SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

(Mark One) [ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934
OR
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 1999
OR
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from N/A to N/A

Commission file number: 1-14452

THE GOVERNOR AND COMPANY OF THE BANK OF IRELAND

(Exact name of registrant as specified in its charter)

IRELAND
(Jurisdiction of incorporation or organization)

LOWER BAGGOT STREET, DUBLIN 2, IRELAND
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Stock (nominal value of €0.64 each)	The New York Stock Exchange*
American Depositary Shares, each representing four units of Ordinary Stock (nominal value of €0.64 each)	The New York Stock Exchange

- Not for trading, but only in connection with the registration of American Depositary Shares representing such Ordinary Stock, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the Issuer's classes of capital or common stock as of March 31, 1999:

Ordinary Stock (nominal value of IR£1 per unit): 518,875,033

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO [ ]

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 [ ]   Item 18 [X]

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PRESENTATION OF INFORMATION

In this Annual Report on Form 20-F, the term “Ordinary Stock” refers to units of Ordinary Stock of nominal value IR£1.00 per unit of the Bank and the term “ADSs” refers to American Depositary Shares each representing the right to receive four units of Ordinary Stock and evidenced by American Depositary Receipts (“ADRs”).

At the Annual General Court of the Bank held on July 7, 1999 stockholders approved a series of changes to the Bye-Laws of the Bank which: subdivided each unit of Ordinary Stock with a nominal value of IR£1 into two new units of IR£0.50 each (the “Stock Split”); redenominated the Ordinary Stock (with a nominal value of IR£0.50 following the Stock Split) into euro denominated units of €0.63486903921 each; and adjusted the converted euro nominal value of each unit of Ordinary Stock into €0.64 by capitalising from reserves a sum not exceeding €6.0m (IR£4.7m). Trading on the Irish and London Stock Exchanges of the redenominated and renominalised units of Ordinary Stock of nominal value of €0.64 each became effective on July 19, 1999. The existing American Depositary Receipt (“ADR”) ratio, where one American Depositary Share (“ADS”) represents 4 units of Ordinary Stock remains. However following the Stock Split each ADR holder will hold twice the number of ADSs.

The ADSs are listed on the New York Stock Exchange and are evidenced by ADRs issued by The Bank of New York as Depositary under a Deposit Agreement.

Certain statements contained in this Annual Report, including any targets, forecasts, projections, descriptions of anticipated cost savings, statements regarding the possible development or possible assumed future results of operations, any statement preceded by, followed by or that includes the words “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates” or similar expressions or the negatives thereof, and other restatements that are not historical facts, are or may constitute forward-looking statements (as such term is defined in the US Private Securities Litigation’s Reform Act of 1995). 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 (i) risks and uncertainties relating to profitability targets, prevailing interest rates, the impact of European Monetary Union, the performance of 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; and (ii) other risks and uncertainties detailed in this Annual Report. The Bank does not have any obligation to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

DEFINITIONS

For the purposes of this Annual Report, the term “Bank” means The Governor and Company of the Bank of Ireland and the terms “Group” and “Bank of Ireland Group” mean the Bank and its consolidated subsidiaries and, where the context permits, the Group’s interest in Citizens Financial Group, Inc. (“Citizens”), which was carried as an associated company up to the date of disposal, September 3, 1998.

Certain financial and statistical information in this Annual Report is presented separately for domestic and foreign activities. Domestic activities include transactions recorded on the books of the Group branches and offices located in Ireland. Foreign activities include transactions recorded on the books of the Group branches and offices in the United Kingdom, the U.S. and elsewhere outside of Ireland.

Unless otherwise stated, for the purposes of this Annual Report, references to “Ireland” exclude Northern Ireland.

REPORTING CURRENCY

The Group publishes consolidated financial statements in Irish pounds (“IR£”) and euro (“€” or “EUR”). References to “dollars”, “U.S.$” or “$” or “¢” are to United States (“U.S.”) currency, references to “pounds”, “IR£”, “pence” or “p” are to Irish currency and references to “STG£”, GBP£ and “pounds sterling” are to United Kingdom currency. Amounts in dollars, unless otherwise stated, for any financial (fiscal) year have been translated from pounds at the rate prevailing on March 31, 1999 as shown below under “Exchange Rates”. This rate should not be construed as a representation that the pound amounts actually denote such dollar amounts or have been, could have been, or could be converted into dollars at the rate indicated. Euro currency amounts are included in these statements for information purposes at the fixed translation rate of EUR 1 = IR£0.787564.

EXCHANGE RATES

As a significant portion of the assets, liabilities, income and expenses of the Group are denominated in currencies other than pounds, fluctuations in the value of the pound relative to other currencies have had an effect on the pound value of assets and liabilities denominated in such currencies as well as on the Group's results of operations. The principal foreign currencies affecting the Group's financial statements are the pound sterling and the dollar. At September 24, the Noon Buying Rate (as defined below) was US$1.0466 = EURO 1.00.

Except as stated, the following table sets forth, for the dates or periods indicated, the Noon Buying Rate in New York for cable transfers in pounds as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") and the rates used by the Group in the preparation of its consolidated financial statements:

	1999(1)	1998	1997	1996	1995
			(dollars per IR£)		
Pound/dollar rates:					
March 31	1.3723	1.3580	1.5840	1.5720	1.6200
Average(2)	1.4342	1.4513	1.6113	1.5752	1.5432
High	1.5520	1.5845	1.6920	1.6180	1.6360
Low	1.3560	1.3515	1.5515	1.5585	1.4075
March 31 rate used by the Group(3)	1.3640	1.3622	1.5684	1.5737	1.6177
Average rate used by the Group(3)	1.4326	1.4533	1.6089	1.6072	1.5432
			(STG£per IR£)		
Pound/sterling rates:					
March 31 rate used by the Group(3)	0.8460	0.8091	0.9638	1.0316	1.0020
Average rate used by the Group(3)	0.8678	0.8819	1.0092	1.0275	0.9874

(1) Noon Buying Rate for the fiscal year ended 1999 is presented only for the period through December 31, 1998. After January 1, 1999, the Noon Buying Rate for the constituent currencies of the euro are no longer reported separately. See the table below for data regarding the Noon Buying Rate.
(2) The average of the Noon Buying Rates on the last day of each month during the financial year.
(3) The rates used by the Group in the preparation of its consolidated financial statements. In the year to March 31, 1999 certain sterling and U.S. dollar profits were hedged during the year and translated at the following rates IR£/U.S.$1.3886 and IR£/STG£0.8610 and in the year to March 31, 1998 certain sterling and U.S. dollar profits were hedged during the year and translated at the following rates IR£/U.S.$1.5955 and IR£/STG£0.9879.

The euro was introduced on January 1, 1999. The countries participating in the European Single Currency are: Austria, Belgium, Finland, France, Germany, Italy, Luxembourg, Netherlands, Portugal, Spain and Ireland. The national currency units of these participating currencies will co-exist with the euro as denominations of the new single currency from January 1, 1999 to December 31, 2001. Euro currency amounts denoted by "EUR" or the symbol ? , are included in these accounts for information purposes at the fixed translation rate of EUR 1 = IR£0.787564. Each euro is made up of one hundred cent, each of which is represented by the symbol "c" in these accounts.

The following table sets forth, for the periods indicated, certain information regarding the Noon Buying Rate for euro expressed in US dollars per euro.

	Period End	Average(1)	High	Low
1999				
First Quarter	1.0808	1.1058	1.1812	1.0716
Second Quarter	1.0310	1.0432	1.0842	1.0290

(1) Average of the Noon Buying Rates for the last business day of each month in the relevant period.

The Governor and Company of The Bank of Ireland

ANNUAL REPORT ON FORM 20-F

SUMMARY INFORMATION

Bank of Ireland Group

OVERVIEW

The Bank of Ireland Group is one of the largest Irish financial services groups, with total assets of IR£42.8 billion (US$58.3 billion) at March 31, 1999. Headquartered in Dublin, Ireland, the Group's operations extend geographically throughout Ireland and in the United Kingdom. At March 31, 1999, the Group had the second largest market capitalization of Irish companies listed on the Irish Stock Exchange. Its market capitalization of IR£7.9 billion, (US$10.8 billion) at that date represents 16.0% of the total market capitalization of companies listed on that exchange.

The Group provides a broad range of financial services in Ireland to the personal, commercial, industrial and agricultural sectors. These include checking and deposit services, overdrafts, term loans, mortgages, international asset financing, leasing, installment credit, debt factoring, foreign exchange facilities, interest and exchange rate hedging instruments, executor, trustee, stockbroking, life assurance and investment fund management, fund administration and custodial services and financial advisory services, including mergers and acquisition and underwriting. With the acquisition of New Ireland Assurance ("New Ireland") in December 1997 the Group has access to an additional distribution channel and products for its life assurance and pensions business. The Group provides services in Irish pounds and other currencies.

The Group markets and sells its products on a domestic basis through the most extensive nationwide distribution network in Ireland, which consisted of 290 full-time branches and 360 ATMs at March 31, 1999 and its direct telephone banking service. The Group has built a market share among credit institutions in Ireland of over 20% of resources and loans outstanding.

In the United Kingdom the Group operates mainly through Bristol & West plc ("Bristol & West") which was acquired in July 1997, and the Group's retail branch network. Bristol & West operates in selected markets and provides mortgages, savings and investment products to customers.

Operations in the rest of the world are primarily undertaken by Bank of Ireland Asset Management who provide fund management services to institutions and pension funds in Germany, Australia, Canada, Japan and the US.

A detailed statement of the Group's preparations for the Millennium, is contained in this report or that aspect which represents a threat to the business. The Group has worked assiduously to prepare the business for the Year 2000 and extensive testing has already been carried out on critical relationships to ensure there is an uninterrupted service before, during and after the Millennium date change.

The Group's financial highlights for the preceding three years are set out below:

	At and for the Year Ended March 31,		
	1999	1998	1997
	(IR£ millions, except per unit amounts and percentages)		
Income before taxation			
Before exceptional item	659	530	396
After exceptional item	831	530	396
Income after taxation	631	375	267
Balance Sheet:			
Total stockholders' funds	2,248	1,581	1,412
Total assets	42,776	39,632	19,670
Per unit of IR£1 Ordinary Stock			
Earnings	117.3p	70.9p	52.0p
Alternative earnings (excluding exceptional items)	85.5p		
Diluted earnings	116.4p	70.3p	51.7p
Dividends	29.00p	23.00p	17.75p
Ratios (excluding exceptional item in 1999)			
Return on average assets	1.1%	1.2%	1.3%
Return on average stockholders' funds	23.8%	27.5%	21.7%
Capital Ratios:			
Tier 1 Capital ratio	9.0%	7.2%	11.0%
Total Capital ratio	13.0%	11.3%	16.3%

STRATEGY

Ireland continues to be the Group's core market where it intends to further strengthen its position as a leading provider of financial services to retail and corporate customers. The International Financial Services Center ("IFSC") based business and the Northern Ireland retail business will also continue to be developed. The acquisition of New Ireland Assurance has significantly increased the Group's share of the life assurance and pensions market in Ireland. In the UK the acquisition of Bristol & West added shareholder value and has given the Group the opportunity to grow in selected market segments. The Group's main objective is to be a secure, growth orientated investment in diversified financial services. The Group will seek to achieve this through:

- Continued expansion of the core business in Ireland, and growth in selected markets outside Ireland:

  The Group intends to expand further its core lending, deposit and money transmission businesses in its domestic market. This will be achieved through continued focus on improving customer satisfaction, efficiency levels and selling capabilities. In addition, the Group intends to develop its life assurance and pensions business by increasing cross selling of products and utilizing new distribution channels.

  Outside Ireland, the Group's principal target market will be the United Kingdom. The Group aims to grow selectively where it can add value and can achieve competitive advantage, as evidenced by the acquisition of Bristol & West. In the US the Group held a 23.5% stake in Citizens, which was disposed of on September 3, 1998 for an aggregate consideration of US$763m.

- Growth in non-interest income:

  The Group aims to continue to increase its non-interest income in absolute terms and as a percentage of total income through growth in fee-based activities such as asset management and life assurance. Non- interest income for the financial year ended March 31, 1999 amounted to IR£632 million, representing almost 42% of total operating income.

- Effective cost management:

  The Group aims to reduce its cost/income ratio through a combination of cost reduction programs and restructuring of the Group's business processes. The Group's cost/income ratio for the financial year ended March 31, 1999 was 55% down 3% from 58% in the financial year ended March 31, 1998.

- Prudent risk management:

  The Group aims to maintain the quality of its loan book through the consistent application of credit policies and procedures which emphasize the core objective of balance between long term performance and portfolio quality and growth. In the financial year ended March 31, 1999, bad debt provision charges were IR£44 million (representing 0.2% of average loans to customers), the level of balances under provision was IR£363 million and the ratio of allowance for loan losses to balances under provision stood at 78%.

  Treasury related exposures will continue to be managed prudently, consistent with the Group's objective of steady, stable earnings growth. In the case of derivatives, clear boundaries are placed on the nature and extent of participation in derivatives markets.

- Maintenance of capital strength:

  The Group intends to maintain strong capital ratios, comfortably in excess of the regulatory minimum. At March 31, 1999 the Group's Tier 1 and Total Capital ratios were 9.0% and 13.0% respectively, well above the regulatory minimum.

RECENT DEVELOPMENTS

On May 24, 1999, following press speculation, Bank of Ireland announced that it was in discussions with the British bank Alliance and Leicester plc in connection with a merger to create an enlarged Irish/UK banking group. On June 16, 1999 the Bank announced that it had not been possible to agree arrangements fully acceptable to both parties and that merger discussions with Alliance and Leicester had been terminated.

CORPORATE STRUCTURE

For the purpose of reporting its performance, the Group currently organizes its businesses into the Retail Division, Life Assurance, Bristol & West, the Corporate & Treasury Division, and Other Group Activities. In addition, the Group had a 23.5% shareholding in Citizens which was disposed of on September 3, 1998, which was accounted for as an associated undertaking up to the date of disposal. The Group's operations extend geographically throughout Ireland and in the United Kingdom.

The Group's Retail Division includes all branch banking operations in Ireland, Northern Ireland and Britain. In addition, the Retail Division includes the ICS Building Society ("ICS"), its installment credit and leasing operations (Bank of Ireland Finance Limited and NIIB Group Limited), as well as its direct telephone banking unit (Banking 365), credit card operations, international banking and commercial finance/factoring operations.

Following the acquisition of New Ireland Assurance on December 24, 1997, the Group's life assurance operations previously reported under Other Group Activities, are reported separately. Lifetime provides a range of life assurance and pension products through the retail branch network and New Ireland through its broker networks.

The acquisition of Bristol & West was completed on July 28, 1997. Bristol & West provides mortgages, investment and savings products to customers through a branch network, broker network and direct channels.

The Corporate & Treasury Division provides integrated banking services to the major corporations in Ireland, engages in international asset financing and lending to major multinational companies (through Bank of Ireland International Finance Limited) and is responsible for managing the Group's liquidity funding requirements and interest and exchange rate exposure. The Division also provides a comprehensive banking and investment service to high net worth individuals through Private Banking.

The principal constituents of Other Group Activities are fund management operations (Bank of Ireland Asset Management Limited), providing fund management services to institutions and pension funds in Germany, Australia, Canada, Japan and the US, fund administration and custodial services (Bank of Ireland Securities Services Limited), the Group's Corporate Finance operation (IBI Corporate Finance Limited) and J&E Davy Stockbrokers, a leading Irish stockbroker, of which the Bank owns 90.44% of the equity shares and 49% of the voting shares.

In April 1996, the Bank merged Bank of Ireland First Holdings, Inc ("BOIFH") with Citizens, formerly a wholly owned subsidiary of The Royal Bank of Scotland Group plc, to create the third largest bank holding company headquartered in New England. From that date, the Group held a 23.5% equity interest in Citizens which it disposed of to the Royal Bank of Scotland Group plc on September 3, 1998 for an aggregate consideration of US$763m in cash.

DIVISIONAL RESULTS

The tables below set out the income before tax and assets by Division for the last three fiscal years.

	For the Financial Year Ended March 31,					
Income Before Tax	**1999**	**%**	**1998**	**%**	**1997**	**%**
	(in IR£ millions, except percentages)					
Retail	253	38	208	39	204	52
Life Assurance(1)	72	11	43	8	13	3
Bristol & West Group(2)	151	23	92	17	14	3
Corporate & Treasury	109	16	84	16	74	19
Other Group Activities	78	12	64	12	64	16
Citizens(3)	25	4	55	11	32	8
New Hampshire(4)	—	—	—	—	3	1
Tax equivalent adjustment(5)	(29)	(4)	(16)	(3)	(8)	(2)
Income from ordinary activities before exceptional item	659	100	530	100	396	100
Profit on disposal of associated undertaking	172	—	—	—	—	—
Income before taxation	831		530		396	

	For the Financial Year Ended March 31,					
Assets	**1999**	**%**	**1998**	**%**	**1997**	**%**
	(in IR£ millions, except percentages)					
Retail	14,750	34	13,103	33	10,931	56
Life Assurance(1)	3,238	7	2,828	7	834	4
Bristol & West Group(2)	15,213	36	14,228	36	2,425	12
Corporate & Treasury	7,125	17	6,998	18	4,405	22
Other Group Activities	2,450	6	2,293	6	933	5
Citizens(3)	—	—	182	—	142	1
Total	42,776	100	39,632	100	19,670	100

(1) Life Assurance for the year ended March 31, 1999 includes the results of New Ireland and Lifetime Assurance. Life Assurance for the year ended March 31, 1998 includes the profits of New Ireland from the date of acquisition, December 24, 1997, and also the profits of Lifetime Assurance for the year. Life Assurance for the year to March 31, 1997 includes the profits of Lifetime Assurance which was previously reported in Other Group Activities. The life assurance profits reported in the segmental analysis are based on the management accounts.

(2) Bristol & West Group for the year ended March 31, 1998 includes the results of Bristol & West for the period from the date of acquisition, July 28, 1997, and also the profits of the Group's mortgage business in Britain (BIM) for the year. Bristol & West Group for the year to March 31, 1997 includes the profits of the Group's mortgage business in Britain which were previously reported in Other Group Activities.

(3) Citizens in 1999 includes the Group's share (23.5%) of profits for the year up to the date of disposal September 3, 1998.

(4) New Hampshire in 1997 represents the profits of BOIFH for 25 days up to the date of the merger of BOIFH and Citizens, April 25, 1996.

(5) In order to show profit for each Division on a comparable basis, a tax equivalent adjustment has been made to reflect tax benefits the Group has received in return for undertaking certain lending ("tax-based lending") at rates below market rates to provide incentives for industrial development.

SELECTED CONSOLIDATED FINANCIAL DATA

	For the Financial Year Ended March 31,					
	1999(1)	1999	1998	1997	1996	1995
	(in IR£ millions, except per unit amounts and percentages)					
Income Statement Data						
Amounts in accordance with Irish GAAP:						
Interest receivable and similar income	3,377	2,461	2,028	1,261	1,406	1,261
Interest payable and similar charges	2,171	1,582	1,275	646	729	631
Net interest income	1,206	879	753	615	677	630
Provision for bad and doubtful debts	60	44	37	20	21	17
Other income	904	659	516	350	318	302
Operating expenses	1,146	835	702	549	610	595
Income from ordinary activities before exceptional items	904	659	530	396	364	320
Gain on disposal of Group undertaking	—	—	—	—	—	2
Exceptional item arising on U.S restructuring(2)	—	—	—	—	(48)	—
Profit on disposal of associated undertaking	236	172	—	—	—	—
Income before taxation	1,140	831	530	396	316	322
Taxation on income from ordinary activities	274	200	155	129	102	98
Minority interests — equity	1	1	1	—	—	—
— non equity	7	5	4	—	—	—
Non-cumulative preference stock dividend	25	18	16	15	15	15
Income attributable to holders of ordinary stock	833	607	354	252	199	209
Per unit of Ordinary Stock(3)						
Income attributable to holders of ordinary stock	161.0¢	117.3p	70.9p	52.0p	41.5p	44.2p
Alternative income attributable to holders of ordinary stock	117.3¢	85.5p			51.6p	43.8p
Dividends	39.8¢	29.0p	23.0p	17.75p	15.25p	12.5p
Amounts in accordance with U.S. GAAP:						
Net income attributable to holders of ordinary stock:	840	612	334	291	248	202
Net income per unit of ordinary stock						
Basic	162.3¢	118.3p	66.9p	60.0p	51.8p	42.7p
Diluted	161.1¢	117.4p	66.4p	59.6p	51.5p	—
Balance Sheet Data						
Amounts in accordance with Irish GAAP:						
Total assets	58,702	42,776	39,632	19,670	20,959	18,678
Loans and advances to customers	39,105	28,496	25,170	11,801	11,632	10,794
Loans and advances to banks	3,737	2,723	4,858	2,157	2,803	2,425
Allowance for loan losses	388	283	281	176	184	193
Deposits, short-term borrowings and other accounts	45,260	32,981	31,100	14,932	16,808	14,729
Dated capital notes	880	641	664	370	171	265
Undated capital notes	622	453	482	348	347	337
Minority interests — equity	3	2	3	2	2	2
— non equity	85	62	64	—	—	—
Called up capital stock	736	536	531	502	497	491
Reserves	2,349	1,712	1,050	909	730	540
Total stockholders' funds including non-equity interests	3,085	2,248	1,581	1,411	1,227	1,031
Balance Sheet Data						
Amounts in accordance with U.S. GAAP:						
Stockholders' equity	3,733	2,720	2,127	1,490	1,331	1,137
Total assets	59,746	43,537	40,692	20,171	21,519	19,412

	For the Financial Year Ended March 31,				
	1999	1998	1997	1996	1995
				(in percentages)	
Other Financial Data					
Other Financial data in accordance with Irish GAAP:					
Return on average total assets(4)	1.1	1.2	1.3	1.3	1.2
Return on average stockholders' funds(4)(5)	23.8	27.5	21.7	24.9	25.6
Dividend payout ratio(6)	34	33	34	37	28
Net interest margin(7)	2.5	2.9	3.6	3.9	4.1
Net interest margin, tax equivalent basis(8)	2.6	3.0	3.7	4.0	4.1
Cost/income ratio(9)	55	58	59	61	64
Allowance for loan losses to total loans	1.0	1.1	1.5	1.5	1.7
Provisions for bad and doubtful debts to average total loans	0.2	0.2	0.2	0.2	0.2
Tier 1 capital ratio(10)	9.0	7.2	11.0	9.5	8.2
Total capital ratio(10)	13.0	11.3	16.3	14.0	13.4
Average stockholders' equity to average total assets(11)	5.0	5.0	6.9	5.9	5.6

(1) Translated solely for convenience into dollars at IR£1.00 = U.S.$1.3723, the Noon Buying Rate on March 31, 1999.

(2) A provision for U.S. restructuring of IR£48.1 million has been included in the accounts for the financial year ended March 31, 1996 arising from the repositioning of the Group's investment in BOIFH consequent on the merger with Citizens. This takes account of goodwill previously written off through reserves and charged to the income statement in accordance with accounting standards.

(3) In accordance with Irish GAAP, net income and dividends per unit of Ordinary Stock have been adjusted for subsequent scrip and rights issues.

(4) Return on average total assets represents profit after taxes and after preference stock dividends and minority interest and before exceptional item in the financial years ended March 31, 1999 and 1996 as a percentage of average total assets. The calculation of the average balances for all years includes daily, weekly or monthly averages for certain reporting units. See Item 9 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Statistical Information — Average Balance Sheet and Interest Rates". The Bank considers these average balances to be representative of the operations of the Group.

(5) Return on average stockholders' funds represents profit after taxes and after preference stock dividends and minority interest and before exceptional items in the financial year ended March 31, 1999 and 1996 as a percentage of average stockholders' funds, excluding non-equity interests.

(6) The dividend payout ratio in 1999 excludes the after tax gain on the Citizens disposal.

(7) Net interest margin represents net interest income as a percentage of average interest earning assets.

(8) Net interest margin on a tax equivalent basis includes an adjustment to reflect tax benefits received by the Group in return for tax-based lending at rates below market rates to provide incentives for exports and industrial development. The net interest margin is reduced as a result of such lending activity and this tax-equivalent adjustment reflects the tax savings associated with such activity.

(9) The cost/income ratio is determined by dividing the total expenses of the Group by the total income of the Group (excluding income from associated undertakings) on a tax equivalent basis.

(10) The target standard risk-asset ratio set by the Basle Committee is 8%, of which the Tier 1 element must be at least 4%. The minimum risk-asset ratio is set by the Central Bank of Ireland and satisfies capital adequacy requirements of the European Union.

(11) Average stockholders' equity includes non-equity interests.

PART I

Item 1 DESCRIPTION OF BUSINESS

Overview

The Bank of Ireland Group is one of the largest Irish financial services groups, with total assets of IR£42.8 billion (US$58.3 billion) at March 31, 1999. Headquartered in Dublin, Ireland, the Group's operations extend geographically throughout Ireland and in the United Kingdom. At March 31, 1999, the Group had the second largest market capitalization of Irish companies listed on the Irish Stock Exchange, its market capitalization of IR£7.9 billion, (US$10.8 billion) at that date represents 16.0% of the total market capitalization of companies listed on that exchange.

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In the United Kingdom the Group operates mainly through Bristol & West plc ("Bristol & West") which was acquired in July 1997, and the Group's retail branch network. Bristol & West operates in selected markets and provides mortgages, savings and investment products to customers.

Operations in the rest of the world are primarily undertaken by Bank of Ireland Asset Management who provide fund management services to institutions and pension funds in Germany, Australia, Canada, Japan and the US.

A detailed statement of the Group's preparations for the Millennium, is contained in this report or that aspect which represents a threat to the business. The Group has worked assiduously to prepare the business for the Year 2000 and extensive testing has already been carried out on critical relationships to ensure there is an uninterrupted service before, during and after the Millennium date change.

Strategy

Ireland continues to be the Group's core market where it intends to further strengthen its position as a leading provider of financial services to retail and corporate customers. The International Financial Services Center ("IFSC") based business and the Northern Ireland retail business will also continue to be developed. The acquisition of New Ireland Assurance has significantly increased the Group's share of the life assurance and pensions market in Ireland. In the UK the acquisition of Bristol & West added shareholder value and has given the Group the opportunity to grow in selected market segments. The Group's main objective is to be a secure, growth orientated investment in diversified financial services. The Group will seek to achieve this through:

- Continued expansion of the core business in Ireland, and growth in selected markets outside Ireland:

  The Group intends to expand further its core lending, deposit and money transmission businesses in its domestic market. This will be achieved through continued focus on improving customer satisfaction, efficiency levels and selling capabilities. In addition, the Group intends to develop its life assurance and pensions business by increasing cross selling of products and utilizing new distribution channels.

  Outside Ireland, the Group's principal target market will be the United Kingdom. The Group aims to grow selectively where it can add value and can achieve competitive advantage, as evidenced by the acquisition of Bristol & West. In the US the Group held a 23.5% stake in Citizens, which was disposed of on September 3, 1998 for an aggregate consideration of US$763m.

- Growth in non-interest income:

The Group aims to continue to increase its non-interest income in absolute terms and as a percentage of total income through growth in fee-based activities such as asset management and life assurance. Non- interest income for the financial year ended March 31, 1999 amounted to IR£632 million, representing 42% of total operating income.

- Effective cost management:

  The Group aims to reduce its cost/income ratio through a combination of cost reduction programs and restructuring of the Group's business processes. The Group's cost/income ratio for the financial year ended March 31, 1999 was 55% down 3% from 58% for the financial year ended March 31, 1998.

- Prudent risk management:

  The Group aims to maintain the quality of its loan book through the consistent application of credit policies and procedures which emphasize the core objective of balance between long term performance and portfolio quality and growth. In the financial year ended March 31, 1999, bad debt provision charges were IR£44 million (representing 0.2% of average loans to customers), the level of balances under provision was IR£363 million and the ratio of allowance for loan losses to balances under provision stood at 78%.

  Treasury related exposures will continue to be managed prudently, consistent with the Group's objective of steady, stable earnings growth. In the case of derivatives, clear boundaries are placed on the nature and extent of participation in derivatives markets.

- Maintenance of capital strength:

  The Group intends to maintain strong capital ratios, comfortably in excess of the regulatory minimum. At March 31, 1999 the Group's Tier 1 and Total Capital ratios were 9.0% and 13.0% respectively, well above the regulatory minimum.

RECENT DEVELOPMENTS

On May 24, 1999, following press speculation, Bank of Ireland announced that it was in discussions with the British bank Alliance and Leicester plc in connection with a merger to create an enlarged Irish / UK banking group. On June 16, 1999, the Bank announced that it had not been possible to agree arrangements fully acceptable to both parties and that merger discussions with Alliance and Leicester had been terminated.

History

Bank of Ireland was established by Royal Charter of King George III in 1783. The Bank of Ireland Group is one of the largest commercial banking groups in Ireland with total assets of IR£42.8 billion at March 31, 1999.

The principal activities of the Group are the provision of an extensive range of banking and other financial services, including retail banking, corporate banking and treasury services, installment finance, mortgage finance, merchant banking, fund management, fund administration, stockbroking and life assurance. All of these principal investment activities are carried out by the Group in Ireland, with a less comprehensive range carried out in the United Kingdom. The Group's UK subsidiary, Bristol & West provides mortgage, savings and investment products in the UK.

The Group has a network of retail branches in Ireland and the United Kingdom. Its international business has centers in Dublin, London and Tokyo. In addition, the Group has a representative office in Frankfurt and wholly owned subsidiaries in Jersey, Guernsey and the Isle of Man. The Group's operations are organized into five groups: Retail, Life Assurance, Bristol & West, Corporate and Treasury and Other Group Activities.

The Group provides fund management services through Bank of Ireland Asset Management and in addition to its commercial banking business, the Bank has an installment finance company, Bank of Ireland Finance Limited and an international asset financing subsidiary, Bank of Ireland International Finance Limited, the latter of which is located in the IFSC in Dublin. Other subsidiaries include life assurance companies in Ireland (Lifetime and New Ireland) and home mortgage businesses in Ireland (ICS Building Society) and Britain (Bank of Ireland Home Mortgages Limited ("BIM") and Bristol & West), together with a number of other subsidiaries in the financial services industry. Bristol & West was acquired in July 1997 and New Ireland Assurance was acquired in December 1997.

In 1988 the Group acquired all of the common stock of First NH Banks, Inc. ("First NH") of New Hampshire. In 1991 the Group acquired certain assets and liabilities of BankEast Corporation, Amoskeag Bank, Bank Meridian and Nashua Trust Company from the

Federal Deposit Insurance Corporation; and in March 1995 completed the purchase of Great Bay BankShares Inc. In April 1996, the Bank agreed to join BOIFH with Citizens, formerly a wholly owned subsidiary of The Royal Bank of Scotland Group plc, to create the third largest bank holding company headquartered in New England. The Bank had a 23.5% shareholding in Citizens which was accounted for as an associated undertaking up to the date of disposal on September 3, 1998. The sale completes the withdrawal by Bank of Ireland from its US retail banking interests in New England.

The Group also holds 90.44% of the equity shares and 49% of the voting shares of J&E Davy Holdings Limited, the holding company for J&E Davy Stockbrokers ("Davy Stockbrokers"), a leading Irish stock-broker. The remaining equity and voting interests in J&E Davy Holdings Limited are held by J&E Davy management.

Corporate Structure and General Description

For the purpose of reporting its performance, the Group currently organizes its businesses into the Retail Division, Life Assurance, Bristol & West, the Corporate & Treasury Division, and Other Group Activities. The Group's operations extend geographically throughout Ireland and in the United Kingdom.

The following table shows the profit contribution by business for the three years ended March 31, 1999 and the total assets at March 31, 1997, 1998 and 1999. In order to show profit for each business on a comparable basis, a tax equivalent adjustment has been made to reflect tax benefits the Group has received in return for undertaking certain tax-based lending at rates substantially below market rates to provide incentives for industrial development. See Item 9 — "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	For the Financial Year Ended March 31,					
	1999	%	1998	%	1997	%
	(in IR£ millions, except percentages)					
Income Before Tax						
Retail	253	38	208	39	204	52
Life Assurance	72	11	43	8	13	3
Bristol & West Group	151	23	92	17	14	3
Corporate & Treasury	109	16	84	16	74	19
Other Group Activities	78	12	64	12	64	16
Citizens	25	4	55	11	32	8
New Hampshire	—	—	—	—	3	1
Tax equivalent adjustment	(29)	(4)	(16)	(3)	(8)	(2)
Income from ordinary activities before exceptional item	659	100	530	100	396	100
Profit on disposal of associated undertaking	172	—	—	—	—	—
Income before taxation	831		530		396	

	For the Financial Year Ended March 31,					
	1999	%	1998	%	1997	%
	(in IR£ millions, except percentages)					
Assets						
Retail	14,750	34	13,103	33	10,931	56
Life Assurance	3,238	7	2,828	7	834	4
Bristol & West Group	15,213	36	14,228	36	2,425	12
Corporate & Treasury	7,125	17	6,998	18	4,405	22
Other Group Activities	2,450	6	2,293	6	933	5
Citizens	—	—	182	—	142	1
Total	42,776	100	39,632	100	19,670	100

Retail Division

The Group's Retail Division, includes all the Group's branch banking operations in Ireland and Great Britain. The branches offer a wide range of financial products and services in addition to the deposit, lending, checking account and other money transmission services traditionally offered by banks. The Retail Division also includes ICS Building Society, its installment credit and leasing operations (Bank of Ireland Finance Limited and NIIB Group Limited), as well as a direct telephone banking unit, credit card operations, international banking and commercial finance/factoring operations.

As at March 31, 1999, branch banking operates 363 full-time branches, of which 290 were in Ireland and 73 in the United Kingdom. A full range of banking services is provided to the personal, professional and agricultural sectors as well as to small and medium sized commercial and industrial companies. Branches provide checking accounts, demand and term deposit accounts, overdrafts, term loans and home loans as well as customary money transmission and foreign exchange services. Also available through branches are credit cards and assurance and investment products as well as the loan and deposit products of other Group businesses. ATMs are located both in branches and in stand-alone sites. There are bilateral ATM sharing arrangements with other major commercial banks.

ICS is the second largest building society in Ireland based on total assets. As a building society, its principal activity involves the collection of deposits and the making of loans secured by residential properties. Its mortgage business is generated by its own mortgage stores and by referrals from intermediaries. ICS's deposits are generated by referrals from Bank branches and its own outlets. Deposits sourced by the Group's branches come principally from customers who prefer to maintain their funds within a building society. In addition, ICS operates a mortgage servicing center which processes the Bank's mortgage portfolio as well as its own.

Bank of Ireland Finance Limited provides installment credit and leasing facilities. Its products are marketed to the personal, commercial and agricultural sectors by a direct sales force and through the Bank's branches and intermediaries such as dealers, brokers, retailers and professionals with whom it has established relationships. Its products include secured installment credit, leasing, motor vehicle loans and insurance premium finance. Other subsidiary companies provide commercial mortgages and are engaged in current asset financing through invoice discounting, factoring and export credit finance and stock purchasing.

The International Banking Department provides commercial foreign exchange, trade finance, correspondent banking and international money transmission services. It is also responsible for Bank of Ireland International Services Limited, a company established to provide consulting services to overseas banks and financial institutions.

First Rate Enterprises Limited (formally First Rate Bureau de Change Limited) provides foreign exchange services through a network of outlets and agencies located in all main tourist areas in Ireland. The number of outlets and agencies is reduced outside of the peak tourist season. It also has an agreement with the Post Office in the UK to supply foreign currency and travellers cheques through the latter's extensive network and outlets in Great Britain.

The Credit Card Services Department is responsible for the Group's credit card activities in Ireland and in Northern Ireland. It provides both MasterCard and VISA credit cards and is supported by Bank branches in marketing its services. The American Express franchise in Ireland was purchased in 1998.

Banking 365, a direct selling operation, offers personal loan facilities by telephone, outside as well as during normal business hours. Premier Direct Insurance Services offers motor insurance over the phone.

In Northern Ireland, in addition to branch banking, the Bank is engaged, through NIIB Group Limited, in installment credit and leasing. Its business banking unit provides loan facilities for medium to large corporate clients while also providing international banking, treasury, current asset financing and electronic banking services.

Life Assurance

The Group operates in the life and pensions market through Lifetime Assurance and New Ireland Assurance, with the latter having been acquired by the Group in December, 1997.

Lifetime was established by the Group in 1987 and offers life assurance, protection, pension and investment products primarily to Group customers in Ireland, throughout the Group's extensive branch banking network.

The acquisition of New Ireland, which continues to offer products under its own branch, provides the Group with a broader product range and operates through the broker channel and its direct sales force to access the domestic life assurance and pensions markets.

Bristol & West Group

Bristol & West was acquired by the Group in July 1997. The Group's existing mortgage banking activities in Great Britain, Bank of Ireland Home Mortgages, has since been integrated with Bristol & West. Bristol & West provides mortgages, savings and investments products to retail customers. Bank of Ireland Home Mortgages is a centralized mortgage lender.

Bristol & West is based in Bristol, and operates out of 132 branches, with its core market in the south west of England. Bristol & West also operates through the broker and intermediary channels in sourcing residential mortgages. Savings and investment products offered include traditional savings accounts, postal savings accounts, single premium bonds, ISAs and guaranteed equity products.

Corporate and Treasury

The principal constituents of this division include treasury, corporate banking, Bank of Ireland International Finance Limited and Private Banking.

Treasury, located in the International Financial Services Center (“IFSC”) in Dublin, is responsible for the Group’s liquidity and funding requirements and interest and exchange rate risk management. In Dublin, Treasury deals in a full range of market instruments on behalf of the Group itself and the Group’s principal corporate clients. Activities include dealing in foreign exchange spot and forward contracts, interbank deposits and loans, financial futures, bonds, swaps and forward rate agreements and equity tracker products. Banking services are provided in the Isle of Man and a banking and trust service is provided in Jersey through wholly owned subsidiaries of the Group. Treasury is also represented overseas in Bristol, Isle of Man and Jersey.

Corporate Banking provides an integrated banking service to a significant number of the major corporations in Ireland. The range of lending products provided includes overdraft and short-term loan facilities, term loans, project financing, tax sheltered lending and leasing. Corporate Banking also manages Bank of Ireland International Finance Limited, a subsidiary which was set up in 1987 and operates out of the IFSC in Dublin. This Company is engaged in international asset financing, the provision of structured financial transactions in Europe, leveraged acquisition and project finance, and lending to major multi-national companies, principally in the United Kingdom and the United States.

The private banking unit commenced business in 1989 and provides comprehensive banking and investment services to high net worth individuals in Ireland.

Other Group Activities

The Group’s Other Group Activities principally included Bank of Ireland Asset Management, Bank of Ireland Securities Services, IBI Corporate Finance Limited and Davy Stockbrokers.

Bank of Ireland Asset Management had funds under management of IR£29 billion as at March 31, 1999. North American clients represent approximately 44% of this total. Bank of Ireland Asset Management has a portfolio of unit trusts and investment funds which is marketed widely to the general public and provides significant fund management services to institutions and pension funds. It also manages the funds of Lifetime and New Ireland and has investment and fund management operations in London, Isle of Man, Jersey, Germany, Australia, Canada, Japan and in the United States. Operations commenced in Japan in early 1999, focusing on institutional investors.

Bank of Ireland Securities Services is the fund administration and custodial arm of the Group and is based in the IFSC in Dublin. Custodial services include trade settlements and income collection. Administration services cover share registrations, valuations, accounting and performance reporting. Funds under administration were IR£54 billion at March 31, 1999.

Davy Stockbrokers is one of the largest stockbrokers in Ireland in both the gilt and equity markets (based on turnover in the gilt market and commissions in the equity market).

IBI Corporate Finance Limited acts as a financial advisor to Irish and British companies in connection with acquisitions and disposals, take-overs, mergers and restructuring, the raising of equity and loan capital, public flotations and stock exchange listings.

Competition

The Bank of Ireland Group faces strong competition in all of its major markets. Other financial services groups compete for the provision of services to customers in the larger financial markets while local banks and other financial services companies compete within each national market.

Ireland and Northern Ireland

The Group provides a full range of banking services in Ireland and Northern Ireland. It is subject to competition from various types of institutions within the financial services area. The main competition across the full range of banking activity is from other banks, namely Allied Irish Banks plc, Ulster Bank Ltd, National Irish Bank Ltd, Northern Bank Ltd and Irish Life and Permanent plc, Allied Irish Banks plc, which also has its head office in Dublin, is the largest competitor in Ireland. Irish Life and Permanent plc is also based in Dublin whereas Ulster Bank Ltd, Northern Bank Ltd and AIB Group (UK) plc (which trades as First Trust Bank and is wholly owned by Allied Irish Banks, plc) are the main competitors in Northern Ireland. Ulster Bank Ltd and Northern Bank Ltd are both based in Belfast. Ulster Bank Ltd is a subsidiary of National Westminster Bank plc, and Northern Bank Ltd and National Irish Bank Ltd are subsidiaries of National Australia Bank.

The Group also competes in the corporate and investment banking services areas with a range of other domestic and foreign banks. There is also competition from the building societies, the Post Office, credit unions and national savings organizations in both Ireland and Northern Ireland. One major building society converted to a bank in 1994 and another did so in 1998. The general competitive environment in Ireland has been affected by the operation of the Competition Act 1991 (as amended) which is modeled closely on

Articles 85 and 86 of the EC Treaty, and by the implementation of EC Directive 89/646 of December 15, 1989 (known as the "Second Banking Coordination Directive"), which permits in Ireland the establishment of branches and the provision of cross border services by banks headquartered elsewhere in the European Union.

In addition, the appearance in the Northern Ireland financial services market of U.K. retailers is expected to be replicated in Ireland and one new credit card issuer recently commenced operations in Ireland.

Britain

The Bank of Ireland Group's operations in Britain are small in the overall market context, with a market share of approximately 2%. Britain has a very highly competitive and sophisticated financial market with over 500 licensed banking institutions with extensive retail networks. In addition, there are approximately 80 building societies, Girobank (utilizing the extensive post office network) and the major insurance companies which also operate nationwide branch networks.

In the UK, the Group's principal competitors include, in addition to building societies, other providers of personal financial services, such as banks and insurance companies. Each of these types of financial service providers has expanded the range of services offered in recent years. In addition, many retailers and other entities with potential access to a retail customer base, such as utilities, have begun marketing personal financial services to their customers.

Supervision and Regulation

Ireland

In respect of banking operations in Ireland, the provisions of the Central Bank of Ireland Acts, 1942 to 1998, the European Communities (Consolidated Supervision of Credit Institutions) Regulations, 1992 (the "1992 Consolidated Supervision Regulations") and the European Communities (Licensing and Supervision of Credit Institutions) Regulations, 1992 (the "1992 Licensing Regulations") apply to the Group.

The regulation and supervision of banks in Ireland is the function of the Central Bank of Ireland, which was established by and derives its power from the Central Bank Act, 1942. Additional powers, including licensing powers, were given to the Central Bank of Ireland by the Central Bank Act, 1971, the Central Bank Act, 1989, the 1992 Consolidated Supervision Regulations, the 1992 Licensing Regulations, the Central Bank Act, 1997 and the Central Bank Act, 1998.

Apart from its licensing and supervisory role as regards banks, the Central Bank of Ireland is the regulatory authority for building societies under the Building Societies Act, 1989, for trustee savings banks under the Trustee Savings Banks Act, 1989 as well as for the ACC Bank and ICC Bank (state-owned banks originally established to provide credit and financial support to the agricultural and industrial sectors) under the ACC Bank Act and the ICC Bank Act, both of 1992. Collectively, banks — including both privately and state-owned enterprises — and building societies are described as credit institutions, a term derived from the laws of the European Union. The Central Bank of Ireland is also the relevant regulatory authority under the Investment Limited Partnerships Act, 1994, the European Communities (Undertaking for Collective Investment and Transferable Securities) Regulations, 1989, The Stock Exchange Act, 1995 and the Investment Intermediaries Act, 1995.

