&W branch network

The UK Financial Services Division (UKFS), which incorporates Business Banking, our Mortgage business and our joint ventures with the UK Post Office, delivered an excellent performance during the period demonstrating the success of our restructuring and investment programmes over the last 18 months. Profit before tax increased by 33% to £152 million.

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

On an adjusted basis total operating income rose by 21% to £325 million for the six months to 30 September 2006; net interest income rose by 18% with very strong volume growth for both lending 25%, and resources 35%, the key drivers of performance; other income rose by 35% with fee income from the sales of insurance products in the Post Office Financial Services joint venture (POFS) a particular feature.

On an adjusted basis operating expenses increased by 14% to £165 million for the half-year to 30 September 2006, due to the timing of marketing expenditure relating to new product launches in POFS and volume related expenses in our Business Banking activities.

Impairment losses on loans and advances are similar to last year at 5 bps annualised and overall asset quality remains strong.

UKFS: Business Unit Profit Before Tax

	30-9-2006	30-9-2005	% Change
	£m	£m	
Mortgages	74	65	14
Business Banking	70	54	30
Consumer Financial Services:	11	7	57
• POFS	(8)	(12)	
• FRES (post tax)	19	19	
Disposal of BWFS	-	(4)	
Other*	(3)	(8)	63
Total	152	114	33

* Note: includes the amortisation of intangible assets associated with the UK Post Office Financial Services (September 2006: £4m, September 2005: £4m).

The Mortgage business delivered a profit of £74 million, an increase of 14% for the half year. The residential mortgage book increased by 15% to £23 billion with particularly strong growth in both our self-certified and buy-to-let specialist portfolios, which increased 29% and 24% respectively. Total operating income growth was 8% as margin attrition impacted net interest income whilst costs remained flat half-year on half-year. Credit performance remains excellent with our arrears levels significantly below the industry average and the loan loss charge for mortgages showed no change from September 2005. Our commitment to service excellence, and a particular focus on the intermediary channel, which represents 90% of our overall business, has resulted in this strong performance in our niche segments in an increasingly competitive environment.

The performance of Business Banking is a particular highlight with profit before tax increasing by 30% to £70 million. Our investment in building a high-performing team of business bankers has delivered very strong results. Total operating income and costs grew by 22% and 14% respectively. Asset quality remains strong. Volume growth is high with loan book growth of 47% and resource growth of 25%.

Customer acquisition continues at an increasing pace in our joint venture with the UK Post Office (POFS). Customer numbers have increased to 660,000 by end-September with the business now adding over 50,000 new customers every month. We are experiencing strong sales growth in our insurance and credit card products and we have attracted over £1 billion in our Instant Saver accounts since launch in April 2006. The losses in the venture continue to decline, down by 33% to £8 million in the half-year to September 2006.

Against the backdrop of a challenging market, profit remained unchanged from our second joint venture with the UK Post Office for the provision of personal foreign exchange services, First Rate Exchange Services (FRES).

Asset Management Services

Asset Management Services: Income Statement

	30-9-2006	30-9-2005	% Change
	€m	€m	
Net interest income	3	5	(40)
Other income	103	110	(6)
Total operating income	106	115	(8)
Total operating expenses	(73)	(64)	14
Profit before tax	33	51	(35)

Asset Management Services (AMS) comprises Bank of Ireland Asset Management (BIAM), Bank of Ireland Securities Services (BoISS), our holdings in Iridian Asset Management (92%), Guggenheim Advisors (71.5%) and the 50% joint venture we established with private equity firm Paul Capital in June 2006, Paul Capital Investments. Profit before tax for the Division for the half-year to 30 September 2006 was €33 million, a decrease of €18 million over the prior period reflecting the impact of the mandate losses in BIAM in the current and prior periods. Fund outflows from BIAM have slowed with funds under management at 30 September 2006 of €43 billion compared to €45 billion as at 31 March 2006.

