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

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended March 31, 2000

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, 2000:

Ordinary Stock (nominal value of €0.64 per unit): 992,330,835

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 €0.64 per unit of the Bank and the term ‘‘ADS’s’’ 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 now holds 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 U.S. Private Securities Litigation 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, its interests in associated companies.

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 Euro (‘‘€’’ or ‘‘EUR’’). All prior year amounts which were previously reported in Irish pounds have been converted at the fixed translation rate of Euro 1 = IR£0.787564. References to ‘‘dollars’’, ‘‘U.S.$’’ or ‘‘$’’ or ‘‘¢’’ are to United States (‘‘U.S.’’) currency, and references to ‘‘STG£’’, GBP£ and ‘‘pounds sterling’’ are to United Kingdom currency. Amounts in dollars, unless otherwise stated, for the current financial (fiscal) year have been translated from Euro at the rates as shown below under "Exchange Rates". This rate should not be construed as a representation that the Euro amounts actually denote such dollar amounts or have been, could have been, or could be converted into dollars at the rate indicated.

The euro was introduced on 1 January 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 1 January 1999 to 31 December 2001. Each euro is made up of one hundred cent, each of which is represented by the symbol "c" in this Annual Report.

EXCHANGE RATES

As a significant portion of the assets, liabilities, income and expenses of the Group is denominated in currencies other than Euro, fluctuations in the value of the Euro relative to other currencies have had an effect on the Euro 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 sterling and the dollar. At August 8, 2000, the Noon Buying Rate (as defined below) was U.S.$0.9019 = €1.00.

The following table sets forth, for the dates or periods indicated, the Noon Buying Rate in New York for cable transfers (in Euro from January 1, 1999) 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:

	2000	1999	1998	1997	1996
			(dollars per €)		
Euro/dollar rates:					
March 31	0.9574	1.0808	1.0695	1.2475	1.2381
Average(1)	1.0217	1.1295	1.1430	1.2690	1.2406
High	1.0842	1.2223	1.2479	1.3326	1.2743
Low	0.9328	1.0679	1.0644	1.2219	1.2274
March 31 rate used by the Group(2)	0.9553	1.0742	1.0728	1.2352	1.2394
Average rate used by the Group(2)	1.0247	1.1283	1.1446	1.2671	1.2658
			(STG£ per €)		
Euro/sterling rates:					
March 31 rate used by the Group(2)	0.5985	0.6663	0.6372	0.7591	0.8125
Average rate used by the Group(2)	0.6368	0.6834	0.6946	0.7948	0.8092

(1) The average of the Noon Buying Rates on the last day of each month during the financial year.

(2) The rates used by the Group in the preparation of its consolidated financial statements. In the year to March 31, 2000 certain sterling profits were hedged during the year and translated at the following rate €/STG£0.7273 and 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 €/U.S.$1.0936 and €/STG£0.6781 (1998:€/US$1.2603 and €/stg£0.7902).

(3) Amounts prior to December 31, 1998 have been converted at the fixed translation rate of Euro 1 = IR£0.787564.

The Governor and Company of The Bank of Ireland

ANNUAL REPORT ON FORM 20-F

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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 €68 billion (US$ 65 billion) at March 31, 2000. Headquartered in Dublin, Ireland, the Group's operations extend geographically throughout Ireland and in the United Kingdom. Its market capitalization at March 31, 2000 was €7.3 billion (US$ 7.0 billion).

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, instalment credit, debt factoring, foreign exchange facilities, interest and exchange rate hedging instruments, executor, trustee, stockbroking, life assurance and pension and investment fund management, fund administration and custodial services and financial advisory services, including mergers and acquisition and underwriting. The Group provides services in Irish pounds and other currencies.

The Group markets and sells its products on a domestic basis through its extensive nationwide distribution network in Ireland, which consisted of 288 full-time branches and 382 ATMs at March 31, 2000 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 its Bristol & West plc ("Bristol & West") subsidiary and the Group's retail branch network. Bristol & West operates in selected markets and provides lending, savings and investment products to customers.

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

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

	At and for the Year Ended March 31,		
	2000	**1999**	**1998**
	(€ millions, except per unit amounts and percentages)		
Income before taxation:			
Before exceptional item	920	836	673
After exceptional item	920	1,054	673
Income after taxation	724	801	476
Balance Sheet:			
Total stockholders' funds	3,279	2,854	2,007
Total assets	68,017	54,314	50,322
Per unit of €0.64 Ordinary Stock:			
Earnings	68.0c	74.5c	45.0c
Alternative earnings (excluding exceptional item)		54.3c	
Diluted earnings	67.6c	73.9c	44.7c
Dividends	23.5c	18.41c	14.6c
Ratios (excluding exceptional item in 1999):			
Return on average total assets	1.2%	1.1%	1.2%
Return on average stockholders' funds	24.5%	23.8%	27.5%
Capital Ratios:			
Tier 1 Capital ratio	7.4%	9.0%	7.2%
Total Capital ratio	11.8%	13.0%	11.3%

STRATEGY

The 1999/00 trading and profit performance is evidence of the current strong momentum in the Group's main businesses, both in Ireland and abroad. Maintenance of this level of momentum in the dynamic markets in which the Group now operates requires continuous transformation of products, delivery channels and management processes. It also requires a clear focus on cost efficiency to allow the business to compete effectively against a growing body of low cost competitors. These imperatives have driven a fundamental examination of strategic options with the following objectives:

- substantial growth in the Asset and Wealth Management business
- identification and exploitation of new niches and new markets outside Ireland
- world class customer service
- efficiency levels in each of the Group's businesses which eliminate vulnerability to low cost competitors
- the optimum mix of delivery channels based on evolving customer needs and preferences
- diversifying our revenue stream in Great Britain, reducing our dependency on mainstream residential lending and increasing revenue from other lending and investment business

There will be a fundamental shift over time in the manner in which retail products in particular are delivered. While new channels, such as telephone and the Internet, will not eliminate the need for an extensive branch network, the scale and configuration of that network faces inevitable change. In the new, intensely contested markets, it will not be possible to sustain uncompetitive outlets. The Group is assessing branch overlap in urban areas and actively pursuing alternative options for the delivery of a full range of services in less populated areas. The Group is also considering the re-location of certain processing operations outside Dublin.

In the area of e-business, the Group will build upon its existing competencies and is developing a range of new products and customer services. The Group is to invest significantly in the further development of its e-offerings and post year end, announced the establishment of BOIe, a separately resourced and managed unit, which will focus on e-business and which has entered into a number of key strategic partnerships to enhance the Group's e-capability.

The Group recognises opportunities to open new markets, both in Ireland and the United Kingdom, through e-business channels. The Group will use e-business to grow volume and value, defend existing business, enable our internal processes, improve efficiencies and transform the business.