All licensed Banks are now obliged to draw up and publish their annual accounts in accordance with the European Communities (Credit Institutions: Accounts) Regulations, 1992 which give effect to Council Directives 86/635 of December 8, 1986 and 89/117 of February 13, 1989 on the annual accounts and consolidated accounts of banks and other financial institutions and on the obligation of branches established in a Member State (of the European Union) of financial institutions having their head offices outside that Member State, respectively.

Subject to the provisions of the 1992 Licensing Regulations relating to mutual recognition of credit institutions authorized elsewhere in the European Union, the Central Bank Act, 1971 (as amended by the Central Bank Acts, of 1989, 1997 and 1998) (the "1971 Act") restricts the carrying-on of banking business in Ireland to holders of licenses granted under the 1971 Act. The 1971 Act stipulates that license holders must maintain a minimum deposit with the Central Bank of Ireland. The Central Bank of Ireland has a qualified discretion to grant or refuse a license and may attach conditions to any licenses granted. Certain Group subsidiaries hold licenses granted under the 1971 Act and no conditions have been attached to them. The Central Bank of Ireland, after consultation with the Minister for Finance (the "Minister"), may revoke a license under certain circumstances specified in the 1971 Act.

The Central Bank of Ireland has statutory power to carry out inspections of the books and records of license holders and to obtain information from license holders about their banking and bank-related business. Pursuant to this power, the Central Bank of Ireland carries out regular review meetings and periodically inspects licensed banks. The fact that such inspections and review meetings have been carried out and the number thereof are published in the Annual Report of the Central Bank of Ireland. The Central Bank of Ireland is also empowered by law to obtain information from license holders about their banking and bank-related business.

The Central Bank of Ireland is further empowered to prescribe ratios to be maintained between, and requirements as to the composition of, the assets and liabilities of licensed banks, to prescribe maximum interest rates permitted to be charged and to make regulations for the prudent and orderly conduct of banking business of such banks. The 1992 Licensing Regulations, among other things, set forth minimum start-up and ongoing capital requirements for banks licensed by the Central Bank of Ireland and require applicants for a license to notify the Central Bank of Ireland of the identity of certain shareholders and the size of their holdings in the applicant. The Central Bank of Ireland also lays down requirements and standards from time to time for the assessment of applications for licenses. The most recent requirements and standards were published in the Quarterly Review of the Central Bank of Ireland, Winter 1995, and are non-statutory requirements which are applied by the Central Bank of Ireland to credit institutions as a supplement to the statutory requirements referred to generally in this section but do not purport to interpret or refer comprehensively to the statutory provisions applicable to credit institutions.

In the area of capital adequacy, Ireland is bound by the terms of EC Council Directive 89/299 of April 17, 1989 on Own Funds for Credit Institutions, and EC Council Directive 89/647 of December 18, 1989 on a Solvency Ratio for Credit Institutions.

In the area of monitoring and control of large exposures Ireland is bound by the terms of EC Council Directive 92/121 of December 21, 1992 on Monitoring and Control of Large Exposures of Credit Institutions. These Directives have been implemented by the Central Bank of Ireland by way of administrative notice.

The Group’s operations in overseas locations are subject to the regulations and reporting requirements of the regulatory and supervisory authorities in the overseas locations with the Central Bank of Ireland having overall responsibility for their regulation and supervision. Under the 1992 Consolidated Supervision Regulations, the Central Bank of Ireland is required to supervise the Group on a consolidated basis, i.e., taking account of the entire Group activities and relationships.

The Central Bank of Ireland Act, 1989 required, among other things, that licensed banks notify their existing fees and charges and related terms and conditions, and any changes therein from time to time to the Central Bank of Ireland, which could direct that no fees, charges or increases or changes therein be made without its approval. This power has now been transferred to the Director of Consumer Affairs by the Consumer Credit Act, 1995. Under the Central Bank Act 1989, control was given to the Central Bank of Ireland over the acquisition by a licensed bank of over 10% of the total shares or voting rights in another enterprise. Similarly, pursuant to the Central Bank Act, 1989, any acquisition by a person or more than one person acting in concert of 10% or more of the total shares or of the total voting rights attaching to shares (an “acquiring transaction”) in a licensed bank, unless exempted, requires the prior approval of the Central Bank of Ireland. A proposed acquiring transaction must be notified to the Central Bank of Ireland, which may seek further information. The Central Bank of Ireland’s approval is subject to the prior consent of the Minister where a person proposes to participate in an acquiring transaction involving the acquisition of shares or other interest in a licensed bank, such as Bank of Ireland, which controls directly or indirectly not less than 20% of the total assets in Ireland of all licensed banks.

In addition, under the 1992 Licensing Regulations, any person who proposes to acquire directly or indirectly a “qualifying holding” in a credit institution (which includes the Bank) must notify the Central Bank of Ireland in advance of the proposed acquisition and must supply such details of the proposal as the Central Bank of Ireland may specify. A “qualifying holding” for these purposes means (i) a holding by a person, either on his own or in concert with another person, of 10% or more of the shares (which includes certain interests therein) or the voting rights attaching to the shares in the credit institution, or (ii) a shareholding or interest held by a person in a credit institution which either confers a right to appoint or remove one or more members of the board of directors or of the committee of management of the credit institution, or otherwise allows that person to exercise a significant influence over the direction or management of the credit institution. Such a person must likewise notify the Central Bank of Ireland of every proposal to increase its direct or indirect qualifying holding so that the holding would reach or exceed 20%, 33% or 50% of the shares, or of the voting rights attaching to shares in the credit institution or, in the case of a person that is a corporate entity, if the person proposes to acquire any shares or interest in the credit institution which would make that institution its subsidiary for the purpose of the 1992 Licensing Regulations.

Under the 1992 Licensing Regulations, a person must not acquire a qualifying holding or increase the size of his qualifying holding as set out above until the earlier of three months elapsing from the date of notification to the Central Bank of Ireland or receipt of notification from the Central Bank of Ireland that it will not object to the proposed acquisition or increase.

Under the Central Bank Act, 1997, the Central Bank of Ireland was entrusted with responsibility for the regulation of payment systems and the supervision of bureaux de change.

In 1989, the function of authorizing, regulating and supervising building societies was transferred from the Registrar of Building Societies to the Central Bank of Ireland under the Building Societies Act, 1989 (the “1989 Act”).

In addition, the 1989 Act permitted building societies to engage in a wide range of services beyond the traditional activity of taking of interest bearing deposits and the making of advances secured by mortgages on freehold or leasehold property. Also, the 1989 Act contains a mechanism permitting the conversion of building societies into public limited companies.

All credit institutions are obliged to take the necessary measures to counteract effectively money laundering in accordance with the Criminal Justice Act, 1994, and the Guidance Notes for Credit Institutions which were issued with the approval of the Money Laundering Steering Committee. The Steering Committee, which was chaired by the Irish Department of Finance, included representatives from other Government Departments, the Central Bank of Ireland, the Garda Siochana (the Irish Police Service) and the major representative bodies in the financial sector. The Act and the Guidance Notes set out measures to counteract money laundering in line with Council Directive 91/308 of June 10, 1991 on prevention of the use of the financial system for the purpose of money laundering and the Forty Recommendations of the Financial Action Task Force of the OECD.

Under the European Communities (Deposit Guarantee Schemes) Regulations, 1995 the Central Bank of Ireland also operates a statutory depositor protection scheme to which both licensed banks and building societies are required to make contributions amounting to 0.2% of their total deposits. The Regulations, which implement EC Directive 94/19 of May 30, 1994, on Deposit Guarantee Schemes extend to branches of the Bank in other European Union States under the principle of “home country” control.

A minimum contribution of IR£20,000 is required from each credit institution, and the maximum level of compensation payable to any one depositor is 90% of the aggregate deposits held by that depositor subject to a maximum compensation of EUR15,000.

In parallel with European initiatives relating to the mutual recognition of credit institutions authorized elsewhere in the European Union, the legislative authorities of the European Union have enacted a number of measures designed to achieve similar liberalization in the investment services sector. Council Directive 93/22 of May 10, 1993 on investment services in the securities field was implemented in Ireland by the Investment Intermediaries Act, 1995 with the Central Bank of Ireland and, to a lesser extent, the Minister for Enterprise, Trade and Employment, as the regulators. Council Directive 93/6 of March 15, 1993 required the introduction of a capital adequacy regime for investment firms and, simultaneously, amended the regime already in place for credit institutions. This Directive was implemented by administrative notice published by the Central Bank of Ireland on December 29, 1995.

In July 1998 the Investor Compensation Act, 1998 was enacted into law. The Act is designed, in the main, to implement Directive 97/9/EC of the European Parliament and of the Council, dated March 3, 1997, on investor compensation schemes. The Act provides for the payment of compensation to clients of investment business firms, stock exchange member firms, credit institutions and assurance intermediaries (all “Investment Firms”) when an Investment Firm is unable to return money or investment instruments belonging to clients. The Central Bank will be the supervisory authority for investor compensation schemes. The Act provided for the establishment of a Limited Company to administer investor compensation arrangements. Investment Firms will be required to contribute to a fund maintained by the Company to pay compensation to clients of Investment Firms. The Act allows separate compensation schemes to be put in place, subject to the approval of the Central Bank, for certified persons under the Investment Intermediaries Act. Clients of investment Firms will be entitled to compensation of up to EUR20,000 (approximately IR£15,500) or 90% of the sum lost, whichever is the lesser.

The activities of the Group’s assurance businesses, New Ireland and Lifetime, are regulated by the Department of Enterprise Trade and Employment under powers derived from the Insurance Act, 1936, the Insurance (Amendment) Act, 1989, and from implementing measures for a large number of Directives adopted by the legislative authorities of the European Union. The most recent measures include the European Communities (Non-Life Assurance) Framework Regulations, 1994 and the European Communities (Life Assurance) Framework Regulations, 1994.

Legislative developments relating to the Euro

The third stage for achieving economic and monetary union in the European Union commenced on January 1, 1999. On that date the exchange rates of the currencies of the participating Member States (the non-participating Member States are Denmark, Greece, Sweden and the United Kingdom) became irrevocably fixed and denominations of the new currency, the euro. Notes and coins in the new currency will not be issued until January 1, 2002. Council Regulation (EC) 1103/97 of June 17, 1997, which was adopted in anticipation of the commencement of the third stage for achieving economic and monetary union, was designed to ensure that the introduction of the euro did not have the effect of discharging or excusing performance of any obligation under a legal instrument or give a unilateral right to alter or terminate such legal obligation. It also provided conversion and rounding rules applicable to conversions from one participating currency, via the euro, into another participating currency. Council Regulation (EC) 974/98 of May 3, 1998 came into force on January 1, 1999. It confirms that the currency will be the euro, divided into 100 cent, that the euro will be substituted for the currency of each participating Member State at the conversion rate, and also provides for the use of the euro in the period between January 1, 1999 and January 1, 2002. Finally, it provides for the introduction and circulation of coins and bank notes denominated in euro, which will be the only bank notes which have the status of legal tender in all participating Member States.

The Irish Government has passed the Central Bank Act, 1998, which was designed to bring Irish legislation governing the Central Bank into conformity with the provisions of the treaty establishing the European Community, as amended by the treaty on European Union. The provisions of this Act provide for the streamlining of the independence of the Central Bank of Ireland along with its institutional integration into the European System of Central Banks and the European Central Bank. In addition, in response to the two Regulations referred to above, which are directly applicable and immediately effective in Ireland, the Economic and Monetary Union Act, 1998 was enacted, the purpose of which is to provide for matters relating to the introduction of the euro and removes incompatibilities between Irish monetary law and the European legal framework for the use of the euro. It also provides for the redenomination into euro of outstanding Government debt (and, at the discretion of the issuer, corporate debt denominated in Irish pounds), recognizes that the Dublin Interbank Offered Rate (DIBOR) will be replaced by the European Interbank Offered Rate (EURIBOR) as from January 1, 1999, and will facilitate companies which wish to redenominate their capital structures into euro before January 1, 2002.

At the Annual General Court of the Bank held on July 7, 1999 stockholders approved a series of changes to the Bye-Laws of the Bank which: subdivided each unit of Ordinary Stock with a nominal value of IR£1 into two new units of IR£0.50 each (the “Stock Split”); redenominated the Ordinary Stock (with a nominal value of IR£0.50 following the Stock Split) into euro denominated units of €0.63486903921 each; and adjusted the converted euro nominal value of each unit of Ordinary Stock into €0.64 by capitalising from reserves a sum not exceeding €6.0m (IR£4.7m).

United Kingdom

In respect of the Group’s separate banking operations in Northern Ireland and Britain, the Bank has the status of “European institution” under the Banking Coordination (Second Council Directive) Regulations, 1992 (the “Regulations”) and is entitled to carry on in the United Kingdom any of the listed activities in the Second Banking Coordination Directive which it is authorized to carry on in Ireland.

Powers of the Financial Services Authority (“FSA”) as successor to the Bank of England in relation to European institutions are limited because, pursuant to the principle of “home country” control incorporated in the Second Banking Directive, the Central Bank of Ireland, as the competent authority in Ireland, has primary responsibility for the supervision of credit institutions incorporated in Ireland. The FSA, however, has a specific responsibility to cooperate with the Central Bank of Ireland in ensuring that branches of European credit institutions from Ireland maintain adequate liquidity in the United Kingdom. The FSA also has the responsibility to collaborate with the Central Bank of Ireland in ensuring that Irish credit institutions carrying on activities listed in the Second Banking Directive in the United Kingdom take sufficient steps to cover risks arising from their open positions on financial markets in the United Kingdom.

Under the Regulations, the FSA is empowered in specified circumstances to impose a prohibition on, or to restrict the listed activities of, a European institution. Consistent with the allocation of supervisory responsibilities in the Second Banking Directive, the FSA would usually exercise its power only after consulting the Central Bank of Ireland which, inter alia, expresses willingness of the respective authorities to exchange information in order to facilitate the effectiveness of the supervision of credit institutions in the European Union. It also provides for the exchange of information in crisis situations and in cases where the authorities become aware of contraventions of the law by institutions covered by the Second Banking Directive operating in their territory.

On account of the Bank having established a place of business in England, the Bank is subject to the provisions of the Companies Act 1985 which affect overseas companies. Equally, on account of its having established a place of business in Northern Ireland in connection with its operations there, the Bank is subject to the provisions of Part XXIII of the Companies (Northern Ireland) Order, 1986 which apply to companies incorporated outside Northern Ireland which have established a place of business in Northern Ireland.

In respect of its banking operations in Northern Ireland, the Bank is empowered under the Bank of Ireland Act, 1821 to issue bank notes as local currency, and is subject to the provisions of the Bankers (Northern Ireland) Act, 1928, the Bank of Ireland and Subsidiaries Act, 1969 and the Financial Services Act, 1986 in respect thereof.

As part of the transfer of the business of Bristol & West Building Society, the group company to which the business of Bristol & West was transferred (Bristol & West plc), became an authorized institution under the Banking Act, 1987 of the U.K. Historically, responsibility for banking supervision in the UK rested with the Bank of England. The UK government is implementing a major overhaul of the UK Financial Regulatory system aimed at creating a new single statutory regulator, the Financial Services Authority (“FSA”) for the full range of financial business, including deposit taking business, securities and other investment business and insurance business. As part of this programme the Bank of England Act, 1998 was passed and became law on June 1, 1998. Under the Act responsibility for banking supervision in the United Kingdom was transferred from the Bank of England to the FSA. As a bank supervisor the primary objective of the FSA is to fulfil the responsibilities relating to the safety and standards of banks placed on it by the 1987 Act with the aim of strengthening, but not ensuring, the protection of depositors.

The basic method of supervision involves the regular reporting of statistical information and a regular set of returns giving balance sheet and consolidated income data, material on the maturity structure of assets and liabilities, sectoral analysis of business and details of concentration of risk in assets and deposits. Review meetings are held by the FSA with Bristol & West plc Management. Under the new risk based approach introduced for all banks in 1998 (“RATE”) the FSA’s supervision of all banks is based on a systematic analysis of the risk profile of each bank. The FSA also publishes requirements it expects banks to meet on matters such as capital adequacy, limits on large exposures to individual entities and groups of closely connected entities and liquidity. Under sub paragraphs 4 (7) and (8) of Schedule 3 to the Banking Act, 1987 Bristol & West plc is required to maintain adequate accounting and other records. The FSA has the power under sub Sections 39 (1)(b), 39 (6) and 39 (7) of the Banking Act to require a bank to commission an external report on any aspect of its business. The FSA will use its Section 39 powers as appropriate to ask institutions to commission reports on whether the accounting and other records and internal control systems have been properly established and maintained. The reports are generally commissioned from reporting accountants who are appointed by the institution and nominated by or approved by the FSA.

The Irish Economy

Ireland is a small open economy with a population of 3.6 million people, and became a founding-member of European Monetary Union (EMU) in January 1999. Total Gross Domestic Product in 1998 was IR£59.6 billion (US$78.8 billion). The Irish economic performance has been very strong over the past decade, with real GDP growth averaging 6.9 per cent per annum between 1989 and 1998. Growth in recent years has been very broadly based with consumer demand, exports and investment all making a significant contribution. Employment growth has been very strong and the unemployment rate has fallen to 6.4 per cent of the labor force at December 31, 1998 compared to a peak of 15.6 per cent in 1993. The economy is now quite close to a position of full employment. Despite the very strong economic growth and employment creation, inflation has remained low; averaging 2.4 per cent in 1998. The public finances have also improved significantly over the past decade and a General Government Surplus equivalent to 2 per cent of GDP was recorded in 1998. Gross Domestic Product expanded by 9.8 per cent in real terms in 1998. The medium-term prospects for the economy remain favorable, with continued strong economic growth projected.

Employees

For the year ended March 31, 1999 the Group employed approximately 15,600 staff on an average full time equivalent basis. The increase over the previous year’s figure of approximately 13,000 is due to growth in the Branch Banking, Business Banking and Retail Businesses and also the incorporation of Bristol & West and New Ireland Assurance into the Group. The majority of staff are located in the Retail Division which incorporates Republic of Ireland, Northern Ireland and Britain with a significant number of staff also in Bristol and West in Britain.

Managing human capital is a priority for Bank of Ireland with Executives and Managers having participated on both a “Managing People” programme based on measuring managers against best people management practices and a “Business Leadership” programme which focussed on ensuring greater understanding of our business strategies and what the challenges mean in terms of leading people. The Bank has also completed the first phase of a Climate Measurement and Management initiative with Managers taking responsibility for improving the climate out into the future. A significant investment in training, particularly in relation to investment knowledge, business banking and sales management was also undertaken over the last year and continue to be a priority.

In terms of staff relations, the human resources infrastructure within the Bank provides the channels for positive and innovative approaches to addressing staff issues. In addition, the Bank provides a facility for staff to liaise with independent staff welfare officers regarding any personal difficulties.

Executives, managers and a growing number of staff are on performance-based pay. In addition, flexible working options are available to staff in Ireland and the Bank intends to introduce a “Save as You Earn (SAYE)” stock option scheme for staff.

The majority of the Bank’s staff in Ireland, Northern Ireland and Britain are represented by the main banking trade union, the Irish Bank Officials Association (IBOA) in relation to salary negotiations. The current national wage agreement “Partnership 2000” is coming to an end. The final phases of the agreement provided for a 1.5% increase in April 1999 for 9 months to January 2000 and 1% for the final six months of the agreement. In addition, this Agreement provided for a local bargaining element in the second phase for an amount not exceeding 2% of basic pay, payable on November 1, 1998 — this was paid by the Bank to staff.

Item 2 DESCRIPTION OF PROPERTY

At March 31, 1999 the Retail Division operated 363 full-time retail bank branches of which 290 are in Ireland, 47 in Northern Ireland and 26 in Britain. Additionally, the Bank has a representative office in Frankfurt and in Tokyo, and wholly owned subsidiaries in

Jersey, Guernsey and the Isle of Man. The majority of these premises are owned directly by the Group with the remainder being held under commercial leases. The premises are subject to continuous maintenance and upgrading and are considered suitable and adequate for the Bank's current and anticipated operations.

The Bank of Ireland Group headquarters, located at Lower Baggot Street, Dublin, Ireland, comprises a complex of three buildings constructed in the 1970s having approximately 18,600 square meters (200,000 square feet) net floor space. The Bank has a 30% equity interest in the premises which are held on a lease which expires in 2071. The freehold interest in the Bank's headquarters is held in trust on behalf of the Bank of Ireland Staff Pension Fund, which is the Group's principal pension fund. The Group also occupies approximately 30,650 square meters (330,000 square feet) net for central functions in Dublin: of this space 13,000 square meters (140,000 square feet) net is owned, the balance is held on commercial leases.

The British headquarters of the Bank is located at 36 Queen Street, London, England, where the Bank occupies approximately 2,600 square meters (28,000 square feet) net floor space. These premises are held on a lease which expires in 2011.

Bristol & West's Head Office is located at Broad Quay, Bristol, England. It has a network of 132 operational Branches. The administrative buildings occupy approximately 22,300 square meters (240,000 square feet) net floor space of which approximately 64% is held Freehold.

New Ireland Assurance's Head Office is located at 9/12 Dawson Street, Dublin, Ireland. New Ireland has a network of 20 operational branches. The Head Office and Administrative buildings occupy approximately 4,900 square meters (53,000 square feet) net floor space, all of which is held Freehold.

Item 3 LEGAL PROCEEDINGS

There are no legal or arbitration proceedings pending or threatened of which the Bank is aware involving the Group which may or have had a significant effect on the financial position of the Group taken as a whole.

Item 4 CONTROL OF REGISTRANT

As far as the Bank is aware, it is neither directly nor indirectly owned or controlled by another corporation or any government and there are no arrangements in place the operation of which may result in a change in its control.

As at May 12, 1999 the Bank had received notification of the following substantial interests in its Issued Ordinary Stock: -

Name	Units Held	%
Bank of Ireland Asset Management Limited *	42,080,782	8.1
AIB plc and subsidiaries *	23,073,937	4.5
Irish Life Assurance plc	20,442,380	3.9

- None of these stockholdings are beneficially owned by these companies, but are held on behalf of a range of clients, none of whom hold, so far as the Directors have been notified, more than 3% of the Issued Ordinary Stock.

As at May 12, 1999, the Bank had received notification that The Standard Life Assurance Company held between 3% and 5% of the Issued Ordinary Stock of the Bank.

As at March 31, 1999, Directors and executive officers of the Bank as a group beneficially held 0.26% (1.4 million units) of the Bank's Issued Ordinary Stock.

Item 5 NATURE OF TRADING MARKET

As at March 31, 1999 the authorized capital stock of the Bank was made up of IR£750,000,000 divided into 750,000,000 units of Ordinary Stock of IR£1 each ("Ordinary Stock"), U.S.$200,000,000 divided into 8,000,000 units of Non-Cumulative Preference Stock of U.S.$25 each, STG£100,000,000 divided into 100,000,000 units of Non-Cumulative Preference Stock of STG£1 each and IR£100,000,000 divided into 100,000,000 units of Non-Cumulative Preference Stock of IR£1 each.

As at March 31, 1999, 518,875,033 units of Ordinary Stock of IR£1 each were issued and outstanding.

At the Annual General Court of the Bank held on July 7, 1999 stockholders approved a series of changes to the Bye-Laws of the Bank which: subdivided each unit of Ordinary Stock with a nominal value of IR£1 into two new units of IR£0.50 each (the "Stock Split"); redenominated the Ordinary Stock (with a nominal value of IR£0.50 following the Stock Split) into euro denominated units of

€0.63486903921 each; and adjusted the converted euro nominal value of each unit of Ordinary Stock into €0.64 by capitalizing from reserves a sum not exceeding €6.0m (IR£4.7m). Trading on the Irish and London Stock Exchanges of the redenominated and renominalised units of Ordinary Stock of nominal value of €0.64 each became effective on July 19, 1999. The existing American Depositary Receipt ("ADR") ratio, where one American Depositary Share ("ADS") represents 4 units of Ordinary Stock remains. However following the Stock Split each ADR holder will hold twice the number of ADSs.

The principal trading markets for the Ordinary Stock are the Irish Stock Exchange and the London Stock Exchange.

At May 12, 1999, 104 companies were quoted on the Irish Stock Exchange. These companies have a combined market capitalization of more than €133,391 million. Within this total, the market is comprised of a number of larger corporations and the 15 companies with the largest market capitalizations accounted for over 90% of the Exchange's total market capitalization.

The Bank's ADSs are listed on the New York Stock Exchange. Each ADS, evidenced by one ADR, represents four units of Ordinary Stock. The ADR Depositary is The Bank of New York.

The following table sets forth, for the calendar quarters indicated, the reported highest and lowest closing price for one unit of Ordinary Stock on the Irish Stock Exchange, as derived from the Daily Official List of the Irish Stock Exchange which, since January 1, 1999 is quoted in euros and the highest and lowest sales prices for the ADSs as reported on the New York Stock Exchange Composite tape.

	Ordinary Stock				ADSs	
Year ended December 31	**High**	**Low**	**High**	**Low**	**High**	**Low**
	(in pence)		**(in euros)**		**(in dollars)**	
1996:						
First quarter	470	410			N/A	N/A
Second quarter	465	424			N/A	N/A
Third quarter	492	402			31 ¾	31 ¼
Fourth quarter	538	490			36 5/8	31 7/8
1997:						
First quarter	652	540			41 7/8	36 5/8
Second quarter	757	605			46	39
Third quarter	858	736			50 ½	44 15/16
Fourth quarter	1,082	789			62	47 5/8
1998:						
First quarter	1,555	1,082			86 ½	60 ½
Second quarter	1,590	1,260			89	74
Third quarter	1,585	986			87 ¼	60 9/16
Fourth quarter	1,495	965			90	61 1/8
1999:						
First quarter	1,670	1,378	21.21	17.50	100	79

Fluctuations in the exchange rate between the Irish pound/euro and the dollar will affect the dollar equivalent of the price of the Ordinary Stock on the Irish Stock Exchange and as a result may affect the market price of the ADSs on the New York Stock Exchange. See "Exchange Rates".

At March 31, 1999, approximately 480,674 units of Ordinary Stock were held by approximately 213 stockholders with registered addresses in the U.S. and 419,749 ADSs were held by 200 holders with registered addresses in the U.S. The combined shareholdings of these holders comprise approximately 0.4% of the total number of units of Ordinary Stock in issue at March 31, 1999. These figures do not include either the number of units of Ordinary Stock held by stockholders with registered addresses outside the U.S. in which U.S. residents have an interest or the number of such U.S. residents.

Item 6 EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are no restrictions under the Bye-Laws of the Bank or under Irish law, presently in force, that limit the right of non-resident or foreign owners, as such, to hold securities of the Bank freely or, when entitled, to vote such securities freely. There are currently no Irish foreign exchange controls or laws restricting the import or export of capital. There are currently no restrictions under Irish law affecting the remittance of dividends, interest or other payments to non-resident holders of securities of the Bank, except in respect of residents of Angola, the Federal Republic of Yugoslavia and Serbia, or Iraq to whom or by whose order or on behalf of whom such remittance or payment may not be made without the permission of the Central Bank of Ireland. These latter restrictions were introduced to comply with United Nations' sanctions. The Financial Transfers Act 1992 confers power on the Minister for Finance to make orders for this purpose.

Item 7 TAXATION

The following summary of certain consequences to Eligible U.S. Holders (as defined below) of the purchase, ownership and disposition of ADSs representing units of Ordinary Stock deals only with Eligible U.S. Holders that hold ADSs as capital assets for Irish and U.S. Federal income tax purposes and does not deal with special classes of holders, such as dealers in securities or Eligible U.S. Holders whose functional currency is not the U.S. dollar. While the summary discussion relates to material matters relevant to the tax laws of the United States and Ireland, Holders should consult their own tax advisors as to their particular circumstances.

This summary is based (i) on the Double Taxation Convention between Ireland and the United States of America in effect as of January 1, 1998 (the "Tax Treaty"), tax laws, regulations and administrative rulings of Ireland and the United States, all as currently in effect and all subject to change at any time, perhaps with retroactive effect, and (ii) in part, on representations of the Depositary, and assumes that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

For purposes of this discussion, an "Eligible U.S. Holder" is an owner of a beneficial interest in an ADS or unit of Ordinary Stock who: (i)(a) is a resident of the United States for purposes of U.S. Federal income tax, (b) is not a resident of Ireland for purposes of Irish taxes, and (c) is not engaged in trade or business in Ireland through a permanent establishment, (ii) has properly elected to claim the Tax Credit (as defined below) as a foreign tax credit pursuant to the Tax Treaty; and (iii) is not a corporation that owns 10% or more of the total voting power of the Bank.

For purposes of the Tax Treaty and the U.S. Internal Revenue Code of 1986, as amended (the "Code"), Eligible U.S. Holders will be treated as the owners of the Ordinary Stock underlying the ADSs represented by the ADRs.

Irish Taxation

Dividends. Dividends paid by the Bank before April 6, 1999 with respect to the Ordinary Stock and received by or on behalf of a holder of an ADS carry a tax credit ("Tax Credit"). The Tax Credit with respect to a dividend is, in practice, represented as the weighted average of the tax credits applying to the component portions of the dividend; it may be as high as 11/89ths of the cash dividend or may be as low as nil depending on the rate of corporate tax payable on the component portions of the profits out of which the dividend is paid or deemed to be paid. Under present Irish tax law, the corporation tax rate can range from 0% to 28% depending on the source of the income.

A Tax Credit of 11/89ths is equivalent to 11% of the aggregate of the cash dividend and the Tax Credit. If the dividend is U.S.$89 and the rate of tax on the profits from which the dividend declared is such that the Tax Credit is 11/89ths, the Tax Credit will be U.S.$11.

Dividends paid by an Irish resident company on or after April 6, 1999 will not carry a tax credit and will be subject to Dividend Withholding Tax ("DWT") at the standard rate of income tax, currently 24%. Liability to DWT is, subject to certain conditions, dependent on whether the stockholder is resident in Ireland for tax purposes. Dividends will be exempt from DWT if the beneficial owner of such dividends is resident in the European Union or any country with which Ireland has a double tax treaty, such as the United States. Stockholders holding ADRs and whose address on the register of ADRs is located in the US should qualify for exemption from DWT.

Stockholders resident in the United States for the purposes of US Federal Income Tax but whose address on the register of ADRs is located outside the US should consult their own tax advisors.

Gain on Disposition. A gain realized on the disposition of ADSs or units of Ordinary Stock by a holder thereof who is not resident or ordinarily resident in Ireland for Irish tax purposes is not subject to Irish Capital Gains Tax unless such ADSs or units of Ordinary Stock are held in connection with a trade or business carried on by such holder in Ireland through a branch or agency.

Irish Stamp Duty. Section 207 of the Irish Finance Act, 1992 exempts from Irish stamp duty transfers of ADRs where the ADRs are dealt in and quoted on a recognized stock exchange in the U.S. or the underlying securities are dealt in and quoted on a recognized stock exchange which is also situated in the U.S. The New York Stock Exchange, Inc. ("NYSE"), on which the ADSs are dealt and quoted, is regarded by the Irish tax authorities as a recognized stock exchange.

Irish stamp duty will be charged at the rate of IR£1 for every IR£100 (or part thereof) of the amount or value of the consideration on any conveyance or transfer on the sale of Ordinary Stock.

Deposits of Ordinary Stock with the Depositary in exchange for ADSs and withdrawals of Ordinary Stock will be subject only to a nominal charge to Irish stamp duty of IR£10 per transaction, provided that there is no change in the beneficial ownership of the Ordinary Stock underlying the ADSs. Where there is a change in beneficial ownership, Irish stamp duty will be payable at a rate of IR£1 for every IR£100 of the price paid or (if higher) the value of the Ordinary Stock.

United States Federal Income Taxation

Dividends. For U.S. Federal income tax purposes, the gross amount of any distribution (i.e., the cash received and any related Tax Credit or applicable Dividend Witholding Tax) made by the Bank out of its current or accumulated earnings and profits (as determined for such purposes) will be includible in the gross income of an Eligible U.S. Holder as dividend income, but will not be eligible for the dividends-received deduction generally allowed to corporations. The amount of any dividend will be the dollar value of the pound payment on the date of receipt by the Eligible U.S. Holder (or, in the case of ADSs, by the Depositary), regardless of whether the payment is converted into dollars. Gain or loss, if any, recognized by an Eligible U.S. Holder on the sale or disposition of pounds generally will be ordinary income or loss.

Subject to limitations contained in the Code, the Tax Treaty provides that the U.S. shall allow to an Eligible U.S. Holder who receives a dividend, as a foreign tax credit against U.S. Federal income tax liability, the Irish tax paid by or on behalf of such Eligible U.S. Holder. For this purpose, the amount of any tax credit attaching to the dividend, less any excess of the tax credit over liability to Irish tax which has been paid by Ireland to the Eligible U.S. Holder (discussed in the immediately following paragraph), shall be treated as an income tax paid to Ireland. Dividends paid by Irish resident companies on or after April 6, 1999 will not carry a tax credit.

The Tax Treaty provides for a refund by the Irish Tax Authorities of part of any tax credit attaching to dividends paid on or after January 1, 1998 and before April 6, 1999 in certain circumstances. Article 10 of the Tax Treaty provides that a resident of the United States who receives dividends from a company which is a resident of Ireland, shall be entitled to the tax credit in respect thereof to which an individual resident in Ireland would have been entitled had he received the dividends, provided he is the beneficial owner of the dividends and, if a company, does not control, either alone or together with one or more associated companies, 10% or more of the voting power of the company paying the dividend.

In general, if an Irish resident individual had received a dividend on Ordinary Stock before April 6, 1999 he would have been entitled to a Tax Credit. A resident of the United States is entitled to payment of any excess of that Tax Credit over his liability to Irish tax. A resident of the United States is liable to Irish tax at a rate not exceeding 15% of the aggregate of the dividend and the tax credit, where the U.S. resident is entitled to a tax credit in respect of such a dividend, as outlined above. The tax credit on the dividend is available as a credit in respect of such a dividend, as outlined above. The tax credit on the dividend is available as a credit against the Irish tax liability so calculated, with any excess of the tax credit over that liability available for payment to him. However, since the rate of tax credit was lower than 15% of the aggregate of the dividend and tax credit, an Eligible U.S. Holder will not obtain any payment. Where the maximum tax credit is lower than 15%, the Irish Tax Authorities in practice confine the Irish tax liability to an amount equal to the tax credit.

Under the Code, the limitation on foreign taxes eligible for credit is calculated separately with respect to separate classes of income. Dividends paid by the Bank with respect to ADSs or units of Ordinary Stock are foreign source “passive” income or, in the case of certain Eligible U.S. Holders, “financial services” income. Foreign tax credits allowable with respect to each class of income cannot exceed the U.S. Federal income tax otherwise payable with respect to such class of income.

Gain on Disposition. Upon the sale, exchange or other disposition of ADSs or units of Ordinary Stock, a U.S. Holder will recognize gain or loss, if any, equal to the difference between the amount realized upon the sale, exchange, or other disposition and the U.S. Holder’s tax basis in the ADSs or units of Ordinary Stock. Such gain or loss generally will be capital gain or loss and will be long-term gain or loss if the ADSs or units of Ordinary Stock were held for more than one year. Gain, if any, will generally be U.S. source.

Backup Withholding and Information Reporting. In general, information reporting requirements will apply to dividend payments (or other taxable distributions) in respect of Ordinary Stock or ADSs made within the United States to a non-corporate U.S. person, and “backup withholding” at the rate of 31% will apply to such payments if the holder or beneficial owner fails to provide an accurate taxpayer identification number in the manner required by United States law and applicable regulations, if there has been notification from the Internal Revenue Service of a failure by the holder or beneficial owner to report all interest or dividends required to be shown on its Federal income tax returns or, in certain circumstances, if the holder or beneficial owner fails to comply with applicable certification requirements. Certain corporations and persons that are not United States persons may be required to establish their exemption from information reporting and backup withholding by certifying their status on Internal Revenue Service Forms W-8 or W-9.

Amounts withheld under the backup withholding rules may be credited against a holder’s tax liability, and a holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the United States Internal Revenue Service.

United States and Irish Estate and Gift Taxation

Irish gift and inheritance tax would apply to gifts and bequests of Ordinary Stock in Irish companies maintaining their only or principal register in the State. The Bank is such a company. Certain tax-free thresholds apply to gifts and inheritances, depending on the relationship between the donor and donee. For example, bequests to a spouse under a will or voluntary inter vivos (lifetime) gifts to a spouse are wholly exempt from Irish inheritance and gift tax. All gifts and inheritances received on or after December 2,1988 are aggregated for the purposes of calculating the applicable tax-free threshold.

There is no gift and inheritance tax convention between the U.S. and Ireland. Although an estate tax convention between the two countries was ratified in 1951, estate duty was abolished in Ireland in 1975 and it is not clear whether the convention is applicable to Irish gift and inheritance taxes which replaced the former estate duty. Nonetheless, under the Code any such inheritance tax payable in Ireland generally will be allowed as a credit, subject to certain limitations, against so much of the U.S. Federal estate tax as is payable on the same property.

U.S. Federal gift tax may apply to gifts of ADSs or units of Ordinary Stock subject to certain thresholds and exemptions. No credit against U.S. Federal gift tax for Irish gift tax paid on the same property is allowable.

Item 8 SELECTED FINANCIAL DATA

The following table presents selected consolidated financial data for the Group for each of the five fiscal years in the five-year period ended March 31, 1999, which have been derived from audited Consolidated Financial Statements of the Group.

The selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements of the Group and the notes thereto, which are included in this Annual Report. The financial results should not be construed as indicative of financial results for subsequent periods. See “Item 9 — Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

SELECTED CONSOLIDATED FINANCIAL DATA

	For the Financial Year Ended March 31,					
	1999(1)	**1999**	**1998**	**1997**	**1996**	**1995**
	(in IR)	**£ millions, except per unit amounts and percentages**				
Income Statement Data						
Amounts in accordance with Irish GAAP:						
Interest receivable and similar income	3,377	2,461	2,028	1,261	1,406	1,261
Interest payable and similar charges	2,171	1,582	1,275	646	729	631
Net interest income	1,206	879	753	615	677	630
Provision for bad and doubtful debts	60	44	37	20	21	17
Other income	904	659	516	350	318	302
Operating expenses	1,146	835	702	549	610	595
Income from ordinary activities before exceptional items	904	659	530	396	364	320
Gain on disposal of Group undertaking	—	—	—	—	—	2
Exceptional item arising on U.S restructuring(2)	—	—	—	—	(48)	—
Profit on disposal of associated undertaking	236	172	—	—	—	—
Income before taxation	1,140	831	530	396	316	322
Taxation on income from ordinary activities	274	200	155	129	102	98
Minority interests — equity	1	1	1	—	—	—
— non equity	7	5	4	—	—	—
Non-cumulative preference stock dividend	25	18	16	15	15	15
Income attributable to holders of ordinary stock	833	607	354	252	199	209
Per unit of Ordinary Stock(3)						
Income attributable to holders of ordinary stock	161.0¢	117.3p	70.9p	52.0p	41.5p	44.2p
Alternative income attributable to holders of ordinary stock	117.3¢	85.5p			51.6p	43.8p
Dividends	39.8¢	29.0p	23.0p	17.75p	15.25p	12.5p
Amounts in accordance with U.S. GAAP:						
Net income attributable to holders of ordinary stock:	840	612	334	291	248	202
Net income per unit of ordinary stock						
Basic	162.3¢	118.3p	66.9p	60.0p	51.8p	42.7p
Diluted	161.1¢	117.4p	66.4p	59.6p	51.5p	—
Balance Sheet Data						
Amounts in accordance with Irish GAAP:						
Total assets	58,702	42,776	39,632	19,670	20,959	18,678
Loans and advances to customers	39,105	28,496	25,170	11,801	11,632	10,794
Loans and advances to banks	3,737	2,723	4,858	2,157	2,803	2,425
Allowance for loan losses	388	283	281	176	184	193
Deposits, short-term borrowings and other accounts	45,260	32,981	31,100	14,932	16,808	14,729
Dated capital notes	880	641	664	370	171	265
Undated capital notes	622	453	482	348	347	337
Minority interests — equity	3	2	3	2	2	2
— non equity	85	62	64	—	—	—
Called up capital stock	736	536	531	502	497	491
Reserves	2,349	1,712	1,050	909	730	540
Total stockholders' funds including non-equity interests	3,085	2,248	1,581	1,411	1,227	1,031
Balance Sheet Data						
Amounts in accordance with U.S. GAAP:						
Stockholders' equity	3,733	2,720	2,127	1,490	1,331	1,137
Total assets	59,746	43,537	40,692	20,171	21,519	19,412

	For the Financial Year Ended March 31,				
	1999	1998	1997	1996	1995
				(in percentages)	
Other Financial Data					
Other Financial data in accordance with Irish GAAP:					
Return on average total assets(4)	1.1	1.2	1.3	1.3	1.2
Return on average stockholders' funds(4)(5)	23.8	27.5	21.7	24.9	25.6
Dividend payout ratio(6)	34	33	34	37	28
Net interest margin(7)	2.5	2.9	3.6	3.9	4.1
Net interest margin, tax equivalent basis(8)	2.6	3.0	3.7	4.0	4.1
Cost/income ratio(9)	55	58	59	61	64
Allowance for loan losses to total loans	1.0	1.1	1.5	1.5	1.7
Provisions for bad and doubtful debts to average total loans	0.2	0.2	0.2	0.2	0.2
Tier 1 capital ratio(10)	9.0	7.2	11.0	9.5	8.2
Total capital ratio(10)	13.0	11.3	16.3	14.0	13.4
Average stockholders' equity to average total assets(11)	5.0	5.0	6.9	5.9	5.6

(1) Translated solely for convenience into dollars at IR£1.00 = U.S.$1.3723, the Noon Buying Rate on March 31, 1999.

(2) A provision for U.S. restructuring of IR£48.1 million has been included in the accounts for the financial year ended March 31, 1996 arising from the repositioning of the Group's investment in BOIFH consequent on the merger with Citizens. This takes account of goodwill previously written off through reserves and charged to the income statement in accordance with accounting standards.

(3) In accordance with Irish GAAP, net income and dividends per unit of Ordinary Stock have been adjusted for subsequent scrip and rights issues.

(4) Return on average total assets represents profit after taxes and after preference stock dividends and minority interest and before exceptional item in the financial years ended March 31, 1999 and 1996 as a percentage of average total assets. The calculation of the average balances for all years includes daily, weekly or monthly averages for certain reporting units. See Item 9 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Selected Statistical Information — Average Balance Sheet and Interest Rates". The Bank considers these average balances to be representative of the operations of the Group.

(5) Return on average stockholders' funds represents profit after taxes and after preference stock dividends and minority interest and before exceptional items in the financial year ended March 31, 1999 and 1996 as a percentage of average stockholders' funds, excluding non-equity interests.

(6) The dividend payout ratio in 1999 excludes the after tax gain on the Citizens disposal.

(7) Net interest margin represents net interest income as a percentage of average interest earning assets.

(8) Net interest margin on a tax equivalent basis includes an adjustment to reflect tax benefits received by the Group in return for tax-based lending at rates below market rates to provide incentives for exports and industrial development. The net interest margin is reduced as a result of such lending activity and this tax-equivalent adjustment reflects the tax savings associated with such activity.

(9) The cost/income ratio is determined by dividing the total expenses of the Group by the total income of the Group (excluding income from associated undertakings) on a tax equivalent basis.

(10) The target standard risk-asset ratio set by the Basle Committee is 8%, of which the Tier 1 element must be at least 4%. The minimum risk-asset ratio is set by the Central Bank of Ireland and satisfies capital adequacy requirements of the European Union.

(11) Average stockholders' equity includes non-equity interests.

Dividend Policy

The table below provides a summary of dividends per unit of Ordinary Stock paid in respect of the past five financial years.