The focus within the Division over the last six months has been on accelerating the turnaround in performance in BIAM with the restructuring of the investment management team, continuing the product diversification and the integration of newly acquired businesses within the Division.

Group Centre

Group Centre, which comprises earnings on surplus capital, unallocated support costs and some smaller business units, had a net cost of €62 million in the half year to 30 September 2006, compared to €55 million in the six months to September 2005.

The key drivers behind this cost are an increased compliance spend, in particular Basel II and Sarbanes-Oxley, and funding costs of capital raised.

Review of Group Performance

Group Income Statement

Group Income Statement

	30-9-2006	30-9-2005	%
	€m	€m	Change
Net interest income	1,287	1,075	20
Other income	594	574	3
Total operating income (net of insurance claims)	1,881	1,649	14
Operating expenses	(1,010)	(962)	5
Impairment losses on loans and advances	(48)	(50)	(4)
Share of associates and joint ventures (post-tax)	29	28	4
Underlying profit before tax	852	665	28
<i>Non-core items:</i>			
<i>Gain on disposal of business assets</i>	40	183	
<i>Gross-up for policyholder tax in the Life business</i>	15	31	
<i>Hedge ineffectiveness on transition to IFRS</i>	(1)	(21)	
<i>Restructuring programme</i>	(19)	(10)	
Total non-core items	35	183	
Profit before tax	887	848	5
Taxation	(154)	(139)	11
Minority interest	2	3	
Dividends to preference stockholders	(7)	(6)	

Profit attributable to ordinary stockholders	728	706	3
Basic EPS cents per share	76.7	74.6	3
Underlying EPS cents per share	73.0	57.3	27

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 18 and 19 of this document.

Income

Total income increased by 14% to €1,881 million driven by strong volume increases in both lending and resources across the Group, together with the excellent performance from our fee-earning activities in our Life business, Retail Republic of Ireland, UK Financial Services and Wholesale Financial Services. Total income after adjusting for the impact of acquisitions and disposals increased 16% year on year.

Total Income

	30-9-2006	30-9-2005	%
	€m	€m	Change
Total operating income	1,881	1,649	14
Acquisitions/Disposals	(11)	(31)	
Total income excluding impact of acquisitions and disposals	1,870	1,618	16

Net interest income increased by 20% for the half-year to 30 September 2006. This performance has been impacted by the distorting effect of income streams associated with acquisitions and disposals during the current and prior periods, together with the impact of the application of IAS 32 and IAS 39 in the current period. These standards have the effect of recognising certain income streams as net interest income, which in the prior period would have been recognised as other income. The financial reporting impact of the application of IAS 32 and IAS 39 is to increase net interest income by €6 million with a corresponding decline in other income.

Net Interest Income

	30-9-2006	30-9-2005	% Change
	€m	€m	
Net interest income	1,287	1,075	20
Acquisitions/Disposals:	-	(19)	
IAS 32 and 39 impact	(36)	-	
Net interest income excluding impact of acquisitions and disposals & IAS 32 and 39	1,251	1,056	18

Net interest income, excluding the impact of the above items, increased by 18% to €1,251 million in the half-year to 30 September 2006. This excellent performance was driven by the continued strong growth in loans and resources across the Group. Loans to customers increased by 24% and resources grew by 24%. A number of drivers contributed to this volume growth: the continuing favourable economic backdrop to our activities in Ireland and the UK; the strength of our franchise in Ireland, supported by the scale of our multi-channel distribution network; the further delivery from our investment in our UK Business Banking and Corporate Banking teams.