The e-investment programme will enhance the current Banking 365 Online and Business-on-line services. It will enable the Group to be a business partner for small and medium business enterprises (SME's) and a financial partner for personal customers. Fsharp is an offshore internet bank targeting the English speaking expatriate population. It offers deposit and tracker products, debit and credit cards and offshore investment funds. Bristol & West will exploit the platform developed for Fsharp to deliver a range of online services to its customers.

There will also be a significant upgrading of the Group's IT capabilities to support existing and new delivery channels, ensuring that the Group will remain a leading edge provider of retail and business banking services.

The range of delivery mechanisms now available enables the Group to offer services that are better related to a customer's individual needs. The identification of these needs, the segmentation of customer groupings based on these needs and the delivery of appropriate services for each such group will be a key component of strategy going forward.

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, 2000 amounted to €900 million, representing almost 42% of total operating income.

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, 2000 was 54% down 1% from 55% in the financial year ended March 31, 1999.

Implementation of the Group's cost reduction programme, which was referred to in the Interim Announcement in November, is now underway and will be facilitated by the channel strategy and network changes mentioned above. The Group expects that its cost reduction target of €65m announced at that time will be exceeded within the timeframe indicated resulting in a very acceptable payback for the associated investment and driving the Group cost/income ratio below 50%.

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, 2000, bad debt provision charges were €56 million (representing 0.1% of average loans to customers), the level of balances under provision was €355 million and the ratio of allowance for loan losses to balances under provision stood at 112%.

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.

The Group intends to maintain strong capital ratios, comfortably in excess of the regulatory minimum. At March 31, 2000 the Group's Tier 1 and Total Capital ratios were 7.4% and 11.8% respectively, well above the regulatory minimum.

RECENT DEVELOPMENTS

EuroConex Technologies Ltd.

Bank of Ireland and NOVA Corporation, a U.S. company specialising in payment processing and business-to-business e-commerce services, on June 23, 2000 announced agreement to form a joint venture, EuroConex Technologies Ltd, to offer similar services across Europe. The joint venture is expected to employ some 600 people — mostly new jobs — within four years. The outsourcing of payment processing for the Bank of Ireland card retailer base will be a major component of the Bank's contribution to the joint venture. Further contracts with third parties are under discussion.

NOVA Corporation is the third largest processor of credit and debit card transactions in the United States and services some 500,000 merchants and financial institutions across the U.S. It provides credit, debit and charge card payment acceptance services as well as end-to-end business-to-business e-commerce services through Econex L.L.C., a U.S.-based company in which NOVA is a majority owner.

EuroConex, ownership of which will be equally divided between Bank of Ireland and NOVA Corp., will combine the resources of Bank of Ireland, NOVA and Econex to offer an integrated service to merchants in Ireland and across Europe. Research undertaken by Bank of Ireland and NOVA indicates a strong market within Europe where, to date, the outsourcing of retailer payment processing has been limited. However, this area of the card payment market has become increasingly specialised, requiring significant investments in technology and high levels of ongoing maintenance.

In the U.S., NOVA has successfully executed its e-commerce payment processing strategies and offers retailers and small to medium enterprises (SME's) convenient access to Internet trading. In addition to payment processing, NOVA offers through Econex a variety of value-added e-commerce services that include the design and maintenance of retailer Web sites, facilitation of e-based payments and the collation and delivery of relevant business to business services on the Internet. EuroConex will replicate NOVA's strategy in Europe by providing a similar set of solutions for retailers and SMEs.

Deposit Interest Retention Tax (DIRT)

On July 5, 2000 the Bank announced that it had paid the Revenue Commissioners of Ireland the sum of €38.7 million (IR£30.5 million) in full and final settlement of Bank of Ireland Group's liability for arrears of

DIRT (Deposit Interest Retention Tax), see Note 35 to the Consolidated Financial Statements on page F-57 below.

Securitisation

On June 28, 2000 the Bank securitised €500m of its residential mortgage book. The mortgages were sold to a special purpose vehicle, "Liberator Securities No.1 plc", which issued mortgage backed securities in a senior tranche of €477m Class A Mortgage Backed Floating Rate Notes due 2032 and a junior tranche of €23m Class B Mortgage Backed Floating Rate Notes due 2032.

Chase de Vere Investments plc

On July 28, 2000 Bank of Ireland announced that its wholly owned subsidiary, Bristol & West plc ("Bristol & West") had entered into a conditional agreement to purchase for an initial cash consideration of STG£110 million (approximately €177 million) the holding company of Chase de Vere Investments plc, a leading UK Independent Financial Advisor business. The proposed acquisition supports Bank of Ireland's strategy of building Bristol & West's presence in selected profitable market segments, including specialist mortgage products and personal savings and investments, as well as expanding into independent advisory activities. The maximum consideration in respect of the transaction is approximately STG£132 million of which STG£22.5 million is performance related.

CORPORATE STRUCTURE

For the purpose of reporting its performance, the Group announced in November 1999 following a reorganisation, that the Group will organise its businesses into Retail Banking Republic, Life Assurance, Bristol & West, Corporate & Treasury, Asset and Wealth Management Services and Group and Central Costs.

The Group's operations extend geographically throughout Ireland, and the United Kingdom. In addition significant earnings are generated outside these areas from the International Financial Services Centre businesses (IFSC) and Bank of Ireland Asset Management.

Retail Banking Republic includes all branch banking operations in Ireland, the ICS Building Society ("ICS"), instalment credit and leasing operations (Bank of Ireland Finance Limited), as well as the direct telephone banking unit (Banking 365), credit card operations and commercial finance/factoring operations.

Life Assurance includes the operations of Lifetime which provides a range of life assurance and pension products through the retail branch network and New Ireland Assurance which provides life assurance and pension products through its broker network.

Bristol & West provides lending, 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), provides the full range of treasury and foreign exchange services and is responsible for managing the Group's liquidity funding requirements and, interest and exchange rate exposure. In addition, it also includes branch banking operations in Northern Ireland and Britain and the Group's instalment credit and leasing operations in Northern Ireland (NIIB Group Limited), the Group's Corporate Finance operation (IBI Corporate Finance Limited), International Banking 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.

The principal constituents of Asset and Wealth Management Services are fund management operations (Bank of Ireland Asset Management Limited), providing fund management services to institutions and pension funds in Ireland, Germany, Australia, Canada, Japan, the UK and the U.S., fund administration and custodial services (Bank of Ireland Securities Services Limited) and a comprehensive banking and investment service to high net worth individuals.

Group and Central Costs mainly include earnings on surplus capital and unallocated Central overheads.