Dividend Payment Date	Dividends per unit of Ordinary Stock (in pence)(1)	Translated into U.S. cents per Unit of Ordinary Stock(2)
Financial Year ended March 31, 1999		
July 16, 1999	19.80	25.65
January 11, 1999	9.20	13.41
Financial Year ended March 31, 1998		
July 10, 1998	15.90	22.00
January 12, 1998	7.10	10.97
Financial Year ended March 31, 1997		
July 11, 1997	11.65	17.66
January 13, 1997	6.10	10.02
Financial Year Ended March 31, 1996		
July 12, 1996	10.25	16.33
January 9, 1996	5.00	7.98
Financial Year Ended March 31, 1995		
July 14, 1995	8.25	13.52
January 10, 1995	4.25	6.56

(1) In accordance with Irish GAAP, dividends per unit of Ordinary Stock have been adjusted for subsequent scrip and rights issues.

(2) Translated at the Noon Buying Rate on the dates of payment.

Item 9 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is based on the Consolidated Financial Statements of the Group included elsewhere in this document. Such Financial Statements have been prepared in accordance with Irish GAAP. Certain significant differences between Irish GAAP and U.S. GAAP are discussed in Note 45 to the Consolidated Financial Statements, which includes a reconciliation of the significant differences from Irish GAAP to U.S. GAAP. Unless otherwise indicated, financial information for the Group included in this Document is presented on a consolidated basis, as discussed in the "Accounting Policies" section of the Consolidated Financial Statements.

ANALYSIS OF RESULTS OF OPERATION

Overview

The Group has experienced continuing growth in profitability over the past several years, as demonstrated by the ongoing growth in earnings per share (excluding exceptional items) and high returns on average stockholders' funds which has been driven by low levels of loan loss provisions, growth in both lending volumes and deposits in its core banking businesses and by the improvement in the Group's cost/income ratio.

In the year to March 31, 1999 the Group's income before exceptional item and taxation of IR£659 million was 24% ahead of last year. Total average interest earning assets increased by 36% to IR£34.8 billion from IR£25.5 billion last year. The return on average total assets was 1.1% and return on average stockholders' funds was 23.8% for the year ended March 31, 1999.

In the year to March 31, 1998 the Group's income before taxation of IR£530 million was 34% ahead of the previous year. Total average interest earning assets increased by 49.9% to IR£25.5 billion from IR£17.0 billion the previous year. The return on average total assets was 1.2% and return on average stockholders' funds was 27.5% for the year ended March 31, 1998.

Results of Operations — Group Analysis

The following is a discussion and analysis of the results of operations of the Group by nature of income and expense. The investment in Citizens was not consolidated but was treated as an associated company.

Group Income Statement

	For the Financial Year Ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Net interest income	879	753	615
Other income	634	461	318
Operating expenses	835	702	549
Citizens/FNH	25	55	32
Provision for loan losses	44	37	20
Income before exceptional item	659	530	396
Exceptional item(1)	172	—	—
Income from ordinary activities before taxation	831	530	396

(1) An exceptional profit of IR£172m in the year to March 31, 1999 represents the profit on the sale of the Group's interest in Citizens.

Net Interest Income

The following table shows net interest income for each of the three years ended March 31, 1999:

	For the Financial Year Ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Interest receivable	2,461	2,028	1,261
Interest payable	1,582	1,275	646
Net interest income	879	753	615

The principal factors affecting the level of net interest income earned by the Group are the volume of interest earning assets and the spread earned on those assets. Over the three year period ended March 31, 1999, the level of domestic interest earning assets has increased significantly, but the Group's net interest margin has declined from 3.7% to 2.6% on a tax equivalent basis. This trend is due to a number of factors, principally the movement into higher yielding deposit products by customers and wholesale funding in the mortgage business in Britain, the increasing proportion of wholesale treasury assets and residential mortgages in the Group Balance Sheet, the narrowing of the average spread between lending and borrowing rates and the reduced benefit in earnings on stockholders' equity arising from the lower interest rate environment. The acquisition of Bristol & West in 1997 contributed to the reduction in Group net interest margin reflecting the lower net interest margin in their business.

Bank of Ireland's market risk management policies seek to limit the effect of interest rate volatility on net interest income. Management believes that the Group's net interest margin will continue to be influenced by the mix of assets in the Group Balance Sheet and the proportion of the Group's assets that are held by Treasury, the general interest rate environment in the jurisdictions the Group operates within and the continued trend in the movement to higher yielding deposits out of ordinary demand deposits. Furthermore, future changes in net interest spread will depend, among other factors, on the demand for residential mortgages and savings products and on the level of competition for these products.

Financial year ended March 31, 1999 compared to financial year ended March 31, 1998

Net interest income increased by IR£126 million or 17% in the year to March 31, 1999 (12% excluding the effect of acquisitions) to IR£879 million. The Group net interest margin on a tax equivalent basis declined from 3.01% to 2.62%, a decline of 39 basis points, with the Group's domestic margin declining by 34 basis points to 3.1% and the Group's foreign margin declining by 33 basis points to 2.2%. The fall in the domestic margin was principally attributable to lower interest rates in Ireland; the decline in the foreign margin was due to the effect of including Bristol & West for a full year together with a further fall due to competitive pressures in the savings and mortgages market in the United Kingdom. The decline in margins was more than offset by growth in lending and resources volumes across the Group. Average Group interest earning assets increased by IR£9.2 billion to IR£34.8 billion.

The Group Net Interest Income for the second half of the year also included earnings on the proceeds from the disposal of the Group's investment in Citizens Financial Group. Income from associated undertakings included five months contribution from Citizens compared to twelve months in the prior year.

Financial year ended March 31, 1998 compared to financial year ended March 31, 1997

Net interest income for the year March 31, 1998 was IR£753 million, an increase of IR£138 million (22%) from IR£615 million for the year March 31, 1997. The eight month contribution from Bristol & West (excluding BIM) amounted to IR£123 million before taking account of the reduction in earnings on central capital as a result of the redeployment of funds to make the acquisition. The Group net interest margin declined from 3.7% to 3.0% on a tax equivalent basis reflecting the lower net interest margin in Bristol & West and some reduction in the domestic retail margin which was more than offset by year on year volume increases in lending and resources. Average advances increased by 58%, however this includes the effect of the acquisition of Bristol & West. Excluding Bristol & West average advances increased by almost 14% with advances in the Republic of Ireland increasing by more than 17%. Resources, excluding Bristol & West, increased by 15% across the Group.

The following tables set forth yield, spreads and margins and prevailing average interest rates for each of the three years ended March 31, 1999:

	Financial Year Ended March 31,		
	1999	1998	1997
	(percentages)		
Gross yield(1)	7.1	7.9	7.4
Interest spread(2)	1.8	2.0	2.8
Net interest margin(3)	2.5	2.9	3.6
Net interest margin, tax equivalent basis(4)	2.6	3.0	3.7

(1) Gross yield represents the average interest earned on interest-earning assets.
(2) Interest rate spread represents the difference between the average interest rate earned on interest-earning assets and the average interest rate paid on interest-bearing liabilities.
(3) Net interest margin represents net interest income as a percentage of average interest-earning assets.
(4) Net interest margin on a tax equivalent basis includes an adjustment to reflect tax benefits received by the Group in return for tax-based lending at rates below market rates to provide incentives for industrial development. The net interest margin is reduced as a result of such lending activity and this tax equivalent adjustment reflects the tax savings associated with such activity.

	Financial Year Ended March 31,		
	1999	1998	1997
	(percentages)		
Ireland			
Dublin interbank offered rate:			
One month Irish	5.14	6.16	5.56
Three month Irish	4.93	5.63	5.63
United Kingdom			
London interbank offered rate:			
One month Sterling	6.96	7.47	6.02
Three month Sterling	6.94	7.56	6.12
United States			
Prime Rate	8.17	8.50	8.25

Other Income

The following table sets forth other income for each of the three years ended March 31, 1999.

	For the Financial Year Ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Dealing profits	56	33	21
Contributions from life assurance business	84	53	19
Fees and commissions	436	341	261
Other operating income	56	33	17
Income from associated undertakings			
— Other	2	1	—
	634	461	318
Income from associated undertaking			
— Citizens	25	55	32
Total	659	516	350

Financial year ended March 31, 1999 compared to financial year ended March 31, 1998

Excluding income from the Citizens associated undertaking, other income increased by IR£173 million or 37% from IR£461 million to IR£634 million for the year ended March 31, 1999, reflecting the full year effect of Bristol & West and New Ireland Assurance. Excluding the effect of these acquisitions, Other Income grew by IR£103 million or 25%, due to increased business volumes across the Retail businesses and in Bank of Ireland Asset Management reflected in higher net fees and commissions, and in higher dealing profits in Group Treasury and in Davy Stockbrokers.

Financial year ended March 31, 1998 compared to financial year ended March 31, 1997

Excluding income from the Citizens associated undertaking, other income increased from IR£318 million in the year to March 31, 1997 to IR£461 million in the year to March 31, 1998. The increase of IR£143 million includes a profit contribution from New Ireland of IR£16 million, including equity gains, and IR£32 million from Bristol & West. Growth in net fees and commissions was mainly due to increased income in Bank Ireland Asset Management, Lifetime and Davy reflecting increased volumes of business activity in these units. Increased dealing profits were driven by higher level of transactions in the prevailing foreign exchange market conditions.

Operating Expenses

The following table sets forth operating expenses for each of the three years ended March 31, 1999.

	Financial Year Ended March 31,		
	1999	**1998**	**1997**
		(in IR£ millions)	
Staff expenses	459	394	329
Other administrative expenses	299	252	175
Depreciation	77	56	45
Total	835	702	549
Average headcount (full time equivalent)	15,618	12,994	10,755

Financial year ended March 31, 1999 compared to financial year ended March 31, 1998

Operating expenses increased by IR£133 million, an increase of 19% from IR£702 million to IR£835 million for the twelve months to March 31, 1999. Excluding the effect of acquisitions, costs increased by 12%. This increase was caused by normal salary increments, higher depreciation charges and increased staff numbers supporting substantially higher business volumes across the Group. In addition, the cost of the Bank of Ireland Millennium Scholars Trust together with the effect of exchange rate movements, were offset by a reduction in pension costs. The Bank of Ireland Millennium Scholars Trust amounted to IR£10 million and will be allocated to provide scholarships for people throughout Ireland who are prevented from reaching their full potential because of economic restrictions or other barriers, such as disability.

The Group cost/income ratio improved from 58% to 55%.

Financial year ended March 31, 1998 compared to financial year ended March 31, 1997

In the year to March 31, 1998 total operating expenses increased by IR£153 million from IR£549 million to IR£702 million. The increase of 28% reflects the effects of acquired businesses, including eight months' costs for Bristol & West. Excluding these acquisitions, the increase was 13%. The Group incurred significant costs on Year 2000 and EMU. The underlying cost growth was 11% (excluding acquisitions, Year 2000 and EMU). This cost growth occurred in a year in which the level of business activity increased substantially. Costs increased to service this level of activity and invest in systems and infrastructure to accommodate anticipated future growth. Excluding acquisitions, staff costs rose by 8% reflecting a combination of normal salary increments, variable performance-related payments, business development projects and the impact of sharply increased business volumes. Other costs, excluding acquisitions, increased by 21%, from March 31, 1997 to March 31, 1998. The increase includes IR£22 million of costs in relation to Year 2000 preparations as well as business growth. After taking into account the changes in the composition of the Group and the increased level of activity, the Group cost/income ratio fell to 58% from 59%.

Provisions for Loan Losses

The following table sets forth the provisions for loan losses for each of the three years ended March 31, 1999. The Group's procedure for determining provisions for loan losses is described below under "— Risk Management — Credit Risk — Provisions and Allowances for Loan Losses".

	Financial Year Ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Provision for bad and doubtful debts.......	44	37	20
As a percentage of average total loans.....	0.2%	0.2%	0.2%

Financial year ended March 31, 1999 compared to financial year ended March 31, 1998

The Group loan loss charge was IR£44 million for the twelve months to March 31, 1999. The charge included almost IR£19 million in respect of the non-designated specific provision and represented 16 basis points of average loans compared to 20 basis points of average loans last year. Balances under provision, (i.e., the total balance of loans against which some provision has been recorded) reduced to IR£363 million at March 1999 (1998: IR£417 million) with the total loan loss provision cover of 78% compared to 67% at March 31, 1998. For a breakdown of the provision, see "Selected Statistical Data — Risk Elements in Lending". The non-designated specific provision at March 31, 1999 was IR£87 million. This non-designated provision, against which a deferred tax asset has been recognized, will be offset in certain pre-defined circumstances against specific loan losses as they crystallize in future years. The low charge reflects the good economic conditions in the countries in which the Group operates, the quality of credit management processes, the strict lending criteria which the Group applies across its markets and the significant proportion of home loans in the overall portfolio.

The Bank believes that the provision for loan losses is adequate to cover its known losses and any losses reasonably expected in its loan portfolio.

Financial year ended March 31, 1998 compared to financial year ended March 31, 1997

The charge for loan losses for the year to March 31, 1998 amounted to IR£37 million representing 0.2% of average loans. Balances under provision were IR£417 million at March 31, 1998. Excluding Bristol & West, the balances under provision decreased by IR£20 million. Total loan loss provision cover was 67% compared to 75% in the previous year reflecting the acquisition of Bristol & West and the relatively lower percentage level of provisioning necessary against residential mortgage balances. The charge included a non-designated provision for prudential purposes of IR£22 million. The total non-designated provision amounts to IR£69 million (includes exchange adjustment of IR£5 million) at March 31, 1998, the non-designated provision at March 31, 1997 amounted to IR£42 million.

Exceptional Item

On September 3, 1998, the Group sold its 23.5% shareholding and other interests in Citizens to the Royal Bank of Scotland Group for an aggregate consideration of US$763m in cash, consisted of US$753m in respect of its 23.5% shareholding and US$10m in respect of unrealized tax losses held by Citizens.

The sale completes the withdrawal of Bank of Ireland from its US retail banking interests in New England and results in an exceptional profit before taxation of IR£172.4m (IR£164.4m after tax) for the year ended March 31, 1999, equivalent to an exceptional increase in EPS of IR31.8p. After writing back goodwill previously written off to reserves, the transaction results in an improvement to Bank of Ireland's stockholders funds of IR£345m.

Taxes

The following tables set forth a reconciliation of taxes payable at the statutory Irish corporation tax rate and the Group's effective tax rate for each of the three years ended March 31, 1999. The effective tax rate is obtained by dividing taxes by profit on ordinary activities before tax.

	Financial Year Ended March 31,		
	1999	1998	1997
	(in IR£ millions, except percentages)		
Average statutory corporation tax rate(1)................................	31%	35%	38%

Tax charge based on the statutory rate	204	186	151
Tax on foreign income	(4)	(9)	(6)
Tax-exempted income and income taxed at reduced tax rate	(21)	(19)	(17)
BOIFH non-tax effected profits	—	(1)	(1)
Other items	13	(2)	2
Taxes(3)	192	155	129
Effective tax rate(2)	29.2%	29.4%	32.5%

(1) For 1999, the average statutory rate reflected the reduction in the statutory rate from 32% to 28%, effective January 1, 1999 and for 1998, the average statutory rate reflected the reduction in the statutory rate from 38% to 36%, effective April 1, 1997 and from 36% to 32% effective January 1, 1998.

(2) The effective rate of tax is normally lower than the standard Irish corporation tax rate principally due to relief arising from tax-based lending, the International Financial Services Center tax rate of 10% and lower tax rates on overseas income.

(3) The 1999 taxation charge excludes taxation on the exceptional gain arising from the disposal of the Group's investment in Citizens. The effective tax rate in 1999 including taxation on the exceptional gain was 24.1%.

Financial year ended March 31, 1999 compared to financial year ended March 31, 1998

The Group charge for taxation including the taxation on the exceptional gain arising from the disposal of the investment in Citizens Financial Group increased from IR£155 million in 1998 to IR£200 million in 1999. Excluding taxation on the exceptional gain arising from the disposal of the investment in Citizens Financial Group, the effective tax rate was 29.2%, compared to 29.4% for the previous year. Combined with the effect of the write down of IR£24 million of deferred tax assets attributable to the planned reductions in the standard Irish corporation tax rate and an unrelated non recurring deferred tax release, the effective tax rate would have been 26.6%. The impact of progressive reductions in the standard Irish corporation tax rate is reflected in the tax charge and will be increasingly evident as the standard Irish corporation tax rate falls to 12.5% in 2003.

Financial year ended March 31, 1998 compared to financial year ended March 31, 1997

The effective rate of tax of 29.4% for the year to March 31, 1998 is 3.1% lower than the rate of 32.5% for the year to March 31, 1997 primarily due to the reduction in the Irish corporation tax rate.

Results of Operations — Divisional Analysis

Set out below is a discussion and analysis of the Group's income before tax for each of the three years ended March 31, 1999. The discussion includes reference to the contributions to income before tax in addition to total assets, by Division.

The following tables set forth the Group's income before tax by Division for each of the years in the three year period ended March 31, 1999 and total assets by Division as at the end of each year.

	Financial Year Ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Income Before Tax			
Retail	253	208	204
Life Assurance(1)	72	43	13
Bristol & West Group(2)	151	92	14
Corporate & Treasury	109	84	74
Other Group Activities	78	64	64
Citizens(3)	25	55	32
New Hampshire(4)	—	—	3
Tax-equivalent adjustment(5)	(29)	(16)	(8)
Income from ordinary activities before exceptional item	659	530	396
Profit on disposal of associated undertaking	172	—	—
Income from ordinary activities before taxation	831	530	396
Assets			
Retail	14,750	13,103	10,931
Life Assurance(1)	3,238	2,828	834
Bristol & West Group(2)	15,213	14,228	2,425
Corporate & Treasury	7,125	6,998	4,405
Other Group Activities	2,450	2,293	933
Citizens(3)	—	182	142
Total	42,776	39,632	19,670

(1) Life Assurance for the year ended March 31, 1999 includes the results of New Ireland and Lifetime Assurance. Life Assurance for the year ended March 31, 1998 includes the profits of New Ireland from the date of acquisition December 24, 1997 and also the profits of Lifetime Assurance for the year. Life Assurance for the year to March 31, 1997 includes the profits of Lifetime Assurance which was previously reported in Other Group Activities. The life assurance profits reported in the segmental analysis are based on the management accounts.

(2) Bristol & West Group for the year ended March 31, 1998 includes the results of Bristol & West for the period from the date of acquisition, July 28, 1997, and also the profits of the Group's mortgage business in Britain (BIM) for the year. Bristol & West Group for the year to March 31, 1997 includes the profits of the Group's mortgage business in Britain which were previously reported in Other Group Activities.

(3) Citizens in 1999 includes the Group's share (23.5%) of profits for the year up to the date of disposal September 3, 1998.

(4) New Hampshire in 1997 represents the profits of BOIFH for 25 days up to the date of the merger of BOIFH and Citizens, April 25, 1996.

(5) In order to show profit for each Division on a comparable basis, a tax equivalent adjustment has been made to reflect tax benefits the Group has received in return for undertaking certain lending ("tax-based lending") at rates below market rates to provide incentives for industrial development.

Financial year ended March 31, 1999 compared to financial year ended March 31, 1998

Bank of Ireland Group reports profit before tax and exceptional item of IR£659 million for the year ended March 31, 1999 (1998: IR£530 million), an increase of 24%. This excludes a gain of IR£172 million from the sale of the Group's interest in Citizens Financial Group but includes the Group's share of profits for five months up to the date of sale. When this gain is included, pretax profits were IR£831 million with earnings per share (EPS) of IR117.3 pence. Alternative EPS, computed excluding the Citizens gain, at IR85.5 pence represents an increase of 21% on the prior year.

The results illustrate the Group's focus on stockholder value. Excluding the after tax gain of IR£164 million on the Citizens sale, profit attributable to stockholders was IR£443 million, a 25% increase on the prior year and representing a return on average equity of almost 24%. The Group regards this result as most satisfactory, particularly given the low risk profile of the Group's assets and its strong capital base. Stockholders' funds totaled IR£2,248 million at year-end and support a Tier 1 capital ratio of 9.0%.

The Group achieved considerable success, reflected in the results, in managing risk during the period of volatility prior to the introduction of the single currency, taking full advantage of the buoyant domestic economy and achieving profitable growth both in a highly competitive UK market and in its chosen international businesses.

The results reported by division, each of which achieved strong organic growth, are discussed below.

Retail Division

The Division's profit before tax of IR£253 million was IR£45 million or 22% ahead of the previous year and all key business units reported satisfactory profit performances. Total Divisional income rose by 14%, reflecting strong growth in both funds and non funds based income of 13% and 16% respectively. The strength of the economy in Ireland and market share gains in key product areas were important factors in the performance.

Average resources and advances volumes were up by 18% and 24% respectively. Business Banking was particularly buoyant with a 25% increase in advances in the Republic of Ireland and 28% growth in new commercial leasing at Bank of Ireland Finance. Consumer lending increased by 32%, with strong growth in motor and other consumer finance.

Net interest margin in the Retail Division reduced by 21 basis points in the year to March 31, 1999, principally due to a narrowing of deposit margins as interest rates converged to European levels. Together, the volume and margin trends resulted in growth in net interest income of 13%.

Residential mortgages remain an important component of the Division's lending book and market share of new mortgage lending in the Republic increased from 21% to almost 23%. The volume of new mortgages grew by 36%, while maintaining conservative lending criteria. Additional Mortgage Stores were opened and a twenty year fixed rate mortgage was introduced during the year. In the savings and investment area, volumes were buoyant and innovative investment products introduced during the year were strongly supported by customers, generating significant market share increases.

Credit Cards, General Insurance and First Rate Bureau de Change were each significant contributors to a 16% increase in non funds based income in the Division. New Credit Card sales were ahead by 17% and turnover in the Card division increased by 21%. The Group completed the acquisition of the American Express franchise in Ireland in June 1998.

The charge for loan losses, 31 basis points for the Division, remained at a satisfactory level benefiting from the continuation of favorable economic conditions and the low risk profile of the Division's asset base.

Costs in the Division rose by 10%. Excluding the impact of exchange rate movements, the increase was 7%. The very strong growth in the Division's business volumes necessitated higher staffing levels and also resulted in other volume-related cost increases. The annual salary increment, increased depreciation charges and costs in recently acquired businesses were other factors in the overall growth in the Division's expenses. These were partially offset by a reduction in pension funding costs.

Life Assurance

Lifetime Assurance and New Ireland Assurance, the two channels for the Group's life and pensions business produced an excellent result, with substantial increases in both companies' business volumes and profits. Profit growth was driven by higher new business volumes, lower corporation tax rates (which had an impact of IR£15 million on the year), the beneficial impact of the buoyant stock market on fee income and business retention. In addition, the result reflects IR£5 million due to the one time impact of implementing the achieved profits method of profit recognition in Lifetime.

Good growth was achieved in all categories of business, but especially investments and pensions, and combined annual premium equivalent sales were up by 38% to IR£90 million. The dual channel strategy adopted by the Group since the acquisition of New Ireland has worked well, with the Bancassurance and Broker channels each making significant contributions to the overall business performance. The Irish Government's National Pension Policy Initiative is expected to give a stimulus to the pensions business and the Group is now well positioned to capture a significant share of this market.

Bristol & West

The results of Bristol & West for the year reflect a sound performance despite an increasingly competitive business environment.

Bristol & West, which includes Bank of Ireland Mortgages (BIM), made an operating profit before tax in its first full year as a member of the Bank of Ireland Group of Stg£131 million (IR£151 million). Operating profit before tax for the year ended March 31, 1998 of Stg£91 million (IR£92 million) represented eight months trading of the businesses acquired from Bristol & West Building Society and twelve months of BIM.

Continued commitment to dedicated distribution channels in the mortgage market has enabled Bristol & West to achieve a net residential mortgage market share in the year to March 31, 1999 of 4.8%, twice its natural market share of 2.4%. Loans and advances to customers now stand at Stg£12.0 billion, an increase of 12% year on year (1998: Stg£10.7 billion).

Bristol & West's ongoing growth and success in the mortgage market is attributed to the strength and depth of its distribution. Bristol & West has six mortgage channels: Central Mortgage Services (CMS), Intermediary Mortgage Center, BIM, Direct Mortgages, Retail Consumer and Intermediary. CMS is now recognized as a market leader in the packaged mortgage market and lent Stg£1 billion in the year to March 31, 1999.

Bristol & West is committed to a program to reshape its cost base. This represents an ongoing commitment to improving business practice, and is expected to deliver significant cost and productivity efficiencies with the aim of achieving upper quartile peer group performance over the next three years.

Lending quality and control are areas of key importance for Bristol & West's continued success. Over the year, the underlying quality of the loan portfolio has improved and the percentage of the residential mortgage book which is three months or more in arrears has decreased which is reflected in a substantial reduction in loan balances under provision.

The mortgage and savings market remained highly competitive throughout the year with added pressure from new entrants, resulting in a decline in the Bristol & West net interest margin of 13 basis points.

A strong performance in FSA regulated products and profits on gilt sales helped other income rise to Stg£73 million. Other income for the year ended March 31, 1998 was Stg£42 million, representing eight months trading of the businesses acquired from Bristol & West Building Society and twelve months of BIM.

Corporate and Treasury

Profit before tax increased by 30% to IR£109 million with exceptionally strong performances in each of the individual businesses.

Corporate Banking maintained its leading position in the Irish market through a highly focussed relationship management service to key domestic and multinational companies. Strong volume growth was achieved in both the domestic and international businesses with lending and resources increasing by 20% and 27% respectively over the previous year. Several major syndicate financings were concluded with the Bank acting as a lead or co-lead manager. A number of innovative structured solutions were also developed and provided to customers in financing fixed asset investments. The transition to a new electronic banking cash management service for commercial customers has commenced and the first phase of this major investment will be completed during 1999. The service will provide direct dial and internet access utilizing the latest available security encryption and digital signature technology.

The international asset and structured finance business based in the International Financial Services Center (IFSC) continues to develop strongly. The business was well positioned to avail of the opportunity to purchase high quality investment grade assets at enhanced yields as a number of international institutions divested following the global economic turmoil experienced during 1998. Strong growth was also recorded in leveraged acquisition, project and structured finance portfolios. Asset quality overall in Corporate Banking remains at a very high level.

Treasury had an outstanding year and contributed substantially increased profits over the previous period. The year was marked by erratic and turbulent market conditions leading up to the launch of the euro on January 1, 1999. Successful interest rate convergence positioning together with significant growth in customer driven activity, primarily with the commercial, institutional and IFSC sectors supported the exceptional results in Treasury. The introduction of the euro provided significant opportunities, which will not be available to the same extent in the coming year. Robust risk management systems operated very effectively throughout the year and Treasury very successfully managed the operational transition to the euro having thoroughly prepared over the last three years.

Private Banking, which is now ten years in existence, enjoyed another year of significant growth while at the same time maintaining excellent satisfaction ratings with its customers.

Other Group Activities

Profits in Other Group Activities increased by 22% to IR£78 million. Business activities, in which profits were 27% ahead of the prior year, accounted for IR£20 million of the increase. The cost of the Bank of Ireland Millennium Scholars Trust has been included in Other Group Activities.

Bank of Ireland Asset Management reported strong growth in profits and in assets under management, the latter up 21% to IR£29 billion at year-end. North American clients represented 44% of the total. Apart from US assets, which continue to grow at an encouraging pace, volumes were also ahead in the Republic of Ireland, the UK, Australia and South Africa. Operations commenced in Japan in early 1999, focusing on institutional investors. While this is a long term project, the Japanese institutional market is the second largest in the world after the USA and consequently offers substantial potential opportunity for a successful funds manager.

Profits were also well ahead in Davy Stockbrokers. Buoyant stock markets generated increased trading volumes by both private and institutional investors and Davy maintained its market leadership in the Irish broker market. Bank of Ireland Securities Services grew substantially. Total assets under administration at year-end were IR£54 billion up by 24% on the previous year.

Citizens

The Group sold its 23.5% shareholding and other interest in Citizens to the Royal Bank of Scotland on September 3, 1998.

Financial year ended March 31, 1998 compared to financial year ended March 31, 1997

In the twelve months to March 31, 1998 the Group achieved a substantial increase in profits, with income from ordinary activities before taxation of IR£530 million, 34% ahead of the figure for twelve months to March 31, 1997 of IR£396 million. These results reflect satisfactory trading performances across the spectrum of business activities in the Group.

Retail Division

Retail Division reported pre-tax profits of IR£208 million for the year ended March 31, 1998, an increase of 1.6% on the previous year. Excluding expenditure on Year 2000, EMU and excluding a non-designated specific provision for loan losses, profit increased by 15%.

Divisional income was up by 12.8% on the prior year. Net interest income increased by 10.7% despite further margin contraction.

The Division achieved significant volume growth and market share gains in key business lines. This reflected economic buoyancy in the Republic of Ireland and favorable economic conditions in Northern Ireland and Britain. Significantly improved customer service and enhanced sales management processes also contributed to this performance.

In Business Banking, advances volumes in the Republic increased by 16% and resources (credit balances and deposits) also showed strong growth. Leasing advances by Bank of Ireland Finance grew by 24%. Increased focus on the business market and development of skills in specialist sectors have been a priority. The Division continues its support of the Small and Medium Enterprise sector (“SME”) with a range of new and expanded initiatives, including the appointment of a manager to oversee services to women in business.

In the area of Savings and Investments, the Division’s resources grew by 15% in the year to March 31, 1998, reflecting strong inflows of savings. There were also exceptional inflows into the Group’s investment products.

In the Residential Mortgage market, Retail Division increased market share of new lending in the Republic to 21%. This performance was achieved in a very competitive market while maintaining our conservative lending criteria in the face of rapidly rising residential property prices.

In the Consumer Lending area, advances volumes grew by 21% in the year to March 31, 1998. Telephone-based selling of consumer lending showed a marked increase and will be a major channel for distribution of this product in the future. New motor related lending grew by over 40%.

A reduction of 17 basis points in net interest margin reflected a narrowing of margins in both resources and lending.

Non-Interest income improved by 17.9% particularly from higher income in Credit Cards, International Banking and First Rate.

Our Credit Card business performed exceptionally well in the face of intensified competition. New card sales were up 18% and turnover increased by 24%.

Bank of Ireland acquired the American Express card franchise in Ireland in 1998. This is expected to increase the Bank's card base significantly in the high net worth segments.

There was considerable volatility in foreign exchange markets during the year and business volumes in International Banking showed strong growth. First Rate retained the contract to provide foreign exchange through Post Office Counters in the U.K. and also acquired Active Business Services, a niche payment processing business based in the U.K.

Loan losses continued to be very low and the losses attributable to the Division, at 0.30% of advances although higher than last year, remain at a very satisfactory level. Asset quality remains strong in all the Division's businesses, reflecting the buoyant economic conditions and a continuing focus on sound credit management.

Year on year, costs in the Division increased by 16%. The growth in costs was particularly impacted by the Year 2000 and EMU program, exchange rate movements, the acquisition of Active Business Services, investments in emerging delivery channels (Internet and Telephone Banking), as well as set up costs in relation to a proposed technology joint venture. Together these contributed half of the growth in costs.

Bank of Ireland led the market in the provision of Internet based services and over 6,000 customers are now using this service. The use of telephone banking doubled in 1997/98, during which the services handled approximately 1.5 million calls.

Customer satisfaction levels improved further during the year. The Retail Division is continuing to introduce improvements to product and service delivery. There is an increasing emphasis on training and developing our people to meet customers' changing needs.

Life Assurance

Following the acquisition of New Ireland Assurance, the Group's life assurance operations, previously reported under Other Group Activities, are reported separately.

Lifetime Assurance had a very good year with substantial increases in business volumes and profits, with annual premium equivalent sales up 29%. Lifetime had IR£1 billion in customer funds under management at year end.

Lifetime profits increased by IR£14.3 million or 112% over the previous year due to the benefit of increased new business volumes, release of profit on business written in previous years including favorable experience on mortality and persistency in retaining business as well as the favorable impact of some non-recurring items of income.

The acquisition of New Ireland Assurance was completed on December 24, 1997. New Ireland provides the Group with an excellent product range, a highly skilled staff and a valuable additional channel through which to reach the growing domestic life assurance and pensions markets. New Ireland will continue to offer its products under its brand and through its existing channels, while Lifetime will maintain its focus on the Bank of Ireland branch network.

The profits reported by New Ireland from December 24, 1997 to March 31, 1998 include some exceptional gains (driven by the strong performance of the Irish Stock Market in the first quarter of 1998) on equities held. While these profits are significant for the period to March 31, 1998, the level of equity holding for shareholder's account in New Ireland has been reviewed and a decision taken to reduce equity holdings to avoid unduly volatile earnings in future years.

Bristol & West Group

Bristol & West became a member of Bank of Ireland Group on July 28, 1997. The results of Bristol & West reflect trading from this date until March 31, 1998 and also include the results of Bank of Ireland Mortgages for the full twelve-month period.

Profit before tax, at IR£92 million, is fully in line with expectations and is regarded as very satisfactory. Of this amount, IR£15.3 million was contributed by BIM, an increase of 13% on the previous year. The contribution from the newly acquired business more than exceeds the interest income that would otherwise have been earned during the period on the capital deployed on the acquisition and as such represents a significant enhancement to Group earnings.

Bristol & West has made good progress in its chosen markets-mortgages, savings and investments. It is performing very well in an increasingly competitive mortgage market with gross new residential and commercial lending of Stg£1,802 million in the full twelve months.

Direct Mortgages, a distribution channel introduced in January 1997, accounts for 5% of Bristol & West's new residential lending.

Bristol & West had a national market share of gross residential lending of 2.8% in the eight months to March 31, 1998, compared to a natural market share of 2.3%.

In a highly competitive savings market there have been substantial inflows into Bristol and West's range of bonds and postal savings accounts which have offset outflows following the payment of conversion bonuses.

Overall, retail deposits increased by 2% in the eight months to March 31, 1998.

The investment side of the business which markets products such as single premium bonds, PEPs and guaranteed equity products made a significant contribution to fee based income.

Corporate & Treasury

Profit before tax in the Division increased by 14% to IR£84 million in the year to March 31, 1998 with strong performances in each of the component businesses.

Corporate Banking played a key role during the year in assisting major companies in their organic and acquisition driven growth. A large number of substantial transactions were completed comprising conventional structured, big ticket leasing and private placement facilities. Bank of Ireland International Finance, based in the International Financial Services Center (IFSC), which participates in the international asset finance markets, significantly broadened its export earning activities by further developing its syndication business in project and leveraged acquisition finance principally in the U.K. and European markets. Strong volume growth was achieved in Ireland and overseas with lending and resources volumes up 24% and 26%, respectively. Asset quality was maintained at a high level. The Group's exposure to Asian markets is relatively modest.

Group Treasury performed exceptionally well in volatile market conditions and significantly increased its profit over a strong prior year performance. Good positioning in interest rate markets and substantially increased foreign exchange turnover from corporate and institutional customers enabled Treasury to capitalize on the currency volatility that was a feature for much of the year. Risk exposures were very successfully managed.

The Bank centralized its worldwide treasury operation within the IFSC and the transfer of the New York Treasury business to Dublin was completed during the year. This was achieved without disruption to customers and the relocation has been very successful both in terms of operating efficiency and business retention. Opening hours in the IFSC have been extended to cater for the needs of customers who previously traded through New York.

Preparations for EMU were well advanced during the year and a comprehensive customer relations programme was launched.

Private Banking, which provides banking, investment and wealth planning services exclusively to individuals with substantial assets or income, had a highly successful year.

Having established a strong reputation for its product offering and service delivery, Private Banking is now benefiting from the increasing affluence and wealth creation that has become a feature of Ireland's economic success. Profits and business volumes were substantially up on the previous year.

Other Group Activities

Profits earned on the business activities included in Other Group Activities increased by IR£27 million or 67% in the year to March 31, 1998. Earnings on central capital included with Other Group Activities declined principally due to the redeployment of surplus capital in the value enhancing acquisition of Bristol & West.

Bank of Ireland Asset Management increased its funds under management by 78% in the year to March 31,1998. At year-end, assets under management totaled IR£24.3 billion, of which U.S.$13.4 billion was accounted for by its North American operations and IR£1.7 billion was transferred from New Ireland.

Bank of Ireland Securities Services performed strongly. Its alliance with State Street Bank and Trust Company has proved beneficial to both parties and has supported a strong increase in business volumes. Total assets under administration amount to IR£43.3 billion.

IBI Corporate Finance was very active in the period under review and experienced the highest level of revenue in its history.

It was involved in a number of very significant transactions including the merger of Avonmore Foods and Waterford Foods to form Avonmore Waterford Group, the acquisitions by Bank of Ireland of New Ireland and Bristol & West and the flotation of Ryanair plc.

Davy Stockbrokers increased its profit contribution substantially with particularly strong growth in the equity and private client side of the business.

Trust Services increased its volumes for both Personal and Corporate clients. Demand was particularly strong for Estate Planning, where sharply increased wealth creation has given rise to the need for succession planning.

Citizens

The Group's share of the profits of Citizens for the year to March 31, 1998 was IR£55 million which includes a credit of IR£3.8 million from the release of a provision set up when FNH and Citizens merged. The improvement in the result was substantially driven by efficiencies arising from the full integration into Citizens of First NH Bank.

ANALYSIS OF FINANCIAL CONDITION

Capital Resources

The following table sets forth the Group's capital resources at March 31, 1999, 1998 and 1997.

	Financial Year Ended March 31,		
	1999	**1998**	**1997**
	(in IR£ millions)		
Stockholders' funds			
Equity	2,085	1,416	1,256
Non-equity	163	165	156
Minority interests			
— equity	2	3	2
— non-equity	62	64	—
Undated capital notes	453	482	348
Dated capital notes	641	664	370
Total capital resources	3,406	2,794	2,132

In the year ended March 31, 1999, total Group Capital resources increased by IR£612 million to IR£3,406 million.

The retained operating profits together with the gain on the disposal of the Group's interest in Citizens and other movements resulted in an increase in Stockholders' funds of IR£667 million. Lower exchange rates resulted in a lower translation of dated and undated capital notes. During the year US$29.7m of undated variable rate notes were redeemed. As a result, the Group's capital base has improved substantially with the Tier 1 and Total Capital ratios at March 31, 1999 rising to 9.0% and 13.0% respectively.

In the year to March 31, 1998 total capital resources increased from IR£2,132 million to IR£2,794 million, an increase of 31% over the preceding year. Retentions for the Group amounted to IR£203 million. During that year the Group placed, on a non-pre-emptive basis, 23.5 million units of Ordinary Stock at a price of IR£846.5p per IR£1 unit. In addition, US$95 million of floating rate capital notes 2002 and US$100 million of undated variable rate notes were redeemed during that year. The Bank issued US$175 million in dated subordinated floating rate notes 2007 in September 1997. The acquisition of Bristol & West resulted in additional subordinated liabilities of Stg£75 million (13 3/8 Perpetual Subordinated Bonds), which were re-valued as part of the fair value adjustments on acquisition at IR£153 million, Stg£60 million (10 7/8% Subordinated Bonds 2000) and Stg£75 million (10 ¾% Subordinated Bonds 2018). Acquisitions resulted in goodwill write-offs of IR£414 million during the financial year to March 31, 1998. The additional IR£64 million of non-equity interests represents Stg£52 million 8 1/8% non-cumulative preference shares of Stg£1 each of Bristol & West. Bank of Ireland holds 33.6% of these shares.

Capital Adequacy Requirements

It is the Group's policy to maintain a strong capital base, to seek to expand this where appropriate and to utilize it efficiently in the Bank's development as a diversified international financial services group. Long-term debt, undated capital notes and preference stock are raised in currencies other than Irish pounds to help maintain a prudent relationship between the capital base and the underlying currency risks of the Group's business.

Bank of Ireland Group's capital resources policy has been developed within the supervisory requirements of the Central Bank of Ireland, which applies a risk-asset ratio as the measure of capital adequacy, and with reference to guidelines issued in 1988 by the Basle Committee and capital adequacy requirements set by the European Union. See "Item 1 Description of Business — Supervision and Regulation — Ireland". The basic instrument of capital monitoring is the risk-asset ratio as developed by the Basle Committee. This ratio derives from a consideration of capital as a cover for the credit and market risks inherent in Group assets. Capital is defined by reference to the European Union Own Funds Directive ("OFD") and Capital Adequacy Directive ("CAD"), and is divided into "Tier 1" capital — consisting largely of shareholders' equity, "Tier 2" capital — including general provisions and debt capital instruments, and "Tier 3" capital — including short-term subordinated loan capital and net trading book profits. Assets (both on and off balance sheet) are weighted to allow for relative risk according to rules derived from the European Union Solvency Ratio Directive.

The target standard risk-asset ratio set by the Basle Committee is 8%, of which the Tier 1 element must be at least 4%. The minimum risk-asset ratio is set by the Central Bank of Ireland and satisfies capital adequacy requirements of the EU which took effect on January 1, 1993.

Capital Adequacy Data

The following table shows the components and basis of calculation of the Group's Tier 1 and Total capital ratios for the three years to March 31, 1999.

	Financial Year ended March 31,		
	1999	**1998**	**1997**
	(in IR£ millions, except percentages)		
Adjusted Capital Base			
Tier 1 capital	2,201	1,580	1,365
Total capital	3,176	2,479	2,020
Risk Weighted Assets			
Banking book	23,628	21,150	11,799
Trading book	888	884	622
Total	24,516	22,034	12,421
Capital Ratios			
Tier 1 capital	9.0%	7.2%	11.0%
Total capital	13.0%	11.3%	16.3%

In the year to March 31, 1999 the Tier 1 capital ratio increased to 9.0% from 7.2% at March 31, 1998 and the Total capital ratio increased from 11.3% to 13.0%. The Group continues to be well capitalized.

In the year to March 31, 1998 the Tier 1 capital ratio decreased to 7.2% from 11.0% at March 31, 1997 and the Total capital ratio decreased from 16.3% to 11.3%. The Group had built up surplus capital at March 31, 1997 in anticipation of the acquisition of Bristol & West and following completion, the Tier 1 and Total capital ratios decreased. The Group's capital ratios were largely unaffected by the acquisition of New Ireland Assurance, as it was mainly funded through a stock placing.

RISK MANAGEMENT AND CONTROL

The Court of Directors approves policy and limits with respect to credit risk, market risk and liquidity risk and has delegated its monitoring and control responsibilities to the Group Credit Committee for credit matters and the Group Asset and Liability Committee for market risk and liquidity. The Court also approves policy in respect of operational risk management and has delegated its monitoring and control responsibilities to the Group Operational Risk Committee and Executive Management. Membership of these committees consists of senior management.

Group Financial Control, Group Internal Audit and Group Compliance are central control functions, independent of line management, whose roles include monitoring the Group's activities to ensure compliance with financial and operating controls. The general scheme of risk, financial and operational controls is designed to safeguard the Group's assets while allowing sufficient operational freedom to earn a satisfactory return to Stockholders.

CREDIT RISK

The Group is currently implementing an enhanced credit risk management project in line with best industry practice in loan rating/credit risk modeling, economic capital allocation, loan pricing and strategic loan portfolio management, including identification and control of concentration risk.

The initial step — a new risk rating system for larger lending, is now in place for most business lending and provides more objective risk quantification down to loan facility level. This is actuarially based, reflecting the Group's historical loan loss record, blended with industry wide loss experience and is consistent with rating agency scales. The completion of this step has also facilitated the streamlining of the Group's credit process to more cost effectively focus senior management attention on the basis of inherent risk.

The implementation of the second step, including economic capital allocation, Risk Adjusted Return on Capital, loan pricing and customer profitability, will be completed by Autumn 1999 for most of the business lending book and will replace the existing Return on Equity approach. Desktop software will enhance the ability of business relationship managers to structure loans, negotiate with customers and more effectively price for risk.

The final step in this project — integrating the previous steps into a full loan portfolio management system will be completed in 2000. This will facilitate the more precise identification and control of credit risk management concentrations and guide strategic decisions on loan portfolio composition and overall capital allocation. It will be consistent with and complement the ongoing Value Based Management initiatives to enhance shareholder value.