Group Net Interest Margin

	30-9-2006	30-9-2005	% Change
	€m	€m	
<u>Average interest earning assets (€billion)</u>			

Domestic	96	78	
Foreign	53	42	
Total	149	120	24
Net Interest Margin (%)			
Domestic net interest margin	1.90	1.86	
Foreign net interest margin	1.41	1.66	
Group net interest margin	1.73	1.79	
IAS 32 and 39 impact	0.05	-	
Adjusted net interest margin	1.68	1.79	

The Group net interest margin, excluding the positive impact of IAS 32 and IAS 39, decreased by 11bps to 1.68% for the 6 months to 30 September 2006 from 1.79% for the 6 months to 30 September 2005. The drivers of margin attrition are: balance sheet structure where the growth in average loans exceeded that of average deposits over the period, lower lending margins, and a contraction in margins arising from the sale of the Bristol and West branch network

The pace of margin attrition, in what is a very competitive environment, is expected to slow as the rate of loan growth relative to resource growth becomes more aligned and the increasing interest rate environment continues to positively impact liability margins.

Other Income increased by 3% during the year. This performance was affected by the application of IAS 32 and IAS 39 and the distorting effect of income streams from acquisitions and disposals. Excluding these items other income has increased by 10% to €619 million in the six months to 30 September 2006.

Other Income

	30-9-2006	30-9-2005	%
	€m	€m	Change
Other income	594	574	3
Acquisitions/Disposals	(11)	(12)	
IAS 32 and 39 impact	36	-	
Other income excluding impact of acquisitions and disposals & IAS 32 and 39	619	562	10

The drivers of this increase are broadly based across the Group: excellent new business sales growth in the Life business; higher arrangement fees in Corporate Banking; increased sales of insurance products in POFS; increased fees from a range of activities in Retail Republic of Ireland. This overall strong performance was partly offset by the decline in income from BIAM, and the negative investment variance and impact of the change in the discount rate in the prior period in the Life business.

Operating Expenses

Total Operating Expenses increased 5% in the six months to 30 September 2006 or by 8% excluding the impact of acquisitions and disposals.

Efficiency improvements remain a core focus and we continue to make significant progress in this regard. Our cost/income ratio continues to improve with a further reduction of 4 percentage points from 57% in September 2005 to 53% in September 2006.

Total Operating Expenses

	30-9-2006	30-9-2005	%
	€m	€m	Change
Operating expenses	1,010	962	5
Acquisitions/Disposals	(12)	(36)	

Operating expenses excluding the impact of acquisitions and disposals	998	926	8
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The cost base in the prior period included €36 million relating to the Bristol & West branch network, which was sold in September 2005. The cost base in the current period to 30 September 2006 included costs of €12 million associated with acquisitions.

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

- Investment costs of 3% relating to the development of our Global Markets and Corporate Banking activities in Europe and the United States together with the costs associated with the launch of new products in POFS.
- Compliance costs of 1% associated with the Sarbanes-Oxley and Basel II programmes.
- Business as usual cost growth of 7% where 3% is due to volume growth and performance related compensation and is driven by the significant growth in new business across the Group. The remaining 4% is due to inflation.
- Cost savings of (3%) arising from the continued successful implementation of the Strategic Transformation Programme in the current period.

We have continued to make excellent progress on the implementation of the Strategic Transformation Programme. We are confident of delivering savings in the current financial year ahead of our cumulative target of €75 million with achieved savings in the half year to 30 September 2006 of €40 million.

Impairment of Loans and Advances

The ongoing benign economic environment continues to support excellent asset quality across the Group.

The impairment charge for the six months to 30 September 2006 amounts to €48 million or 9 bps when expressed as an annualised percentage of average loans. Impairment losses on loans and advances are at historically low levels. Loan losses have benefited from some provision write-backs during the period, in particular write-backs in Corporate Banking amounting to €16 million. We continue to maintain a satisfactory level of provisions against impaired loans, with a coverage ratio of 47%, a level we are comfortable with as mortgages represent 46% of our total lending.

Total balance sheet provisions were €398 million at 30 September 2006, compared to €343 million in September 2005.

Asset Quality

	30-9-2006	30-9-2005	Change
Total average customer advances (€bn)	107	87	23%
Impaired loans (€bn)	844	693	22%
Impairment provision (€bn)	398	343	16%
Coverage ratio (%)	47	50	(3%)
Impairment losses on loans and advances (€bn)	48	50	(4%)
Impairment losses on loans and advances (annualised bps)	9	11	(2 bps)

Share of Associates and Joint Ventures

Profit after tax from associated undertakings and joint ventures, which mainly relates to First Rate Exchange Services, remained broadly in line with the prior period at €29 million in the six-month period to 30 September 2006, against the backdrop of challenging market conditions.