BUSINESS PERFORMANCE

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

	At and for the Financial Year Ended March 31,					
	2000	%	1999	%	1998	%
	(in € millions, except percentages)					
Income Before Tax						
Retail Banking Republic	237	26	205	24	169	25
Life Assurance(1)	99	11	91	11	54	8
Corporate & Treasury	280	30	266	32	220	33
Bristol & West(2)	216	23	185	22	108	16
Asset and Wealth Management Services	129	14	95	11	69	10
Group and Central Costs	18	2	(1)	—	3	1
Citizens(3)	—	—	32	4	70	10
Tax equivalent adjustment(4)	(59)	(6)	(37)	(4)	(20)	(3)
Income from ordinary activities before exceptional items	920	100	836	100	673	100
Profit on disposal of associated undertaking	—	—	218	—	—	—
Income before taxation	920	100	1,054	100	673	100
Assets						
Retail Banking Republic	19,076	22	16,392	23	13,920	23
Life Assurance(1)	4,520	5	4,111	6	3,591	6
Corporate & Treasury	36,038	41	25,474	37	22,289	36
Bristol & West(2)	22,346	26	19,378	28	18,047	30
Asset and Wealth Management Services	2,339	3	1,373	2	1,097	2
Group and Central Costs	2,778	3	2,753	4	2,067	3
Citizens(3)	—	—	—	—	231	—
Total(5)	87,097	100	69,481	100	61,242	100

(1) Life Assurance for the year ended March 31, 1999 and 2000 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. 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.

(3) Citizens for the year ended March 31, 1999 includes the Group's share (23.5%) of profits for the year up to the date of disposal September 3, 1998.

(4) In order to show profit for each business segment 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.

(5) Total Assets include intra-group items of €19,080m (1999: € 15,167m, 1998: €10,920m).

(6) The information presented for March 1999 and March 1998 has been restated in accordance with the revised structure announced in November 1999.

SELECTED CONSOLIDATED FINANCIAL DATA

	At and for the Financial Year Ended March 31,					
	2000(1)	2000	1999	1998	1997	1996
	$m	(in € millions, except per unit amounts and percentages)				
Income Statement Data						
Amounts in accordance with Irish GAAP:						
Interest receivable and similar income	2,874	3,002	3,125	2,575	1,601	1,785
Interest payable and similar charges	1,685	1,760	2,009	1,619	820	925
Net interest income	1,189	1,242	1,116	956	781	860
Provision for bad and doubtful debts	54	56	56	47	25	27
Other income	863	901	836	655	444	404
Operating expenses	1,117	1,167	1,060	891	697	775
Income from ordinary activities before exceptional items	881	920	836	673	503	462
Exceptional item arising on U.S. restructuring(2)	—	—	—	—	—	(61)
Profit on disposal of associated undertaking	—	—	218	—	—	—
Income before taxation	881	920	1,054	673	503	401
Taxation on income from ordinary activities	188	196	253	197	164	130
Minority interests						
— equity	3	3	1	1	—	—
— non equity	6	6	6	6	—	—
Non-cumulative preference stock dividend	24	25	23	20	19	19
Income attributable to holders of ordinary stock	660	690	771	449	320	252
Per unit of Ordinary Stock						
Income attributable to holders of ordinary stock	65.1c	68.0c	74.5c	45.0c	33.0c	26.3c
Alternative income attributable to holders of ordinary stock			54.3c			32.8c
Dividends	22.5c	23.5c	18.41c	14.6c	11.27c	9.68c
Amounts in accordance with U.S. GAAP:						
Net income attributable to holders of ordinary stock	601	628	777	424	370	315
Net income per unit of ordinary stock Basic	59.4c	62.0c	75.1c	42.5c	38.1c	32.9c
Diluted	59.0c	61.6c	74.5c	42.1c	37.8c	32.7c
Balance Sheet Data						
Amounts in accordance with Irish GAAP:						
Total assets	65,119	68,017	54,314	50,322	24,976	26,612
Loans and advances to customers	42,934	44,844	36,183	31,959	14,984	14,770
Loans and advances to banks	6,675	6,972	3,457	6,168	2,739	3,559
Allowance for loan losses	381	398	359	357	224	234
Deposits, short-term borrowings and other accounts	51,815	54,121	41,877	39,489	18,960	21,342
Dated capital notes	1,440	1,504	814	843	470	217
Undated capital notes	347	362	575	612	442	441
Minority interests						
— equity	5	5	3	4	3	3
— non equity	83	87	79	81	—	—
Called up capital stock	661	690	681	674	638	631
Reserves	2,479	2,589	2,173	1,333	1,154	927
Total stockholders' funds including non-equity interests	3,140	3,279	2,854	2,007	1,792	1,558
Amounts in accordance with U.S. GAAP:						
Stockholders' equity	3,568	3,727	3,453	2,701	1,892	1,690
Total assets	65,772	68,699	55,281	51,668	25,612	27,323

	For the Financial Year Ended March 31,				
	2000	1999	1998	1997	1996
	(in percentages)				
Other Financial Data					
Other Financial data in accordance with Irish GAAP:					
Return on average total assets(3)	1.2	1.1	1.2	1.3	1.3
Return on average stockholders' funds(3)(4)	24.5	23.8	27.5	21.7	24.9
Dividend payout ratio(5)	34	34	33	34	37
Net interest margin(6)	2.5	2.5	2.9	3.6	3.9
Net interest margin, tax equivalent basis(7)	2.6	2.6	3.0	3.7	4.0
Cost/income ratio(8)	54	55	58	59	61
Allowance for loan losses to total loans	0.9	1.0	1.1	1.5	1.5
Provisions for bad and doubtful debts to average total loans	0.1	0.2	0.2	0.2	0.2
Tier 1 capital ratio(9)	7.4	9.0	7.2	11.0	9.5
Total capital ratio(9)	11.8	13.0	11.3	16.3	14.0
Average stockholders' equity to average total assets(10)	5.1	5.0	5.0	6.9	5.9

(1) Translated solely for convenience into dollars at €1.00 = U.S.$0.9574, the Noon Buying Rate on March 31, 2000.

(2) A provision for U.S. restructuring of €61 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) 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.

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

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

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

(7) 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.

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

(9) 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.

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

PART 1

Item 1 DESCRIPTION OF BUSINESS

OVERVIEW

The Bank of Ireland Group is one of the largest Irish financial services groups, with total assets of €68 billion (US$ 65 billion) at March 31, 2000. Headquartered in Dublin, Ireland, the Group's operations extend geographically throughout Ireland and in the United Kingdom. Its market capitalization at March 31, 2000 was €7.3 billion (US$ 7.0 billion).

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, instalment credit, debt factoring, foreign exchange facilities, interest and exchange rate hedging instruments, executor, trustee, stockbroking, life assurance and pension and investment fund management, fund administration and custodial services and financial advisory services, including mergers and acquisition and underwriting. The Group provides services in Irish pounds and other currencies.

The Group markets and sells its products on a domestic basis through its extensive nationwide distribution network in Ireland, which consisted of 288 full-time branches and 382 ATMs at March 31, 2000 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 its Bristol & West plc (''Bristol & West'') subsidiary, and the Group's retail branch network. Bristol & West operates in selected markets and provides lending, savings and investment products to customers.