Discretionary Authorities

The Bank of Ireland Group has a credit risk management system which operates through a hierarchy of exposure discretions. All exposures above a certain level require the approval of the Group Credit Committee, which is comprised of senior executives some of whom are Executive Directors and which is empowered to decide on matters of credit policy within overall credit policy approved by the Court. Exposures below Group Credit Committee's discretion are approved according to a system of tiered exposure discretions.

Individual lending officers are allocated discretionary limits according to credit competence, proven judgement and experience. The discretionary limits exercisable by lending officers vary depending on the nature and scale of lending in these units. Lending proposals above the relevant discretionary limits are referred to an Area/Divisional Credit Department or to the central Group Credit Control Department for independent assessment and subsequent adjudication by the appropriate discretionary authorities including Heads of Divisions, Senior Executives and the Group Credit Committee.

Credit Policy

The core values and main procedures governing the provision of credit are laid down in a Group Credit Policy document. This has been approved by Group Credit Committee and the Court of Directors and is reviewed regularly. This is supplemented by individual Unit Credit Policies which are in place for each Unit involved in lending. These Unit Credit Policies define in greater detail the credit approach appropriate to the Units concerned, taking account of the markets in which they operate and the products they provide. Clear procedures for the approval and monitoring of exceptions to policy are contained in each Unit Credit Policy. Each Unit Credit Policy is approved by Group Credit Committee and is subject to regular review with material changes requiring Group Credit Committee approval.

In a number of cases these Unit Credit Policies are supplemented by Sectoral Credit Policies. These policies are reviewed regularly and material changes are approved by Group Credit Committee. Lending caps are imposed when it is considered appropriate to limit exposure to certain industry sectors.

In the case of branch banking, a number of Sectoral Guidelines have been developed setting out the key factors to be taken into account in lending decisions — the structure of the industry, the nature of the companies involved, the typical financial structure of companies in the industry — and providing guidance on the structuring of credit facilities to companies in the industry.

An independent function, Group Credit Review ("GCR"), reviews the quality and management of risk assets across the Group. GCR normally reviews a sample of lending in all units at least annually and provides comment on the quality and adequacy of overall credit management standards, credit analysis, grade management and accuracy, compliance with credit policy and other control procedures. The Group Credit Committee also reviews risk asset quality on a quarterly basis.

Country/Bank Limits

For countries in which the Group has a substantial presence (i.e., Ireland and the United Kingdom) no specific country limits are in place. Instead lending is subject to Unit and Sectoral Credit Policies described above. Exposure limits and Maturity limits for other countries with which the Group wishes to deal are approved annually by the Directors on the recommendation of the Group Credit Committee (who in turn review the limits on a quarterly basis). The limits are based on gradings applied to each country which reflect the Group's perception of risk and willingness to accept future exposures. For countries graded below AA and whose limits exceed IR£2 million an in-house economic/political risk model is used in determining gradings.

Maximum limits on exposures to banks are approved annually by the Directors on the recommendation of the Group Credit Committee. Banks are risk graded on the basis of an assessment of each bank's creditworthiness. Maximum exposure and maturity limits are set separately for direct/cash, presettlement/rewriting, contingent and settlement risks for each grade of bank and individual limits are set within these, based on business need.

Credit Grading/Assessment

The quality of all Group lending is monitored and measured using a credit grading system, the objectives of which are to provide an accurate measure of the underlying quality of the Group's loan portfolio, to facilitate early identification of any deterioration in quality and to enable management to focus on problem loans as soon as weaknesses begin to emerge.

Review

All loans and grades are reviewed at least annually (except for small personal loans which are operating within the terms of their approval and installment credit and residential mortgage loans which are conforming to a regular repayment schedule). Where the credit grade indicates some vulnerability or deterioration in the condition of the borrower, more frequent reviews are carried out. Reviews consist of an analysis of current financial information and discussions with the borrower and incorporate an evaluation of the current financial stability and liquidity of the borrower, the feasibility of the borrower's plans and projections in the context of the sector in which the borrower operates, the manner in which the account is operated by the borrower and the adequacy of security cover.

The Group Credit Committee also reviews the Group's provisions for lending losses twice each year. New large specific provisions are reported to the Group Credit Committee as they occur.

Provisions and Allowances for Loan Losses

Movement in provisions for loan losses is charged to profit and added to specific or general provisions as appropriate. Any subsequent write-off (charge-off) is charged against the specific allowances.

A specific provision is made against a loan when, in the judgment of management, the repayment realizable from the borrower, including the realizable value of the available security, is insufficient to meet the principal of and interest outstanding on the loan. The amount of the provision is the difference between the amount outstanding and the estimated amount recoverable.

The Group's general provision recognizes that a loan portfolio contains loans which are impaired but have not yet been specifically identified as such and provided for on an individual basis. The general provision is not, therefore, allocated to specific loans or sectors. The general provision comprises an element which is determined by the quality of the loan portfolio, as evidenced by the grade profile, and a non-designated element, for prudential purposes. The element relating to the grade profile is calculated by applying risk weightings to the volume of loans in each grade other than provision grades. The weightings are reviewed annually and are based on an analysis of the underlying risks associated with each grade, taking into account current and prospective economic and sectoral trends. The non-designated element, against which a deferred tax asset has been recognized, will be offset, in certain pre-defined circumstances, against specific loan losses as they crystallize in future years.

When management determines that a full or partial write-off on a loan is appropriate, the amount of the write-off is applied against the specific provision to reduce the debt to its estimated realizable value. It is practice for banks in Ireland and the United Kingdom to delay write-off until the realization of security or alternative recovery action has been completed or the required full or partial write-off can be predicted with a high degree of certainty. Accordingly, the Group does not, in the normal course, expect to recover amounts charged off in respect of activities outside the United States to the same extent as in the United States.

There are differences between the provisioning policies generally applied in the United States and those applied in Ireland and the United Kingdom. Outside of its U.S. operations, until such time as its payment is considered to be doubtful, the Group continues to accrue interest on outstanding balances.

This interest is charged to the account but is offset by the creation of a specific provision in respect of the amount considered doubtful. In contrast, banks in the United States typically stop accruing interest when loans become overdue by 90 days or more. As outlined above, banks in the United States also charge off loans more rapidly than is the practice in Ireland or the United Kingdom. The cumulative effect of these policies is to increase the relative size of the Group's loan portfolio and the allowance for lending losses, and so to increase the Group's provisioning ratios, compared with those which would result from the adoption of U.S. provisioning policies. In comparison with such policies net income is not affected.

There is also a difference between the provisioning methodology for residential mortgages applied in Ireland and that in the United Kingdom. In Ireland, the aggregate of individual loan loss provision figures represents the total provision reported in the financial accounts. In the United Kingdom, the figure reported in the accounts is the aggregate of individual provisions, discounted by a factor. The factor reflects the percentage of provisions which, in the Bank's experience, have historically crystallized as actual loan losses. This is a less conservative approach to that employed in Ireland but is in line with accepted practice in the United Kingdom mortgage sector.

Market Risk

Market risk is the potential adverse change in Group income or the value of Group net worth arising from movements in interest rates, exchange rates or other market prices. Market risk arises from the structure of the balance sheet, the execution of customer and interbank business and proprietary trading. The Group recognizes that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of stockholder value and the achievement of the Group's corporate objectives.

The Group's exposure to market risk is governed by policy approved by the Court of Directors. This policy sets out the nature of risk which may be taken, the types of financial instruments which may be used to increase or reduce risk and the way in which risk is controlled. In line with this policy, the Court approves aggregate risk limits and receives a quarterly report of compliance with these limits.

Based on these aggregate limits, the Group Asset and Liability Committee (ALCO) assigns risk limits to all Group businesses, and compliance with these limits is monitored by the Committee. Material exposure to market risk is permitted only in specifically designated business units. In other units market risk is eliminated by way of appropriate hedging arrangements with Group Treasury which is responsible for the centralized management of Group market risk.

Market risk throughout the Group is subject to independent measurement, reporting and control.

Interest Rate Risk

Trading Book

The interest rate trading book consists of Group Treasury's mark to market interest rate book and small bond positions which may arise in J & E Davy through the execution of client business. During the course of the year, trading book risk was predominately concentrated in the euro constituent currencies and in Sterling, though positions were also taken in a number of other developed country markets.

The instruments in which interest rate risk was taken in the trading book include Government securities, interest rate futures, options on interest rate futures, FRAs, forward foreign exchange, swaps and interest rate caps. Foreign exchange risk was taken almost exclusively in the spot market.

Value at Risk (VaR) is used to measure and set limits on interest rate risk in the Group's trading books. VaR provides an estimate of the potential mark-to-market loss on a set of exposures over a specified time horizon at a defined level of statistical confidence. The time horizon is 1 day and the confidence level is 97.5%. This implies that, on any given day, the VaR figure provides an estimate of the potential loss over a 1 day period which has no more than a 2.5% probability of being exceeded.

The VaR system uses the variance — covariance matrix approach. Interest rate risk positions are represented in terms of exposure to 14 key points on the relevant currency yield curve. For the purpose of measuring exposure against limits, VaR is calculated using a variance-covariance matrix which has been estimated on the preceding 6 months' daily data using simple unweighted estimation.

Management recognizes that VaR is subject to certain inherent limitations. The past will not always be a reliable guide to the future and the statistical assumptions employed may understate the probability of very large market moves. For this reason, VaR limits are supplemented by a range of controls which include position limits and loss tolerances. The Group backtests the VaR model using historic simulation of hypothetical positions which are representative of the trading risks actually taken. The results of these backtests have been very supportive of the reliability of the Group's VaR methodology.

During the financial year ended March 31, 1999, the average VaR of the Group's interest rate trading book was IR£0.9m. The maximum VaR was IR£1.4m, the minimum VaR IR£0.5m and the VaR on March 31, was IR£0.5m.

The interest rate VaR of the Group's combined trading books at March 31, 1998 was IR£0.8m.

Non Trading Book

The Group's non trading book consists of its retail and corporate deposit and loan books, as well as Group Treasury's interbank cash books and its investment portfolio. In the non Treasury areas interest rate risk arises primarily from the Group's fixed rate mortgage business in Ireland and the UK. The exposure in these books is managed using interest rate swaps and other conventional hedging instruments.

For analytical and control purposes, VaR is applied to Group Treasury's non trading books and is also used in Bristol & West, although these are accrual accounted for financial reporting purposes. In the other non-Treasury businesses, sensitivity analysis is used to measure and control interest rate risk. This analysis involves calculating exposure in net present value terms to a 1% parallel shift of interest rate curves. This is supplemented by estimates of the maturity distribution of this exposure using a methodology which provides estimates of the sensitivity of positions to selected points on the yield curve.

In calculating exposures, undated assets and liabilities (principally non-interest bearing current accounts, capital and fixed assets) are assigned a duration equivalent to that of a portfolio of coupon-bearing bonds with an average life of 4 years. The analysis then proceeds as though these items were constant-maturity dated liabilities.

All of the Group's material non-trading exposure is in euro and Sterling. At the end of March, the Group's exposure to a parallel upward shift in the euro and Sterling yield curves (including exposure on Treasury's non-trading books which is not reflected in the VaR quoted above) was IR£4.8m (1998: IR£8.8m) and IR£22.7m (1998: IR£24.7m) respectively.

The tables below provide an indication of the repricing mismatch in the Group's euro and Sterling banking books at March 31, 1999. For the major categories of assets and liabilities, these "gap" tables show the volumes maturing in selected maturity bands, taking account of any amortization of principal. Items are allocated to time bands by reference to the earlier of the next interest rate repricing date and the maturity date. A net asset position in a particular time period indicates an exposure to a rise in interest rates when these net volumes are re-financed.

The tables show actual on-balance sheet volumes and net off-balance sheet amounts. In the case of undrawn fixed rate lending where the Group is effectively committed in price terms and there is a higher degree of predictability in relation to the expected drawdown — notably in relation to the mortgage pipeline — the expected drawn volumes have been included in the table. These tables exclude trading assets of the Group and assets and liabilities denominated in currencies other than euro and Sterling. The Group has no material prepayment or option like exposure in its non trading book.

Interest Rate Repricing — Euro

	Not more than three months IR£m	Over three months but not more than six months IR£m	Over six months but not more than one year IR£m	Over one year but not more than five years IR£m	Over five years IR£m	Non interest bearing IR£m	Total IR£m
Assets							
Central Government bills and other eligible bills	60	—	—	—	—	—	60
Loans and advances to banks	842	573	20	—	—	3	1,438
Loans and advances to customers	5,432	704	592	1,931	620	312	9,591
Debt securities and equity shares	415	86	—	278	52	—	831
Other assets	4	21	16	75	—	1,628	1,744
Total Assets	6,753	1,384	628	2,284	672	1,943	13,664
Liabilities							
Deposits by banks	1,748	328	—	—	—	106	2,182
Customer accounts	8,313	225	273	383	181	1,795	11,170
Debt securities in issue	10	—	—	3	—	—	13
Other liabilities	115	28	1	—	—	522	666
Minority interests and shareholders' funds	—	—	—	—	—	1,137	1,137
Total liabilities	(10,186)	(581)	(274)	(386)	(181)	(3,560)	(15,168)
Net amounts due from/to Group units	1,088	131	12	(19)	(139)	544	1,617
Off balance sheet items	(307)	30	116	80	81	—	—
Interest rate repricing gap	(2,652)	964	482	1,959	433	(1,073)	—
Cumulative interest rate repricing gap	(2,652)	(1,688)	(1,206)	753	1,186	113	—

Interest Rate Repricing — Sterling

	Not more than three months IR£m	Over three months but not more than six months IR£m	Over six months but not more than one year IR£m	Over one year but not more than five years IR£m	Over five years IR£m	Non interest bearing IR£m	Total IR£m
Assets							
Treasury bills and other eligible bills	457	—	—	—	—	—	457
Loans and advances to banks	272	2	—	—	—	19	293
Loans and advances to customers	10,388	464	1,085	6,000	292	—	18,229
Debt securities and equity shares	464	116	76	360	—	—	1,016
Other assets	169	9	1	—	—	433	612
Total Assets	11,750	591	1,162	6,360	292	452	20,607
Liabilities							
Deposits by banks	1,856	109	228	—	—	—	2,193
Customer accounts	12,319	698	620	468	123	294	14,522
Debt securities in issue	305	35	6	—	—	—	346
Other liabilities	—	3	1	—	—	842	846
Loan capital	307	—	—	—	352	—	659
Minority interests and shareholders' funds	—	—	—	—	—	1,141	1,141
Total liabilities	(14,787)	(845)	(855)	(468)	(475)	(2,277)	(19,707)
Net amounts due from/to Group units	(616)	191	(12)	(289)	141	1,175	590
Off balance sheet items	3,839	(239)	(206)	(3,335)	(59)	—	—
Interest rate repricing gap	186	(302)	89	2,268	(101)	(650)	—
Cumulative interest rate repricing gap	186	(116)	(27)	2,241	2,140	1,490	—

Foreign Exchange Risk

Trading Risk

Traded foreign exchange risk is almost entirely confined to Group Treasury and arises from normal commercial and interbank foreign exchange business and from proprietary trading. It is controlled by way of limits on open positions where the limits take account of the volatility of the exchange rates in question. The Group's open position (the sum of all long or short positions) was IR£11.4m at March 31, 1999. The peak position during the year was IR£327m. This reflected a DM/Irish pound position created by the repatriation, via DMs of the proceeds of the Group's divestment of its interest in Citizens.

At March 31, 1999 the Group's traded foreign exchange position was as follows:

	IR£m
EUR/GBP................	2.6
EUR/USD................	—
Other.......................	8.8
Total open position ...	11.4

Looked at in terms of exchange rate sensitivity, the impact of a 10% appreciation of the euro against all other currencies at March 31, would generate a profit of IR£0.4m (1998: IR£0.6m).

Structural Risk

Structural foreign exchange risk is defined as the Group's non trading net asset position in foreign currencies. Structural risk arises almost entirely from the Group's net investment in its sterling based subsidiaries.

A structural open position in a particular currency can also be considered to be a measure of that part of the Group's capital which is denominated in that currency. In considering the most appropriate structural foreign exchange position, the Group takes account of the currency composition of its risk weighted assets and the desirability of maintaining a similar currency distribution of capital. Doing so will ensure that capital ratios are not excessively exposed to changes in exchange rates. The divestment from Citizens Financial Group and the associated repatriation of capital led to an imbalance in the currency composition of capital. To address this capital imbalance, IR£200m was converted from Irish pounds to Sterling, thereby increasing the Group's structural open position in Sterling.

At March 31, 1999, the Group's structural foreign exchange position was as follows:

	IR£m
GBP	1,141
USD	33
Total structural FX position ...	1,174

The positions indicate that a 10% movement in the value of the euro against all other currencies at March 31, would result in an amount taken to reserves of IR£117m (1998: IR£78m).

At year end the currency composition of capital and risk weighted assets is broadly in line and, as a result, exchange rate movements can be expected to have a non material impact on capital ratios. However, such movements will have an impact on reserves.

Translation hedging of overseas earnings

The Group may choose to hedge all or part of its overseas earnings in a particular year, thereby fixing a translation rate for the amount hedged. In the year ended March 31, 1999, the Group sold forward Stg£128.5m at an average exchange rate of Stg£0.861 against the Irish Pound. It also sold forward US$55.5m at US$1.3886 against the Irish Pound. These dollar hedges were cancelled at market in the context of the divestment from Citizens Financial Group.

Equity Risk

The Group's stockbroking subsidiary, J&E Davy, carries small positions in Irish equities from time to time as part of its normal broking activities. These positions are subject to VaR limits.

During the first half of the financial year ended March 31, 1999, New Ireland's equity portfolio was sold through the market, leaving the Group with no long term investments in equity markets.

Operational Risk

The Basle Committee on Banking Supervision defines Operational Risk as “the risk that deficiencies in information systems or internal controls will result in unexpected loss”. The risk is associated with human error, systems failure, and inadequate controls and procedures.

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

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

The Group manages operational risk under an overall strategy which is implemented by accountable executives monitored by the Group Operational Risk Committee and supported by the Group Operational Risk Function. Potential risk exposures are assessed and appropriate controls are put in place. Recognising that operational risk cannot be entirely eliminated the Group implements risk mitigation controls including fraud prevention, contingency planning and incident management. This strategy is further supported by risk transfer mechanisms such as insurance, where appropriate.

Liquidity

It is Group policy to ensure that resources are at all times available to meet the Groups obligations arising from withdrawal of customer demand or term deposits, non renewal of interbank liabilities, the drawdown of customer facilities and asset expansion. The development and implementation of the policy is the responsibility of ALCO. The day-to-day management of liquidity is the responsibility of Group Treasury.

Limits on potential cashflow mismatches over defined time horizons are the principal basis of liquidity control. The cashflow mismatch methodology involves estimating the net volume of funds which must be refinanced in particular time periods, taking account of the value of assets which could be liquidated during these periods. Limits are placed on the net mismatch in specified time periods out to 1 year and sublimits are applied to Group Treasury’s cashflow position.

Liquidity policy is approved by the Court of Directors. The implementation of policy is the responsibility of ALCO, while day-to-day liquidity management is the responsibility of Group Treasury. The Head of Group Treasury is answerable to ALCO for all operational aspects of the management of Group liquidity.

Liquidity management

Limits on the potential cumulative net outflow over selected time horizons are the principal basis of aggregate liquidity management. These limits are applied to the following periods:

- overnight to one month
- overnight to three months.

Limits are set at an overall Group level and at the level of Group Treasury. Compliance is monitored by ALCO and ALCO reviews limits annually.

The Group also complies with internal minimum liquid asset ratios in Irish pounds, all non-Irish pounds consolidated and all currencies consolidated.

Developments in Group Liquidity

The Group is highly liquid and typically operates well within the cash flow mismatch limits and in excess of the minimum liquid asset ratios outlined above. This reflects the strong wholesale liquidity position of the Group.

Derivatives

A derivative is an off balance sheet agreement which defines certain financial rights and obligations which are contractually linked to interest rates, exchange rates or other market prices. Derivatives are an efficient and cost effective means of managing market risk and limiting counterparty exposures. As such, they are an indispensable element of treasury management, both of the Group and for many of its corporate customers.

It is recognized that certain forms of derivatives can introduce risks which are difficult to measure and control. For this reason, it is Group policy to place clear boundaries on the nature and extent of its participation in derivatives markets and to apply the industry and regulatory standards to all aspects of its derivatives activities.

The Group's derivatives activities are governed by policies approved by the Court of Directors. These policies relate to the management of the various types of risk associated with derivatives, including market risk, liquidity risk, credit risk and legal risk. Any material change in the nature of the Group's derivatives business is subject to Court approval.

The following table represents the underlying principal amounts and replacement cost of the Group's over-the-counter and other non-exchange traded derivatives at March 31, 1999 and March 31, 1998:

	March 31, 1999	March 31, 1998
	IR£m	IR£m
Exchange Rate Contracts		
Underlying principal amount....	10,093	14,469
Replacement cost....................	221	304
Interest Rate Contracts		
Underlying principal amount....	29,305	35,032
Replacement cost....................	456	216
Equity Option Contracts		
Underlying principal amount....	1,527	1,313
Replacement cost....................	625	547

The market and credit risks arising in derivatives are integrated within the Group's overall risk management systems and controls.

Nature of Derivative Instruments

The following is a brief description of the derivative instruments which account for the major part of the Group's derivatives activities:

A "swap" is an over-the-counter ("OTC") agreement to exchange cash flows based on a notional underlying amount and an agreed pair of observable market rates or indices. A "fixed-floating interest-rate swap" involves the exchange of a pre-determined set of fixed interest payments, based on an agreed notional principal, for periodically re-set floating interest payments. Swaps can also involve an exchange of two floating-rate interest payments.

A "currency swap" involves the initial exchange of principal amounts denominated in two currencies, the subsequent exchange of interest payments based on these principal amounts and the final re-exchange of the same principal amounts. The interest rates involved can be fixed/fixed, fixed/floating or floating/floating.

A "forward-rate agreement" ("FRA") is an OTC contract which fixes the rate payable on a future single-period loan or deposit. A FRA is generally settled in cash at the start of the interest-rate period to which the forward-rate applies.

A "bond future" is an exchange-traded contract which fixes the future delivery price for one of a defined basket of government bonds deliverable by the seller to the buyer.

A "forward foreign exchange contract" is an agreement which fixes the rate at which one currency can be exchanged for a second currency at a pre-determined date in the future.

An "option" provides its owner with the right to buy or sell an underlying security, currency, commodity or derivative at a pre-determined price, or in some cases receive the cash value of doing so. Options involve asymmetric rights and obligations: the owner, having purchased the option, has the right but not the obligation to transact; the seller (writer) of the option is obliged to honor its terms if the option is exercised.

Interest-rate options are traded on exchanges (of which the most important are options on interest-rate futures) and over the counter. In the case of OTC interest rate options, there are two basic instruments — "caps" (or "floors") and "swaptions". A cap places an upper limit on the rate payable on a loan; a floor is a lower limit on the rate receivable on a deposit. A cap is a sequence of options on FRAs or futures, each individually exercisable. A swaption is a single option to pay or receive a fixed rate against a periodically reset floating rate.

Other Off-Balance Sheet Instruments

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer substituting the Group's credit risk for that of the customer. The Group expects most acceptances to be presented, but is usually immediately reimbursed by the customer.

Documentary credits commit the Group to make payments to third parties on production of documents which are usually reimbursed immediately by customers. Endorsements are residual liabilities of the Group in respect of bills of exchange which have been paid and subsequently rediscounted.

Guarantees and standby letters of credit are written by a bank to guarantee the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the customer’s default, the cash requirements of the instruments are expected to be considerably below their nominal amounts.

The Group provides commercial credits to support customers’ commercial activities. Transaction-related contingencies, which include performance bonds, are commitments to third parties which are not directly dependent on the customers’ creditworthiness.

Commitments comprise revocable and irrevocable agreements to lend to customers in the future, subject to certain conditions. Such commitments are usually either made for a fixed period, or have no specific term but are cancelable by the lender subject to notice requirements. In particular, the Group may withdraw from its contractual obligations for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer. Most commitments expire without being fully drawn upon; hence the cash requirements of such commitments are considerably less than the commitment limits that are reported.

Accounting Treatment

The Group treats credit-related instruments as contingent liabilities, and these are not shown on the balance sheet unless and until the Group is called upon to make a payment under the instrument. Assets arising from payments to a third party where the Group is awaiting reimbursement from the customer are shown on the balance sheet, together with any necessary provision. Fees received for providing these instruments are taken to profit as earned. See Accounting Policy on “Derivatives” in Note 1 to the Consolidated Financial Statements.

Cash Requirements

The maximum cash requirement of a contingent liability or commitment is generally its full contractual amount.

The normal cash requirement of a market-related instrument will depend on the nature of the instrument, although the size of payments will generally vary with market conditions. If a counterparty defaults, the Group will usually replace the instrument at a cost equivalent to its current market value.

For additional information on Derivatives, see Note 33 to the Consolidated Financial Statements.

SELECTED STATISTICAL INFORMATION

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 three years ended March 31, 1999. 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.

Bristol & West is included in the year ended March 31, 1998 for the period from July 28, 1997 to March 31, 1998 and New Ireland is included for the period from December 24, 1997 to March 31, 1998.

	Financial Year Ended March 31,								
	1999			1998			1997		
	Average Balance IR£m	Interest IR£m	Rate %	Average Balance IR£m	Interest IR£m	Rate %	Average Balance IR£m	Interest IR£m	Rate %
ASSETS									
Loans to banks									
Domestic offices	4,064	208	5.1	3,354	193	5.8	2,251	119	5.3
Foreign offices	324	20	6.2	576	38	6.5	578	30	5.2
Loans to customers(1)									
Domestic offices	9,390	686	7.3	7,766	698	9.0	6,809	563	8.3
Foreign offices	15,732	1,208	7.7	9,582	817	8.5	4,014	319	7.9
Funds sold									
Domestic offices	—	—	—	—	—	—	—	—	—
Foreign offices	—	—	—	5	—	2.0	17	1	5.5
Central government and other eligible bills									
Domestic offices	9	—	2.3	19	1	4.6	52	3	4.8
Foreign offices	269	17	6.5	—	—	—	—	—	—
Debt Securities									
Domestic offices	2,588	155	6.0	2,476	157	6.3	2,386	158	6.6
Foreign offices	882	69	7.8	719	51	7.1	356	24	6.7
Installment credit									
Domestic offices	116	10	8.8	58	5	9.3	21	2	10.3
Foreign offices	277	29	10.6	196	21	10.6	158	16	10.3
Finance lease receivables									
Domestic offices	1,074	57	5.3	732	44	6.0	339	23	6.9
Foreign offices	46	2	4.4	60	3	5.0	54	3	5.5
Total interest-earning assets									
Domestic offices	17,241	1,116	6.5	14,405	1,098	7.6	11,858	868	7.3
Foreign offices	17,530	1,345	7.7	11,138	930	8.3	5,177	393	7.6
	34,771	2,461	7.1	25,543	2,028	7.9	17,035	1,261	7.4
Allowance for loan losses	(282)			(222)			(164)		
Non interest earning assets(2)	5,675			3,490			2,318		
Total Assets	40,164	2,461	6.1	28,811	2,028	7.0	19,189	1,261	6.6
Percentage of assets applicable to foreign activities	45.27%			40.18%			27.70%		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits by banks									
Domestic offices	3,068	181	5.9	1,967	128	6.5	1,448	61	4.2
Foreign offices	1,050	66	6.3	533	32	6.0	603	52	8.6
Customer accounts									
Demand deposits									
Domestic offices	4,786	120	2.5	4,095	160	3.9	3,840	118	3.1
Foreign offices	5,084	259	5.1	2,939	155	5.3	591	20	3.4
Term deposits									
Domestic offices	4,488	233	5.2	4,183	240	5.7	3,414	156	4.6
Foreign offices	8,481	555	6.5	5,314	402	7.6	1,870	137	7.3
Other deposits									
Domestic offices	123	7	5.6	196	13	6.5	267	14	5.2
Foreign offices	52	4	7.7	52	4	8.0	86	7	7.9
Interest bearing current accounts									
Domestic offices	318	8	2.6	312	9	2.9	221	5	2.1
Foreign offices	702	20	2.8	543	16	2.9	501	11	2.2
Funds Purchased									
Domestic offices	—	—	—	—	—	—	—	—	—
Foreign offices	—	—	—	—	—	—	22	1	5.1
Debt securities in issue									
Domestic offices	261	10	3.9	339	16	4.8	246	11	4.6
Foreign offices	511	37	7.3	379	29	7.6	270	16	6.0

Subordinated liabilities									
Domestic offices	770	55	7.2	732	55	7.6	523	37	7.0
Foreign offices	299	27	8.9	174	16	9.1	—	—	—
Total interest bearing liabilities									
Domestic offices	13,814	614	4.4	11,824	621	5.3	9,959	402	4.0
Foreign offices	16,179	968	6.0	9,934	654	6.6	3,943	244	6.2
	29,993	1,582	5.3	21,758	1,275	5.9	13,902	646	4.6
Non interest bearing liabilities									
Current accounts	2,143			1,743			1,434		
Other non interest bearing liabilities(2)	6,004			3,868			2,530		
Stockholders equity including non equity interests	2,024			1,442			1,323		
Total liabilities and stockholders' equity	40,164	1,582	3.9	28,811	1,275	4.4	19,189	646	3.4
Percentage of liabilities applicable to foreign activities	45.27%			40.18%			27.70%		

(1) Loans to customers include non-accrual loans and loans classified as problem loans.

(2) In accordance with Financial Reporting Standard 2, the balance sheets of the life assurance companies have been consolidated and are reflected under "Non-Interest-Earning Assets" and "Non-Interest-Bearing Liabilities".

Change in Net Interest Income — Volume and Rate Analysis

The following table allocates changes in net interest income between volume and rate for 1999 compared to 1998 and for 1998 compared to 1997. Volume and rate variances have been calculated based on movements in average balances over the period and changes in average interest-earning assets and average interest-bearing liabilities. Changes due to a combination of volume and rate are allocated ratably to volume and rate.

	1999 over 1998			1998 over 1997		
	Increase/(Decrease) due to change in					
	Average Volume	Average Rate	Net Change	Average Volume	Average Rate	Net Change
	(in IR£ millions)					
INTEREST EARNING ASSETS						
Loans to Banks						
Domestic offices	**39**	**(24)**	**15**	**62**	**12**	**74**
Foreign offices	**(16)**	**(2)**	**(18)**	**—**	**8**	**8**
Loans to customers						
Domestic office	**132**	**(144)**	**(12)**	**84**	**51**	**135**
Foreign offices	**475**	**(84)**	**391**	**473**	**25**	**498**
Funds sold						
Domestic office	**—**	**—**	**—**	**—**	**—**	**—**
Foreign offices	**—**	**—**	**—**	**—**	**(1)**	**(1)**
Central gove rnment and other eligible bills						
Domestic office	**(1)**	**—**	**(1)**	**(2)**	**—**	**(2)**
Foreign offices	**17**	**—**	**17**	**—**	**—**	**—**
Debt securities						
Domestic office	**6**	**(8)**	**(2)**	**6**	**(7)**	**(1)**
Foreign offices	**13**	**5**	**18**	**26**	**1**	**27**
Installment credit						
Domestic office	**5**	**—**	**5**	**3**	**—**	**3**
Foreign offices	**8**	**—**	**8**	**4**	**1**	**5**
Finance lease receivables						
Domestic office	**19**	**(6)**	**13**	**24**	**(3)**	**21**
Foreign offices	**(1)**	**—**	**(1)**	**—**	**—**	**—**
Total interest income	**696**	**(263)**	**433**	**680**	**87**	**767**
INTEREST BEARING LIABILITIES						
Deposits by banks						
Domestic office	66	(13)	53	27	40	67
Foreign offices	32	2	34	(6)	(14)	(20)
Customer accounts						
Demand deposits						
Domestic office	24	(64)	(40)	9	33	42
Foreign offices	110	(6)	104	118	17	135
Term deposits						
Domestic office	16	(23)	(7)	40	44	84
Foreign offices	217	(64)	153	260	5	265
Other deposits						
Domestic office	(4)	(2)	(6)	(4)	3	(1)
Foreign offices	—	—	—	(3)	—	(3)
Interest bearing current accounts						
Domestic office	—	(1)	(1)	2	2	4
Foreign offices	5	(1)	4	1	4	5
Funds purchased						
Domestic office	—	—	—	—	—	—
Foreign offices	—	—	—	(1)	—	(1)
Debt securities in issue						
Domestic office	(3)	(3)	(6)	4	1	5
Foreign offices	9	(1)	8	8	5	13
Subordinated liabilities						
Domestic office	3	(3)	—	15	3	18
Foreign offices	11	—	11	16	—	16
Total interest bearing expense	486	(179)	307	486	143	629
Net interest income	210	(84)	126	194	(56)	138

DESCRIPTION OF ASSETS AND LIABILITIES

The following sections provide information relating to the assets and liabilities of the Bank of Ireland Group.

Assets

Loan Portfolio

The Bank of Ireland Group's loan portfolio comprises loans to customers (including overdrafts) and installment credit and finance lease receivables.

The Bank provides mortgage loans for house purchases as well as home improvement loans and secured personal loans to existing mortgage customers. The Bank has a wide range of home mortgage loan products including amortizing, interest only and endowment loans. Interest on mortgage loans is typically at a floating rate but the Bank also makes some fixed rate loans. At March 31, 1999 residential mortgages accounted for 58% of the Group's total loan portfolio. The potential for loss on residential mortgages is limited by the fact that they are secured by the underlying properties and, in cases where the original loan to value ratio exceeds 75%, benefit from mortgage indemnity insurance which limits the Group's potential loss in the case of defaults. Apart from these and other personal lending in Ireland, no other industry classification accounts for more than 10% of the Group's total loan portfolio.

A significant portion of the Group's lending is in the form of overdrafts. An overdraft is a demand credit facility operated through the customer's current account. A credit limit is agreed with the customer based on the Group's lending criteria. The customer can draw on the facility up to that limit, with the result that the balance can change with the requirements of the customer. It is expected that such accounts would fluctuate regularly between debit and credit and that the account would, in each year, be in credit for at least 30 days (which need not be consecutive). Overdraft facilities are normally granted for a specific period of time, generally twelve months, at which point they are reviewed and, if appropriate, renewed. Interest rates on overdrafts are variable and are usually quoted in relation to interbank rates. Interest on overdrafts is normally debited directly to the customer's account.

Under certain provisions of the Consumer Credit Act, 1995, commencing May 1996, a lender in Ireland is required to give at least 10 days' (and in certain cases 21 days') notice before any demand for early repayment is made on a borrower who is a "consumer" for the purposes of the Act.

Overdrafts are designed to meet a borrower's short-term financing needs and, in the case of commercial customers, are provided only for working capital requirements. Medium or long-term financing requirements are provided through loans with fixed repayment schedules.

The following table sets forth the Bank of Ireland Group’s total loans to customers by categories of loans at March 31 for each of the five years ended March 31, 1999.

	At March 31				
	1999	1998	1997	1996	1995
	(in IR£ millions)				
Ireland					
Agriculture	724	689	591	606	535
Energy	171	67	64	56	64
Manufacturing	1,828	1,456	1,048	828	796
Construction and property	614	496	298	306	306
Distribution	878	606	679	614	570
Transport	179	320	164	159	147
Financial	1,267	767	602	302	324
Business and other services	1,087	1,051	662	535	583
Personal					
— residential mortgages	3,082	2,614	2,207	1,957	1,664
— other lending	2,081	1,517	1,258	1,072	938
	11,911	9,583	7,573	6,435	5,927
United Kingdom					
Agriculture	43	46	36	34	29
Energy	6	9	11	22	13
Manufacturing	295	266	148	131	81
Construction and property	671	490	382	265	249
Distribution	218	169	175	161	128
Transport	67	66	23	21	18
Financial	85	148	28	17	21
Business and other services	373	399	262	197	213
Commercial mortgages	1,029	1,271	—	—	—
Personal					
— residential mortgages	13,657	12,465	2,667	2,458	2,329
— other lending	393	371	286	242	246
	16,837	15,700	4,018	3,548	3,327
United States					
Commercial loans	18	96	329	500	511
Real estate loans, construction	—	49	21	38	35
Real estate loans, mortgage	—	—	1	937	878
Consumer loans	—	—	—	257	218
Bank card loans	—	—	—	61	50
Leasing	13	23	35	35	33
Other loans	—	—	—	5	7
	31	168	386	1,833	1,732
Group total loan portfolio	28,779	25,451	11,977	11,816	10,986
Allowance for loan losses	(283)	(281)	(176)	(184)	(192)
Total	28,496	25,170	11,801	11,632	10,794

The following table sets forth the percentage of total loans represented by each category of loan at March 31, for each of the five years ended March 31, 1999.

	At March 31				
	1999	1998	1997	1996	1995
	%	%	%	%	%
Ireland					
Agriculture	2.5	2.7	4.9	5.1	4.9
Energy	0.6	0.3	0.5	0.5	0.6
Manufacturing	6.4	5.7	8.8	7.0	7.2
Construction and property	2.1	1.9	2.5	2.6	2.8
Distribution	3.1	2.4	5.7	5.2	5.2
Transport	0.6	1.2	1.4	1.3	1.3
Financial	4.4	3.0	5.0	2.6	3.0
Business and other services	3.8	4.1	5.5	4.5	5.3
Personal					
— residential mortgages	10.7	10.3	18.4	16.6	15.1
— other lending	7.2	6.0	10.5	9.1	8.5
	41.4	37.6	63.2	54.5	53.9
United Kingdom					
Agriculture	0.1	0.2	0.3	0.3	0.3
Energy	—	—	0.1	0.2	0.1
Manufacturing	1.0	1.0	1.2	1.1	0.7
Construction and property	2.3	1.9	3.2	2.2	2.3
Distribution	0.8	0.7	1.5	1.4	1.2
Transport	0.2	0.2	0.2	0.2	0.2
Financial	0.3	0.6	0.2	0.1	0.2

Business and other services	1.3	1.6	2.2	1.7	1.9
Commercial mortgages	3.6	5.0	—	—	—
Personal					
— residential mortgages	47.5	49.0	22.3	20.8	21.2
— other lending	1.4	1.5	2.4	2.0	2.2
	58.5	61.7	33.6	30.0	30.3
United States					
Commercial loans	0.1	0.4	2.7	4.2	4.6
Real estate loans, construction	—	0.2	0.2	0.3	0.3
Real estate loans, mortgage	—	—	—	7.9	8.0
Consumer loans	—	—	—	2.2	2.0
Bank card loans	—	—	—	0.5	0.5
Leasing	—	0.1	0.3	0.3	0.3
Other loans	—	—	—	0.1	0.1
	0.1	0.7	3.2	15.5	15.8
Group total loan portfolio	100.0	100.0	100.0	100.0	100.0

Analysis of Loans to Customers by Maturity and Interest Rate Sensitivity

The following tables analyze loans by maturity and interest rate sensitivity. Overdrafts, which represent a significant proportion of the portfolio, are classified as repayable within one year. Approximately 10% of the Bank of Ireland Group's loan portfolio at March 31, 1999 was provided on a fixed-rate basis. Fixed-rate loans are defined as those loans for which the interest rate is fixed for the full life of the loan. Variable-rate loans include some loans for which the interest rate is fixed for an initial period (e.g., some residential mortgages) but not for the full life of the loan. The interest rate exposure is managed by Group Treasury within agreed policy parameters. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management".

	As at March 31, 1999			
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(in IR£ millions)			
Ireland	3,302	3,816	4,793	11,911
United Kingdom	1,024	1,713	14,100	16,837
United States	—	18	13	31
Total loans by maturity	4,326	5,547	18,906	28,779
Fixed rate	486	1,501	985	2,972
Variable rate	3,840	4,046	17,921	25,807
Total loans by maturity	4,326	5,547	18,906	28,779

The following tables set forth an analysis of loans by maturity within each classification as at March 31, 1999.

	At March 31, 1999			
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(in IR£ millions)			
Ireland				
Agriculture	353	175	196	724
Energy	74	68	29	171
Manufacturing	573	554	701	1,828
Construction and property	326	208	80	614
Distribution	370	237	271	878
Transport	41	55	83	179
Financial	124	729	414	1,267
Business and other services	419	375	293	1,087
Personal				
— residential mortgages	153	621	2,308	3,082
— other lending	869	794	418	2,081
	3,302	3,816	4,793	11,911
United Kingdom				
Agriculture	21	13	9	43
Energy	4	2	—	6
Manufacturing	151	103	41	295
Construction and property	228	232	211	671
Distribution	34	69	115	218
Transport	18	24	25	67
Financial	44	35	6	85
Business and other services	158	81	134	373
Commercial mortgages	116	504	409	1,029
Personal				
— residential mortgages	107	480	13,070	13,657

— other lending	143	170	80	393
	1,024	1,713	14,100	16,837
United States				
Commercial loans	—	18	—	18
Real estate loans, construction	—	—	—	—
Real estate loans, mortgage	—	—	—	—
Consumer loans	—	—	—	—
Bank card loans	—	—	—	—
Leasing	—	—	13	13
Other loans	—	—	—	—
	—	18	13	31
Total loan portfolio	4,326	5,547	18,906	28,779

Movement in the Allowance for Loan Losses:

The Group's loan loss experience over the five years to March 1999 has been highly satisfactory. The charge to the Profit and Loss account has not exceeded 20bps in any of these years.

The main factors contributing to this outcome have been:

- The exceptional performance of the Irish economy over the period.
- A significant reduction in interest rates, particularly, as Ireland has moved towards EMU convergence.
- The recovery of the United Kingdom economy from the recession of the early 1990s.
- The proportion of the loan book concentrated on lower risk residential mortgages which has been further enhanced by the acquisition of Bristol and West in 1997.
- The continuous improvement in the Group's credit management policies and processes.
- A sustained emphasis within the Group on credit training and the development of sectoral expertise resulting in enhanced underwriting and credit management skills.

The satisfactory loan loss experience over the past five years has been consistent across all jurisdictions in which the Group operates.

The Group's allowance for loan losses comprises three elements; Specific, General and within General a further division between an amount calculated on the credit grade profile of the loan book and a non-designated element which is calculated on the "expected loss" profile of the same book. As at March 1999 this provision stood at IR£87 million.

Over the past five years total Group loan loss allowances have increased from IR£192.8m to IR£282.8m, representing 1.7% and 1.0% respectively of total loans.

The ratio of loan loss allowances to loans accounted for on a non-accrual basis has reduced from 86.1% in 1995 to 81% in 1999. The reduction over the period is mainly due to the inclusion of the Bristol & West loan book as from March 1998. Residential mortgages historically require lower coverage levels than non-residential loans. If Bristol & West (including Bank of Ireland Mortgages) is excluded the coverage ratio increases to 147% as at March 1999.

The Bank believes that the provision for loan losses is adequate to cover its known losses and any losses reasonably expected in its loan portfolio.

The following table presents information regarding the movement in the allowance for loan losses in each of the five years ended March 31, 1999. Figures for recovery of amounts previously charged off for the U.S. do not include recoveries of BOIFH which are netted against loans charged off.