Balance Sheet – Capital and Funding

Total assets increased 22% from €146 billion to €178 billion in the year to 30 September 2006. Customer loans and advances increased by 24% and total resources increased by 24%.

Risk weighted assets grew by 23% from €88.5 billion to €109.3 billion.

% Growth September 2006 over September 2005

	Risk Weighted Assets	Loans and advances to customers	Resources
Retail Republic of Ireland	27	25	16
Wholesale Financial Services	17	20	21
UK Financial Services	27	25	35
Group	23	24	24

Capital

Bank of Ireland has maintained a strong capital position. At September 2006, our Total Capital Ratio was 10.9% compared to 10.6% at September 2005. Our Tier 1 Ratio at 30 September 2006 was 7.7% compared to 7.3% in September 2005.

During the period the Group raised £500 million (€738 million) of non-equity Tier 1 Capital.

	30-9-2006	30-9-2005
Risk Weighted Assets (€bn)	109.3	88.5
Total Capital Ratio (%)	10.9	10.6
Tier 1 Ratio (%)	7.7	7.3

The Group has strong capital resources and our approach to capital management ensures that we have adequate capital to support our business plans.

Funding

Funding sourced from the wholesale markets has reduced from 45% to 44% of total balance sheet (excluding Bank of Ireland Life assets held on behalf of policyholders) between 30 September 2005 and 30 September 2006. This reduction results from a significant increase in the pace of customer deposit growth, particularly in UKFS.

Balance Sheet Funding	30-9-2006	30-9-2005
	%	%
<i>Deposits by banks</i>	17	22
<i>CP/CDs</i>	12	13
<i>Senior Debt/ACS</i>	15	10
Wholesale Funding	44	45
Customer Deposits	43	42
Capital/Sub. Debt	8	7
Other	5	6
Total	100	100

Wholesale funding is managed to ensure maximum diversification across maturity, investor type and geography and to minimise the concentration of funding within each particular market segment. The wholesale market continues to be characterised by strong investor demand for Bank of Ireland paper.

During the half-year to 30 September 2006 the Group issued its second US Extendible Note Transaction raising US\$2 billion, and in September 2006 issued €1.5 billion 5-year senior notes from its Euro Note Programme.

The Group also issued a further €2 billion of asset covered securities in a 7-year benchmark deal.

The Group remains well placed to access wholesale funding sources. The Group funding strategy remains to grow core customer deposits and to access wholesale funding in a prudent, diversified and efficient manner.

Effective Tax Rate

The taxation charge for the Group was €154 million compared to €139 million in the half-year to 30 September 2005.

The effective tax rate was 17.4% compared to 16.4% in the half-year to 30 September 2005. The rate has increased largely as the tax charge for the period to September 2005 contained the benefit from the non-taxable gain in relation to the disposal of the Bristol & West branch network. This factor more than offsets the benefits of the abolition of the financial levy and the reduced gross-up for policyholder tax in the Life Business.

Dividend

In accordance with Group policy, the Interim Dividend is set at 40% of the total distribution per unit of Ordinary Stock for the prior year. The Court has therefore recommended an Interim Dividend of 21.0 cent per unit of Ordinary Stock; this results in an increase of 15% over the corresponding period last year. This dividend will be paid on or after 16 January 2007 to Stockholders who are registered as holding Ordinary Stock at the close of business on 24 November 2006. These dates have been revised to facilitate the reintroduction of the Stock Alternative Scheme and the dividend will be paid in cash and/or additional stock, at the election of Stockholders.

ROE

Return on equity, excluding the impact of non-core items (set out on pages 18 and 19) was 25% for each of the half-years to 30 September 2006 and to 30 September 2005.

Ends

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