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

STRATEGY

The 1999/00 trading and profit performance is evidence of the current strong momentum in the Group's main businesses, both in Ireland and abroad. Maintenance of this level of momentum in the dynamic markets in which the Group now operates requires continuous transformation of products, delivery channels and management processes. It also requires a clear focus on cost efficiency to allow the business to compete effectively against a growing body of low cost competitors. These imperatives have driven a fundamental examination of strategic options with the following objectives:

- substantial growth in the Asset and Wealth Management business
- identification and exploitation of new niches and new markets outside Ireland
- world class customer service
- efficiency levels in each of the Group's businesses which eliminate vulnerability to low cost competitors
- the optimum mix of delivery channels based on evolving customer needs and preferences
- diversifying our revenue stream in Great Britain, reducing our dependency on mainstream residential lending and increasing revenue from other lending and investment business

There will be a fundamental shift over time in the manner in which retail products in particular are delivered. While new channels, such as telephone and the Internet, will not eliminate the need for an extensive branch network, the scale and configuration of that network faces inevitable change. In the new, intensely contested markets, it will not be possible to sustain uncompetitive outlets. The Group is assessing branch overlap in urban areas and actively pursuing alternative options for the delivery of a full range of services in less populated areas. The Group is also considering the relocation of certain processing operations outside Dublin.

In the area of e-business, the Group will build upon its existing competencies and is developing a range of new products and customer services. The Group is to invest significantly in the further development of its e-offerings and post year end, announced the establishment of BOIe, a separately resourced and managed unit, which will focus on e-business and which has entered into a number of key strategic partnerships to enhance the Group's e-capability.

The Group recognises opportunities to open new markets, both in Ireland and the United Kingdom, through e-business channels. The Group will use e-business to grow volume and value, defend existing business, enable the Group's internal processes, improve efficiencies and transform the business.

The e-investment programme will enhance the current Banking 365 Online and Business-on-line services. It will enable the Group to be a business partner for small and medium enterprises (SME's) and a financial partner for personal customers. Fsharp is an offshore internet bank targeting the English speaking expatriate population. It offers deposit and tracker products, debit and credit cards and offshore investment funds. Bristol & West will exploit the platform developed for Fsharp to deliver a range of online services to its customers.

There will also be a significant upgrading of the Group's IT capabilities to support existing and new delivery channels, ensuring that the Group will remain a leading edge provider of retail and business banking services.

The range of delivery mechanisms now available enables the Group to offer services that are better related to customer's individual needs. The identification of these needs, the segmentation of customer groupings based on these needs and the delivery of appropriate services for each such group will be a key component of strategy going forward.

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, 2000 amounted to €900 million, representing almost 42% of total operating income.

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, 2000 was 54% down 1% from 55% in the financial year ended March 31, 1999.

Implementation of the Group's cost reduction programme, which was referred to in the Interim Announcement in November, is now underway and will be facilitated by the channel strategy and network changes mentioned above. The Group expects that the cost reduction target of €65m announced at that time will be exceeded within the timeframe indicated resulting in a very acceptable payback for the associated investment and driving the Group cost/income ratio below 50%.

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, 2000, bad debt provision charges were €56 million (representing 0.1% of average loans to customers), the level of balances under provision was €355 million and the ratio of allowance for loan losses to balances under provision stood at 112%.

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.

The Group intends to maintain strong capital ratios, comfortably in excess of the regulatory minimum. At March 31, 2000 the Group's Tier 1 and Total Capital ratios were 7.4% and 11.8% respectively, well above the regulatory minimum.

Recent Developments

EuroConex Technologies Ltd.

Bank of Ireland and NOVA Corporation, a U.S. company specialising in payment processing and business-to-business e-commerce services, on June 23, 2000 announced agreement to form a joint venture, EuroConex

Technologies Ltd, to offer similar services across Europe. The joint venture is expected to employ some 600 people — mostly new jobs — within four years. The outsourcing of payment processing for the Bank of Ireland card retailer base will be a major component of the Bank's contribution to the joint venture. Further contracts with third parties are under discussion.

NOVA Corporation is the third largest processor of credit and debit card transactions in the United States and services some 500,000 merchants and financial institutions across the U.S. It provides credit, debit and charge card payment acceptance services as well as end-to-end business-to-business e-commerce services through Econex L.L.C., a U.S.-based company in which NOVA is a majority owner.

EuroConex, ownership of which will be equally divided between Bank of Ireland and NOVA Corp., will combine the resources of Bank of Ireland, NOVA and Econex to offer an integrated service to merchants in Ireland and across Europe. Research undertaken by Bank of Ireland and NOVA indicates a strong market within Europe where, to date, the outsourcing of retailer payment processing has been limited. However, this area of the card payment market has become increasingly specialised, requiring significant investments in technology and high levels of ongoing maintenance.

In the U.S., NOVA has successfully executed its e-commerce payment processing strategies and offers retailers and small to medium enterprises (SME's) convenient access to Internet trading. In addition to payment processing, NOVA offers through Econex a variety of value-added e-commerce services that include the design and maintenance of retailer Web sites, facilitation of e-based payments and the collation and delivery of relevant business to business services on the Internet. EuroConex will replicate NOVA's strategy in Europe by providing a similar set of solutions for retailers and SMEs.

Deposit Interest Retention Tax (DIRT)

On July 5, 2000 the Bank announced that it had paid the Revenue Commissioners of Ireland the sum of €38.7 million (IR£30.5 million) in full and final settlement of Bank of Ireland Group's liability for arrears of DIRT (Deposit Interest Retention Tax), see Note 35 to the Consolidated Financial Statements on page F-57 below.

Securitisation

On June 28, 2000 the Bank securitised €500m of its residential mortgage book. The mortgages were sold to a special purpose vehicle, ''Liberator Securities No.1 plc'', which issued mortgage backed securities in a senior tranche of €477m Class A Mortgage Backed Floating Rate Notes due 2032 and a junior tranche of €23m Class B Mortgage Backed Floating Rate Notes due 2032.

Chase de Vere Investments plc

On July 28, 2000 Bank of Ireland announced that its wholly owned subsidiary, Bristol & West plc (''Bristol & West'') had entered into a conditional agreement to purchase for an initial cash consideration of STG£110 million (approximately €177 million) the holding company of Chase de Vere Investments plc, a leading UK Independent Financial Advisor business. The proposed acquisition supports Bank of Ireland's strategy of building Bristol & West's presence in selected profitable market segments, including specialist mortgage products and personal savings and investments, as well as expanding into independent advisory activities. The maximum consideration in respect of the transaction is approximately STG£132 million of which STG£22.5 million is performance related.

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 €68 billion at March 31, 2000.

The Group provides 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 lending, 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 centres 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 currently organised into six groups: Retail Banking Republic, Life Assurance, Bristol & West, Corporate and Treasury, Asset and Wealth Management Services and Group and Central Costs.