	Financial year ended March 31,					
	1999		1998		1997	
	Specific	General	Specific	General	Specific	General
			(in IR£ millions)			
Allowance at beginning of year	113.0	167.5	88.9	87.4	94.4	89.6
Total allowance		280.5		176.3		184.0
Exchange adjustments	(1.6)	(3.8)	6.6	7.6	2.0	1.8
Other adjustments:						
Acquisitions/Mergers	—	—	33.1	42.6	—	—
Disposals	—	—	—	—	—	(20.9)
Transfers: general to specific	—	—	—	—	3.1	(3.1)
	—	—	33.1	42.6	3.1	(24.0)
Recovery of amounts previously charged off:						
Ireland	5.0	—	4.3	—	5.0	—
United Kingdom	7.3	—	4.8	—	2.0	—

United States	0.2	—	0.9	—	0.3	—
Total recovery of amounts previously charged off	12.5	—	10.0	—	7.3	—
Amounts charged off:						
Ireland	(31.5)	—	(6.1)	—	(10.5)	—
United Kingdom	(16.2)	—	(14.0)	—	(6.1)	—
United States	(0.7)	—	(12.6)	—	(1.3)	—
Total amounts charged off	(48.4)	—	(32.7)	—	(17.9)	—
Provision for loan losses charged to income:						
Ireland	19.6	8.0	7.1	15.3	1.3	12.9
United Kingdom	1.3	14.7	(0.5)	16.0	(3.9)	6.5
United States	0.4	(0.4)	0.5	(1.4)	2.6	0.6
	21.3	22.3	7.1	29.9	—	20.0
Allowance at end of year	96.8	186.0	113.0	167.5	88.9	87.4
Total allowance		282.8		280.5		176.3

Movement in the Allowance for Loan Losses

	Financial year ended March 31,			
	1996		1995	
	Specific	General	Specific	General
	(in IR£ millions)			
Allowance at beginning of year	108.9	83.9	146.2	76.5
Total allowance		192.8		222.7
Exchange adjustments	(0.1)	0.7	(4.0)	(5.4)
Other adjustments				
Acquisitions	—	—	—	3.4
Disposals	—	—	(4.3)	(3.6)
Transfers: general to specific	4.2	(4.2)	4.1	(4.1)
Other movements (release of provisions relating to US restructuring)	(0.6)	(8.6)	—	—
	3.6	(12.8)	(0.2)	(4.3)
Recovery of amounts previously charged off:				
Ireland	4.4	—	11.9	—
United Kingdom	2.0	—	5.2	—
United States	0.2	—	0.5	—
Total recovery of amounts previously charged off	6.6	—	17.6	—
Amounts charged off:				
Ireland	(18.4)	—	(31.6)	—
United Kingdom	(5.0)	—	(9.0)	—
United States	(4.7)	—	(10.1)	—
Total amounts charged off	(28.1)	—	(50.7)	—
Provision for loan losses charged to income:				
Ireland	(1.7)	15.9	1.8	13.1
United Kingdom	4.7	1.4	(0.5)	2.5
United States	0.5	0.5	(1.3)	1.5
	3.5	17.8	—	17.1
Allowance at end of year	94.4	89.6	108.9	83.9
Total allowance		184.0		192.8

The following table presents additional information regarding provisions and allowances for loan losses for each of the five years ending March 31, 1999.

	Financial year Ended March 31,				
	1999	1998	1997	1996	1995
	(in IR£ millions, except percentages)				
	%	%	%	%	%
Allowance at end of year as a percentage of total loans to customers at end of year:					
Ireland	1.20	1.47	1.58	1.73	1.87
United Kingdom	0.79	0.82	0.90	1.00	1.00
United States	25.86	5.81	5.03	2.02	2.80
Total	0.98	1.10	1.47	1.56	1.75
Specific	0.34	0.44	0.74	0.80	0.99
General	0.64	0.66	0.73	0.76	0.76
Total	0.98	1.10	1.47	1.56	1.75
Allowance at end of year as a percentage of loans accounted for on a non-accrual basis at end of year:(1)					
Ireland	148.5	139.5	126.2	103.9	81.0
United Kingdom	52.2	43.4	29.8	26.4	45.7

United States	—	—	970.0	221.9	348.9
Total	81.0	70.0	80.1	71.2	86.1
Average loans to customers(2)	26,648	18,394	11,214	11,684	10,796
Provisions charged to income as a percentage of average loans to customers:					
Specific	0.08	0.04	—	0.03	—
General	0.08	0.16	0.18	0.15	0.16
Total	0.16	0.20	0.18	0.18	0.16
Net loans charged off as a percentage of average loans to customers	0.13	0.12	0.09	0.18	0.31

(1) Non-accrual loans include loans in Ireland and the United Kingdom against which interest continues to be accrued but against which specific provisions have been made. For the purposes of this calculation, non-accrual loans do not include accruing loans which are contractually past due 90 days or more as to principal or interest payments and loans which are "troubled debt restructurings" as defined in SFAS No. 15 "Accounting by Debtors and Creditors for Troubled Debt Restructurings".

(2) Average loans include average interest earning and non-interest earning loans.

The following table provides information regarding loans charged off for each of the five years ended March 31, 1999.

	At March 31,				
	1999	**1998**	**1997**	**1996**	**1995**
			(in IR£ millions)		
Ireland					
Agriculture	2.9	0.9	0.7	1.6	2.9
Energy	—	—	—	0.1	0.1
Manufacturing	4.7	0.2	1.1	1.2	5.8
Construction and property	0.7	0.3	0.6	0.5	0.6
Distribution	2.7	1.0	1.2	3.1	3.6
Transport	0.3	0.1	0.1	0.2	0.4
Financial	—	—	—	1.1	2.2
Services	2.4	0.3	2.2	3.2	4.2
Total personal	17.8	3.3	4.6	7.4	11.8
	31.5	6.1	10.5	18.4	31.6
United Kingdom					
Agriculture	—	0.1	0.1	0.1	0.1
Manufacturing	0.3	0.1	0.2	0.2	0.1
Construction and property	0.4	0.2	0.2	0.5	1.4
Distribution	0.3	0.8	0.3	0.8	0.7
Transport	0.1	0.1	0.1	—	0.1
Financial	—	—	—	—	—
Services	0.2	0.4	0.7	0.6	1.1
Commercial mortgages	—	0.7	—	—	—
Total personal	14.9	11.6	4.5	2.8	5.5
	16.2	14.0	6.1	5.0	9.0
United States					
Commercial loans	0.7	2.8	1.3	(0.1)	5.8
Real estate loans, construction	—	—	—	(0.6)	0.3
Real estate loans, mortgage	—	—	—	2.6	2.7
Leases including consumer loans	—	9.8	—	2.8	1.3
	0.7	12.6	1.3	4.7	10.1
Total Group	48.4	32.7	17.9	28.1	50.7

The following table presents an analysis of the Group's recoveries of loans previously charged off for each of the five years ended March 31, 1999. The figures for the U.S. in 1995 do not include recoveries in BOIFH which are netted against loans charged off.

	At March 31				
	1999	1998	1997	1996	1995
	(in IR£ millions)				
Ireland					
Agriculture	0.7	0.3	0.8	0.4	0.3
Manufacturing	0.2	0.5	0.3	0.2	1.2
Construction and property	0.2	0.2	0.1	0.1	0.1
Distribution	0.8	0.5	0.6	0.4	0.4
Transport	0.1	—	—	—	0.1
Financial	—	—	0.5	—	0.3
Services	0.3	0.9	0.6	0.5	0.5
Total personal	2.7	1.9	2.1	2.8	9.0
	5.0	4.3	5.0	4.4	11.9
United Kingdom					
Manufacturing	0.1	0.2	0.1	—	—
Construction and property	0.5	—	0.2	1.5	1.0
Distribution	0.4	0.2	1.2	—	2.0
Services	0.2	0.6	0.2	—	1.6
Transport	0.1	0.1	—	—	—
Personal	6.0	3.5	—	0.3	0.4
Financial	—	—	0.3	0.2	0.2
Commercial mortgages	—	0.2	—	—	—
	7.3	4.8	2.0	2.0	5.2
United States					
Commercial loans	0.2	0.9	—	0.1	0.2
Real estate loans, construction	—	—	—	—	0.1
Real estate loans, mortgage	—	—	0.1	—	0.2
Leases including consumer loans	—	—	0.2	0.1	—
	0.2	0.9	0.3	0.2	0.5
Total Group	12.5	10.0	7.3	6.6	17.6

The following table presents an analysis of allowances for loan losses at March 31, for each of the five years ended March 31, 1999.

	At March 31,				
	1999	1998	1997	1996	1995
	(in IR£ millions)				
Ireland					
Agriculture	8.1	7.8	7.0	7.3	8.7
Energy	0.2	0.2	0.2	—	0.1
Manufacturing	4.0	5.7	4.8	5.7	4.4
Construction and property	1.6	1.7	1.6	2.2	2.5
Distribution	5.1	5.9	6.0	5.4	7.9
Transport	0.5	0.8	0.5	0.8	0.9
Financial	0.1	0.1	0.2	0.3	7.3
Services	4.1	7.1	6.5	8.2	11.2
Total personal	30.5	31.7	29.1	30.1	33.2
	54.2	61.0	55.9	60.0	76.2
United Kingdom					
Agriculture	0.9	0.6	0.1	0.1	0.3
Manufacturing	1.6	1.7	1.2	1.2	1.7
Construction and property	1.2	2.3	3.2	4.6	5.3
Distribution	2.3	1.4	1.8	2.3	1.8
Transport	0.1	0.2	0.2	0.1	0.2
Financial	0.1	0.4	0.6	0.4	1.4
Services	1.0	1.9	2.1	2.3	2.5
Commercial mortgages	6.9	4.4	—	—	—
Total personal	20.4	31.0	7.2	12.0	8.8
	34.5	43.9	16.4	23.0	22.0
United States					
Commercial loans	—	—	1.7	0.7	—
Real estate loans, construction	—	—	—	—	0.3
Real estate loans, mortgage	—	—	—	—	—
Leases (including consumer)	8.1	8.1	14.9	10.7	10.4
	8.1	8.1	16.6	11.4	10.7
Total specific allowance	96.8	113.0	88.9	94.4	108.9
Total general allowance	186.0	167.5	87.4	89.6	83.9
Total Group allowance	282.8	280.5	176.3	184.0	192.8

Risk Elements in Lending

The U.S. Securities and Exchange Commission requires potential credit risk elements in lending to be analyzed as (i) loans accounted for on a non-accrual basis; (ii) accruing loans which are contractually past due 90 days or more as to principal or interest payments; (iii) loans not included in (i) or (ii) which are "troubled debt restructurings" as defined in Statement of Financial Accounting Standards No. 15 "Accounting by Debtors and Creditors for Troubled Debt Restructurings", and (iv) potential problem loans not included in (i), (ii) or (iii).

These categories reflect U.S. financial reporting practices which differ from those used by the Bank of Ireland Group outside of its U.S. operations. See "Provisions and Allowances for Loan Losses".

The Bank of Ireland Group's loan control and review procedures outside of the U.S. do not include the classification of loans as non-accrual, past due 90 days or troubled debt restructurings. However, management has set out below its estimates of the amount of loans, without giving effect to available security and before the deduction of specific provisions, which would have been so reported had the Commission's classifications been employed. In doing so it has included under the category of non-accrual loans those loans outside of the U.S. on which interest continues to be accrued but against which specific provisions have been made. Amounts for the New Hampshire Division are included in the table below as at March 31, 1995 and 1996 and are stated on a basis consistent with the Consolidated Financial Statements.

	At March 31				
	1999	1998	1997	1996	1995
	(in IR£ millions)				
Loans accounted for on a non-accrual basis					
Ireland(1)	96	101	95	107	137
United Kingdom	254	300	123	135	73
United States	—	—	2	17	14
Total	350	401	220	259	224
Accruing loans which are contractually past due 90 days or more as to principal or interest(2)(3)					
Ireland	86	63	56	49	49
United Kingdom	194	166	99	107	78

United States	—	—	—	2	3
Total	280	229	155	158	130
Restructured loans not included above	4	—	—	—	1

(1) Includes loans in Ireland and the United Kingdom where interest is accrued but provision has been made.

(2) Overdrafts generally have no fixed repayment schedule and are not included in this category.

(3) Includes home mortgage loans in Ireland and the United Kingdom (March 31, 1999: IR£27.4 million in Ireland and IR£184.9 million in the United Kingdom) which are secured and, in cases where the original loan to value ratio exceeds 75%, are subject to mortgage indemnity insurance.

The Bank of Ireland Group generally expects that loans, where known information about possible credit problems of borrowers causes management to have serious doubts as to the ability of such borrowers to comply with loan repayment terms, would be included under its definition of non-accrual loans and would therefore have been reported in the above table. However, management's best estimate of loans not included above, but concerning which the Bank of Ireland Group has doubts as to the ability of the borrowers to comply with loan repayment terms, totaled approximately IR£24.8 million at March 31, 1999. In addition, there were balances in the U.S. totaling IR£12.7 million against which there were provisions of IR£8.1 million.

It is not normal practice for banks in Ireland or the United Kingdom to take property onto their books in settlement of problem loans or to classify them as Other Real Estate Owned. Where formal insolvency procedures are entered into, the property charged to the Bank is sold by the receiver, administrator or liquidator, with the proceeds received by the Bank. Loans subject to insolvency proceedings are included within non-performing loans in the table above, to the extent that they are not written off. This treatment is also followed for loans in Ireland and the United Kingdom which would be classified as "In-Substance Foreclosure" under U.S. reporting practices.

Cross-Border Outstandings

Cross-border outstandings are those outstandings that create claims outside a reporting center's country unless loaned in and funded or hedged in the local currency of the borrower. They comprise loans, acceptances, interest-bearing deposits with other banks, other interest-bearing investments, leases and any other monetary assets, but exclude finance provided within the Bank of Ireland Group. The geographical and sectoral breakdown is based on the country and sector of the borrower or of the guarantor of ultimate risk.

Cross-border outstandings exceeding 1% of total assets are set forth in the following table:

	Banks and other financial institutions	Government and official institutions	Commercial and industrial and other private sector	Total	As percentage of total assets(1)
	(in IR£ millions, except percentages)				
As at March 31, 1999(2)	—	—	—	—	—
As at March 31, 1998					
United Kingdom	459	—	79	538	1.4%
Germany	487	—	5	492	1.2%
Switzerland	491	—	2	493	1.2%
Netherlands/Antilles	376	—	65	441	1.1%
As at March 31, 1997					
United Kingdom	348	—	129	477	2.4%

(1) Assets, consisting of total assets as reported in the consolidated balance sheet plus acceptances were IR£42.8 billion at March 31, 1999 (March 31, 1998: IR£39.7 billion, March 31, 1997: IR£19.7 billion).

(2) Outstandings as at March 31, 1999 between countries who are members of EMU are no longer regarded as being cross-border. Outstandings as at March 31, 1999 to non-EMU countries have reduced below the threshold levels at which March 31, 1998 and March 31, 1997 figures have been reported.

Cross-border outstandings to borrowers in countries in which such outstandings amounted to between 0.75% and 1.0% of total assets in aggregate were IR£nil at March 31, 1999, IR£981.4 million at March 31, 1998 and IR£192.0 million at March 31, 1997. The countries concerned were the United States, Cayman Islands and France in 1998 and France in 1997.

As at March 31, 1999, Bank of Ireland Group had no significant exposure to countries experiencing liquidity problems.

Debt Securities

The following table shows the book value of Bank of Ireland Group's debt securities at March 31, 1997, 1998 and 1999.

	At March 31,		
	1999	1998	1997
	(in IR£ millions)		
Irish Government	1,163	1,249	1,266
Other European government	285	595	199
U.S. Treasury and U.S. government agencies	5	6	—
Mortgage-backed obligations of federal agencies	—	8	—
Collateralized mortgage obligations	6	10	—
Obligations of U.S. states and political subdivisions	—	—	—
Corporate bonds	2,185	1,548	1,182
Other securities	409	412	190
	4,053	3,828	2,837

The market value of Bank of Ireland Group's Irish Government securities (the book value of which exceeded 10% of stockholders' equity) at March 31, 1999 was IR£1.2 billion (1998: IR£1.3 billion; 1997: IR£1.3 billion).

The following table categorizes the Group's investment debt securities, excluding trading securities, by maturity and weighted average yield at March 31, 1999.

	At March 31, 1999							
	Less than 1 year		More than 1 year less than 5 years		More than 5 years less than 10 years		After 10 years	
	Book Value	Percent Yield	Book Value	Percent Value	Book Value	Percent Yield	Book Value	Percent Yield
	(in IR£ millions, except percentages)							
Irish government	17	6.25	231	5.59	—	—	—	—
Other European government	—	—	187	6.96	37	9.46	—	—
Corporate bonds	262	6.59	1,469	6.59	170	5.52	190	5.75
Other	218	5.34	18	5.84	20	7.29	8	5.19
Total book value	497		1,905		227		198	

Maturity is remaining contractual maturity except for mortgage-backed securities where maturity has been calculated on an expected duration basis. The weighted average yield for each range of maturities is calculated by dividing the annual interest income prevailing at the balance sheet date by the book value of securities held at that date.

Loans and Advances to Banks

The Group places funds with other banks for a number of reasons, including liquidity management, the facilitation of international money transfers and the conduct of documentary credit business with correspondent banks.

Limits on the aggregate amount of placings that may be made with individual institutions are established in accordance with Group credit policy.

The following table analyzes placings with banks, based on the branches from which the placing is made. Placings with banks are included in Loans and Advances to Banks in the financial statements.

	At March 31,		
	1999	1998	1997
	(in IR£ millions)		
Placings with banks repayable within 30 days:			
Domestic	1,046	3,012	726
Foreign	220	340	400
Total	1,266	3,352	1,126
Placings with banks repayable beyond 30 days:			
Domestic	1,429	1,452	916
Foreign	28	54	115
Total	1,457	1,506	1,031
Total	2,723	4,858	2,157

LIABILITIES

Deposits

The following tables analyze average deposits based on the location of the branches in which the deposits are recorded.

	At March 31, 1999	1998	1997
	(in IR£ millions)		
Branches in Ireland	11,435	10,073	8,693
Branches outside Ireland	14,567	9,055	3,178
Total	26,002	19,128	11,871

	Average Interest Rate during 1999	At March 31, 1999	1998	1997
	%	(in IR£ millions)		
Branches in Ireland				
Current accounts:				
Interest bearing	2.6	318	312	221
Non-interest bearing	—	1,843	1,483	1,218
Deposit accounts:				
Demand	2.5	4,786	4,095	3,840
Time	5.2	4,488	4,183	3,414
		11,435	10,073	8,693
Branches outside Ireland				
Current accounts:				
Interest bearing	2.8	702	543	501
Non-interest bearing	—	300	259	216
Deposit accounts:				
Demand	5.1	5,084	2,939	591
Time	6.5	8,481	5,314	1,870
		14,567	9,055	3,178
Total		26,002	19,128	11,871

Current accounts are checking accounts raised through the Group's branch network and in Ireland are primarily non-interest bearing.

Demand deposits bear interest at rates which vary from time to time in line with movements in market rates and according to size criteria. Such accounts are not subject to withdrawal by check or similar instrument and have no fixed maturity dates.

Time deposits are generally larger and bear higher rates of interest than demand deposits but have predetermined maturity dates.

The following table shows details of the Group's large time deposits and certificates of deposit (U.S.$100,000 and over or the equivalent in other currencies) by time remaining until maturity.

	At March 31, 1999 0-3 Months	3-6 Months	6-12 Months	Over 12 Months
	(in IR£ millions)			
Time deposits				
Domestic branches	2,058	118	131	382
Foreign branches	2,526	168	147	369
Certificates of deposit				
Domestic branches	—	10	—	—
Foreign branches	108	—	71	—
Total	4,692	296	349	751

Non-resident deposits held in domestic branches at March 31, 1999 accounted for approximately 7% of total deposits.

Short-Term Borrowings

The following table shows details of short-term borrowings of the Group for each of the three years ended March 31, 1999.

	As at March 31,		
	1999	1998	1997
	(in IR£ millions, except percentages)		
Debt securities in issue			
End of year outstandings	426	882	411
Highest month-end balance...	991	958	603
Average balance	772	718	516
Average rate of interest			
At year-end......................	5.2%	5.9%	4.8%
During year......................	6.1%	6.3%	5.3%
Deposits by banks			
End of year outstandings	4,752	3,505	1,624
Highest month-end balance...	4,967	3,505	2,792
Average balance	4,118	2,500	2,051
Average rate of interest			
At year-end......................	4.7%	7.1%	5.4%
During year......................	6.0%	6.4%	5.5%

Average interest rates during the year are computed by dividing total interest expense by the average amount borrowed. Average interest rates at year-end are average rates for a single day and as such may reflect one-day market distortion which may not be indicative of generally prevailing rates.

YEAR 2000

The Group recognizes Year 2000 compliance as the top operations priority across the organization. Year 2000 compliance, as defined by the Group, means that processes, performance, functionality and service standards will be maintained prior to, during and after the Year 2000 calendar change. This includes recognition of the Year 2000 as a leap year.

The Group believes that it has identified the potential Year 2000 risks in its operations, and that it has committed the resources necessary to achieve Year 2000 compliance across the Group.

In September 1996, a Group-wide Year 2000 Programme was established to address Year 2000 issues. For the purposes of the Year 2000 Programme, the Group is divided into 59 Business Units, each responsible for Year 2000 compliance in its own operations. The overall effort is co-ordinated and monitored by a central Group Year 2000 Programme Office. Monthly progress reports are made to a steering committee, comprised of Group Senior Executives and chaired by the Group Chief Executive Officer. The Court of Directors receives a compliance status report on a quarterly basis. The Audit Committee reviews the programme on a regular basis.

The systems compliance programme is concentrated in four areas — renovation of existing systems, replacement and upgrade of systems, PC computing and embedded chips. The embedded chips project is complete. The roll-out of replacement PCs has been completed and all PCs which are being retained are now compliant. All Systems upgrade and replacement work has been completed. In respect of systems renovation, which is 98% complete, a contract was entered into with IBM to use their facilities for the renovation of a majority of the Group's systems. All remaining work is scheduled for completion in the second and third quarters of 1999.

Of the 59 Business Units, 57 have achieved Year 2000 compliance self-certification. The Group Year 2000 Programme Office, with the Group Internal Audit function, formally reviews each business unit to ensure that standards have been adhered to in the compliance work. Regular monitoring of plans by both business units and the central Year 2000 team will continue into early 2000.

A critical element of the risk management approach adopted by the Group is the identification of key external parties with material relationships with the Group. Key external parties include utilities, suppliers, counterparties, intermediaries, regulatory agencies, clients and payment organizations. A detailed programme for identifying these dependencies has been underway for some time and all Business Units within the Group are required to ensure that all such critical parties have a plan to be Year 2000 compliant. The Group has recently concluded a project of communication with all third party interdependencies and has procured written statements from such interdependencies advising of the status of Year 2000 preparation. All material third party interdependencies either have been, or will be, subject to interface testing (see below). A comprehensive programme of communication with critical suppliers to the Group has also been undertaken. The compliance status of suppliers has not yet been fully concluded. In recognition of this, communications are ongoing with relevant suppliers and will contribute to Group decisions on alternative courses of action in the event of serious doubt about a party's ability to attain compliance. Such action may take the form of identifying alternative product or service providers, or initiating other efforts designed to reduce or eliminate risk to Group business continuity.

Given the degree of interdependence between all parties associated with the domestic and international financial sector, and the Group's reliance on essential suppliers, there can be no assurance that the failure of one or more external parties will not result in adverse impact on the Group's operations. Areas of operation affected could include a wide range of account transactions and clearing and payment mechanisms, both domestic and international. This could potentially result in a material adverse impact on the Group's financial condition.

Interface testing is being carried out as part of the implementation and certification phases of the Group Programme. Interface testing has already been carried out with other Irish Banks (ATMs), SWIFT, CREST and other parties by a number of our Group Business Units. Participation in multi party testing with other financial institutions, agencies and key customers has taken place throughout 1999 and is scheduled for completion in the third quarter of 1999.

The Group has expended considerable effort and resources to ensure that all critical systems are compliant. Specific Year 2000 Business Continuity plans have been developed by all major business units to further minimise potential risks. These plans include Millennium weekend cutover plans, which detail the actions both business and IT will take over the critical year end period. The Group believes that the most reasonably likely worst case scenario affecting it would be possibly the loss of power and telecommunications supply near the end of the year and over the millennium transition which could cause business disruption. The Group is seeking to mitigate this risk by maintaining regular direct contact with the utility providers. The Group's key processing sites have contingent power arrangements in place. Increased customer demand for banking services, particularly cash, is expected and provision is being made to cater for this likelihood. Restrictions in systems changes, systematic monitoring of compliant systems as well as public and customer communications are a critical part of the overall risk management framework established to ensure a successful millennium transition.

The Group has also conducted a Year 2000 — related risk assessment of its major commercial credit customers. Accounts are reviewed and a decision is made on any mitigating action to be undertaken to protect the assets of the Group.

Costs incurred to the end of March 1999, directly related to remediation, testing, third party investigation and contingency planning, were IR£40m (including IR£5m of capitalized costs). The total cost is expected not to exceed IR£50m (including IR£7m approximately of capitalized costs).

Certain of the statements contained in the foregoing Year 2000 section are forward looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the following cautionary statements.

The Group's estimates of the total cost of the Year 2000 programme and its expectations in respect of future events are based upon a number of assumptions regarding future events which may not materialize. Such assumptions include the state of preparedness of third parties such as service providers, third party interdependencies and utilities; the further remediation and testing necessary to make systems compliant, and the quantum of the revenue cost associated with any business disruptions caused by the failure of third parties, including the possible loss of utilities (whether nationally or locally). If any of the Group's assumptions regarding future events including those set forth above, do not materialize in respect of future events, the Group's operations or financial results could be materially impacted.

EMU

The Group successfully implemented computer software and other changes to enable it to deliver a wide range of banking and payment services denominated in euro in the Republic of Ireland, Northern Ireland and Britain from January 1, 1999.

Revenue expenditure on EMU preparations to the end of 1998/99 was IR£7 million, IR£4 million of which was incurred during 1998/99.

Group preparations for the final withdrawal of the Irish Pound in 2002 and the potential entry of Sterling into EMU are now being progressed as a priority.

Item 9A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Item 9 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management".

Item 10 DIRECTORS AND OFFICERS OF REGISTRANT

The strategic direction of the Group is provided by the Court of Directors (the "Court") which comprises executive and non-executive Directors. Management is delegated to certain officers and committees of the Court.

Certain information concerning the Directors and executive officers as contained in the Bank's 1999 Annual Report and Accounts is set out below and, in the case of executive Directors, the year of appointment to their present position in square brackets.

Name	Age	Position held	Year appointed a director
Directors			
Howard E. Kilroy	63	Governor	1991
Anthony D. Barry	64	Deputy Governor	1993
Maurice A. Keane [1998]	58	Group Chief Executive	1983
Lord Armstrong of Ilminster	72	Non-Executive Director	1997
Roy E. Bailie	55	Non-Executive Director	1999
John J. Burke	56	Non-Executive Director	1997
Laurence G. Crowley	62	Non-Executive Director	1990
Margaret Downes	66	Non-Executive Director	1986
Niall W.A. FitzGerald	53	Non-Executive Director	1990
E. Patrick Galvin	66	Non-Executive Director	1994
Raymond Mac Sharry	61	Non-Executive Director	1993
Patrick W. McDowell [1998]	59	Deputy Group Chief Executive and Chief Executive Retail	1994
Patrick J.A. Molloy	61	Non-Executive Director	1983
Mary P. Redmond	48	Non-Executive Director	1994
Executive Officers			
Paul M. D'Alton	47	Group Chief Financial Officer	
Terence H. Forsyth	56	Group Secretary	
Brian J. Goggin	47	Chief Executive Corporate and Treasury Division	
Denis Hanrahan	54	Head of Group Corporate Development	

Each of the Directors and Executive Officers in office at March 31, 1999 reside in Ireland, with the exception of Lord Armstrong of Ilminster, John J. Burke, Roy Bailie, and Niall W.A. FitzGerald who reside in the United Kingdom. R. Brian Williamson stepped down from the Court on November 30, 1998.

Executive Directors

Maurice A Keane — Group Chief Executive. Joined the Bank in 1958. Appointed an Assistant General Manager in 1973 and General Manager Financial Control in 1978. Appointed to the Court as a Managing Director in 1983. Appointed Deputy Group Chief Executive in March 1991 and Group Chief Executive in February 1998. Director of Bristol & West plc. (Age 58)

Patrick W McDowell — Deputy Group Chief Executive. Joined the Bank in 1970. Appointed Head of Information Technology in 1978, Deputy Chief Executive Retail Division in 1988 and its Chief Executive in 1991. Appointed to the Court in 1994. Appointed Deputy Group Chief Executive in February 1998. (Age 59)

Non Executive Directors

Howard E Kilroy — Governor. Appointed to the Court in 1991 and Governor following the 1991 Annual General Court. Former President and Chief Operations Director of Jefferson Smurfit Group plc. A Director of the Jefferson Smurfit Group plc and CRH plc. (Age 63)

Anthony D Barry — Deputy Governor. Appointed to the Court in 1993. Appointed Deputy Governor in October 1997. Former Chief Executive of CRH plc. Chairman of CRH plc, a Director of Greencore Group plc, DCC plc and Ivernia West plc. (Age 64)

Lord Armstrong of Ilminster, GCB CVO — Appointed to the Court in 1997. A Director of The Bristol & West Building Society (now Bristol & West plc) from 1988 until his retirement in December 1997 and its Chairman from 1993 to December 1997 and a director of a number of other companies. (Age 72)

Roy E Bailie, OBE — Appointed to the Court in January 1999. Chairman of W&G Baird Holdings Ltd and of the Northern Ireland Tourist Board. A Director of the Bank of England and UTV plc and formerly a member of the Northern Ireland Advisory Board of the Bank of Ireland. (Age 55)

John J Burke — Appointed to the Court in 1997. Joined the staff of The Bristol and West Building Society (now Bristol & West plc) in 1964, undertook a wide range of roles and became its Managing Director and Chief Executive in 1993, a position he held until April 1, 1999 when he stepped down to become a Vice Chairman of Bristol & West plc. (Age 56)

Laurence G Crowley — Appointed to the Court in 1990 and Deputy Governor from 1995 to 1997. Chairman of PJ Carroll and Co. Ltd, a Director of Rothmans International BV, Elan Corporation plc, J Rothschild International Assurance plc and a number of other companies. Executive Chairman of the Michael Smurfit Graduate School of Business at University College, Dublin. (Age 62)

Margaret Downes — Appointed to the Court in 1986 and Deputy Governor from 1993 to 1995. A past president of the Institute of Chartered Accountants in Ireland and The Federation of European Accountants. Chairman of BUPA Ireland Ltd and Gallaher (Dublin) Ltd, a Director of Ardagh plc, BUPA in the UK and a number of other companies. (Age 66)

Niall WA FitzGerald — Appointed to the Court in 1990. Executive Chairman of Unilever plc, Vice Chairman of Unilever NV and a Director of Prudential Corporation plc. Chairman of Confederation of British Industry (CBI) Europe Committee. (Age 53)

E Patrick Galvin — Appointed to the Court in 1994. Former Chairman and Chief Executive of Waterford Crystal Ltd. A Director of Gallaher (Dublin) Ltd, Chairman of PV Doyle Holdings Ltd, a Director of Greencore Group plc and Irish Shell Ltd. (Age 66)

Raymond Mac Sharry — Appointed to the Court in 1993. A former EU Commissioner for Agriculture, Chairman of Bord Telecom Eireann plc and London City Airport Ltd. A Director of Jefferson Smurfit Group plc, Green Property plc and Ryanair Holdings plc. (Age 61)

Patrick J A Molloy — Appointed to the Court in 1983 as an Executive Director. Group Chief Executive from 1991 until he retired from that position in January 1998, remaining as a Non-Executive Director. Chairman of Bristol & West plc, Enterprise Ireland and Blackrock Clinic. A Director of Bord Telecom Eireann plc, CRH plc and Kingspan Group plc. (Age 61)

Mary P Redmond — Appointed to the Court in 1994. A solicitor specializing in labor law. In her professional capacity as a solicitor acts for the Group in relation to aspects of labor law. A member of the Labor Relations Commission and a former member of the Employment Equality Agency and the Higher Education Authority. A Director of Jefferson Smurfit Group plc and founder of the Irish Hospice Foundation. (Age 48)

Executive Officers

Paul M D'Alton — Group Chief Financial Officer. Joined the Bank in 1991 as Group Chief Financial Officer, having been Chief Executive — Finance, Aer Lingus plc and prior to that, having worked with Craig Gardner/Price Waterhouse in Ireland and abroad. Mr D'Alton is a Fellow of the Institute of Chartered Accountants in Ireland.

Terence H Forsyth — Group Secretary. Joined the Bank in 1968 and was appointed to his present position in 1988.

Brian J Goggin — Chief Executive Corporate & Treasury Division. Joined the Bank in 1969. Worked in Corporate Banking in Ireland, Britain and the US and in a number of senior positions in the Bank of Ireland Group before being appointed to his present position in 1996.

Denis Hanrahan — Head of Group Corporate Development. Joined the Bank in 1992 as Head of Group Corporate Development, having previously been Managing Director of PJ Carroll & Co. Ltd.

Item 11 REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate remuneration paid by the Group to the Directors and Executive Officers, (19 persons), then in office, for the financial year ended March 31, 1999 was IR£2.5 million, including amounts paid under bonus and/or profit-sharing plans. The aggregate amount, included in the above figure, set aside by the Group, in the financial year ended March 31, 1999, to provide pension benefits for these Directors and Executive Officers amounted to IR£0.2 million. Additional information regarding remuneration of Directors is set out in Note 37 of Notes to the Consolidated Financial Statements.

Remuneration Policy

The remuneration policy adopted by the Bank is to reward its Executive Directors competitively having regard to comparable public companies and the need to ensure they are properly rewarded and motivated to perform in the best interests of the Stockholders. The Group Chief Executive is fully consulted about remuneration proposals and from time to time the Group Remuneration Committee commissions job-matched salary surveys from comparator organizations. The key elements of the remuneration package for Executive Directors are basic salary, a performance related cash bonus, the ability to participate in a Senior Executive Stock Option Scheme and participation in a defined benefit pension scheme in which pension is based only on basic salary. At the Annual General Court held on July 7, 1999 Stockholders approved the establishment of a Long Term Performance Stock Plan for selected key Group employees in order to further align the interests of those key Group personnel with those of the Stockholders. A description of this plan was contained in the Governor's Letter to Stockholders which issued on June 7, 1999.

Employees' Profit Sharing Plan

All employees of the Bank and of its participating wholly owned subsidiaries in Ireland, Northern Ireland and Britain (each a "Participating Company"), including Executive Directors, whose remuneration is subject to Irish or U.K. Income Tax under Schedule E, may participate in a profit sharing plan, the Bank of Ireland Group Employee Stock Issue Scheme (the "Scheme"). To be eligible to do so, they must have had an existing contract of employment with a Participating Company on the last day of the Group's financial year, which contract must have existed for a period of at least 12 months as at that date and was still in existence on the date on which a profit sharing announcement is made. Employees have the choice of taking their allocation under the Scheme in cash, or in the Ordinary Stock of the Bank. Such stock, when allotted, is held on the employee's behalf by the Trustees of the Scheme for a minimum period of two years. An additional feature of the Irish version of the plan permits those who choose to take the free stock to forego an amount of their salary towards the acquisition of up to an equivalent amount of additional stock to be held on the same basis. The Directors have authority from the stockholders to approve profit share payments under the Scheme. To date, annual payments have ranged between zero and 3% of each participant's basic remuneration. The most recent payment approved under the Scheme was 2.5% of basic remuneration (IR£7.0 million) for the financial year ended March 31, 1999. As at March 31, 1999, 0.5% of the Bank's Issued Ordinary Stock was held by the Trustees of the Scheme.

Group Pension Plans

The Group operates a number of pension plans in Ireland and overseas. The plans are funded and are primarily of the defined benefit type and the assets of the plans are held in separate trustee administered funds. Payments to these defined benefit funds are determined on an actuarial basis, designed to build up reserves during the working life of full-time employees to pay the employees, or their dependants, a pension after retirement. A formal actuarial valuation is undertaken at least triennially to determine the payments to each of these defined benefit funds. Such valuations take account of estimated increases in salaries and pensions as well as estimated income generated by the funds. At each valuation the funds' actuaries confirm that the liabilities of each fund, based on current salary levels, are fully funded on a discontinuance basis.

The total pension cost for the Group in respect of the financial year ended March 31, 1999 was IR£9 million of which IR£2 million net credit related to the main scheme.

Item 12 OPTIONS TO PURCHASE SECURITIES FROM REGISTRANT OR SUBSIDIARIES

Under the terms of the Senior Executive Stock Option Schemes approved by the stockholders, options may be granted, at the discretion of the Directors, enabling Senior Executives to subscribe for specified numbers of units of Ordinary Stock.

As at March 31, 1999 options were outstanding over 6,039,208 units of stock representing 1.2% of the total Ordinary Stock then in issue.

Such options are exercisable as follows:

Subscription Price in Pence	Number of Units of Ordinary Stock Subject to Options	Exercise Period
201.313	18,607	May 1992 - May 1999
208.741	25,564	June 1993 - June 2000
152.867	93,648	June 1994 - June 2001
154.62	159,778	June 1995 - June 2002
226.25	952,611	May 1996 - May 2003
263.00	425,000	May 1997 - May 2004
288.80	50,000	Nov. 1997 - Nov. 2004
332.50	695,000	May 1998 - May 2005
444.00	1,395,000	June 1999 - June 2006
510.52	90,000	Nov. 1999 - Nov. 2006
713.30	995,000	June 2000 - June 2007
906.10	890,000	Nov. 2000 - Nov. 2007
1301.70	249,000	May 2001 - May 2008

As at March 31, 1999, Executive Directors and Executive Officers as a group held options under the above scheme over a total of 1,216,486 units, representing 0.2% of the total Ordinary Stock in issue.

The interests of the Directors and Secretary, in office at March 31, 1999 and of their spouses and minor children, in the stocks issued by the Bank are set out below:

	Beneficial	Options
Directors		
Lord Armstrong of Ilminster	1,000	—

Roy E. Bailie	500	—
Anthony D. Barry	9,068	—
John J. Burke	1,605	150,000
Laurence G. Crowley	13,910	—
Margaret Downes	37,481	—
Niall W.A. FitzGerald	4,582	—
E. Patrick Galvin	5,119	—
Maurice A. Keane	378,133	249,563
Howard E. Kilroy	244,348	—
Raymond Mac Sharry	590	—
Patrick W. McDowell	81,262	156,519
Patrick J.A. Molloy	520,554	146,822
Mary P. Redmond	528	—
Secretary		
Terence H. Forsyth	18,916	40,000

The Directors and their spouses and minor children had no other interests in the stock of the Bank or in the shares of any other member of the Group at March 31, 1999.

Limitations on Stock Issue and Stock Option Plans

The maximum number of units of Ordinary Stock over which options may be granted under the Bank of Ireland Group Stock Option Scheme — 1996 is limited to a total of 5% of the issued Ordinary Stock of Bank of Ireland over any 10 year period. Over any 10 year period the total number of units of Ordinary Stock over which options may be granted under any stock option scheme together with the total number of units of Ordinary Stock that may be issued under any stock issue scheme may not exceed 10% of the total issued Ordinary Stock. The maximum number of units of Ordinary Stock over which options may be granted or that may be issued under any stock option scheme and any stock issue scheme may not exceed 3% of the total issued Ordinary Stock over any 3 year period or 5% over any 5 year period.

The exercise of all options granted since the commencement of the financial year 1996/97 is conditional upon earnings per share achieving a cumulative growth of at least 2% per annum compound above the increase in the Consumer Price Index over either the three year period, or if not achieved, the six year period, commencing with the period in which the options are granted.

Item 13 INTEREST OF MANAGEMENT IN CERTAIN TRANSACTIONS

No transaction, material to the Group, has been entered into in the last three fiscal years to which the Bank or any of its subsidiaries was a party in which any Director or officer of the Bank, any significant shareholder or any relative or spouse thereof had a direct or indirect material interest, and no such transactions are presently proposed.

Indebtedness of Directors and Executive Officers

The aggregate amount of indebtedness of Directors (10 persons), on normal commercial terms to the Bank of Ireland Group amounted to IR£0.6 million at March 31, 1999. The interest rates payable thereon were at prevailing market rates and reflect ordinary commercial transactions. The aggregate amount of indebtedness of Executive Directors and Executive Officers of the Group (5 persons) and four connected persons, not included in the above figure, on terms similar to those on which loans are made to members of staff generally, which are at interest rates more favorable than prevailing market rates, was IR£0.4 million at March 31, 1999. Loans to Directors and Executive Officers at rates more favorable than prevailing market rates, while conforming with Irish practice and law, would in most cases not be permissible for similar institutions subject to regulation in the U.S.

PART II

Item 14 DESCRIPTION OF SECURITIES TO BE REGISTERED

N/A

PART III

Item 15 DEFAULTS UPON SENIOR SECURITIES

None

Item 16 CHANGES IN SECURITIES, CHANGES IN SECURITY FOR REGISTERED SECURITIES AND USE OF PROCEEDS

None

PART IV

Item 17 FINANCIAL STATEMENTS

(Not responded to as Item 18 complied with)

PART V

Item 18 FINANCIAL STATEMENTS

See pages F-1 through F-84

Item 19 FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all the requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

The Governor and Company of the Bank of Ireland
(Registrant)

Date: September 27, 1999

By:

Name: Patrick W. McDowell
Title: Deputy Group Chief Executive and
Chief Executive Retail

By:

Name: Paul M. D'Alton
Title: Group Chief Financial Officer

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Year Ended March 31, 1999

BANK OF IRELAND GROUP

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Auditors' Report on page F-3, is made with a view to distinguishing for Stockholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

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

With regard to the accounts on pages F-4 to F-84, the Directors have determined that it is appropriate that they continue to be prepared on a going concern basis and consider that in their preparation:

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

The Directors have a responsibility for ensuring that proper books of account are kept which disclose with reasonable accuracy at any time the financial position of the Bank and which enable them to confirm that the accounts comply with the Companies Acts, 1963 to 1990 and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

REPORT OF INDEPENDENT AUDITORS

To the Court of Directors and members of
the Governor and Company of
the Bank of Ireland

We have audited the accompanying consolidated balance sheets of the Governor and Company of the Bank of Ireland and its subsidiaries as of March 31, 1999 and 1998 and the related consolidated statements of income, of cash flows and of changes in stockholders' equity, for each of the three years in the period ended March 31, 1999 all expressed in Irish pounds as set out on pages F-4 to F-84 inclusive. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Ireland, which do not differ in any material respects from auditing standards in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements audited by us present fairly, in all material respects, the financial position of the Governor and Company of the Bank of Ireland and its subsidiaries at March 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1999 in conformity with accounting principles generally accepted in Ireland. Accounting principles generally accepted in Ireland vary in certain significant respects from accounting principles generally accepted in the United States as set out in Note 45 to the consolidated financial statements.