The Group provides fund management services through Bank of Ireland Asset Management and in addition to its commercial banking business, the Bank has an instalment finance company, Bank of Ireland Finance Limited and an international asset financing subsidiary, Bank of Ireland International Finance Limited, the latter 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.

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 stockbroker. 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 announced in November 1999 following a reorganisation that the Group will organise its businesses into Retail Banking Republic, Life Assurance, Bristol & West, Corporate & Treasury, Asset and Wealth Management Services and Group and Central Costs. The Group's operations extend geographically throughout Ireland and the United Kingdom.

The following table shows the profit contribution by business for the three years ended March 31, 2000 and the total assets at March 31, 1998, 1999 and 2000. 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 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,					
	2000	%	1999	%	1998	%
	(in € millions, except percentages)					
Income Before Tax						
Retail Banking Republic	237	26	205	24	169	25
Life Assurance(1)	99	11	91	11	54	8
Corporate & Treasury	280	30	266	32	220	33
Bristol & West(2)	216	23	185	22	108	16
Asset and Wealth Management Services	129	14	95	11	69	10
Group and Central Costs	18	2	(1)	—	3	1
Citizens(3)	—	—	32	4	70	10
Tax equivalent adjustment(4)	(59)	(6)	(37)	(4)	(20)	(3)
Income from ordinary activities before exceptional items	920	100	836	100	673	100
Profit on disposal of associated undertaking	—	—	218	—	—	—
Income before taxation	920	100	1,054	100	673	100

	For the Financial Year Ended March 31,					
	2000	%	1999	%	1998	%
	(in € millions, except percentages)					
Assets						
Retail Banking Republic	19,076	22	16,392	23	13,920	23
Life Assurance(1)	4,520	5	4,111	6	3,591	6
Corporate & Treasury	36,038	41	25,474	37	22,289	36
Bristol & West(2)	22,346	26	19,378	28	18,047	30
Asset and Wealth Management Services	2,339	3	1,373	2	1,097	2
Group and Central Costs	2,778	3	2,753	4	2,067	3
Citizens(3)	—	—	—	—	231	—
Total(5)	87,097	100	69,481	100	61,242	100

(1) Life Assurance for the year ended March 31, 1999 and 2000 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. 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.

(3) Citizens for the year ended March 31, 1999 includes the Group's share (23.5%) of profits for the year up to the date of disposal September 3, 1998.

(4) In order to show profit for each business segment 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.

(5) Total Assets include intra-group items of €19,080m (1999: €15,167m, 1998: €10,920m).

(6) The information presented for March 1999 and March 1998 has been restated in accordance with the revised structure announced in November 1999.

Retail Banking Republic

Retail Banking Republic includes all the Group's branch banking operations in the Republic of Ireland. 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. It also includes ICS Building Society, instalment credit and leasing operations (Bank of Ireland Finance Limited), as well as a direct telephone banking unit, credit card operations and commercial finance/factoring operations.

As at March 31, 2000, Branch Banking Republic operated 288 full-time branches. 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.

As a building society, ICS is mainly involved in 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. Deposits sourced by the Group's branches come principally from customers who prefer to maintain their funds with 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 instalment credit and leasing facilities. Its products are marketed to the personal, commercial and agricultural sectors by a direct sales force, through the Bank's branches and by intermediaries such as dealers, brokers, retailers and professionals with whom it has established relationships. Its products include secured instalment credit, leasing, motor vehicle loans and insurance premium finance. A subsidiary company provides current asset financing through invoice discounting, factoring and export credit finance and stock purchasing.

Credit Card Services 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 telephone.

Life Assurance

The Group operates in the life and pensions market through Lifetime and New Ireland, 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 offers products under its own brand, provides the Group with a broader product range. It operates through the broker channel and its direct sales force to access the domestic life assurance and pensions markets.

Bristol & West

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 lending, 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, Individual Savings Accounts (ISA's), and guaranteed equity products.

Corporate and Treasury

The principal constituents include Treasury and International Banking, First Rate Enterprises, Corporate Banking, Bank of Ireland International Finance Limited, branch banking operations in Northern Ireland and Great Britain, J&E Davy Stockbrokers and IBI Corporate Finance.

Treasury, located in the 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. 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 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.

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.

Branch Banking in Northern Ireland and Great Britain offers deposit, lending, checking account and other money transmission services traditionally offered by banks. In addition, it offers instalment credit and leasing. Business banking units provide loan facilities for medium to large corporate clients while also providing international banking, treasury, current asset financing and electronic banking services.

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.

Asset and Wealth Management Services

Bank of Ireland Asset Management had funds under management of €52 billion as at March 31, 2000. North American clients represent approximately 52% 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 in Ireland 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, 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 €108 billion at March 31, 2000.

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

Group and Central Costs

Group and Central Costs mainly include earnings on surplus capital and unallocated central overheads.

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 (recently acquired by The Royal Bank of Scotland Group 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 modelled 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.

The appearance in the Northern Ireland financial services market of U.K. retailers is currently being replicated in Ireland. In addition, Bank of Scotland has entered the mortgage market and a number of new Internet banks have commenced operations.

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.

In October 1998, the Government of Ireland agreed in principle to the establishment of a single Regulatory Authority for the financial services sector. In May 1999, an Implementation Advisory Group reported to the Government with detailed proposals for the establishment of a single Regulatory Authority. The Government has not yet taken action on the Report.

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 (as amended).

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. 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 (amended in 1999) 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 €20,000.

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 €20,000 or 90% of the sum lost, whichever is the lesser.

The activities of the Group's assurance business, 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, and an amending measure, the Insurance (Amendment) Bill, 1999 is presently proceeding through the legislative process. If adopted it will increase the regulation of insurance brokers.

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 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 to remove incompatibilities between Irish monetary law and the European legal framework for the use of the euro. It also provided for the redenomination into euro of outstanding Government debt (and, at the discretion of the issuer, corporate debt denominated in Irish pounds), recognized that the Dublin Interbank Offered Rate (DIBOR) would be replaced by the European Interbank Offered Rate (EURIBOR) as from January 1, 1999, and 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, 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 framework legislation to establish the FSA as the financial services regulator, the Financial Services and Markets Act 2000, was passed on June 14, 2000. It is expected that the substantive provisions of the Act will be brought into force progressively during 2001.

The basic method of supervision involves the regular reporting of statistical information and a regular set of returns giving balance sheet and consolidated statement of income and 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 3.75 million people. It was a founding member of European Monetary System in 1979 and was in the first group of countries to participate in EMU in 1999. Total Gross Domestic Product (GDP) in 1999 was €87.7 billion. The Irish economy has expanded very strongly over the past decade, with real GDP growth averaging 6.6% between 1990 and 1999. Growth has been very broadly based, with consumption, investment and trade all making a strong contribution. This has resulted in a significant improvement in labour market conditions and the unemployment rate stood at 4.5% in June 2000. The public finances continue to improve and a budget surplus of 3% of GDP is expected in 2000.