PRICEWATERHOUSECOOPERS

Chartered Accountants and
Registered Auditors
Dublin
Ireland

May 12, 1999

BANK OF IRELAND GROUP

CONSOLIDATED STATEMENT OF INCOME

	Notes	1999 Group Total (€ millions)	1999 Group Total (in IR)	1998 Group Total (£ millions)	1997 Group Total (£ millions)
		Year ended March 31,			
INTEREST RECEIVABLE					
Interest receivable and similar income arising from debt securities		284	224	208	182
Other interest receivable and similar income	5	2,841	2,237	1,820	1,079
INTEREST PAYABLE	6	2,009	1,582	1,275	646
NET INTEREST INCOME		1,116	879	753	615
Fees and commissions receivable		603	475	369	281
Fees and commissions payable		(50)	(39)	(28)	(20)
Dealing profits	33	71	56	33	21
Contribution from life assurance companies		107	84	53	19
Other operating income	7	71	56	33	17
TOTAL OPERATING INCOME		1,918	1,511	1,213	933
Administrative expenses	8	962	758	646	504
Depreciation and amortisation	8,19	98	77	56	45
OPERATING PROFIT BEFORE PROVISIONS		858	676	511	384
Provision for bad and doubtful debts	16	56	44	37	20
OPERATING PROFIT		802	632	474	364
Income from associated undertakings	9	34	27	56	32
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEM		836	659	530	396
Profit on disposal of associated undertaking	2	218	172	—	—
PROFIT BEFORE TAXATION		1,054	831	530	396
Taxation on profit on ordinary activities	10	223	176	155	129
Effect of reductions in Irish corporation tax standard rate on deferred tax balances	10	30	24	—	—
PROFIT AFTER TAXATION		801	631	375	267
Minority interests: equity		1	1	1	—
non equity		6	5	4	—
Non-cumulative preference stock dividends	11	23	18	16	15
PROFIT ATTRIBUTABLE TO THE ORDINARY STOCKHOLDERS		771	607	354	252
Transfer to capital reserve	31	36	28	33	7
Ordinary dividends	11	192	151	118	86
PROFIT RETAINED FOR THE YEAR		543	428	203	159
Earnings per unit of IR£1 Ordinary Stock	12	148.9c	117.3p	70.9p	52.0p
Alternative Earnings per unit of IR£1 Ordinary Stock	12	108.6c	85.5p		
Diluted Earnings per unit of IR£1 Ordinary Stock	12	147.8c	116.4p	70.3p	51.7p

The notes on pages F-11 to F-84
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED BALANCE SHEET

	Notes	At March 31, 1999	1999	1998
		(€ millions)	(in IR£ millions)	
ASSETS				
Cash and balances at central banks		1,083	853	118
Items in the course of collection		575	453	383
Central government and other eligible bills	13	662	521	80
Loans and advances to banks	14	3,457	2,723	4,858
Loans and advances to customers	15	36,183	28,496	25,170
Securitization and loan transfers		858	676	909
Less: non returnable amounts		741	584	812
	15	117	92	97
Debt securities	17	5,146	4,053	3,828
Equity shares		18	14	55
Interests in associated undertakings	18	13	10	213
Tangible fixed assets	19	835	658	649
Own shares		—	—	11
Other assets	20	2,223	1,751	1,338
Prepayments and accrued income		467	368	423
		50,779	39,992	37,223
Life assurance assets attributable to policyholders	22	3,535	2,784	2,409
		54,314	42,776	39,632

The notes on pages F-11 to F-84
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED BALANCE SHEET

	Notes	At March 31, 1999	1999	1998
		(€ millions)	(in IR£ millions)	
LIABILITIES				
Deposits by banks	23	7,039	5,544	4,261
Customer accounts	24	34,297	27,011	25,957
Debt securities in issue	25	541	426	882
Items in the course of transmission		251	198	197
Other liabilities	26	3,477	2,738	2,378
Accruals and deferred income		670	528	559
Provisions for liabilities and charges				
— deferred taxation	21	65	51	73
— other	27	114	90	122
Subordinated liabilities	28	1,389	1,094	1,146
Minority interests — equity		3	2	3
Minority interests — non equity	29	79	62	64
Called up capital stock	30	681	536	531
Stock premium account	31	633	499	462
Capital reserve	31	159	125	98
Profit and loss account	31	1,365	1,075	480
Revaluation reserve	31	16	13	10
Stockholders' funds including non equity interests		2,854	2,248	1,581
Life assurance liabilities attributable to policyholders	22	3,535	2,784	2,409
		54,314	42,776	39,632
MEMORANDUM ITEMS				
Contingent liabilities				
Acceptances and endorsements		73	58	88
Guarantees and assets pledged as collateral security				
— assets pledged		—	—	—
— guarantees and irrevocable letters of credit		621	489	477
Other contingent liabilities		343	270	268
	35	1,037	817	833
Commitments				
Sale and option to resell transactions		—	—	—
Other commitments		9,075	7,147	6,128
	35	9,075	7,147	6,128

The notes on pages F-11 to F-84
form an integral part of these consolidated financial statements

OTHER PRIMARY STATEMENTS

STATEMENT OF TOTAL RECOGNIZED GAINS AND LOSSES

	Notes	At March 31, 1999	1999	1998	1997
		(€ millions)	(in IR£ millions)		
Profit attributable to the ordinary stockholders		771	607	354	252
Exchange adjustments	30,31	(23)	(18)	125	25
Revaluation of property		4	3	2	—
Total recognized gains since last year		752	592	481	277

RECONCILIATION OF MOVEMENT IN STOCKHOLDERS' FUNDS

	Notes	At March 31, 1999	1999	1998	1997
		(€ millions)	(in IR£ millions)		
Profit attributable to the ordinary stockholders		771	607	354	252
Dividends	11	(192)	(151)	(118)	(86)
		579	456	236	166
Other recognized (losses) / gains		(19)	(15)	127	25
New capital stock subscribed	30,31	56	44	221	19
Goodwill arising on acquisitions		—	—	(414)	(159)
Goodwill written back on disposal of Citizens	31	230	181	—	—
Goodwill written back on other disposal	31	1	1	—	134
		847	667	170	185
At April 1		2,007	1,581	1,411	1,226
At March 31		2,854	2,248	1,581	1,411
Stockholders' funds:					
Equity		2,647	2,085	1,416	1,256
Non equity		207	163	165	155
		2,854	2,248	1,581	1,411

NOTE OF HISTORICAL COST PROFIT AND LOSS

There is no significant difference between the results as disclosed in the statement of income and the results on an unmodified historical cost basis.

The notes on pages F-11 to F-84
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Notes	Year ended March 31, 1999	1998	1997
		(in IR£ millions)		
Preference stock				
At April 1		17	16	15
Exchange adjustments		—	1	1
At March 31	30	17	17	16
Ordinary stock				
At April 1		514	487	482
Stock alternative scheme issue		2	2	2
Employees' profit sharing plan and executive stock option plan		3	2	3
Share placing		—	23	—
At March 31	30	519	514	487
Stock premium				
At April 1		462	259	242
Premium on issue of capital stock		11	178	6
Premium on stock alternative scheme issue		28	18	8
Stock issue expenses		—	(2)	—
Exchange adjustments		(2)	9	3
At March 31	31	499	462	259
Capital Reserve				
At April 1		98	53	44
Exchange adjustments		(1)	12	2
Share of unrealized profits of Group undertakings		28	33	7
At March 31	31	125	98	53

The notes on pages F-11 to F-84
form an integral part of these consolidated financial statements

	Notes	Year ended March 31, 1999	1998	1997
		(in IR£ millions)		
Profit and loss account				
At April 1		1,111	804	626
Transfer from goodwill reserve		(631)	—	—
		480	804	626
Net income		579	321	245
Ordinary dividends		(151)	(118)	(86)
Goodwill written back on disposal of Citizens		181	—	—
Goodwill written back on other disposal		1	—	—
Transfer from revaluation reserve		—	2	—
Exchange adjustments		(15)	102	19
At March 31	31	1,075	1,111	804
Goodwill reserve				
At April 1		(631)	(217)	(192)
Transfer to profit and loss account		631	—	—
Goodwill written off on acquisition of Bristol & West		—	(295)	—
Goodwill written off on acquisition of New Ireland		—	(93)	—
Goodwill on acquisitions undertaken by Citizens Financial Group		—	(21)	—
Other Goodwill		—	(5)	—
Goodwill written off on acquisition of Citizens Financial Group		—	—	(159)
Goodwill written back on disposal		—	—	134
At March 31	31	—	(631)	(217)
Revaluation reserve				
At April 1		10	9	9
Revaluation of property		3	2	—
Exchange adjustments		—	1	—
Transfer to profit and loss account		—	(2)	—
At March 31	31	13	10	9
Total stockholders' funds		2,248	1,581	1,411

The notes on pages F-11 to F-84
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED CASH FLOW STATEMENT

	Notes	Year ended March 31, 1999	1999	1998	1997
		(in € millions)	(in IR£ millions)		
RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS					
Operating Profit		802	632	474	364
Decrease / (increase) in accrued income and prepayments		63	50	(89)	(38)
(Decrease) / increase in accruals and deferred income		(19)	(15)	165	68
Provisions for bad and doubtful debts		56	44	37	20
Loans and advances written off net of recoveries		(47)	(37)	(23)	(11)
Depreciation and amortization		98	77	56	45
Interest charged on subordinated liabilities		104	82	71	37
Other non-cash movements		(18)	(14)	16	(19)
Net cash flow from trading activities		1,039	819	707	466
Net (increase) / decrease in collections / transmissions		(93)	(73)	61	(54)
Net decrease / (increase) in loans and advances to banks		1,959	1,543	(691)	677
Net (increase) in loans and advances to customers		(5,061)	(3,986)	(1,434)	(1,450)
Net increase / (decrease) in deposits by banks		1,669	1,314	2,101	(755)
Net increase in customer accounts		2,164	1,704	1,057	1,293
Net (decrease) in debt securities in issue		(538)	(424)	(25)	(256)
Net decrease / (increase) in non-investment debt and equity securities		124	98	(295)	320
Net (increase) / decrease in other assets		(524)	(413)	(486)	193
Net increase / (decrease) in other liabilities		287	226	613	(90)
Exchange movements		(216)	(170)	145	9
Net cash flow from operating activities		810	638	1,753	353
Dividend received from associated undertaking		1	1	2	—
Returns on investment and servicing of finance	38	(141)	(111)	(81)	(51)
Taxation		(138)	(109)	(115)	(81)
Capital expenditure and financial investment	38	(903)	(711)	125	(388)
Acquisitions and disposals	38	715	563	(810)	23
Equity dividends paid		(127)	(100)	(73)	(68)
Financing	38	(9)	(7)	162	188
Increase in cash		208	164	963	(24)

The notes on pages F-11 to F-84
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

Introduction

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain properties and investments, in accordance with the Companies Acts, 1963 to 1990 and the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with applicable accounting standards. The accounts are drawn up in Irish Pounds (IR£) and except where otherwise indicated are expressed in millions. Costs, assets and liabilities are inclusive of irrecoverable value added taxes where appropriate.

During the year the Group implemented the requirements of Financial Reporting Standard 10, Goodwill and Intangible Assets ("FRS 10"). Prior to FRS 10 premiums arising on acquisition were written off directly to reserves in the year of acquisition. As permitted by the transitional arrangement of FRS 10, these premiums have not been restated by means of a prior year adjustment and they will be charged to the profit and loss account on subsequent disposal of the businesses to which they relate.

Financial Reporting Standard 12, Provisions, Contingent Assets and Contingent Liabilities was also implemented. FRS 12 outlines the appropriate recognition criteria and measurement bases which should apply to provisions. Following a stringent review of the Group balance sheet it was determined that IR£17m should be released, IR£9m of which was previously included in Other Provisions For Liabilities And Charges (Note 27) and IR£8m previously included in Accruals and other Liabilities. No prior period adjustment was made as these amounts were not considered material.

Financial Reporting Standard 13, Derivatives and other Financial Instruments was also adopted by the Group. FRS 13 requires disclosure of certain information on financial instruments.

During the year the Group implemented the requirements of Financial Reporting Standard 14, Earnings per Share, and disclosure has been made of diluted earnings per share. The Group has also adopted the requirements of Financial Reporting Standard 9, Associates and Joint Ventures, and Financial Reporting Standard 11, Impairment of Fixed Assets and Goodwill, although their effect has not been significant.

The significant accounting policies are as follows:-

(a) Basis of Consolidation

Assets, liabilities and results of all group undertakings have been included in the Group's accounts on the basis of accounts made up to the end of the financial year.

In order to reflect the different nature of the policyholders' interests in the long-term assurance business, the assets and liabilities attributable to policyholders are classified separately in the Group balance sheet.

Assets held by the Bank and certain group undertakings in their capacity as trustee and manager for investment trusts, pension schemes and unit trusts are not consolidated in the Group accounts as the Group does not have beneficial ownership.

(b) Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into Irish Pounds at rates of exchange ruling at the balance sheet date or at hedge rates where appropriate. Exchange differences, arising from the application of closing rates of exchange to the opening net assets held in foreign currencies and to related foreign currency borrowings are taken directly to reserves. Profits and losses in foreign currencies are translated into Irish Pounds at the average rates of exchange for the year or at hedge rates where appropriate and the differences between these rates and closing rates are recorded as a movement in reserves. All other exchange profits and losses, which arise from normal trading activities, are included in operating profits.

(c) Income Recognition

Interest income is recognized as it accrues, except in the case of doubtful debts where interest is recognized on a cash receipts basis. Fees receivable which represent a return for services provided, risk borne or which are in the nature of interest are credited to income when the service is performed or over the period of the product as appropriate.

(d) Mortgage Incentives

Mortgage interest discounts below the cost of funds and cashbacks are capitalized in other assets when there is a right and intention to recover the incentive in the event of early redemption. The amount capitalized is charged against interest received in the profit and loss account on a straight line basis over the period of the clawback and early redemption penalty period.

(e) Leasing and Installment Finance

Leasing income is recognized in proportion to the funds invested in the lease so as to give a constant rate of return over each period after taking account of taxation cash flows. Income from installment finance transactions, including hire purchase finance, is recognized in proportion to the balances outstanding.

(f) Debt Securities and Equity Shares

Investment Securities

Debt securities and equity shares held for use on a continuing basis in the Group's activities are classified as investment securities. Such securities and shares are stated at cost less provision for any permanent diminution in value. The cost of dated securities is adjusted for the amortization of premiums or discounts over the period to maturity. The amortization of premiums or discounts is included in interest income. In those rare instances where an investment security is sold prior to maturity, profits and losses are recognized when realized.

Other Securities

Other securities are stated at fair value, except for those securities maintained for the purpose of hedging, which are accounted for on the same basis as the item hedged. Changes in the fair value of securities marked to market are recognized in the profit and loss account as they arise. Profits and losses on disposal are recognized when realized and included in dealing profits, except for those securities maintained for hedging purposes, which are amortized over the lives of the underlying transactions and included in net interest income.

(g) Derivatives

Derivative instruments used for trading purposes or used to manage risk in the trading portfolios include swaps, futures, forwards, forward rate agreements and options contracts in the interest rate, foreign exchange and equity markets. These derivatives, which include all customer and proprietary transactions together with any associated hedges are measured at fair value and the resultant profits and losses are included in dealing profits. In the event of a market price not being readily available internally generated prices will be used. These prices are calculated using recognized formulae for the type of transaction. Where market prices may not be achievable because of the size of positions or the illiquidity of markets, adjustments are made in determining fair value. Unrealized gains and losses are reported in Other Assets or Other Liabilities on a gross basis.

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

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

(i) Adequate evidence of the intention to hedge must be established at the outset of the transaction.

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

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

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

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

(h) Capital Instruments

Issue expenses incurred in connection with the issue of capital instruments other than equity shares are deducted from the proceeds of the issue and amortized to the profit and loss account as appropriate.

(i) Pensions

Contributions to the Group's defined benefit schemes are charged to the profit and loss so as to spread the expected cost of pensions, calculated in accordance with the advice of qualified actuaries, on a systematic basis over employees' working lives. Variations from the regular cost are spread over the average remaining service life of relevant employees. The costs of the Group's defined contribution schemes are charged to the profit and loss for the period in which they are incurred.

(j) Depreciation and Amortization

Leasehold property with unexpired terms of 50 years or less is depreciated by equal annual installments over the remaining period of the lease. Freehold and long leasehold property is maintained in a state of good repair and the Directors consider that residual values based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not significant, accordingly this property is not depreciated. Depreciation on adaptation works on freehold and leasehold property is based on an estimated useful life subject to a maximum period of 15 years or the remaining period of the lease. Computer and other equipment is depreciated by equal annual installments over its estimated useful life subject to a maximum period of 10 years.

(k) Provision for Bad and Doubtful Debts

Specific provisions are made on a case by case basis for loans and advances which are recognised to be bad or doubtful as a result of the continuous appraisal of the loans and advances portfolio. A general provision is also made against loans and advances to cover latent loan losses which are known from experience to be present in any portfolio of loans and advances but have yet to be specifically identified.

(l) Deferred Taxation

Deferred taxation is recognized at the appropriate rates of tax using the liability method on timing differences between profits stated in the accounts and profits computed for taxation purposes where it is expected that a liability or asset is likely to arise in the foreseeable future. The future tax benefit relating to tax losses is not recognized unless the benefit assured is beyond reasonable doubt.

(m) Scrip Dividend

Stock issued in lieu of cash dividends, under the Stock Alternative Scheme, is issued at a value equivalent to the cash element, net of Dividend Witholding Tax where applicable, of the dividend foregone.

(n) Investments in Associated Undertakings

Investments in associated undertakings are stated at acquisition cost, less amounts written off in respect of goodwill arising on acquisition, together with the appropriate share of post-acquisition reserves.

(o) Securitization and Loan Transfers

Assets sold under securitization and loan transfers, where there is no significant change in the Group's rights or benefits to those assets or in the Group's exposure to the risks inherent in those assets, continue to be consolidated on a gross basis. In cases where there is no significant change in the rights and benefits and the financing is limited to a fixed monetary ceiling, only the net amount is consolidated using the linked presentation and the related gross amounts are shown on the face of the balance sheet.

(p) Goodwill

Goodwill is a premium arising on acquisition which represents the excess of cost over fair value of the Group's share of net tangible assets acquired. Premiums arising on acquisitions of subsidiary undertakings occurring after March 31, 1998 are capitalized as assets on the balance sheet and amortized over their estimated useful economic lives.

(q) Life Assurance Business

The assets attributable to the Group from the life assurance business are consolidated in the Group balance sheet and consist of the Group's share of the net tangible and financial assets of the business and the Group's interest in policies in force. The Group's interest in polices in force is computed annually in consultation with independent actuaries and represents the discounted present value of the surpluses attributable to the Group which will be generated in the future from existing policies. The bases adopted in the valuation use prudent best estimates of future lapse rates, mortality rates, renewal expenses and investment returns. The value has been computed in accordance with bases accepted in the life assurance market. The statutory life companies' surplus attributable to the Group, together with the annual movement in the Group's interest in policies in force is included in the Group profit and loss account, grossed up for taxation at the effective rate.

2 PROFIT ON DISPOSAL OF CITIZENS FINANCIAL GROUP

On September 3, 1998, the Group sold its 23.5% shareholding and other interests in Citizens to the Royal Bank of Scotland Group for an aggregate consideration of US$763m in cash, consisted of US$753m in respect of its 23.5% shareholding and US$10m in respect of unrealized tax losses held by Citizens.

The sale completes the withdrawal by Bank of Ireland from its US retail banking interests in New England and results in an exceptional profit before taxation of IR£172.4m (IR£164.4m after tax) for the year ended March 31, 1999, equivalent to an exceptional increase in EPS of IR31.8p. After writing back goodwill previously written off to reserves, the transaction results in an improvement to Bank of Ireland's stockholders funds of IR£345m.

3 BRISTOL & WEST

The transfer of the businesses of Bristol & West Building Society to a subsidiary of the Bank, Bristol & West plc (formerly Reading Mortgages plc) was completed on July 28, 1997.

The terms of the transfer valued the consideration at Stg£600m. In satisfaction of this consideration Stg£522m was paid in cash and preference shares in Bristol & West plc were issued for a nominal value of Stg£78m. Subsequently Stg£26.4m of the preference shares were purchased by Bank of Ireland at a premium. The remaining preference shares are reported as minority interest on the Group balance sheet. As analysed below the acquisition gave rise to goodwill on consolidation of IR£294.7m which, in accordance with the Group's policy for goodwill at that time, has been charged against goodwill reserves.

The fair value of net assets acquired was as follows:

	Book Values IR£m	Revaluation IR£m	Other Adjustments IR£m	Fair Values IR£m
Cash and balances at central banks	9.2			9.2
Loans and advances to banks	967.2			967.2
Loans and advances to customers	9,259.4		(34.6)	9,224.8
Debt securities	697.8			697.8
Tangible fixed assets	110.3	(5.5)		104.8
Other assets	87.1		8.7	95.8
Deposits by banks	(402.7)			(402.7)
Customer accounts	(9,374.8)			(9,374.8)
Debt securities in issue	(386.1)			(386.1)
Other liabilities	(264.4)	(22.9)	(2.9)	(290.2)
Subordinated liabilities	(235.2)	(55.0)		(290.2)
Net assets	467.8	(83.4)	(28.8)	355.6

Costs incurred by Bank of Ireland	6.9
Consideration	643.4
Goodwill arising on the acquisition of the businesses of Bristol & West Building Society	294.7

The rate of exchange at the date of acquisition was IR£/Stg£0.8891. The consideration of IR£643.4m reflects the benefit of hedged instruments which were put in place following the announcement of the acquisition.

The fair value adjustments made on the acquisition of the businesses of Bristol & West Building Society arose as follows:

Revaluation

Property was reduced by IR£5.5m to reflect the property acquired at open market value on an existing use basis. Other liabilities were increased by IR£22.9m reflecting provisions for future rentals on leaseholds in excess of current market value of IR£17.3m, and pensions were revalued upwards by IR£5.6m in accordance with FRS7. The subordinated liabilities were revalued upwards by IR£55.0m in accordance with the valuation rules for long term monetary liabilities in FRS7.

Other Adjustments

Loans and advances to customers were reduced by IR£34.6m in order to align the loan loss provisioning policy of Bristol & West Building Society with that of the Group.

Other assets increased by IR£8.7m in order to align the accounting policy for loan loss recoveries with that of the Group and due to the deferred tax asset for those adjustments expected to reverse in the short term.

The increase of IR£2.9m to other liabilities is attributable to sundry provisions.

The Bristol & West Building Society profit and loss account for the year to December 31, 1996 and the pre acquisition period from January 1, 1997 to July 27, 1997 is shown below:

	January 1, 1997 to July 27, 1997	12 months to December 31, 1996
	Stg£m	Stg£m
Net interest income	91.6	149.6
Other income	29.8	55.4
	121.4	205.0
Expenses	(71.8)	(97.9)
Transaction Costs	(20.3)	(8.1)
Provisions for Bad and Doubtful Debts	(5.2)	(20.5)
Profit on ordinary activities before taxation	24.1	78.5
Taxation	(13.0)	(33.4)
Profit on ordinary activities after taxation	11.1	45.1

The profit before tax of Bristol & West from July 28, 1997 to March 31, 1998 amounted to IR£76.6m. All gains and losses in the periods shown were recognised in the profit and loss accounts for those periods and as such a statement of total recognised gains and losses is not shown.

4 NEW IRELAND HOLDINGS

The acquisition of New Ireland Holdings plc was completed on December 24, 1997.

The terms of the acquisition valued New Ireland at IR£273.6m, or IR£23.82 per fully diluted New Ireland share, which was fully paid for in cash.

As analyzed below the acquisition gave rise to goodwill on consolidation of IR£93.4m which, in accordance with the Group's policy for goodwill at that time, has been charged against goodwill reserves.

The fair value of the net assets acquired was as follows:

	Book Value	Revaluation	Other Adjustments	Fair Values
			(IR£ millions)	
Loans and advances to banks	66.2			66.2
Equities	21.6	26.5		48.1

Investment properties	16.0	4.1		20.1
Owner occupied properties	9.0	2.1		11.1
Fixed assets	5.9	(2.3)		3.6
Shareholders' value of in force business	—		78.0	78.0
Life assurance assets attributable to policyholders	1,426.2	36.4		1,462.6
Life assurance liabilities attributable to policyholders	(1,462.6)			(1,462.6)
Other assets	52.9	(1.2)	(12.3)	39.4
Other liabilities	(96.4)	(21.0)	36.1	(81.3)
Net assets	38.8	44.6	101.8	185.2
Costs incurred				5.0
Consideration				273.6
Goodwill				93.4

The fair value adjustments made on acquisition of New Ireland arose as follows:

Revaluation

Equities, Investment properties, Owner occupied properties and non unit linked life assurance assets attributable to policyholders, were recorded at cost in the books of New Ireland. These assets have been revalued to market value at the date of acquisition in order to align the accounting policies with that of the Group.

Fixed Assets and Other assets were written down by IR£2.3m and IR£1.2m respectively.

The deferred tax liability included in Other liabilities arising from the revaluation adjustment amounted to IR£21.0m.

Other Adjustments

The other adjustments relate to:

(i)	The recognition of the shareholders' value of in force business. This is shown in accordance with industry practice, gross of deferred acquisition costs.	
(ii)	Other Assets	
	Reclassification of deferred acquisition costs to shareholders' value of in force business	(12.3)
(iii)	Other Liabilities	
	Release of shareholders' interest in the life fund	47.3
	Deferred tax liability relating to adjustments described in paragraphs (i) and (ii) above	(11.2)
		36.1

The profit before tax of New Ireland Holdings from December 24, 1997 to March 31, 1998, computed in accordance with the Bank's accounting policies, amounted to IR£15.8m. This is stated after charging reorganization costs relating to the investment management activity of IR£2.2m, of which IR£1.5m were paid by March 31, 1998.

The summarized results of New Ireland Holdings for the period from January 1, 1997 to December 23, 1997 prepared in accordance with the accounting policies of New Ireland Holdings prior to acquisition, are as follows:

	January 1, to December 23, 1997
	IR£m
TURNOVER	
Gross premiums	192.1
SUMMARIZED CONSOLIDATED PROFIT AND LOSS ACCOUNT	
Profit from life assurance business	8.1
Profit from other activities	3.1
	11.2
Interest on subordinated loan	(1.0)
	10.2
Profit on sale of Irish National	2.0
Cost of relinquishing obligations under warranty agreements(1)	(6.1)
Profit on ordinary activities before taxation	6.1
Tax on profit on ordinary activities	(4.1)
Profit on ordinary activities after taxation	2.0

(1) The cost of relinquishing obligations under warranty agreements arose from a payment to New Ireland's former parent company, Sun Life and Provincial Holdings plc to release all its obligations under warranty agreements outstanding at the date of acquisition.

There were no other recognized gains or losses in the period.

The profit attributable to New Ireland Holdings plc for the year ended December 31, 1996 amounted to IR£3.4m after charging minority interest of IR£0.2m.

5 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Loans and advances to banks..........	228	231	149
Loans and advances to customers ...	1,911	1,516	886
Finance leasing............................	59	47	26
Installment credit	39	26	18
	2,237	1,820	1,079

6 INTEREST PAYABLE

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Interest on subordinated liabilities	82	71	37
Other interest payable	1,500	1,204	609
	1,582	1,275	646

7 OTHER OPERATING INCOME

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Profit on disposal of investment securities.....	12	—	1
Profit on disposal of tangible fixed assets......	2	—	(1)
Securitization servicing fees	10	7	5
Other income	32	26	12
	56	33	17

8 OPERATING EXPENSES

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Staff Costs:			
wages and salaries	409	335	276
social security costs	32	26	23
pension costs............................	9	23	22
staff stock issue	7	8	4
severance packages..................	2	2	4
	459	394	329
Operating lease rentals:			
property	13	8	6
equipment	1	—	—
Other administrative expenses......	285	244	169
Total administrative expenses	758	646	504
Depreciation and amortization:			
freehold and leasehold property....	10	8	5
computer and other equipment	67	48	40
Total depreciation.......................	77	56	45
Total operating expenses.............	835	702	549

The charge for staff stock issue represents an amount payable to Trustees on behalf of employees to acquire an issue of Ordinary Stock as provided pursuant to the Stock Issue Schemes approved by the stockholders in 1984 and 1997. In 1999 the charge represents 2.5% of eligible employees' basic salary (1998: 3%).

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Auditors' remuneration (including VAT)			
Audit work	1.2	1.1	0.7
Non audit work	3.0	3.4	3.6

9 INCOME FROM ASSOCIATED UNDERTAKINGS

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Citizens Financial Group, Inc	25	55	32
Other associates	2	1	—
	27	56	32

10 TAXATION

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Corporation tax	137	98	91
Tax on the sale of Citizens Financial Group	8	—	—
Tax credits applicable to distributions received	4	4	2
Duty on certain tax-based lending	1	1	1
Deferred taxation:			
Effect of reductions in Irish Corporation tax standard rate on deferred tax balances(1)	24	—	—
Other	18	35	24
Associated undertakings	8	17	11
	200	155	129

The tax charge for the year, at an effective rate of 24.1% is lower than the standard Irish corporation tax rate because of relief arising from tax based lending, the International Financial Services Center 10% tax rate and lower rates of tax in subsidiaries overseas.

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Current taxation			
Domestic	90	70	80
Foreign	68	50	25
	158	120	105
Deferred taxation			
Domestic	39	30	23
Foreign	3	5	1
	42	35	24
	200	155	129

The reconciliation of statutory corporation tax rate to the effective tax rate on ordinary activities is shown below:

	Year ended March 31,		
	1999*	1998	1997
		(%)	
Statutory corporation tax rate	31.0	35.0	38.0
Tax on foreign income	(0.6)	(1.7)	(1.5)
Tax exempted income and income at a reduced tax rate	(3.1)	(3.5)	(4.2)
BOIFH non tax effected profits	—	(0.1)	(0.2)
Other items	1.9	(0.3)	0.4
Effective tax rate	29.2	29.4	32.5

*excluding exceptional items

Included in the charge for corporation tax is IR£68 m (1998: IR£51m, 1997: IR£24m) in respect of taxation on non Republic of Ireland business units.

The deferred taxation charge arises from:

	1999	1998	1997
	(in IR£ millions)		
Leased assets	14	28	25
Own assets	(7)	—	1
Short term timing differences	35	7	(2)
	42	35	24

(1) In accordance with Section 21 of the Taxes Consolidation Act 1997, as amended, the standard rate of corporation tax for trading income is to be reduced, on a phased basis, to 12.5%.

The standard rate is to be;

- 28% for the year 1999
- 24% for the year 2000
- 20% for the year 2001
- 16% for the year 2002
- 12.5% for the year 2003 and subsequent years

Accordingly the rates of corporation tax which will apply to the reversal of timing differences will be lower than those provided for in earlier years and which has resulted in a net charge of IR£24m in the year ended March 31, 1999.

11 DIVIDENDS

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Equity Stock:			
1999			
On units of IR£1 Ordinary Stock in issue			
Interim dividend IR9.2p (Tax credit IR1.1371p)	48		
Proposed final dividend IR19.8p (Tax credit nil)	103		
1998			
On units of IR£1 Ordinary Stock in issue			
Interim dividend IR7.1p (Tax credit IR0.8775p)		36	
Final dividend IR15.9p (Tax credit IR1.9652p)		82	
1997			
On units of IR£1 Ordinary Stock in issue			
Interim dividend IR6.1p (Tax credit IR1.6395p)			30
Final dividend IR11.65p (Tax credit IR2.7869p)			56
	151	118	86

Holders of Bank of Ireland Ordinary Stock are entitled to receive such dividends out of the profits of the Bank as are available by law for distribution and as may be declared by the stockholders at general meeting, but no dividends may be declared in excess of an amount recommended by the Court of Directors. The Court may, without obtaining prior stockholder approval, pay to the stockholders such interim dividends as appear to the Court to be justified by the profits of the Bank.

No Ordinary Stock dividend can be declared or interim dividend paid unless the dividend on any outstanding preference stock most recently payable shall have been paid in cash.

The tax credits relating to these dividends were reduced in accordance with Section 45 of the Finance Act, 1980.

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Non Equity Stock:			

1999			
On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR£1.068000p (Tax credit IR£0.132000p)	11		
On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg£1.123625p (Tax credit Stg£0.138875p)	7		
1998			
On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR£1.008001p (Tax credit IR£0.191999p)		11	
On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg£1.0605015p (Tax credit Stg£0.2019985p)		5	
1997			
On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR£0.940092p (Tax credit IR£0.259908p)			10
On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg£0.989054p (Tax credit Stg£0.273446p)			5
	18	16	15

Dividend payments on Non-Cumulative Preference Stock are accrued.

12 EARNINGS PER UNIT OF IR£1 ORDINARY STOCK

The calculation of earnings per unit of IR£1 Ordinary Stock is based on the profit attributable to Ordinary Stockholders of IR£606.8m (1998: IR£353.8m, 1997: IR£251.9m) and the weighted average Ordinary Stock in issue of 517.4m units of IR£1 (1998: 499.1m units of IR£1, 1997: 484.5m units of IR£1).

The calculation of the alternative earnings per share for March 31, 1999 is based on the profit attributable to Ordinary Stockholders before the exceptional item of IR£442.4m after tax and the weighted average Ordinary Stock of 517.4m units.

In accordance with the Financial Reporting Standard 14 (FRS 14) on Earnings Per Share, the diluted earnings per share is based on the profit attributable to Ordinary Stockholders of IR£606.8m and the weighted average Ordinary Stock in issue adjusted for the effect of all dilutive potential Ordinary Stock of 3.8m units as at March 31, 1999.

13 CENTRAL GOVERNMENT BILLS AND OTHER ELIGIBLE BILLS

	At March 31,	
	1999	1998
	(in IR£ millions)	
Investment securities		
— other eligible bills	462	—
Other securities		
— government bills and similar securities	59	80
	521	80

14 LOANS AND ADVANCES TO BANKS

	At March 31,	
	1999	1998
	(in IR£ millions)	
Funds placed with Central Bank of Ireland	57	67
Funds placed with other central banks	20	46
Funds placed with other banks	2,646	4,745
	2,723	4,858
Repayable on demand	468	1,045
Other loans and advances to banks by remaining maturity		
— 3 months or less	1,426	3,070
— 1 year or less but over 3 months	784	664
— 5 years or less but over 1 year	34	49
— over 5 years	11	30
	2,723	4,858

The Group is required to maintain balances with the Central Bank of Ireland and other Central Banks.

15 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	At March 31,	
	1999	**1998**
	(in IR£ millions)	
Loans and advances to customers	27,036	24,031
Finance lease receivables and installment credit	1,743	1,420
	28,779	25,451
General and specific bad and doubtful debt provisions	(283)	(281)
	28,496	25,170
Repayable on demand	1,273	1,163
Other loans and advances to customers by remaining maturity		
3 months or less	1,157	1,164
1 year or less but over 3 months	1,896	1,432
5 years or less but over 1 year	5,547	4,616
over 5 years	18,906	17,076
	28,779	25,451

(b) Securitization and loan transfers

At the year end, the Group had advances secured on residential property subject to non-recourse funding. In accordance with Financial Reporting Standard No.5, "Reporting the Substance of Transactions", securitized mortgages have been included in the balance sheet using a linked presentation, whereby the non- recourse element of the funding is shown as a deduction from the mortgage balances.

The Group sold pools of mortgages of Stg£250m to Residential Property Securities No.3 plc ("RPS3") during 1993, Stg£500m to Residential Property Securities No.4 plc ("RPS4") in July 1994 and Stg£300m to Residential Property Securities No.5 plc ("RPS5") during 1997. These companies issued Mortgage Backed Floating Rate Notes ("Notes") to finance the purchase of the mortgage pools.

Loan facilities have been made available to RPS3, RPS4 and RPS5 to finance certain issue related expenses and loan losses arising on the pools of mortgages sold. The principal of these loan facilities will fall as loan losses crystallize. Interest is calculated in accordance with the loan agreements based on the profits of RPS3, RPS4 and RPS5 respectively. The loans are repayable when all Notes have been redeemed subject to the issuer having sufficient funds available.

RPS3 and RPS4 have hedged their interest rate exposure to fixed rate mortgages by entering into interest exchange agreements involving Bank of Ireland, Bank of Ireland Home Mortgages Ltd and National Westminster Bank Plc.

RPS5 has hedged its interest rate exposure to fixed rate mortgages by entering into interest rate exchange agreements involving Bank of Ireland, Bank of Ireland Home Mortgages Ltd, Coöperative Centrale Raiffeisen-Boerenleenbank BA (trading as Rabobank International) and ING Bank NV.

In December 1994 Bristol & West sold a portfolio of Stg£150m commercial loans to Commercial Loans on Investment Property Securitization (No.1) plc ("CLIPS"). CLIPS funded this purchase by the issue of floating rate mortgage backed securities. Under the terms of this issue Bristol & West is not obliged to repurchase any of the assets sold to CLIPS, or to transfer any additional assets to CLIPS. The issue terms of the notes include provisions that neither CLIPS nor the noteholders have recourse to Bristol & West. Bristol & West is not obliged or does not intend to support any losses of CLIPS. The proceeds generated by the mortgage assets will be used to pay the interest and capital on the notes and any other administrative expenses and taxation. Any residue is payable to Bristol & West as deferred consideration.

The entire share capital of CLIPS is held by a discretionary trust established for a number of charitable and discretionary purposes. CLIPS is incorporated under the Irish Companies Acts 1963 to 1990 and is registered and operating in the Republic of Ireland.

The Group sold by private placement a pool of mortgages of Stg£145m during the year ended 1992 and Stg£100m during the year ended 1993 to major UK financial institutions.

Under the terms of separate agreements, the Group continues to administer the mortgages on behalf of the companies above. Specific provisions are maintained by the Group on a case by case basis for all loans where there is a likelihood of a loss arising and general provisions are maintained as a percentage of all remaining loans.

Under the terms of the mortgage sale agreements, the Group has an option to repurchase the mortgages at par when the aggregate balances of the mortgages fall below 10% in the case of RPS3, and 5% in the case of RPS4 and RPS5, of the original sale proceeds. The amount of such options is included in net securitization assets and other creditors.

The assets and liabilities relating to the private placement of Stg£100m continue to be recognised in the balance sheet and the associated income and expenditure is aggregated with that of the Group in the profit and loss account.

The assets and liabilities relating to the sale of mortgages to RPS3, RPS4, RPS5, CLIPS and the private placement of Stg£145m together with any associated income and expenditure are included in the financial accounts under separate headings using linked presentation.

The Group as servicer, receives fees and income from these companies. These are expected to continue up to a period of ten years from the commencement of each transaction.

In addition loans and advances to customers at March 31, 1999 includes IR£36m (1998: IR£46m) of securitized mortgage loans where linked presentation has not been used.

The Securitizations involved are as follows:

			Outstanding at March 31, 1999		Outstanding at March 31, 1998	
Company	Type of Loan	Date of Securitization	Gross loans IR£m	Non-returnable finance IR£m	Gross loans IR£m	Non-returnable finance IR£m
RPS3	Residential Mortgages	August 31, 1993	96	63	129	95
RPS4	Residential Mortgages	July 20, 1994	249	214	322	285
RPS5	Residential Mortgages	September 24, 1997	267	246	351	329
CLIPS	Commercial loans	December 22, 1994	64	61	107	103
			676	584	909	812
				92		97

All the issued shares in the above companies are held by Trusts. The Bank of Ireland Group does not own directly or indirectly any of the share capital of these securitization companies or their parent companies.

A summarized profit and loss account for the period to March 31, 1999 for RPS3, RPS4, RPS5, the private placement of Stg£145m and CLIPS is set out below:

	1999	1998
	(in Stg£ millions)	
Interest receivable	59	57
Interest payable	(54)	(51)
Fee income	2	1
Deposit income	3	2
Operating expenses	(1)	(2)
Profit for the financial period	9	7

(c) Concentration of exposure to risk

The Group's exposure to risk from its lending activities does not exceed 10% of loans and advances to customers after provisions in any individual sector or industry with the exception of residential mortgages.

The Group's residential mortgage portfolio is widely diversified by individual borrower and amounts to 58% of the total loans and advances to customers, 26% of the loans and advances in Ireland and 87% in Great Britain.

(d) Leasing and hire purchase

	At March 31, 1999	At March 31, 1998
	(in IR£ millions)	
Loans and advances to customers finance leases	1,292	1,073
Hire Purchase receivables	451	347
	1,743	1,420
Amount receivable by remaining maturity within 1 year	311	276

5 years or less but over 1 year	707	475
over 5 years	725	669
	1,743	1,420

The cost of assets acquired for finance leases and hire purchase contracts, net of grants received or receivable, amounted to IR£844m (1998: IR£856m).

Aggregate amounts receivable including capital repayments during the year in respect of finance leases and hire purchase contracts amounted to IR£593m (1998: IR£496m).

16 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Year ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
At April 1	281	176	184
Exchange adjustments	(5)	15	4
Charge against profits	44	37	20
Amounts written off	(49)	(33)	(18)
Recoveries	12	10	7
Acquisition of group undertaking	—	76	—
Disposal of group undertaking	—	—	(21)
At March 31	283	281	176
All of which relates to loans and advances to customers			
Provisions at March 31			
specific	97	113	89
general	186	168	87
	283	281	176

The Group's general provision, which provides for the latent loan losses in the portfolio of loans and advances, comprises an element relating to grade profiles of IR£99m (1998: IR£99m, 1997: IR£45m) and a non designated element, for prudential purposes of IR£87m (1998: IR£69m, 1997: IR£42m). The non designated element, against which a deferred tax asset has been recognized, will be offset, in certain pre-defined circumstances, against specific loan losses as they crystallize in future years.

17 DEBT SECURITIES

	At March 31, 1999			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in IR£ millions)			
Issued by Public Bodies				
Investment securities				
government securities	473	22	—	495
Other securities				
government securities	980			980
other public sector securities	17			17
	997			997
Issued by Other Issuers				
Investment securities				
bank and building society certificates of deposit	221	—	—	221
other debt securities	2,133	39	(12)	2,160
	2,354	39	(12)	2,381
Other securities				
bank and building society certificates of deposit	—			—
other debt securities	229			229
	229			229
	4,053	61	(12)	4,102

	At March 31, 1998			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in IR£ millions)			
Issued by Public Bodies				
Investment securities				
government securities	828	11	(1)	838

Other securities				
government securities	1,022			1,022
other public sector securities	7			7
	1,029			1,029
Issued by Other Issuers				
Investment securities				
bank and building society certificates of deposit	223	—	—	223
other debt securities	1,462	38	(25)	1,475
	1,685	38	(25)	1,698
Other securities				
bank and building society certificates of deposit	20			20
other debt securities	266			266
	286	—	—	286
	3,828	49	(26)	3,851

	At March 31, 1999	At March 31, 1998
	(in IR£ millions)	
Investment securities		
listed	2,002	1,909
unlisted	825	604
	2,827	2,513
Other securities		
listed	1,019	1,085
unlisted	207	230
	1,226	1,315
Unamortized premiums and discounts on investment securities	14	64

Income from listed and unlisted investments amounted to IR£235m (1998: IR£207m, 1997: IR£182m).

Investment securities movements

	Cost	Discount/ (Premium)	Carrying Value
		(in IR£ millions)	
At April 1, 1998	2,541	(28)	2,513
Exchange adjustments	80	1	81
Acquisitions	4,826	—	4,826
Disposals and redemptions	(4,589)	6	(4,583)
Amortization of premiums and discounts	—	(10)	(10)
At March 31, 1999	2,858	(31)	2,827

	At March 31, 1999	At March 31, 1998
	(in IR£ millions)	
Analysed by remaining maturity:		
Due within one year	686	933
Due one year and over	3,367	2,895
	4,053	3,828

The valuation of unlisted securities is based on the Directors' estimate. The cost of other securities is not disclosed as its determination is not practicable. Debt securities includes securities which are subject to sale and repurchase agreements of IR£696m (1998: IR£444m).

Debt securities with a market value of IR£2,020m (1998: IR£1,347m) were pledged as collateral to cover settlement risk for securities' transactions.

18 INTERESTS IN ASSOCIATED UNDERTAKINGS

	At March 31, 1999	At March 31, 1998
	(in IR£ millions)	
At April 1, 1998	213	169
Exchange adjustments	(12)	23
Acquisitions	2	—
Net increase in investments	1	2

Disposal of Citizens Financial Group	(187)	—
Other disposals	(26)	—
Retained profits	19	40
Goodwill written off	—	(21)
At March 31, 1999	10	213

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

19 TANGIBLE FIXED ASSETS

	Freehold land and buildings	Leases of 50 years or more unexpired	Leases of less than 50 years unexpired	Computer and other equipment	Finance lease assets	Total
			(in IR£ millions)			
Cost or valuation						
At April 1, 1998	359	55	34	488	5	941
Exchange adjustments	(8)	—	(1)	(5)	—	(14)
Additions	18	—	4	113	1	136
Disposals	(33)	—	(1)	(38)	—	(72)
Revaluation	—	3	—	—	—	3
At March 31, 1999	336	58	36	558	6	994
Accumulated depreciation and amortisation						
At April 1, 1998	8	1	4	276	3	292
Exchange adjustments	1	—	—	(3)	—	(2)
Disposals	—	—	—	(31)	—	(31)
Charge for year	5	1	3	67	1	77
At March 31, 1999	14	2	7	309	4	336
Net book value						
At March 31, 1999	322	56	29	249	2	658
At March 31, 1998	351	54	30	212	2	649

Property and Equipment

A revaluation of all Group property, was carried out as at March 31, 1996. All freehold and long leasehold (50 years or more unexpired) commercial properties were valued by Jones Lang Wootton as external valuers, with the Bank's professionally qualified staff valuing all other property. The valuation was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on the basis of existing use value or open market value together with the depreciated replacement cost of adaptation works where these are not adequately reflected in the existing use value.