Employees

For the year ended March 31, 2000 the Group employed 16,366 staff on an average full time equivalent basis. The increase over the previous year's figure is due to business growth particularly in Branch Banking, Business Banking and Retail businesses. The majority of staff are located in Retail Banking in Ireland with a significant number of staff also in Bristol & 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 embarked on a Climate Measurement and Management initiative which will be ongoing with managers taking responsibility for improving the working environment out into the future. Investment in training and development of employees continues 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 and the Bank introduced a "Save as You Earn (SAYE)" stock option scheme for staff during the year.

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. A new national wage agreement — "Programme for Prosperity and Fairness" — has been agreed in the Republic of Ireland. This agreement provides for salary increases of 15%, payable in three phases, over a 33 month period.

Item 2 DESCRIPTION OF PROPERTY

At March 31, 2000 the Bank operated 359 full-time retail bank branches of which 288 were in Ireland, 47 in Northern Ireland and 24 in Britain. Additionally, the Bank has a representative offices in Frankfurt and in Tokyo, and wholly owned subsidiaries in Jersey 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 metres (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 41,000 square metres (440,000 square feet) net for central functions in Dublin: of this space 11,000 square metres (121,000 square feet) net is owned, the balance is held on commercial leases.

The Bank occupies approximately 2,600 square metres (28,000 square feet) net floor space in Queen Street, London. 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 25,400 square metres (273,000 square feet) net floor space of which approximately 21% is held Freehold.

New Ireland Assurance's Head Office is located at 9/12 Dawson Street, Dublin, Ireland. New Ireland has a network of 22 operational branches. The Head Office and Administrative buildings occupy approximately 4,900 square metres (53,000 square feet) net floor space, of which approximately 93% is held Freehold.

Item 3 LEGAL PROCEEDINGS

On June 28, 2000 the Commission of the European Communities served a Statement of Objections and initiated proceedings under Article 81 of the Treaty establishing the European Community against the Bank, Allied Irish Banks plc, TSB Bank, Irish Life and Permanent plc, Ulster Bank Ltd., National Irish Bank Ltd., ACC Bank plc, the Irish Bankers Federation and the Irish Mortgages and Savings Association (the "Addressees"). In its Statement of Objections the Commission alleges that the Addressees agreed to fix prices in Ireland for the exchange of euro-zone currencies following the introduction of the euro as the single currency of the eleven participating Member States of the European Union. If the Commission confirms the infringement, following its consideration of the defence statements expected to be submitted by all the Addressees, it is empowered to impose fines of up to €1 million or a sum not exceeding 10% of the turnover in the preceding business year of the enterprises in question. The Bank intends to lodge a defence against the Commissions Statement of Objections.

There are no other 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 10, 2000 the Bank had received notification of the following substantial interests in its Issued Ordinary Stock:

NAME	Units Held	%
Bank of Ireland Asset Management Limited*	88,852,723	9.0
AIB plc and subsidiaries*	45,794,933	4.6
Irish Life Assurance plc	36,653,088	3.7

* None of these stockholdings is 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 March 31, 2000, Directors and executive officers of the Bank as a group beneficially held 0.33% (3.3 million units) of the Bank's Issued Ordinary Stock.

Item 5 NATURE OF TRADING MARKET

As at March 31, 2000 the authorized capital stock of the Bank was made up of €960,000,000 divided into 1,500,000,000 units of Ordinary Stock of €0.64 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, 2000, there were 992,330,835 units of Ordinary Stock of € 0.64 each issued and outstanding.

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

At May 10, 2000, 96 companies were quoted on the Irish Stock Exchange. These companies have a combined market capitalization of more than €145,180 million. Within this total, the market is comprised of a number of larger corporations and the 17 companies with the largest market capitalization 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 which, since January 1, 1999 is quoted in Euro 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**
	(in euro)		(in dollars)	
1997:				
First quarter	4.14	3.43	$20\frac{15}{16}$	$18\frac{5}{16}$
Second quarter	4.81	3.84	23	$19\frac{1}{2}$
Third quarter	5.45	4.68	$25\frac{1}{4}$	$22\frac{15}{32}$
Fourth quarter	6.87	5.01	31	$23\frac{13}{16}$
1998:				
First quarter	9.87	6.87	$43\frac{1}{4}$	$30\frac{1}{4}$
Second quarter	10.10	8.00	$44\frac{1}{2}$	37
Third quarter	10.06	6.26	$43\frac{5}{8}$	$30\frac{9}{32}$
Fourth quarter	9.49	6.13	45	$30\frac{9}{16}$
1999:				
First quarter	10.61	8.75	50	$39\frac{1}{2}$
Second quarter	9.70	8.05	$42\frac{3}{8}$	$34\frac{7}{8}$
Third quarter	9.25	7.60	39	$32\frac{1}{2}$
Fourth quarter	8.90	7.42	$37\frac{11}{16}$	31
2000:				
First quarter	7.85	5.68	$32\frac{3}{8}$	$22\frac{1}{4}$

Fluctuations in the exchange rate between the 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".

Prior year Irish pound figures have been restated into euro at the fixed translation rate of €1 = IR£0.787564. In July 1999 the Ordinary Stock was split and redenominated into euro, each one IR£1 Unit being split into two euro units of nominal value of €0.64 each. For ease of comparison all prices of Ordinary Stock and ADS's have been restated in this section to reflect the stock split and its subsequent redenomination.

At March 31, 2000, approximately 1,010,931 units of Ordinary Stock were held by approximately 379 stockholders with registered addresses in the U.S. and 994,212 ADSs were held by 248 holders with registered addresses in the U.S. The combined shareholdings of these holders comprise approximately 0.5% of the total number of units of Ordinary Stock in issue at March 31, 2000 (being 992,330,835 units). 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) 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 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 22%. 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 and as regards dividends paid after April 5, 2000, where completed declarations, supported by documentary evidence, have been filed with the Bank's Registration Department prior to the relevant dividend payment date. Stockholders holding ADRs and whose address on the register of ADRs is located in the U.S. should qualify for exemption from DWT and there is no requirement for such holder to make a declaration in order to obtain that exemption.

Stockholders resident in the United States for the purposes of U.S. Federal Income Tax but whose address on the register of ADRs is located outside the U.S. 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 90 of the Irish Stamp Duties Consolidation Act 1999 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 applicable Dividend Withholding 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 euro 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 euro generally will be ordinary income or loss.

An Eligible U.S. Holder who, for whatever reason, receives a dividend which has been subjected to DWT may, in certain circumstances, claim repayment of the DWT by making an application to the Irish Tax Authorities in accordance with provisions of Irish law. Where entitlement to repayment under these provisions cannot be established, the procedures outlined in the immediately following paragraphs will apply.

The Tax Treaty limits the Irish tax liability of an Eligible U.S. Holder (who is unable to claim repayment of the full DWT under provisions of Irish law) in respect of a dividend paid by the Bank to 15% of the gross amount. Consequently such holder may claim repayment from the Irish Tax Authorities, in accordance with the Treaty, of the amount of DWT in excess of 15% of the sum of the cash dividend and the related DWT.

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 balance (15%) of the Irish tax paid by such Eligible U.S. Holder.

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. The 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, 2000, 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

	At and for the Financial Year Ended March 31,					
	2000(1)	2000	1999	1998	1997	1996
	$m	(in € millions, except per unit amounts and percentages)				
Income Statement Data						
Amounts in accordance with Irish GAAP:						
Interest receivable and similar income	2,874	3,002	3,125	2,575	1,601	1,785
Interest payable and similar charges	1,685	1,760	2,009	1,619	820	925
Net interest income	1,189	1,242	1,116	956	781	860
Provision for bad and doubtful debts	54	56	56	47	25	27
Other income	863	901	836	655	444	404
Operating expenses	1,117	1,167	1,060	891	697	775
Income from ordinary activities before exceptional items	881	920	836	673	503	462
Exceptional item arising on U.S. restructuring(2)	—	—	—	—	—	(61)
Profit on disposal of associated undertaking	—	—	218	—	—	—
Income before taxation	881	920	1,054	673	503	401
Taxation on income from ordinary activities	188	196	253	197	164	130
Minority interests						
— equity	3	3	1	1	—	—
— non equity	6	6	6	6	—	—
Non-cumulative preference stock dividend	24	25	23	20	19	19
Income attributable to holders of ordinary stock	660	690	771	449	320	252
Per unit of Ordinary Stock						
Income attributable to holders of ordinary stock	65.1c	68.0c	74.5c	45.0c	33.0c	26.3c
Alternative income attributable to holders of ordinary stock			54.3c			32.8c
Dividends	22.5c	23.5c	18.41c	14.6c	11.27c	9.68c
Amounts in accordance with U.S. GAAP:						
Net income attributable to holders of ordinary stock	601	628	777	424	370	315
Net income per unit of ordinary stock						
Basic	59.4c	62.0c	75.1c	42.5c	38.1c	32.9c
Diluted	59.0c	61.6c	74.5c	42.1c	37.8c	32.7c
Balance Sheet Data						
Amounts in accordance with Irish GAAP:						
Total assets	65,119	68,017	54,314	50,322	24,976	26,612
Loans and advances to customers	42,934	44,844	36,183	31,959	14,984	14,770
Loans and advances to banks	6,675	6,972	3,457	6,168	2,739	3,559
Allowance for loan losses	381	398	359	357	224	234
Deposits, short-term borrowings and other accounts	51,815	54,121	41,877	39,489	18,960	21,342
Dated capital notes	1,440	1,504	814	843	470	217
Undated capital notes	347	362	575	612	442	441
Minority interests						
— equity	5	5	3	4	3	3
— non equity	83	87	79	81	—	—
Called up capital stock	661	690	681	674	638	631
Reserves	2,479	2,589	2,173	1,333	1,154	927
Total stockholders' funds including non-equity interests	3,140	3,279	2,854	2,007	1,792	1,558
Amounts in accordance with U.S. GAAP:						
Stockholders' equity	3,568	3,727	3,453	2,701	1,892	1,690
Total assets	65,772	68,699	55,281	51,668	25,612	27,323

	For the Financial Year Ended March 31,				
	2000	1999	1998	1997	1996
	(in percentages)				
Other Financial Data					
Other Financial data in accordance with Irish GAAP:					
Return on average total assets(3)	1.2	1.1	1.2	1.3	1.3
Return on average stockholders' funds(3)(4)	24.5	23.8	27.5	21.7	24.9
Dividend payout ratio(5)	34	34	33	34	37
Net interest margin(6)	2.5	2.5	2.9	3.6	3.9
Net interest margin, tax equivalent basis(7)	2.6	2.6	3.0	3.7	4.0
Cost/income ratio(8)	54	55	58	59	61
Allowance for loan losses to total loans	0.9	1.0	1.1	1.5	1.5
Provisions for bad and doubtful debts to average total loans	0.1	0.2	0.2	0.2	0.2
Tier 1 capital ratio(9)	7.4	9.0	7.2	11.0	9.5
Total capital ratio(9)	11.8	13.0	11.3	16.3	14.0
Average stockholders' equity to average total assets(10)	5.1	5.0	5.0	6.9	5.9

(1) Translated solely for convenience into dollars at €1.00 = U.S.$ 0.9574, the Noon Buying Rate on March 31, 2000.

(2) A provision for U.S. restructuring of €61 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) 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.

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

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

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

(7) 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.

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

(9) 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.

(10) 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 euro cent)	Translated into U.S. cents per Unit of Ordinary Stock(1)
Financial Year ended March 31, 2000		
July 14, 2000	16.14	15.13
January 11, 2000	7.36	7.60
Financial Year ended March 31, 1999		
July 16, 1999	12.57	12.83
January 11, 1999	5.84	6.71
Financial Year ended March 31, 1998		
July 10, 1998	10.09	11.00
January 12, 1998	4.51	5.49
Financial Year ended March 31, 1997		
July 11, 1997	7.40	8.83
January 13, 1997	3.87	5.01
Financial Year Ended March 31, 1996		
July 12, 1996	6.51	8.17
January 9, 1996	3.17	3.99

(1) 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 44 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 Annual Report is presented on a consolidated basis, as discussed in the Accounting Policies section of the Consolidated Financial Statements.

ANALYSIS OF RESULTS OF OPERATIONS

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, 2000 the Group's income before exceptional item and taxation of €920 million was 10% ahead of the previous year. Total average interest earning assets increased by 14.3% to €50.5 billion from €44.2 billion last year. The return on average total assets was 1.2% and return on average stockholders' funds was 24.5% for the year ended March 31, 2000.

In the year to March 31, 1999 the Group's income before exceptional item and taxation of €836 million was 24% ahead of the previous year. Total average interest earning assets increased by 36% to €44.2 billion from €32.4 billion the previous 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.

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,		
	2000	1999	1998
		(in € millions)	
Net interest income	1,242	1,116	956
Other income(1)	901	804	585
Operating expenses	1,167	1,060	891
Citizens	—	32	70
Provision for loan losses	56	56	47
Income before exceptional items	920	836	673
Exceptional item(2)	—	218	—
Income from ordinary activities before taxation	920	1,054	673

(1) Includes income from associated undertakings.