As at March 31, 1999 on a historical cost basis the cost of group property would have been included at IR£341m (1998: IR£398m) less accumulated depreciation IR£25m (1998: IR£11m). The Group occupies properties with a net book value of IR£267m (1998: IR£280m) in the course of carrying out its own activities.

In the year to March 31, 1999 salary and overhead costs of IR£15m (1998: IR£5m) incurred on computer software development and other projects have been capitalised and included in computer and other equipment. This expenditure is depreciated in equal annual installments over its estimated useful life subject generally to a maximum period of five years.

	At March 31, 1999	At March 31, 1998
	(in IR£ millions)	
Tangible fixed assets leased	124	152
Future capital expenditure		
contracted but not provided in the accounts	34	11
authorized by the Directors but not contracted	7	8

Rentals payable in 1999 under non-cancelable operating leases amounted to IR£25m (1998: IR£23m). Of this amount IR£3m (1998: IR£2m) relates to leases expiring within one year, IR£4m (1998: IR£4m) relates to leases expiring in two to five years and IR£18m (1998: IR£18m) relates to leases expiring after five years, split between property IR£24m and equipment IR£1m.

Minimum future rentals under non cancelable operating leases are as follows:

Year ended March 31,	Payable IR£m	Receivable IR£m

2000	24	5
2001	21	4
2002	20	4
2003	20	4
2004	20	4
thereafter	326	9

The obligations under finance leases amount to IR£1.2m (1998: IR£0.8m) of which IR£0.6m (1998: IR£0.4m) is due within one year, IR£0.6m (1998: IR£0.4m) is due after more than one year but within five years and IR£nil (1998: IR£nil) is due after five years.

20 OTHER ASSETS

	At March 31,	
	1999	**1998**
	(in IR£ millions)	
Sundry debtors	720	543
Foreign exchange and interest rate contracts	787	594
Value of shareholders' interest in life policies	174	135
Other	70	66
	1,751	1,338

21 DEFERRED TAXATION

	At March 31,	
	1999	**1998**
	(in IR£ millions)	
Taxation treatment of capital allowances:		
-finance leases	45	84
-equipment used by group	8	13
Other short term timing differences	(2)	(24)
	51	73
At April 1	73	33
Exchange adjustments	—	3
Provision made/ (utilized)	42	35
Acquisitions	—	14
Other movements	(64)	(12)
At March 31	51	73

No account is taken of the liability to taxation which could arise if property was disposed of at its book value, as it is expected that substantially all the property will be retained by the Group.

22 LIFE ASSURANCE BUSINESS

The net assets attributable to stockholders from the life assurance business amount to IR£359m (1998: IR£300m).

The life assurance assets attributable to policyholders consist of:

	At March 31,	
	1999	**1998**
	(in IR£ millions)	
Investments		
Property	170	121
Fixed interest securities	1,031	810
Other securities	1,386	1,268
Bank balances and cash	153	179
Income receivable	27	19
Other assets	25	23
Other liabilities	(8)	(11)
	2,784	2,409

23 DEPOSITS BY BANKS

At March 31,	
1999	**1998**

	(in IR£ millions)	
Deposits by Banks	5,544	4,261
of which:		
Domestic	4,590	3,476
Foreign	954	785
	5,544	4,261
Repayable on demand	1,690	1,358
Other deposits by remaining maturity		
3 months or less	2,852	2,389
1 year or less but over 3 months	306	165
5 years or less but over 1 year	664	328
over 5 years	32	21
	5,544	4,261

24 CUSTOMER ACCOUNTS

	At March 31,	
	1999	1998
	(in IR£ millions)	
Current accounts	3,807	2,928
Demand deposits	10,691	9,339
Term deposits and other products	12,377	13,422
Other short-term borrowings	136	268
	27,011	25,957
of which:		
Non interest bearing current accounts		
Domestic	2,459	1,814
Foreign	419	351
	2,878	2,165
Interest bearing current accounts and short term borrowings		
Domestic	9,944	9,152
Foreign	14,189	14,640
	24,133	23,792
Repayable on demand	15,081	13,437
Other deposits with agreed maturity dates or periods of notice, by remaining maturity		
3 months or less	7,544	8,166
1 year or less but over 3 months	2,353	2,168
5 years or less but over 1 year	1,653	1,853
over 5 years	380	333
	27,011	25,957

25 DEBT SECURITIES IN ISSUE

	At March 31,	
	1999	1998
	(in IR£ millions)	
Bonds and medium term notes by remaining maturity		
3 months or less	20	31
1 year or less but over 3 months	12	72
5 years or less but over 1 year	186	216
Other debt securities in issue by remaining maturity		
3 months or less	127	427
1 year or less but over 3 months	81	136
	426	882

26 OTHER LIABILITIES

	At March 31,	
	1999	1998
	(in IR£ millions)	
Current taxation	149	131
Notes in circulation	316	274
Foreign exchange and interest rate contracts	779	651

Sundry creditors	895	771
Other	496	469
Dividends	103	82
	2,738	2,378

The Bank is authorized to issue bank notes in Northern Ireland under the Bankers (Ireland) Act, 1845 and the Bankers (Northern Ireland) Act, 1928 as amended by Section 11 of Bankers (NI) Act, 1928.

27 OTHER PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions obligations	Other	Total
	(IR£ millions)		
At April 1, 1998	58	64	122
Exchange adjustments	(1)	(1)	(2)
Provisions made	9	9	18
Provisions utilized	(11)	(28)	(39)
Provisions released	—	(9)	(9)
At March 31, 1999	55	35	90

28 SUBORDINATED LIABILITIES

	At March 31, 1999	At March 31, 1998
	(in IR£ millions)	
Undated Loan Capital		
Bank of Ireland		
US$150m Undated Floating Rate Primary Capital Notes	109	109
US$270.3m Undated Variable Rate Notes	198	220
Bristol & West		
Stg£75m 133/8 % Perpetual Subordinated Bonds	146	153
	453	482
Dated Loan Capital		
Bank of Ireland		
Stg£100m 9.75% Subordinated Bonds 2005	117	124
US$175m Subordinated Floating Rate Notes 2007	128	128
Stg £200m Subordinated Floating Rate Notes 2009	236	246
Bristol & West		
Stg£60m 107/8 % Subordinated Bonds 2000	71	74
Stg£75m 103/4 % Subordinated Bonds 2018	89	92
	641	664
	1,094	1,146
Repayable		
in 1 year or less	—	—
between 1 and not more than 2 years	71	—
between 2 and not more than 5 years	—	74
5 years or more	570	590
	641	664

The US$150m Undated Floating Rate Primary Capital Notes which were issued at par on December 5, 1985 are subordinated in right of payment to the claims of depositors and other creditors of the Bank.

On September 5, 1989 the Bank issued US$300m Undated Variable Rate Notes. These Notes constitute unsecured subordinated and conditional obligations of the Bank ranking pari passu with the US$150m Undated Floating Rate Primary Capital Notes. On September 22, 1998, September 29, 1998 and October 2, 1998 notes to the value of US$8.7m, US$5.0m and US$16.0m respectively were redeemed.

On March 21, 1995 the Bank issued Stg£100m Subordinated Bonds 2005. The Bonds constitute unsecured obligations of the Bank subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

On February 11, 1997 the Bank issued Stg£200m Subordinated Floating Rate Notes 2009. The Notes constitute unsecured obligations of the Bank subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

On September 4, 1997 the Bank issued US$175m Subordinated Floating Rate Notes 2007. The notes constitute unsecured obligations of the Bank subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Bank and Rank Pari Passu without any preference among themselves.

Interest rates on the floating rate and fixed rate (accommodated through swaps) subordinated liabilities are determined by reference to the London Inter-Bank Offered Rate (LIBOR).

The subordinated liabilities in Bristol & West are redeemable in whole, at the option of Bristol & West plc, in the event of certain tax changes affecting the treatment of payments of interest on capital securities in the United Kingdom, and provided prior relevant supervisory consent has been obtained and adequate notice has been given, at their principal amount plus accrued interest to the date of redemption.

The Bristol & West 13 3/8% Perpetual Subordinated Bonds have a nominal value of Stg£75m and were revalued as part of the fair value adjustments on acquisition.

29 MINORITY INTEREST — NON EQUITY

	At March 31,	
	1999	1998
	(in IR£ millions)	
Bristol & West		
Stg£52.2m 8 1/8% Non Cumulative Preference Shares of Stg£1each	62	64
	62	64

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

Holders of the Preference Shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly installments in arrears on May 15, and November 15, each year. Bank of Ireland holds 33.6% of these shares.

The preference dividend on the Preference Shares will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Acts.

30 CALLED UP CAPITAL STOCK

	At March 31,	
	1999	1998
	(in IR£ millions)	
Authorized		
750m units of IR£1 of Ordinary Stock	750	750
8m units of Non-Cumulative Preference Stock of US$25 each	147	147
100m units of Non-Cumulative Preference Stock of Stg£1 each	118	123
100m units of Non-Cumulative Preference Stock of IR£1 each	100	100
	1,115	1,120
Allotted and fully paid		
Equity		
519m units of IR£1 of Ordinary Stock	519	514
Non equity		
5m units of Non-Cumulative Preference Stock of Stg£1 each	6	6
10.5m units of Non-Cumulative Preference Stock of IR£1 each	11	11
	536	531

During the year the total Ordinary Stock issued was increased from 514,083,378 units of IR£1 to 518,875,033 units of IR£1 as follows:

In July 1998, 1,583,656 units of Ordinary Stock were issued to those holders of Ordinary Stock who elected, under the Stock Alternative Scheme, to receive additional units of Ordinary Stock at a price of 1,309.4p per unit, instead of all or part of the cash element of their 1997/98 Final Dividend. Additionally in that month, 747,106 units of Ordinary Stock were allotted to the Trustees of the Employee Ordinary Stock Issue Scheme (Irish) and the Trustees of the Employee Ordinary Stock Issue Scheme (UK), at the price of 1,330p per unit.

In January 1999, 658,077 units of Ordinary Stock were issued to those holders of Ordinary Stock who elected, under the Stock Alternative Scheme, to receive additional units of Ordinary Stock at a price of 1,411.6p per unit, instead of all or part of the cash element of their 1998/99 Interim Dividend.

During the year 1,802,816 units of Ordinary Stock were issued to option holders on the exercise of options under the terms of the Senior Executive Stock Option Scheme at prices ranging between 152.9p and 444p.

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

Stock Alternative Scheme

At the 1997 Annual General Court the stockholders renewed the Directors' authority to offer stockholders the right to elect to receive new units of Ordinary Stock in lieu of part or all of the cash element of their dividends. The price at which such new units are offered is the average of the closing quotation of Bank of Ireland Ordinary Stock derived from the Daily Official List of the Irish Stock Exchange for the five dealing days starting on the date on which the stock is first quoted "ex-dividend".

Employee Stock Issue Scheme

At the 1997 Annual General Court the stockholders approved the establishment of a new Employee Stock Issue Scheme to replace the Scheme originally approved by the Stockholders in 1984. Under the new Scheme, which has an Irish and a UK version in order to conform with the relevant revenue legislation in both jurisdictions, all employees of the Bank and certain subsidiaries, are eligible to participate, provided they had an existing contract of employment with a participating company on the last day of the Group's financial year, and their employment contract existed for a period of at least 12 months as at that date and is still in existence on the date on which a Stock issue announcement is made. Each year the Court of Directors may set aside an element of Group profit before taxation for allocation to the Trustees of the Schemes. The amount set aside is related to the overall Group performance assessed both in terms of profit before tax and growth in earnings per share. In addition, as is permitted by Irish taxation rules, Irish participants may, subject to certain constraints, forego up to an equivalent amount of their salary towards the acquisition by the Trustees on their behalf of up to an amount equal to their free scheme stock. To-date, annual distributions under the Schemes have ranged between nil and 3% of each participant's salary.

Employees may elect to take their share of the allocation to the Trustees either in cash, which is fully taxable, or in units of Ordinary Stock. The total market value of the free stock which may be allocated to an employee may not exceed IR£10,000 under the Irish Scheme (Stg£8,500 under the UK Scheme) in any year. Units of stock allocated must be held by the Trustees for a minimum period of two years and are required to be held for a total of three years for the employee to obtain the maximum tax benefit. At March 31, 1999, the Trustees of the Staff Scheme held 2.5m units of stock (0.5% of the Issued Ordinary Stock).

Senior Executive Stock Option Scheme

Options to subscribe for units of Ordinary Stock are granted under the terms of the Senior Executive Stock Option Scheme. The original scheme was approved by the stockholders at the Annual General Court in July 1986 and a replacement scheme, "Bank of Ireland Group Stock Option Scheme — 1996", was approved by the stockholders at the Annual General Court held in July 1996. Key executives may participate in the current Scheme at the discretion of the Remuneration Committee. The total value of options granted may not exceed four times an Executive's remuneration. The subscription price per unit of stock shall not be less than the market value of the stock at the date of grant. The exercise of options granted since 1996 are conditional upon earnings per share, ("EPS") achieving a cumulative growth of at least 2% per annum compound above the increase in the Consumer Price Index over either the three year period, or if not achieved, the six year period, commencing with the period in which the options are granted. Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant. At March 31, 1999, options were outstanding over 6,039,208 units of stock (1.2% of the Issued Ordinary Stock) at prices ranging from 152.9p to 1,301.7p per unit of stock. These options may be exercised at various dates up to May 28, 2008.

Limitations on Employee Stock Issue and Stock Option Schemes

The maximum number of units of Ordinary Stock over which options may be granted under the Bank of Ireland Group Stock Options Scheme — 1996 is limited to a total of 5 per cent of the issued Ordinary Stock of Bank of Ireland over any 10 year period. Over any

10 year period, the total number of units of Ordinary Stock over which options may be granted under any stock option scheme together with the total number of units of Ordinary Stock that may be issued under any stock issue scheme may not exceed 10 per cent of the total issued Ordinary Stock. The maximum number of units of Ordinary Stock over which options may be granted or that may be issued under any stock option scheme and any stock issue scheme may not exceed 3 per cent of the total issued Ordinary Stock over any 3 year period or 5 per cent over any 5 year period.

Preference Stock

The Preference Stock is non-redeemable. The holders of Preference Stock are entitled to receive a non-cumulative preferential dividend which in the case of the Sterling Preference Stock will be payable in Sterling in a gross amount of Stg£1.2625 per unit and in the case of Irish Pound Preference Stock will be payable in Irish Pounds in a gross amount of IR£1.20 per unit per annum, in equal semi-annual installments in arrears on February 20 and August 20 in each year.

On a winding up of, or other return of capital by the Bank (other than on a redemption), the Preference Stockholders will be entitled to receive an amount equal to the amount paid up on each unit of the Preference Stock held (including the premium) out of the surplus assets available for distribution to the Ordinary Stockholders.

The Preference Stockholders are not entitled to vote at any General Court except in certain exceptional circumstances when a restricted vote may apply.

The Bank has an obligation to increase the cash dividend payable on each unit of Preference Stock so that the sum of the cash dividend paid or payable together with the associated dividend tax credit shall equal the appropriate gross amounts.

31 RESERVES

	At March 31,	
	1999	1998
	(in IR£ millions)	
Stock premium account		
Opening balance	462	259
Premium on issue of capital stock	11	178
Premium on stock alternative scheme issue	28	18
Stock issue expenses	—	(2)
Exchange adjustments	(2)	9
Closing balance	499	462
Capital reserve		
Opening balance	98	53
Share of unrealized profits of group undertakings	28	33
Exchange adjustments	(1)	12
Closing balance	125	98
Profit and loss account		
Opening balance	1,111	804
Transfer from Goodwill reserve	(631)	—
	480	804
Profit retained	428	203
Exchange adjustments	(15)	102
Goodwill written back on disposal on Citizens	181	—
Goodwill written back on other disposal	1	—
Transfer from revaluation reserve	—	2
Closing balance	1,075	1,111
Revaluation reserve		
Opening balance	10	9
Revaluation of property	3	2
Exchange adjustments	—	1
Transfer to profit and loss account	—	(2)
Closing balance	13	10
Goodwill		
At April 1		
Goodwill written off on the acquisition of Bristol & West	(631)	(217)
Goodwill written off on the acquisition of New Ireland	—	(295)
Goodwill on acquisitions undertaken by Citizens Financial Group	—	(93)
Other goodwill	—	(21)
Goodwill written back on disposal	—	(5)
Transfer to profit and loss account	631	—
At March 31	—	(631)

32 PENSION COSTS

The Group operates a number of defined benefit pension schemes in Ireland and overseas. The schemes are funded and the assets of the schemes are held in separate Trustee administered funds.

An independent actuarial valuation of the Bank of Ireland Staff Pensions Fund (the main scheme) was carried out by R Watson & Sons, consulting actuaries as at March 31, 1998 using the projected unit credit method of funding. The principal assumption in the review was that the annual rate of return on new investments would be 4.0 per cent higher than the annual rate of increase in pensionable remuneration and pensions in course of payment.

The market value of the assets of the main scheme at March 31, 1998 was IR£1,823.8m and the actuarial value of the net assets, after allowing for expected future increases in earnings and pensions, represented 138 per cent of the benefits that had accrued to members. The surplus is being corrected by the Bank ceasing its contributions to the scheme until at least the next actuarial valuation, which is anticipated to be at March 31, 2001. The accounting treatment that has been adopted in accordance with SSAP 24 is as follows:

- the actuarial surplus is being spread over the average remaining service lives of current employees.
- a provision of IR£43.4 (1998: IR£45.7m, 1997: IR£33.6m) in regard to the main scheme is included in the accounts being the excess of the accumulated pension charge over the amount funded.
- the amortization of the surplus gives rise to a net credit of IR£2.0m in relation to the main scheme, while the charge for 1998 was IR£17.8m (1997: IR£16.9m).

The total pension charge for the Group in respect of the year ended March 31, 1999 was IR£9m (1998: IR£23m, 1997: IR£22m).

33 DERIVATIVE TRANSACTIONS

The Group is party to various types of financial instruments in the normal course of business to generate incremental income, to meet the financing need of its customers and to reduce its own exposure to fluctuations in interest and exchange rates. These financial instruments involve to varying degrees, exposure to loss in the event of a default by a counterparty (“credit risk”) and exposure to future changes in interest and exchange rates (“market risk”).

Details of the objectives, policies and strategies arising from the Group’s use of financial instruments, including derivative financial instruments and market risk exposures are presented in the Management Discussion and Analysis on pages 51 to 59 excluding the following the sections entitled Country/Bank Limits, Review, Provisions and Allowances for Loan Losses on pages 52 and 53; the sections entitled Liquidity management, Developments in Group Liquidity on pages 58 and 59; and the final paragraph within the section entitled Liquidity on page 58.

In respect of interest rate and exchange rate contracts, underlying principal amounts are used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller. Replacement cost provides a better indication of the credit risk exposures facing a bank. Replacement cost is the gross cost of replacing all contracts that have a positive fair value, without giving effect to offsetting positions with the same counterparty.

The underlying principal amounts and replacement cost, by residual maturity of the Group’s over the counter and other non-exchange traded derivatives were as follows at March 31,1999:

	Within one year	One to five years	Over five years	Total
		(in IR£ millions)		
Underlying Principal Amount:				
Exchange Rate Contracts..............	7,979	1,798	316	10,093
Interest Rate Contracts.................	11,161	15,677	2,467	29,305
Equity Contracts..........................	155	1,289	83	1,527
Replacement Cost				
Exchange Rate Contracts..............	147	42	32	221
Interest Rate Contracts.................	108	257	91	456
Equity Contracts..........................	121	503	1	625

The replacement cost of the Group’s over the counter and other non-exchange traded derivatives as at March 31, 1999 analyzed into financial and non-financial counterparties for exchange rate, interest rate contracts and equity contracts were as follows:

	Financial	Non-Financial	Total
	(in IR£ millions)		
Exchange Rate Contracts	103	118	221
Interest Rate Contracts	435	21	456
Equity Contracts	625	—	625
	1,163	139	1,302

Trading Instruments

Bank of Ireland Group maintains trading positions in a variety of financial instruments including derivatives. Most of these positions are a result of activity generated by corporate customers while others represent trading decisions of the Group's derivative and foreign exchange traders with a view to generating incremental income. The following table represents the underlying principal amounts, fair values and average fair values by class of derivative trading instrument for the Group at March 31, 1999 and 1998:-

Interest rate contracts:

	1999			1998		
	Underlying Principal Amount(1)	Fair Value	Average Fair Value	Underlying Principal Amount(1)	Fair Value	Average Fair Value
	(IR£millions)			(IR£ millions)		
Interest rate swaps	19,207			13,470		
in a favorable position		344	282		194	173
in an unfavorable position		(380)	(245)		(117)	(106)
Interest rate caps, floors & options Held	2,550			1,011		
in a favorable position		11	2		1	1
in an unfavorable position		—	—		(1)	—
Interest rate caps, floors & options Written	998			685		
in a favorable position		—	—		1	—
in an unfavorable position		(1)	—		—	—
Forward rate agreements	3,616			15,002		
in a favorable position		6	15		20	11
in an unfavorable position		(6)	(16)		(19)	(10)
Financial futures	549			1,727		
in a favorable position		—	—		—	—
in an unfavorable position		—	—		—	—
	26,920	(26)		31,895	79	
Foreign exchange contracts:						
Forward foreign exchange	7,681			12,763		
in a favorable position		133	197		253	212
in an unfavorable position		(145)	(189)		(280)	(236)
	7,681	(12)		12,763	(27)	
	34,601			44,658		

(1) The underlying principal amount represents the notional amount upon which the instruments are based and does not generally represent the amounts exchanged by the parties to the instruments.

	At March 31,		
	1999	1998	1997
	(in IR£ millions)		
Dealing profits			
Interest rate contracts	(44)	(18)	1
Foreign exchange contracts	29	13	—
Equity contracts	—	4	—
Securities	71	34	20
Total	56	33	21

Non Trading Derivatives

The Group has significant business activities in a range of currencies and the details are outlined in the Management Discussion and Analysis.

The operations of the Group are exposed to risk of interest rate fluctuations to the extent that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives allow the Group to modify the repricing or maturity characteristics of assets and liabilities in a cost efficient manner. This flexibility helps the Group to achieve liquidity and risk management objectives.

Derivatives fluctuate in value as interest or exchange rates rise or fall just as on-balance sheet assets and liabilities fluctuate in value. If the derivatives are purchased or sold as hedges of balance sheet items, the appreciation or depreciation of the derivatives, as interest or exchange rates change, will generally be offset by the unrealized appreciation or depreciation of the hedged items.

To achieve its risk management objectives, the Group uses a combination of derivative financial instruments, particularly interest rate and currency swaps, futures and options, as well as other contracts.

The following tables represent the underlying principal amounts, average maturities and fair values by class of instrument utilised for non trading activities for the Group at March 31, 1999 and 1998.

	1999				
	Underlying Principal Amount IR£m	Weighted Average Maturity in Years	Weighted Average Receive Rate %	Weighted Average Pay Rate %	Fair Value IR£m
Interest Rate Contracts:					
Interest Rate Swaps receive fixed					
1 year or less	948	0.4	6.3	5.2	34
1-5 years	1,420	2.9	3.5	5.2	54
5 -10 years	102	6.2	1.9	0.4	1
Interest Rate Swaps pay fixed					
1 year or less	626	0.3	5.5	7.1	(7)
1-5 years	1,473	2.2	5.3	7.3	(74)
5-10 years	155	7.7	4.0	7.4	(31)
Over 10 years	316	15.3	3.4	5.8	(33)
Interest Rate Swaps pay and receive floating					
1 year or less	44	0.7	5.0	4.7	—
1-5 years	69	2.6	5.4	7.8	(1)
5-10 years	40	7.2	3.4	3.1	1
Forward Rate Agreements loans					
1 year or less	53	0.5	—	3.7	—
Interest Rate Caps					
1 year or less	1	0.9	9.5	—	1
1-5 years	48	2.6	9.3	0.7	43
5-10 years	4	9.0	9.5	—	4
Interest Rate Floors					
5-10 years	9	2.5	4.8	4.8	—
	5,308				(8)

	1999		
	Underlying Principal Amount IR£m	Weighted Average Maturity in Years	Fair Value IR£m
Exchange Rate Contracts:			
Forward Foreign Exchange			
1 year or less	981	0.3	36
1-5 years	376	2.8	2
Currency Swaps			
1 year or less	329	0.5	(16)
1-5 years	1,155	2.6	(37)
5-10 years	260	7.8	14
Over 10 years	54	14.3	1
Currency Options			
1 year or less	19	0.1	—
1-5 years	1	2.0	—
	3,175		—
Equity and Commodity Contracts:			
Equity Index Linked Contracts Held			
1 year or less	155	0.4	121
1-5 years	1,289	3.1	519
5-10 years	83	5.8	(2)
	1,527		638
	10,010		

	1998				
	Underlying Principal Amount IR£m	Weighted Average Maturity in Years	Weighted Average Receive Rate %	Weighted Average Pay Rate %	Fair Value IR£m
Interest Rate Contracts:					
Interest Rate Swaps receive fixed					
1 year or less	1,277	0.3	6.6	6.7	36
1-5 years	824	2.4	8.1	7.1	42
5-10 years	30	6.3	1.3	1.3	(3)
Interest Rate Swaps pay fixed					
1 year or less	1,127	0.4	7.1	6.7	(3)
1-5 years	1,930	2.5	7.2	7.3	(28)
5-10 years	120	6.4	5.7	6.2	(7)
Over 10 years	63	12.3	5.3	7.0	(10)
Interest Rate Swaps pay and receive floating					
1 year or less	26	0.2	5.6	5.9	—
1-5 years	18	3.1	5.6	8.1	—
5-10 years	10	5.3	5.0	6.6	—
Forward Rate Agreements loans					
1 year or less	45	0.3	5.1	—	—
Forward Rate Agreements deposits					
1 year or less	412	0.1	—	6.7	—
Interest Rate Caps					
1 year or less	7	0.2	24.0	24.0	—
1-5 years	1	4.2	8.0	8.0	—
Interest Rate Floors					
1 year or less	7	0.2	—	—	—
1-5 years	5	2.6	4.4	4.4	—
Other Interest Rate Contracts					
1 year or less	—	—	—	—	—
1-5 years	422	3.8	1.7	0.7	—
5-10 years	47	5.5	0.6	—	—
over 10 years	—	—	—	—	—
	6,371				27

	1998		
	Underlying Principal Amount IR£m	Weighted Average Maturity in Years	Fair Value IR£m
Exchange Rate Contracts:			
Forward Foreign Exchange			
1 year or less	317	0.2	(12)
1-5 years	38	1.6	(3)
Currency Swaps			
1 year or less	423	0.5	(5)
1-5 years	797	2.7	(59)
5-10 years	55	5.9	4
over 10 years	45	16.0	(2)
Currency Options			
1 year or less	31	0.2	—
	1,706		(77)
Equity and Commodity Contracts:			
Equity Index Linked Contracts Held			
1 year or less	74	0.1	63
1-5 years	1,167	4.1	478
5-10 years	72	5.5	6
	1,313		547
	9,390		

The carrying value of derivatives is included in the balance sheet under prepayments and accrued income or accruals and deferred income depending on whether the carrying value is an asset or a liability.

Reconciliation of movements in notional amounts of interest rate, exchange rate and equity index linked instruments.

	Interest Rate	Currency	Forward Foreign	Equity Index

	Swaps	FRA's	Swaps	Exchange	Linked
At April 1, 1998.............	5,425	457	1,320	355	1,314
Exchange adjustments.....	(29)	(11)	(152)	(95)	(270)
Additions.......................	3,437	2,453	1,814	2,424	549
Maturities/amortization's.	(3,640)	(2,846)	(1,207)	(1,133)	(66)
Cancellations.................	—	—	23	(194)	—
At March 31, 1999	5,193	53	1,798	1,357	1,527

All figures are translated at the closing exchange rate.

Unrecognized Gains and Losses on Derivative Hedges

Gains and losses on instruments used for hedging are recognised in line with the underlying items which are being hedged. The unrecognized net gains on instruments used for hedging as at March 31, 1999 were IR£316.0m (1998: IR£376.8m).

The net gains expected to be recognized in 1999/2000 is IR£178.5m and thereafter is IR£137.5m.

The net gains recognized in 1998/99 in respect of previous years was IR£156.7m and the net gains arising in 1998/99 which were not recognized in 1998/99 were IR£95.9m.

Non Trading Derivative Deferred Balances

Deferred balances relating to settled derivative transactions will be released to the profit and loss account in the same periods as the income and expense flows from the underlying transactions.

At the year end the Group had deferred income of IR£7.1m (1998: IR£10m) and deferred expense of IR£5.1m (1998: IR£7m). IR£4.0m of deferred income and IR£3.2m of deferred expense is expected to be released to the profit and loss account in 1999/2000.

Anticipatory Hedges

The Group has entered into forward foreign exchange contracts to hedge partly the exchange risk on the translation of the net profit from certain non-IR£ operations. The fair value of these amounted to an unrealized loss of IR£6m at March 31, 1999 and an unrealized loss of IR£3m in 1998.

34 FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITES

The Group has estimated fair value wherever possible using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by Group. In certain cases, however, including some advances to customers, there are no ready markets. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be. These estimation techniques are necessarily extremely subjective in nature and involve assumptions which are based upon management's view of market conditions at March 31, 1999 which may not necessarily be indicative of any subsequent fair value. Furthermore, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values, and, as a result, readers of these financial statements are advised to use caution when using this data to evaluate the Group's financial position.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in many cases, particularly in respect of lending to customers, the Group intends to realize assets through collection over time. As such the fair values calculated for the purposes of reporting under FRS13 do not represent the value of the Group as a going concern at March 31, 1999.

The following table represents the carrying amount and the fair value of both the trading financial assets and liabilities as at March 31, 1999.

	Carrying Amount	Fair Values
	(in IR£ millions)	
Financial Instruments for trading		
Debt securities	1,226	1,226
Equity shares	13	13
Central government and other eligible bills...............................	59	59
Non Trading Financial Instruments		
Assets		
Cash and balances at central banks(1).......................................	853	853

Items in course of collection(1)	453	453
Central government bills and other eligible bills(1)	462	462
Loans and advances to banks	2,723	2,723
Loans and advances to customers	28,496	28,812
Securitization and loan transfers(1)	92	92
Debt securities	2,827	2,876
Equity shares	1	1
Life assurance assets attributable to policyholders(1)	2,784	2,784
Liabilities		
Deposits by banks	5,544	5,562
Customer accounts	27,011	27,564
Debt securities in issue	426	427
Items in course of transmission(1)	198	198
Subordinated liabilities	1,094	1,157
Life assurance liabilities attributable to policyholders(1)	2,784	2,784
Minority interests : non equity	62	102
Derivative financial instruments held for trading purposes		
Interest rate contracts	(26)	(26)
Foreign exchange contracts	(12)	(12)
Derivative financial instruments utilised for non trading activities		
Interest rate contracts		(8)
Exchange rate contracts		—
Equity and commodity contracts		638

In December 1991, the U.S. Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 107, "Disclosure About Fair Value of Financial Instruments" requiring disclosure of the fair value of financial instruments (both on and off-balance sheet) for which it is practicable to estimate such value.

Wherever possible, the Group has estimated fair value using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by Group. In certain cases, however, including some advances to customers, there are no ready markets. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be. These estimation techniques are necessarily extremely subjective in nature and involve assumptions which are based upon management's view of market conditions at March 31, 1999 which may not necessarily be indicative of any subsequent fair value. Furthermore, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values, and, as a result, readers of these financial statements are advised to use caution when using this data to evaluate the Group's financial position.

Intangible assets, such as the value of the Group's branch network and long-term relationships with its depositors (core deposits intangible) and other customers are not considered by the FASB to constitute financial instruments for purposes of SFAS No. 107. The Group, however, believes the value of such assets to be significant. Certain other assets and liabilities are likewise excluded from the scope of SFAS No. 107. Further, the concept of fair value assumes realization of financial instruments by way of a sale. However, in many cases, particularly in respect of lending to customers, the Group intends to realize assets through collection over time. As such the fair values calculated for the purposes of reporting under SFAS No. 107 do not represent the value of the Group as a going concern at March 31, 1999.

The following table represents the carrying amounts and fair values of the financial instruments of Bank of Ireland Group at March 31, 1999 and March 31, 1998 under SFAS No 107.

	At March 31			
	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in IR£ millions)			
Assets				
Cash and balances at central banks(1)	853	853	118	118
Items in course of collection(1)	453	453	383	383
Central government bills and other eligible bills(1)	521	521	80	80
Loans and advances to banks	2,723	2,723	4,858	4,858
Loans and advances to customers	28,496	28,812	25,170	25,259
Securitization and loan transfers(1)	92	92	97	97
Debt securities	4,053	4,102	3,828	3,851
Equity shares	14	14	55	55
Life assurance assets attributable to policyholders(1)	2,784	2,784	2,409	2,409
Liabilities				

Deposits by banks	5,544	5,562	4,261	4,262
Customer accounts	27,011	27,564	25,957	26,012
Debt securities in issue	426	427	882	883
Items in course of transmission(1)	198	198	197	197
Proposed dividends(1)	103	103	82	82
Accruals and deferred income(1)	528	528	559	559
Subordinated liabilities	1,094	1,157	1,146	1,200
Life assurance liabilities attributable to policyholders(1)	2,784	2,784	2,409	2,409

(1) The fair value of these financial instruments is equal to the carrying value. These instruments are either carried at market value, or have minimal credit losses and are either short term in nature or reprice frequently.

The following notes summarize the methods and assumptions used in estimating the fair values of financial instruments shown above.

1. Loans and Advances to Banks

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

2. Loans and Advances to Customers

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

   Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type. Each loan category is further segmented into fixed and variable rate interest terms and by performing and nonperforming categories.

   The carrying amount of variable rate loans was considered to be at market rate if there was no significant change in the credit risk of the borrower.

   The fair value of fixed rate loans is estimated by discounting future cash flows using market rates for similar loans with the same residual maturities, offered by the Group including an adjustment, where necessary to reflect the fact that the credit risk on a proportion of the loan has changed.

3. Debt Securities and Equity Shares

   The fair value of listed debt securities and equity shares is based on market prices received from external pricing services or bid quotations received from external securities dealers.

   The estimated value of unlisted debt securities and equity shares is based on the anticipated future cashflows arising from these items.

4. Deposits by Banks

   The fair value of other borrowings is based on the discounted cash flows using market rates applicable for similar types of borrowing arrangements.

5. Customer Accounts

   The fair value of current accounts, short-term borrowings, deposit accounts payable on demand and variable rate deposits are equal to their carrying value. The fair value of all other deposits, which are not repriced frequently is estimated based on the discounted value of the contractual cash flows. The discount rate is estimated using market rates for deposits with similar remaining maturities.

6. Debt Securities in issue

   The carrying value of short-term debt securities in issue approximate to their fair values. Fair values of other debt securities in issue are based on quoted market prices where available, otherwise by discounting anticipated cash flows.

7. Subordinated Liabilities

The estimated fair value of subordinated liabilities is based on quoted market rates for debt instruments with similar maturities.

8. Financial Instruments with Off-Balance Sheet Risk

Financial instruments with off balance sheet risk are detailed in Note 33 of the Notes to the Consolidated Financial Statements and include the fair value of these instruments.

35 CONTINGENT LIABILITIES AND COMMITMENTS

The tables below give, for the Group, the contract amounts and risk weighted 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 proved worthless. The risk weighted amounts have been calculated in accordance with the Central Bank of Ireland's guidelines implementing the Basle agreement on capital adequacy (i).

	1999		1998	
	Contract Amount	Risk Weighted Amount	Contract Amount	Risk Weighted Amount
	(in IR£ millions)			
Contingent Liabilities				
Acceptances and endorsements	58	56	88	86
Guarantees and assets pledged as collateral security				
Assets pledged	—	—	—	—
Guarantees and irrevocable letters of credit	489	398	477	406
Other contingent liabilities	270	132	268	132
	817	586	833	624
Commitments				
Sale and option to resell transactions	—	—	—	—
Other commitments				
Documentary credits and short-term trade-related transactions	46	14	30	10
Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	—	—	—	—
Undrawn note issuance and revolving underwriting facilities	150	—	182	9
Undrawn formal standby facilities, credit lines and other commitments to lend				
— irrevocable with original maturity of over 1 year	1,456	722	880	434
— revocable or irrevocable with original maturity of 1 year or less (ii)	5,495	—	5,036	—
	7,147	736	6,128	453

Notes:

(i) Under the Basle agreement, a credit conversion factor is applied to the contract amount to obtain the credit equivalent amount, which is then risk weighted according to counterparty.

(ii) Undrawn loan commitments which are unconditionally cancelable at any time or which have a maturity of less than one year have a risk weighting of zero.

36 GENERAL

(a) The Bank has given guarantees in respect of liabilities of certain of its subsidiaries and has also given guarantees for the satisfaction of the relevant regulatory authorities for the protection of the depositors of certain of its banking subsidiaries in the various jurisdictions in which such subsidiaries operate.

(b) The Bank has provided a guarantee under Section 17 of the Companies (Amendment) Act 1986 for the following companies; Addano Limited, Bank of Ireland Asset Management (US) Limited, Bank of Ireland Asset Management Limited, Bank of Ireland Car Loans Limited, Bank of Ireland Commercial Finance Limited, Bank of Ireland Unit Trust Managers Limited, BIAM Holdings, Davy Corporate Finance Limited, Davy Holdings (International) Limited, Davy International, First Rate Enterprises Limited, Florenville Limited, IBI Corporate Finance Limited, IBI Interfunding Company, Ibidem Limited, Illios Limited, J&E Davy, J&E Davy Holdings Limited, Lansdowne Leasing Limited, Laverhill Limited, Liscuil Limited, Louncil Limited and Merrion Leasing Limited.

(c) There exists a contingent liability to repay in whole or in part grants received on finance leases if certain events set out in the relevant agreements occur.

37 DIRECTORS INFORMATION

The Remuneration Committee is comprised entirely of Non-Executive Directors. The membership of the Committee is currently:- Mr Howard E Kilroy (Chairman), Mr Anthony D Barry, Mr Niall W A FitzGerald, Dr E Patrick Galvin and Mr Ray Mac Sharry.

The Terms of Reference of the Group Remuneration Committee include the formulation of the Group's policy on remuneration in relation to all Executive Directors and other members of the Group Policy Committee. In its mode of operation and in framing remuneration policy the Group Remuneration Committee has complied throughout the year with the Best Practice Provisions set out in Sections A and B of the Irish Stock Exchange's requirements annexed to the Listing Rules. Such recommendations of the Committee are considered by the Court, however Directors do not participate in any decisions relating to their own remuneration. The remuneration of the Executive Directors of the Bank is determined by the Remuneration Committee on behalf of the Court of Directors.

Remuneration Policy

The remuneration policy adopted by the Bank is to reward its Executive Directors competitively having regard to comparable public companies and the need to ensure they are properly rewarded and motivated to perform in the best interests of the Stockholders. The Group Chief Executive is fully consulted about remuneration proposals and from time to time the Group Remuneration Committee commissions job-matched salary surveys from comparator organizations. The key elements of the remuneration package for Executive Directors are basic salary, a performance related cash bonus, the ability to participate in a Senior Executive Stock Option Scheme and participation in a defined benefit pension scheme in which pension is based only on basic salary. At the Annual General Court held on July 7, 1999 Stockholders approved the establishment of a Long Term Performance Stock Plan for selected key Group employees in order to further align the interests of those key Group personnel with those of the Stockholders. A description of this plan was contained in the Governor's Letter to Stockholders which was issued on June 7, 1999.

Group Performance Bonus Scheme — The level of cash bonus earned under the Group performance bonus scheme would normally range for each individual, in any year, between nil and 40% of basic salary. The level earned in any year depends on the Remuneration Committee's assessment of each Executive Director's performance against his pre-determined goals for that year and also an assessment of the overall performance of the Group in the year.

Stock Options — It is policy to grant stock options under the terms of the Senior Executive Stock Option Scheme to Senior Executives across the Group to encourage identification with Stockholders' interests in general. Non-Executive Directors do not participate in the Stock Option Scheme. The exercise of all options granted since 1996 is conditional upon earnings per share achieving a cumulative growth of at least 2% per annum compound above the increase in the Consumer Price Index over either the three year period, or if not achieved, the six year period, commencing with the period in which the options are granted.

Employee Stock Issues — Additionally the Bank operates an Employee Stock Issue Scheme under which Group employees may be granted free allocations of Ordinary Stock depending on Group performance. Executive Directors may participate in any such allocations on the same basis as staff generally. At the 1999 Annual General Court, Stockholders approved the introduction of an all employee Save As You Earn ("SAYE') Option Scheme. Details of this Scheme were contained in the Governor's Letter to Stockholders which was issued on June 7, 1999.

Service contracts — No service contracts exist between the Bank and any Director which require disclosure under the Companies Acts or under Irish Stock Exchange Listing Rules.

External Directorships — It is policy to permit Executive Directors to accept one external directorship.

Directors' Remuneration

The remuneration of the Directors of the Bank for 1998/99, analyzed in accordance with the Listing Rules of the Irish Stock Exchange is as set out below.

	Executive Directors		Non Executive Officers		Non Executive Directors		Total	
	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998	March 1999	March 1998
	IR£'000s		IR£'000s		IR£'000s		IR£'000s	
Salaries(1)	754	785	193	185	—	—	947	970
Court Fees(2)	—	—	—	—	227	192	227	192
Other Board Fees(3)	—	—	—	4	42	25	42	29
Group performance — bonuses(4)	245	302	—	—	—	—	245	302
UK Profit Related Pay(5)	33	17	—	—	—	—	33	17
Other remuneration(6)	24	35	—	—	—	—	24	35
Benefits(7)	28	32	—	—	—	—	28	32
Pension contribution(8)	83	83	—	6	15	11	98	100
Total Remuneration	1,167	1,254	193	195	284	228	1,644	1,677
Retired Directors: Payments to former Directors(9)	139	139	141	136	98	96	378	371
	1,306	1,393	334	331	382	324	2,022	2,048

Changes in Directorate during the period

	Executive Directors	Non-Executive Directors and Non-Executive Officers
Number at March 31, 1998	3	11
Change during year		— Mr R B Williamson (11.30.1998) + Mr R E Bailie (1.1.1999)
Number at March 31, 1999	3	11
Average Number during 1998/99 (1997/98)	3 (3.5)	10.92 (9.83)

Notes

(1) The Governor and Deputy Governor, as Non-Executive Officers of the Bank, are not paid fees but remunerated by way of salary.

(2) Court Fees are paid only to Non-Executive Directors and are subject to review annually at June each year.

(3) Fees paid by Boards of subsidiary companies within the Group.

(4) Payments under the Group Performance Bonus Scheme.

(5) Profit Related Payment to UK Director.

(6) Includes the cash value of Ordinary Stock receivable under the Employee Stock Issue Scheme.

(7) Benefits include the use of company car and interest on any loans at staff rates.

(8) Contributions to defined benefit pension schemes. The fees paid to Non-Executive Directors appointed post April 1991 are not pensionable.

(9) Represents ex-gratia payments paid to former directors or their dependants.

Directors' Pension Entitlements

Note (8) above represents the employer's contributions to defined benefit pension schemes to provide post retirement pensions to the Executive Directors and to those Non-Executive Directors whose fees are pensionable. The aggregate additional pension entitlements earned by the Executive Directors during the year to March 31, 1999 is IR£34,018 per annum; the equivalent figure in respect of Non-Executive Officers is IR£nil and in respect of Non-Executive Directors is IR£1,900 per annum. The transfer values (which are not sums paid or due to the Directors concerned but the amount that the pension scheme would transfer to another pension scheme in the event of the member leaving service), of the aggregate additional pensions earned during the year, calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11(ROI) and excluding Directors' contributions for the same three groupings, are IR£623,000, IR£nil and IR£24,000. The aggregate pensions entitlements at March 31, 1999 for the Executive Directors is IR£492,500 per annum, IR£nil for the Non-Executive Officers and IR£21,200 per annum for the Non-Executive Directors.

Stock Options granted to Directors

Options to subscribe for units of Ordinary Stock in the Bank granted to and exercised by Directors during the year to March 31, 1999 are included in the following table.

Name	Options at April 1, 1998	Options Granted Since April 1, 1998 No.	Options Granted Since April 1, 1998 Price	Options Exercised Since April 1, 1998 No.	Options Exercised Since April 1, 1998 Price	Market Price at Exercise Date	Options at March 31, 1999	Weighted Average Exercise Price
JJ Burke.......	150,000	—	—	—	—	—	150,000	906p
MA Keane ...	322,473	—	—	17,043	201p	1538p	249,563	430p
				55,867	153p	1538p		
PMcDowell..	328,536	—	—	127,279	153p	1528p	156,519	238p
				44,738	209p	1528p		
PJ Molloy	288,556	—	—	141,734	153p	1420p	146,822	296p

During the year 120,000 options lapsed. The market price of the Bank's Ordinary Stock at March 31, 1999 was IR1528p (1998: IR1455p) and the range during the year to March 31, 1999 was IR974p to IR1654p. Outstanding options under the Senior Executive Stock Options Scheme are exercisable between now and May 2008. At March 31, 1999, options were outstanding in respect of 6,039,208 units, 1.2% of the stock in issue (1998: 7,713,024 units).

Directors' Interests in Stock

The interests of the Directors and Secretary in office at March 31, 1999, and of their spouses and minor children, in the stocks issued by the Bank are set out below:

	Units of IR£1 of Ordinary Stock			
	As at March 31, 1999		As at April 1, 1998†	
Directors	Beneficial	Options	Beneficial	Options
Lord Armstrong of Ilminster ...	1,000	—	1,000	—
Roy E Bailie..........................	500	—	500	—
Anthony D Barry...................	9,068	—	9,058	—
John J Burke	1,605	150,000	1,008	150,000
Laurence G Crowley	13,910	—	13,654	—
Margaret Downes	37,481	—	37,031	—
Niall W A FitzGerald	4,582	—	14,313	—
E Patrick Galvin	5,119	—	5,098	—
Maurice A Keane...................	378,133	249,563	349,472	322,473
Howard E Kilroy	244,348	—	242,765	—
Raymond Mac Sharry.............	590	—	579	—
Patrick W McDowell..............	81,262	156,519	40,376	328,536
Patrick J Molloy	520,554	146,822	395,820	288,556
Mary Redmond......................	528	—	518	—
SECRETARY				
Terence H Forsyth	18,916	40,000	18,495	50,977

† Or date of appointment if later

There have been no changes in the Directors' and Secretary's stockholdings between March 31, 1999 and May 12, 1999.

The Directors and Secretary and their spouses and minor children have no other interests in the stocks of the Bank or its group undertakings at March 31, 1999.

Transactions with Directors

The aggregate amounts outstanding and the number of persons concerned, as at March 31, 1999 in respect of all loans, quasi-loans and credit transactions made by the Bank to its Directors, together with loans, other than in the ordinary course of business, to 4 connected persons, all staff members are shown below:

	Aggregate Amount Outstanding		Number of Persons	
	1999	1998	1999	1998
	IR£	IR£		
Directors				
Loans to Executives Directors on terms similar to staff loans	13,927	32,202	1	2
Other loans on normal commercial terms	610,114	473,772	10	9
Quasi-loans and credit transactions	—	—	None	None
	624,041	505,974		
Connected Persons				
Loans to staff members	150,844	113,403	4	4
Quasi-loans and credit transactions	—	—	None	None
	150,844	113,403		

38 NOTES TO THE CASH FLOW STATEMENT

(i) Gross Cashflows

	At March 31,		
	1999	1998	1997
	(in IR£ millions)		
Returns on investment and servicing of finance			
Interest paid on subordinated liabilities	(87)	(63)	(35)
Preference dividends paid	(18)	(16)	(15)
Issue expenses on subordinated liabilities	—	(1)	(1)
Dividends paid to minority shareholders in subsidiary undertakings	(6)	(1)	—
	(111)	(81)	(51)
Capital expenditure and financial investment			
Net (purchases)/sales of investment debt and equity securities	(618)	193	(328)
Purchase of tangible fixed assets	(136)	(91)	(65)
Sale of tangible fixed assets	43	23	5
	(711)	125	(388)
Acquisitions and disposals			
Investments in associated undertakings	(3)	(2)	(26)
Sale of Citizens Financial Group	540	—	—
US Restructuring	—	—	138
Cash balances in BOIFH	—	—	(89)
Sale of Associated undertaking	26	—	—
Purchase of Bristol & West	—	(562)	—
Cash balances in Bristol & West	—	34	—
Purchase of New Ireland	—	(279)	—
Cash balances in New Ireland	—	3	—
Other acquisitions	—	(4)	—
	563	(810)	23
Financing			
Issue of capital stock (net of issue expenses)	14	201	9
Repayment of subordinated liabilities	(21)	(122)	(17)
Issue of subordinated liabilities	—	110	196
Redemption of Bristol & West preference stock	—	(27)	—
	(7)	162	188

(ii) Analysis of the balances of cash as shown in the Balance Sheet

	Cash and Balances at Central Banks	Loans and Advances to Banks Repayable on Demand	Total Cash
	IR£	IR£m	IR£m
1999			

At 1 April 1998	118	1,045	1,163
Cash flow	736	(572)	164
Foreign exchange movement	(1)	(5)	(6)
At March 31, 1999	853	468	1,321
1998			
At 1 April 1997	95	81	176
Cash flow	19	944	963
Foreign exchange movement	4	20	24
At March 31, 1998	118	1,045	1,163

(iii) Analysis of changes in financing

	Capital Stock (including stock premium)	Subordinated Liabilities	Minority Interest — Non Equity
1999			
At 1 April 1998	993	1,146	64
Effect of foreign exchange differences	(2)	(32)	(2)
Cash flow	14	(21)	—
Stock alternative scheme issue	30	—	—
Other non cash movements	—	1	—
At March 31, 1999	1,035	1,094	62
1998			
At 1 April 1997	762	718	—
Acquisition of Bristol & West	—	290	88
Effect of foreign exchange differences	10	149	3
Cash flow	201	(13)	(27)
Stock alternative scheme issue	20	—	—
Other non cash movements	—	2	—
At March 31, 1998	993	1,146	64

(iv) Bristol & West Acquisition

1998	IR£m
Net assets acquired:	355.6
Goodwill	294.7
	650.3
Satisfied by:	
Cash	561.9
Preference shares	88.4
	650.3

An analysis of net assets acquired is set out in Note 3.

Bristol & West utilised IR£257.7m of the Group's net operating cash flows, paid IR£13.2m in respect of net returns on investments and servicing of finance, paid IR£28.8m in respect of taxation and received IR£305.6m from investing activities for the period from the date of acquisition to March 31, 1998.

(v) New Ireland Holdings Acquisition

1998	IR£m
Net assets acquired:	185.2
Goodwill	93.4
	278.6
Satisfied by:	
Cash	278.6
	278.6

An analysis of net assets acquired is set out in Note 4.

New Ireland contributed IR£1.1m to the Group's net operating cash flows and utilised IR£0.4m for investing activities for the period from the date of acquisition to March 31, 1998.

39 SEGMENTAL ANALYSIS

Net assets are included below in order to comply with SSAP 25. The segmental allocation of liabilities necessitates the allocation of capital on a risk related basis which is in some cases necessarily subjective. The Directors believe that it is more meaningful to analyze total assets and the result of this analysis is therefore also included in the tables. The analysis shown is based on management accounts information. Ireland includes Northern Ireland. Turnover is defined as interest income and non interest income. Turnover by business class is not shown. The Group has six business classes which are based on the nature and type of products provided to different customers.

(a) *Geographical Segment*

	1999				
	Ireland IR£m	Britain IR£m	Citizens IR£m	Rest of World IR£m	Total IR£m
Turnover	1,614	1,402	—	116	3,132
Profit on ordinary activities before exceptional item	465	184	25	14	688
Profit on disposal of associated undertaking					172
					860
Grossing up(3)					(29)
Profit before taxation					831
Net assets	1,547	617	—	84	2,248
Total assets	22,413	18,593	—	1,770	42,776

	1998				
	Ireland IR£m	Britain IR£m	Citizens IR£m	Rest of World IR£m	Total IR£m
Turnover	1,515	888	—	113	2,516
Profit before taxation	365	106	55	20	546
Grossing up(3)					(16)
Profit before taxation					530
Net assets	794	532	182	73	1,581
Total assets	20,490	17,038	182	1,922	39,632

	1997				
	Ireland IR£m	Britain IR£m	Citizens(4) IR£m	Rest of World IR£m	Total IR£m
Turnover	1,188	282	14	115	1,599
Profit before taxation	328	27	35	14	404
Grossing up(3)					(8)
Profit before taxation					396
Net assets	1,075	135	142	59	1,411
Total assets	13,481	4,087	142	1,960	19,670

(b) *Business Class*

	1999						
	Retail IR£m	Life Assurance(2) IR£m	Bristol & West(1) IR£m	Corporate & Treasury IR£m	Other Group Activities IR£m	Citizens IR£m	Total IR£m
Net interest income	569	—	217	118	4	—	908
Other income	256	72	84	45	177	25	659
Total income	825	72	301	163	181	25	1,567
Operating expenses	492	—	133	46	87	—	758
Depreciation	50	—	17	3	7	—	77
Provisions	30	—	—	5	9	—	44
Profit before exceptional item	253	72	151	109	78	25	688
Profit on disposal of associated undertaking							172
Profit before taxation							860
Grossing up(3)							(29)
Profit before taxation							831
Net assets	364	359	568	178	779	—	2,248
Total assets	14,750	3,238	15,213	7,125	2,450	—	42,776

1998

Other

	Retail	Life Assurance(2)	Bristol & West(1)	Corporate & Treasury	Group Activities	Citizens	Total
	IR£m	IR£m	IR£m	IR£m	IR£m	IR£m	IR£m
Net interest income......	502	—	140	112	15	—	769
Other income	220	43	43	21	134	55	516
Total income..............	722	43	183	133	149	55	1,285
Operating expenses......	449	—	85	40	72	—	646
Depreciation	42	—	7	2	5	—	56
Provisions..................	23	—	(1)	7	8	—	37
Profit before taxation ...	208	43	92	84	64	55	546
Grossing up(3)							(16)
Profit before taxation ...							530
Net assets	314	300	483	180	122	182	1,581
Total assets................	13,103	2,828	14,228	6,998	2,293	182	39,632

1997

	Retail	Life Assurance(2)	Bristol & West(1)	Corporate & Treasury	Other Group Activities	Citizens(4)	Total
	IR£m	IR£m	IR£m	IR£m	IR£m	IR£m	IR£m
Net interest income.....	454	—	16	111	42	—	623
Other income.............	186	13	10	12	94	35	350
Total income.............	640	13	26	123	136	35	973
Operating expenses.....	386	—	13	42	63	—	504
Depreciation..............	37	—	2	2	4	—	45
Provisions.................	13	—	(3)	5	5	—	20
Profit before taxation...	204	13	14	74	64	35	404
Grossing up(3)...........							(8)
Profit before taxation...							396
Net assets..................	258	78	101	146	686	142	1,411
Total assets...............	10,931	834	2,425	4,405	933	142	19,670

(1) Bristol & West Group includes the results of Bristol & West for the period from the date of acquisition July 28, 1997, and also the profits of the Group's mortgage business in Britain for the year.
(2) Life assurance includes the results of New Ireland for the period from the date of acquisition December 24, 1997, and also the profits of Lifetime Assurance for the year. The life assurance profits reported in the segmental analysis are based on the management accounts.
(3) The Group undertakes tax based lending at rates which are substantially less than normal market rates in return for tax relief arising from incentives for industrial development. To assist in making valid comparison of pre-tax performance, the analysis of business unit performance is grossed up.
(4) Citizens in 1997 includes the profits of Bank of Ireland First Holdings for 25 days up to the date of its merger with Citizens Financial Group on April 25, 1996.
(5) Other income includes income from associates.

40 RELATED PARTY TRANSACTIONS

(a) Subsidiary and Associated Undertakings

In accordance with FRS8, transactions or balances between Group entities that have been eliminated on consolidation are not reported.

One of the Group's subsidiaries Cashback Limited is 49% owned by Fexco who received during the year IR£0.3m (1998: IR£0.3m) for processing transactions on behalf of Cashback Limited.

The Group provides and receives from its associated undertakings certain banking and financial services. Further details on associated undertakings and joint ventures are set out in Note 18.

(b) Pension Funds

The Group provides a number of normal banking and financial services for various pension funds operated by the Group for the benefits of its employees (principally for the Bank Staff Pension Fund), which are conducted on similar terms to third party transactions and are not material to the Group.

Further details on pensions are set out in Note 32.

(c) Directors

Directors' emoluments and details of transactions between Directors and the Group are set out in Note 37. Additionally, Dr M Redmond, Director, in her professional capacity as a solicitor, earned fees from the Group totaling IR£82,000 in the year to March 31, 1999, (1998: IR£52,000, 1997: IR£56,000).

(d) Securitization

RPS3, RPS4 and RPS5 and CLIPS are considered to be related parties of the Group and the Group has entered into both an interest exchange agreement and a subordinated loan agreement with RPS3, RPS4, RPS5 and CLIPS. The Group has purchased the lowest ranking floating rate mortgage backed securities issued by CLIPS. In addition, the Group administers the loans on behalf of RPS3, RPS4, RPS5 and CLIPS. As at March 31, 1999 the net amount owed from RPS3 was Stg£0.1m RPS4 was Stg£0.8m, and RPS5 was Stg£0.1m and CLIPS was Stg£nil. As at March 31, 1998, the net amount owed from RPS3 was Stg£0.1m and RPS5 was Stg£0.6m. The net amount owed to RPS4 was Stg£0.1m. Further details on Securitisation are set out in Note 15.

41 ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	At March 31,	
	1999	1998
	(in IR£ millions)	
Denominated in Irish Pounds	15,446	15,595
Denominated in currencies other than Irish Pounds	27,330	24,037
Total Assets	42,776	39,632
Denominated in Irish Pounds	16,347	15,923
Denominated in currencies other than Irish Pounds	26,429	23,709
Total Liabilities	42,776	39,632

The difference between aggregate foreign currency assets and aggregate foreign currency liabilities does not necessarily provide any indication of the exposure to exchange risks.

42 EMPLOYEE INFORMATION

In the year ended March 31, 1999 the average full time equivalents was 15,618 (1998: 12,994) and categorized as follows:—

	At March 31,	
	1999	1998
Retail	10,403	9,290
Life Assurance(1)	924	434
Bristol & West Group(1)	2,825	1,960
Corporate and Treasury	519	424
Other Group Activities	947	886
	15,618	12,994

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(1) The average full time equivalents for New Ireland and Bristol & West in 1998 were based on the average numbers from the date of acquisition, December 24, 1997 and July 28, 1997 respectively.

Bristol & West includes the average full time equivalents for Bristol & West and also for the Group's mortgage business in Britain, Bank of Ireland Home Mortgages. The staff costs in Note 8 is exclusive of staff costs relating to the life assurance business. The contribution from life assurance companies shown in the Group Profit & Loss account is net of these staff costs.

43 EURO

The euro was introduced on January 1, 1999. The countries participating in the European Single Currency are: Austria, Belgium, Finland, France, Germany, Italy, Luxembourg, Netherlands, Portugal, Spain and Ireland. The national currency units of these participating currencies will co-exist with the euro as denominations of the new single currency from January 1, 1999 to December 31, 2001. Euro currency amounts denoted by "EUR" or the symbol ? , are included in these accounts for information purposes at the fixed translation rate of EUR 1 = IR£0.787564. Each euro is made up of one hundred cent, each of which is represented by the symbol "c" in these accounts.

44 RATES OF EXCHANGE

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

	March 31, 1999			March 31, 1998		
	Closing	**Average**	**Hedge**	**Closing**	**Average**	**Hedge**
IR£/US$.	1.3640	1.4326	1.3886	1.3622	1.4533	1.6002
IR£/Stg£ .	0.8460	0.8678	0.8610	0.8091	0.8819	1.0033

45 GROUP FINANCIAL INFORMATION FOR US INVESTORS

Summary of Significant Differences between Irish and US Accounting Principles

The financial statements presented in this report have been prepared in accordance with generally accepted accounting principles in Ireland (Irish GAAP). Such principles vary in certain significant respects from those generally accepted accounting principles in the US (US GAAP). The significant differences applicable to Bank of Ireland Group's accounts are summarized below:

Irish GAAP	**US GAAP**
Property Depreciation	
Freehold and long leasehold property is maintained in a state of good repair and it is considered that residual values are such that depreciation is not significant, accordingly this property is not depreciated.	Freehold and long leasehold property is depreciated over 50 years.
Revaluation of Property	
Property is carried either at original cost or at subsequent valuation less depreciation calculated on the revalued amount where applicable. Revaluation surpluses and deficits are taken directly to stockholders' equity.	Revaluation of property is not permitted in the financial statements.
Software Development Costs	
The Group capitalizes costs incurred internally in developing computer software for internal use. This expenditure is amortized over a period of 5 years.	Costs incurred internally in developing computer software for internal use are generally charged to the profit and loss account when incurred.
Goodwill	
Goodwill arising on acquisition of shares in group and associated undertakings, being the excess of cost over fair value of the Group's share of net tangible assets acquired is capitalized and amortized over its estimated useful economic life.	Goodwill is capitalized and amortized through income over the period estimated to benefit. In the Group's case a period of 20 years has been used. Goodwill is written off when judged to be irrecoverable.
Goodwill arising on the acquisition of subsidiary undertakings prior to March 31, 1998 was written off directly to reserves in the year of acquisition.	
Premiums arising on acquisitions of	

subsidiary undertakings occurring after March 31, 1998 are capitalized as assets on the balance sheet and amortized over their estimated useful economic lives.

Deferred Taxation

Deferred taxation is recognized at the appropriate rates of tax using the liability method on timing differences where it is expected that a tax liability or asset is likely to arise in the foreseeable future.

Provision for deferred tax under the liability method is required in full for all temporary differences. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realized.

Investments

Profits and losses on disposal are recognized when realized and included in dealing profits, except for those securities maintained for hedging purposes, which are amortized over the lives of the underlying transaction and included in net interest income.

Securities may be classified as (i) investment carried at cost, less provision for any diminution in value and (ii) other securities, which are stated at fair value, except for those securities maintained for the purpose of hedging which are accounted for on the same basis as the item hedged.

Changes in the fair value of securities marked to market are recognized in the profit and loss account as they arise.

Profits and losses on the sale of investments are included in operating income in the year in which they arise.

Securities may be classified as (i) trading, which are carried at fair value with unrealized gains and losses included in earnings, (ii) held for sale, which are carried at fair value with unrealized gains and losses reported in a separate component of stockholder's equity or (iii) held for investment, which are carried at amortized cost.

Trading securities are those securities held to earn a profit by trading or selling such securities.

Securities held for sale are those securities which are intended for use as part of an asset / liability strategy, or that may be sold in response to changes in interest rates, changes in prepayment risks, the need to increase regulatory capital or other similar factors.
Securities held for investment are only those securities for which management has both the intent and ability to hold until maturity.

Pensions

Contributions to the Group's defined benefit schemes are charged to the profit and loss account so as to spread the expected cost of pensions calculated in accordance with the advice of qualified actuaries, on a systematic basis over the employees working lives. Variations from the regular cost are spread over the average remaining service life of relevant employees.

The same basic actuarial method is used as under Irish GAAP, but certain assumptions differ, assets are assessed at fair value and liabilities are assessed at current settlement rates. Certain variations from regular cost are allocated in equal amounts over the average remaining service lives of current employees.

Recognition of a liability when the accumulated benefit obligation exceeds the fair value of assets is also required.

Long-term Assurance Policies

Income from long term assurance business consists of surpluses attributable to stockholders from the long term fund which arise in the year plus increases in the present value of anticipated surplus transfers which are projected to arise from the long term fund in future years, and which are attributable to the business in force at the year end on a going concern basis.

The present value of anticipated surplus transfers which are projected to arise from the long term fund in future years, and which are attributable to the business in force at the year end on a going concern basis are not recognized by the Group under US GAAP. Unearned revenues and acquisition costs related to unit linked products are deferred and amortized in proportion to total estimated gross profits over the expected life of policyholders' contracts. Unearned revenues are amounts assessed from policyholders' that represent compensation for services to be provided in future

	periods. Acquisition costs consist of commissions and other costs which vary with and are primarily related to the production of revenues.
Acceptances	
Acceptances are not recorded on the balance sheet.	Acceptances and related customer liabilities are recorded on the balance sheet.
Dividends Payable	
Dividends declared after the period end are recorded in the period to which they relate.	Dividends are recorded in the profit and loss account in the period in which they are declared.
Securitized Transactions	
Depending on specified qualifying criteria there are three methods of accounting for securitized and loan transfer transactions: continued recognition, linked presentation and derecognition. The linked presentation method is adopted where there is no significant change in the Group's rights to benefits and the Group's exposure is limited to a fixed monetary ceiling. Under this method, only the net amount is consolidated; however on the face of the Group balance sheet, the related gross amounts are disclosed.	Securitized transactions, prior to the introduction of SFAS No.125, not qualifying for derecognition are presented as gross amounts on the balance sheet. Under SFAS No.125, transfers and servicing of financial assets are required to be recognized using a financial components approach that focuses on control. Under that approach after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred and derecognizes financial assets when control has been surrendered.
Hedges	
Gains or losses arising on hedges of anticipated transactions are taken to the profit and loss account in accordance with the accounting treatment of the underlying transaction.	Gains or losses arising from hedges of anticipated transactions, unless firmly committed are reflected in the income statement.
Loan Origination Fees	
Certain loan fees are recognized when received.	All loan fees are deferred and recognized as an adjustment to the yield on the related loan or facility.

Future Developments

The Financial Accounting Standards Board ("FASB") published SFAS No 133 "Accounting for Derivative Instruments and Hedging Activities" which requires all derivatives to be measured at fair values and sets out specific requirements for the accounting treatment of derivatives that are designated as hedges. This was subsequently amended by SFAS No. 137 which extended the implementation date for SFAS No. 133 for the Group Accounts to the accounting period ending March 31, 2002.

FASB published SFAS No 134 "Accounting for Mortgage — Backed Securities retained after the securitization of Mortgage Loans held for sale by a Mortgage Banking Enterprise" which is effective for the Group Accounts for the accounting period ending March 31, 2000.

The American Institute of Certified Public Accountants issued a Statement of Position "Accounting for the costs of computer software developed or obtained for internal use". This statement is effective for the Group Accounts ending March 31, 2000 and requires the capitalization of certain costs of developing software for internal use.

The Group is currently reviewing these statements to determine their effect on its US GAAP reporting.

Consolidated Net Income

	1999	1998	1997
	(in IR£ millions)		
Profit under Irish GAAP	607	354	252
US Restructuring	—	—	39

Disposal of Citizens Financial Group	25	—	—
Depreciation	(4)	(1)	1
Software development costs	(9)	1	(1)
Goodwill	(25)	(21)	(9)
Deferred taxation	(12)	3	1
Pension costs	65	8	(6)
Long-term assurance policies	(32)	(17)	9
Associated undertaking	(3)	(6)	(3)
Other	12	6	10
Deferred tax effect on these adjustments	(12)	7	(2)
Profit under US GAAP	612	334	291
Earnings per unit of IR£1 Ordinary Stock under US GAAP			
— basic	118.3p	66.9p	60.0p
— diluted	117.4p	66.4p	59.6p

Consolidated Total Stockholders' Funds

	1999	1998
	(in IR£ millions)	
Total stockholders' funds including non equity interests under Irish GAAP	2,248	1,581
Property less related depreciation	(88)	(84)
Software development costs	(26)	(17)
Goodwill	416	553
Deferred taxation	9	23
Debt securities — available for sale	33	10
Pension costs	111	46
Income from associated undertaking	—	(11)
Long-term assurance policies	(97)	(68)
Dividends	103	82
Other	18	3
Deferred taxation on these adjustments	(7)	9
Consolidated stockholders' funds including non equity interests under US GAAP	2,720	2,127

Consolidated Total Assets

	1999	1998
	(in IR£ millions)	
Total assets under Irish GAAP	42,776	39,632
Property less related depreciation	(88)	(84)
Goodwill	444	503
Software development costs	(26)	(17)
Debt securities — available for sale	33	10
Pension costs	115	50
Investment in associated undertaking	—	68
Lease receivables / non-recourse debt	10	16
Acceptances	58	88
Long-term assurance policies	(97)	(68)
Other	(33)	(3)
Securitized assets	317	484
Deferred taxation on these adjustments	28	13
Total assets under US GAAP	43,537	40,692

Consolidated Total Liabilities and Stockholders' Funds

	1999	1998
	(in IR£ millions)	
Total liabilities and stockholders' funds including non equity interests under Irish GAAP	42,776	39,632
Stockholders' funds (US GAAP adjustment)	472	546
Dividends	(103)	(82)
Deferred taxation	(19)	(33)
Lease receivables/non-recourse debt	10	16
Borrowings related to securitized assets	317	484
Acceptances	58	87
Other	6	56

Deferred taxation on these adjustments	20	(14)
Total liabilities and stockholders' funds including non equity interests under US GAAP	43,537	40,692

(1) Pensions

Pensions accounting in the U.S. has to apply to the provisions of SFAS No. 87 "Employers' Accounting for Pensions". It differs from Irish GAAP with regard to certain assumptions primarily with regard to asset valuation and actuarial cost methods. The Group has adopted SFAS No. 87 "Employers' Accounting for Pensions" as amended by SFAS No. 132 "Employers Disclosures about Pensions and Other Post-Retirement Benefits" in preparing its U.S. GAAP information.

The impact of this pronouncement has been included in the GAAP reconciliation in respect of the main Bank of Ireland Pension Plans. These plans make up over 1999: 87%, (1998: 90%, 1997: 90%) of Bank of Ireland Group's plans in terms of assets and actuarial liabilities. The components of the pensions expense for these plans which arise under US GAAP are estimated to be as follows:

	Year Ended March 31,		
	1999	1998	1997
	(in IR£ millions)		
Service cost	30	29	29
Cost of special termination benefits	9	11	10
Interest cost	78	86	80
Expected return on plan assets	(145)	(109)	(93)
Net amortization and deferral	(28)	(7)	(2)
	(56)	10	24

The expected rate of return of 6% on plan assets was used in determining the net periodic pension cost for the year ended March 31, 1999 (1998: 8% and 1997: 8.5%).

Actuarial assumptions used in determining the projected benefit obligation at March 31, 1999 included a discount rate of 5% (1998: 7% and 1997: 8.5%) and an increase in future compensation expense of 2.5% (1998: 4% and 1997: 5.5%). The other assumptions used are the same as those used for purposes of Irish GAAP, and are discussed in Note 32, "Pensions".

During 1997, 1998 and 1999, the Group offered a voluntary leaving and a voluntary retirement program in which eligible participants in the Bank of Ireland's main pension plans received accelerated and enhanced benefits if they elected to leave or retire under the programs. The voluntary retirement program was accounted for under SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" and a cost of IR£9 million in 1999 and IR£11 million in 1998 and IR£10 million in 1997 was recorded.

The main Bank of Ireland Pension Plans had investments which included the following at March 31, 1999 and 1998:

	At March 31,	
	1999	1998
	(in IR £ millions)	
Interest in property occupied by Bank of Ireland	62	47
Bank of Ireland IR£1 Ordinary Stock	82	105
Bank of Ireland Preference Stock	3	3

There were 5,343,323 units (1998: 7,239,423 units) of the Bank's Ordinary Stock and 167,640 shares (1998: 164,100) of the Bank's Preference Shares included in the Bank's pension assets for the year ended March 31, 1999. The total gross dividend paid in cash on these shares was IR£1.9 million (1998: IR£2.1 million).

The following is a reconciliation of benefit obligation, the change in the plan assets during the year and an analysis of the funded status of the plans during the three years ended March 31, 1999.

	1999	1998	1997
	(IR£ millions)		
Change in projected benefit obligation			
Projected benefit obligation at April 1	1,127	1,026	952
Service cost (net of members contributions)	30	29	29
Interest cost	78	86	80
Members contributions	4	3	3
Actuarial loss	135	6	(19)
Special termination benefits	9	11	10
Benefits paid	(43)	(34)	(29)
Projected benefit obligation at March 31	1,340	1,127	1,026
Change in plan assets			
Fair value of plan assets at April 1	1,824	1,294	1,109

Actual return	134	556	206
Employer contribution	—	5	5
Members contribution	4	3	3
Benefits paid	(43)	(34)	(29)
Fair value of plan assets at March 31	1,919	1,824	1,294
Change in funded status			
Funded status at March 31	579	697	268
Unamortized net gain	(515)	(688)	(254)
Unamortized net asset at transition	(10)	(10)	(11)
Prepaid/(accrued) pension cost recognized in balance sheet at year end	54	(1)	3

(2) Cashflow Statements

The consolidated cash flow statement on page F-10 has been completed in accordance with Financial Reporting Standard 1 (revised) (FRS1) which was issued by the U.K. Accounting Standards Board in 1996. The objective and principles of FRS 1 are similar to those set out in SFAS 95. The principal differences between the standards relate to classification. Under FRS 1, the Group presents its cash flows for (i) operating activities; (ii) returns on investment and servicing of finance; (iii) taxation; (iv) capital expenditure and financial investment; (v) acquisitions and disposals; (vi) equity dividends paid and (vii) financing. SFAS 95 requires only three categories of cash flow activity, namely (i) operating; (ii) investing and (iii) financing. In addition FRS 1 (revised 1996) defines cash as cash and balances at central banks and loans and advances to banks repayable on demand. SFAS 95 defines cash as being inclusive of cash equivalents which are short term highly liquid investments that are both readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. The classification of cash flows under FRS 1 generally differs from that under SFAS 95 as follows: (i) returns on investment and servicing of finance and taxation would be included as operating activities; (ii) capital expenditure and financial investment, acquisitions and disposals would be included as investing activities; and (iii) equity dividends paid would be included as a financing activity.

(3) Deferred Taxation

In accordance with SFAS No. 109, "Accounting for Income Taxes", the components of deferred taxation in the balance sheet at March 31, 1999 and 1998 are as follows:

	At March 31,	
	1999	1998
	(in IR£ millions)	
Deferred tax liabilities		
Accelerated capital allowances:		
— on finance leases	52	85
— on equipment used by the Group	8	13
Total	60	98
Deferred tax assets		
Reserve for loan and lease loss	12	26
Loss carry forwards	7	8
Accruals and reserves	1	1
Investment tax credits	5	5
Minimum tax credits	1	1
Other	2	24
Total	28	65
Deferred tax asset valuation allowance	(10)	(17)
Net deferred tax assets	18	48
Net deferred tax liabilities	42	50

(4) Impaired Loans

Bank of Ireland has reviewed SFAS No's. 114 and 118 "Accounting by Creditors for Impairment of a Loan". SFAS No. 114 applies only to impaired loans, the measurement of which is primarily based upon the present value of expected future cash flows discounted at the loan's effective interest rate. In certain instances this measurement may reflect the loan's observable market value, or the fair value of the collateral if the loan is collateral dependent. Smaller balance homogeneous consumer loans that are collectively evaluated for impairment, are outside the scope of SFAS No. 114, as are debt securities and leases. The Group has determined, using the net present value method, that it had no material effect on the reconciliation of net income and shareholders funds between Irish and U.S. GAAP.

Smaller balance homogenous loans are defined as all loans, irrespective of balance size, in Bristol & West Group's residential mortgage portfolio, its credit card division and its finance companies. The distinguishing feature is that in each case, the Loan Loss Provision is generated automatically based on arrears experience.

Within the Bank, a loan is automatically deemed to be impaired when based on current information and events, it is probable that the Bank will be unable to collect all amounts due (principal and contractual interest), according to the terms of the contractual agreement. Such loans are classified as Credit Grade 6 (Provision Required) or Credit Grade 7 (Write-Off). In addition, certain Credit Grade 5 loans (Unacceptable Risk) where there is no loan loss immediately identifiable but where there is doubt regarding the collectability of principal and interest out into the future are also classified as impaired.

All loans classified as Credit Grade 6 (Provision Required) or Credit Grade 7 (Write-Off), and where the loan balance was less than IR£250,000 as at March 31, 1999, were aggregated for evaluation purposes. It is practice in Ireland and the United Kingdom to delay write-off of debt until the realization of collateral or alternative recovery action has been completed, or the required full or partial write-off can be predicted with a high degree of certainty. When management determines that a full or partial write-off on a loan is appropriate, the amount of the write-off is applied against the specific provision and the debt reduced to its estimated realizable value. Amounts which are written off on the Group's books must continue to be subject to the same diligence in collection effort as is applied to other loan balances. Interest on Credit Grade 6 (Provision Required) and Credit Grade 7 (Write-Off) loans is accounted for on a cash receipts basis.

Under the Bank's policies for interest income recognition, the Bank records cash receipts on loans that are impaired as a reduction to the principal balance.

At March 31, 1999, the Group's net investment in impaired loans amounted to IR£57.5 million (1998: IR£60.9 million) of which IR£32.6 million (1998: IR£48.1 million) was after specific provisions of IR£50.5 million (1998: IR£60.2 million).

The average level of such impaired lending during the year was approximately IR£114.6 million (1998: IR£110.1 million).

(5) Provision for Loss on U.S. Restructuring

The provision for loss on U.S. Restructuring under Irish GAAP relates to the impairment of goodwill previously written off directly to reserves.

Under U.S. GAAP such goodwill is amortized through the profit and loss account and no impairment arises by reference to the unamortized carrying value.

(6) Stock Compensation Plan

The Bank operates an approved executive stock option plan. Participation is by invitation of the Remuneration Committee. Options are issued at the market price at the date of the grant without any discount, calculated in accordance with the rules of the Schemes, and are normally exercisable between three and ten years from the grant date. Under the rules of the current scheme options become exercisable on the achievement of predetermined performance criteria.

The Group has elected to follow APB 25 in accounting for stock-based compensation plans. Had a fair value basis of accounting for stock-based compensation been applied, as outlined in SFAS No 123, based on fair values at the grant dates, proforma net income and proforma earnings per share under US GAAP would have been, IR£610 million (1998: IR£332 million) and IR117.9p (1998: IR66.5p) respectively.

The following table summarizes the number of options outstanding and weighted average exercise price:

	Year Ended March 31,			
	1999		1998	
	Number	Weighted Average exercise price	Number	Weighted Average exercise price
Outstanding at beginning of year	7,713,024	430.80	6,835,444	283.85p
Granted in year	249,000	1,301.70	2,005,000	810.42p
Exercised in year	1,802,816	228.31	1,127,420	214.97p
Lapsed in year	120,000	906.10	—	—
Outstanding at end of year	6,039,208	517.71	7,713,024	430.80p

The following table summarizes information about the above stock options outstanding at March 31, 1999.

	Number Outstanding at March 31, 1999	Weighted Average Remaining Contractual Life	Number Exercisable at March 31, 1999
Exercise price (IR pence)			
201.313	18,607	0.16	18,607
208.741	25,564	1.25	25,564

152.867	93,648	2.25	93,648
154.620	159,778	3.25	159,778
226.250	952,611	4.16	952,611
263.000	425,000	5.16	425,000
288.800	50,000	5.66	50,000
332.500	695,000	6.16	695,000
444.000	1,395,000	7.25	—
510.520	90,000	7.66	—
713.300	995,000	8.19	—
906.100	890,000	8.67	—
1301.700	249,000	9.16	—

The significant weighted average assumptions used to estimate the fair values of the options granted were a risk free rate of return of 5.1% (1998: 6.5%), an expected life of five years, expected volatility of 28.5% (1998: 22.5%) and a dividend yield for the sector of 2.7% (1998: 2.20%).

(7) Earnings per share

Basic earnings per share (EPS) under U.S. GAAP differs from Irish GAAP only to the extent that income calculated under U.S. GAAP differs from that calculated under Irish GAAP.

Diluted EPS measures the effect that existing options would have on the Basic EPS if they were to be exercised, by increasing the number of ordinary shares. Under U.S. GAAP, the number of increased shares is reduced by the number of shares that could be bought (using the average market price in the year) with the assumed exercise proceeds (actual proceeds arising on exercise plus unamortized compensation costs, where appropriate). Any options that are antidilutive are excluded from this calculation. (An option is antidilutive when the deemed proceeds is greater than the market price used in the above calculation, there were no antidilutive options in the current or prior year).

	1999			1998		
	Income IR£m	Share No (in millions)	Per-share Amount Pence	Income IR£m	Share No (in millions)	Per-share Amount Pence
Basic EPS						
Approximate net income (US GAAP) available to ordinary stockholders	612	517.4	118.3	334	499.1	66.9
Effect of dilutive securities Employee share options		3.8			4.1	
Diluted EPS	612	521.2	117.4	334	503.2	66.4

	1997		
	Income IR£m	Share No (in millions)	Per-share Amount Pence
Basic EPS			
Approximate net income (US GAAP) available to ordinary stockholders	291	484.5	60.0
Effect of dilutive securities Employee share options		2.9	
Diluted EPS	291	487.4	59.6

(8) Alternative Presentation of Consolidated Statement of Income

The Group's share of profits of the life assurance companies (Lifetime and New Ireland) has been included under other operating income in the Consolidated Statements of Income. The income statement of the life assurance businesses, if consolidated under U.S. GAAP, would be consolidated within the Group figures on a line by line basis.

The following summary consolidated statements of income illustrates this presentation.

	At March 31, 1999	1998
	(in IR£ millions)	
Net interest income	879	753
Other income	673	493
Total income	1,552	1,246
Total operating expenses	920	772
Operating profit	632	474
Income from associated undertakings	27	56

Profit on ordinary activities before exceptional item	659	530
Profit on disposal of associated undertaking	172	—
Profit before tax	831	530
Taxation on profit on ordinary activities	200	155
Profit on ordinary activities after tax	631	375
Minority interest		
— equity	1	1
— non-equity	5	4
Non cumulative preference stock dividends	18	16
Profit for financial year attributable to holders of ordinary stock	607	354

(9) Alternative presentation of the Consolidated Balance Sheet

The long-term assurance assets and liabilities of the life assurance business have been classified under separate headings in the consolidated Balance Sheet. Under U.S. GAAP the Balance Sheet of the Life Assurance business would be consolidated with Group figures.

The following consolidated Balance Sheet illustrates this presentation.

	At March 31,	
	1999	1998
	(in IR£ millions)	
Assets:		
Cash and balances at Central Banks	853	118
Items in the course of collection from banks	453	383
Central government and other eligible bills	521	80
Loans and advances to banks	2,876	5,037
Loans and advances to customers	28,496	25,170
Securitization and loan transfers	676	909
Less: non-returnable amounts	584	812
	92	97
Debt securities	5,788	5,258
Equity shares	696	703
Interest in associated undertakings	10	213
Tangible fixed assets	828	770
Own shares	—	11
Other assets	1,768	1,350
Prepayments and accrued income	395	442
Total Assets	42,776	39,632

	At March 31,	
	1999	1998
	(in IR£ millions)	
Liabilities:		
Deposits by banks	5,544	4,261
Customer accounts	27,011	25,957
Debt securities in issue	426	882
Items in the course of transmission to banks	198	197
Other liabilities	5,419	4,705
Proposed dividends — equity	103	82
Accruals and deferred income	528	559
Provision for liabilities and charges		
— deferred taxation	51	73
— other provisions for liabilities and charges	90	122
Subordinated liabilities	1,094	1,146
Minority interest		
— equity	2	3
— non-equity	62	64
Called up capital stock	536	531
Stock premium account	499	462
Capital reserve	125	98
Profit and loss account	1,075	480
Revaluation reserve	13	10
Total stockholders' funds including non-equity interests	2,248	1,581
Total liabilities	42,776	39,632

46 SFAS NO. 115 "ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES"

The difference between Irish generally accepted accounting principles (IR GAAP) and those applicable in the U.S. (U.S. GAAP) for debt securities are outlined in Note 45 above.

The book value and market value of the debt securities are analyzed as follows:

	At March 31,			
	1999		1998	
	Book Value	Market Value	Book Value	Market Value
	(in IR£ millions)			
Held to maturity	1,116	1,132	1,004	1,017
Available for sale	1,750	1,783	1,569	1,579
Trading	1,187	1,187	1,255	1,255
Total	4,053	4,102	3,828	3,851

The following table sets out the amortized cost and market value of the available for sale investment portfolio owned by the Group at March 31, 1999 and 1998.

	Available for Sale Investment Portfolio			
	1999		1998	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(in IR£ millions)			
Irish government	262	265	266	269
Other European government	215	234	545	552
Mortgage backed obligation of federal agencies	—	—	8	8
Corporate bonds	1,034	1,043	504	503
Other securities	239	241	246	247
Total	1,750	1,783	1,569	1,579

Proceeds from sales of available for sale securities during the year ended March 31, 1999 were IR£3,819 million (1998: IR£1,380 million). Gross gains of IR£20 million (1998: IR£1 million) and gross losses of IR£1 million (1998: IR£1 million) were realized on those sales. Realized gains and losses on available for sale securities are generally computed using the specific identification method.

The following table shows the maturity distribution of the available for sale investment portfolio at March 31, 1999 based upon amortized cost.

	In One Year or Less	After One Year Through Five Years	After Five Years Through 10 Years	After 10 Years	Total
	(in IR£ millions)				
Irish government	16	223	—	23	262
Other European government	—	179	36	—	215
Mortgage backed obligations of federal agencies	—	—	—	—	—
Corporate bonds	182	833	19	—	1,034
Other securities	195	16	20	8	239
Total	393	1,251	75	31	1,750

The following table sets out the amortized cost and market value of the held to maturity investment portfolio owned by the Group at March 31, 1999 and 1998.

	Held to Maturity Investment Portfolio			
	March 31, 1999		March 31, 1998	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(in IR£ millions)			
Irish government	8	8	18	18
Other European government	8	8	2	2
U.S. treasury and U.S. government agencies	1	1	1	1
Corporate bonds	1,058	1,074	932	945
Other securities	41	41	51	51
	1,116	1,132	1,004	1,017

Proceeds from sales of held to maturity securities during the year ended March 31, 1999 were IR£13 million (1998: IR£34 million). Gross gains of IR£nil million (1998: IR£nil million) were realised on those sales.

The following table shows the maturity distribution of the held to maturity investment portfolio of the Group at March 31, 1999 based upon amortized cost.

	Maturity Distribution of Held to Maturity Investment Portfolio At March 31, 1999				
	In One Year or Less	After One Year Through Five Years	After Five Years Through 10 Years	After 10 Years	Total
Irish government	—	8	—	—	8
Other European government	—	8	—	—	8
U.S. treasury and U.S government agencies	—	1	—	—	1
Corporate bonds	80	636	152	190	1,058
Other securities	41	—	—	—	41
Total	121	653	152	190	1,116

47 COMPREHENSIVE INCOME

	At March 31,		
	1999	1998	1997
	(in IR£ millions)		
Net income in accordance with US GAAP	612	334	291
Other comprehensive income net of tax			
Foreign currency translation adjustment	(35)	179	25
Net movement on unrealized gains on debt securities	23	6	(3)
Comprehensive income	600	519	313

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