(2) An exceptional profit of €218m 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, 2000:

	For the Financial Year Ended March 31,		
	2000	1999	1998
		(in € millions)	
Interest receivable	3,002	3,125	2,575
Interest payable	1,760	2,009	1,619
Net interest income	1,242	1,116	956

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, 2000, the level of domestic interest earning assets has increased significantly, but the Group's net interest margin has declined from 3.0% 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 from earnings on stockholders' equity arising from the lower interest rate environment. The acquisition of Bristol & West in July 1997 also contributed to the reduction in Group net interest margin reflecting the lower net interest margin in the 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 which 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, 2000 compared to financial year ended March 31, 1999

Net interest income increased by €126m or 11% in the current year to €1,242m from €1,116m in the year to March 31, 1999. The group net interest margin on a tax equivalent basis reduced slightly to 2.55% from 2.62% due primarily to a reduction in the Retail Banking and Corporate Banking margin in Ireland. The domestic net interest margin increased from 3.08% to 3.09% and the foreign margin fell from 2.15% to 1.97%. Of the reduction in the foreign net interest margin of 18bps, the majority of this decline is attributable to a non trading capital transfer of 16bps out of foreign and into domestic, with a small tightening of margin in Northern Ireland and Banking Great Britain. The increase in net interest income for the current year was driven by a significant increase in volumes across the Group where average lending increased by 18% and customer resources increased by 5%. During the year, total Group average earning assets increased by 14% to €50.5bn with average domestic earning assets increasing by 20% to €26.2bn and average foreign earning assets by 9% to €24.3bn.

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

Net interest income increased by €160 million or 17% in the year to March 31, 1999 (12% excluding the effect of acquisitions) to €1,116 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 €11.7 billion to €44.2 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.

The following tables set forth yield, spreads and margins and prevailing average interest rates for each of the three years ended March 31, 2000:

	For the Financial Year Ended March 31,		
	2000	**1999**	**1998**
		(percentages)	
Gross yield(1)	5.9	7.1	7.9
Interest spread(2)	1.8	1.8	2.0
Net interest margin(3)	2.5	2.5	2.9
Net interest margin, tax equivalent basis(4)	2.6	2.6	3.0

(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.

	For the Financial Year Ended March 31,		
	2000	1999	1998
		(percentages)	
Ireland			
European interbank offered rate:			
One month Euribor	2.93	5.14	6.16
Three month Euribor	3.08	4.93	5.63
United Kingdom			
London interbank offered rate:			
One month Sterling	5.49	6.96	7.47
Three month Sterling	5.69	6.94	7.56
United States			
Prime Rate	8.23	8.17	8.50

Other Income

The following table sets forth other income for each of the three years ended March 31, 2000.

	For the Financial Year Ended March 31,		
	2000	1999	1998
		(in € millions)	
Dealing profits	44	71	42
Contributions from life assurance business	127	107	67
Fees and commissions	617	553	433
Other operating income	112	71	42
Income from associated undertakings			
— Other	1	2	1
	901	804	585
Income from associated undertaking			
— Citizens	—	32	70
Total	901	836	655

Financial year ended March 31, 2000 compared to financial year ended March 31, 1999

Excluding the income from Citizens, other income for the year to March 31, 2000 increased by €97m or 12% over the corresponding year to €901m. This included a once off gain on a property disposal of €20m and the benefits of a €14m decrease in the discount rate in Life Assurance from 12% last year to 11% in the current year. Continued strong growth in other income was experienced across the businesses — in Retail Banking, Life Assurance, Bristol & West, Bank of Ireland Securities Services, and in funds under management at Bank of Ireland Asset Management. Other income in Treasury (Dealing Profits) was lower than the previous year during which the introduction of the euro facilitated very strong income growth.

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 €219 million or 37% from €585 million to €804 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 €131 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.

Operating Expenses

The following table sets forth operating expenses for each of the three years ended March 31, 2000.

	For the Financial Year Ended March 31,		
	2000	1999	1998
	(in € millions)		
Staff expenses	658	582	500
Other administrative expenses	390	380	320
Depreciation	119	98	71
Total	1,167	1,060	891
Average staff headcount (full time equivalent)	16,366	15,618	12,994

Financial year ended March 31, 2000 compared to financial year ended March 31, 1999

Total operating expenses increased by €107m or 10% in the current year to €1,167m. The increase in staff expenses of €76m or 13% reflects normal salary increments and increased staff numbers to support the higher business volumes across the Group. Other administrative expenses increased by €10m or 3% to €390m with depreciation charges increasing by €21m. The Group cost/income ratio improved from 55% to 54%.

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

Operating expenses increased by €169 million, an increase of 19% from €891 million to €1,060 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 €13 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%.

Provisions for Loan Losses

The following table sets forth the provisions for loan losses for each of the three years ended March 31, 2000. The Group's procedure for determining provisions for loan losses is described below under "— Risk Management — Credit Risk — Provisions and Allowances for Loan Losses".

	For the Financial Year Ended March 31,		
	2000	1999	1998
	(in € millions except percentages)		
Provision for bad and doubtful debts	56	56	47
As a percentage of average total loans	0.1%	0.2%	0.2%

Financial year ended March 31, 2000 compared to financial year ended March 31, 1999

The Group loan loss charge at €56m remains unchanged over the previous year, and represents a charge of 14 basis points of average loans. Balances under provision (i.e., the total balance of loans against which some provision has been recorded) reduced from €461m to €355m at March 31, 2000 and represent a coverage ratio of 112%, compared to 78% for the previous year. For a breakdown of the provision, see "Selected Statistical Data — Risk Elements in Lending". The non-designated specific provision at March 31, 2000 was €142 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 Group 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, 1999 compared to financial year ended March 31, 1998

The Group loan loss charge was €56 million for the twelve months to March 31, 1999. The charge included almost €24 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 reduced to €461 million at March 1999 (1998: €529 million) with the total loan loss provision cover of 78% compared to 67% at March 31, 1998. The non-designated specific provision at March 31, 1999 was €110 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$763 million in cash, consisted of US$753 million in respect of its 23.5% shareholding and US$10 million in respect of unrealized tax losses held by Citizens.

The sale completed the withdrawal of Bank of Ireland from its U.S. retail banking interests in New England and results in an exceptional profit before taxation of €218 million (€208 million after tax) for the year ended March 31, 1999, equivalent to an exceptional increase in EPS of 20.2c. After writing back goodwill previously written off to reserves, the transaction results in an improvement to Bank of Ireland's stockholders funds of €438 million.

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, 2000. The effective tax rate is obtained by dividing taxes by profit on ordinary activities before tax and exceptional items.

	For the Financial Year Ended March 31,		
	2000	1999	1998
	(in € millions, except percentages)		
Average statutory corporation tax rate(1)	27%	31%	35%
Tax charge based on the statutory rate	249	259	236
Tax on foreign income	—	(5)	(11)
Tax-exempted income and income taxed at reduced tax rate	(50)	(27)	(24)
BOIFH non-tax effected profits	—	—	(1)
Other items	(3)	16	(3)
Taxes(3)	196	243	197
Effective tax rate(2)	21.3%	29.2%	29.4%

(1) For 2000, the average statutory rate reflected the reduction in the statutory rate from 28% to 24%, effective January 1, 2000 and for 1999, the average statutory rate reflected the reduction in the statutory rate from 36% to 32%, effective April 1, 1998 and from 32% to 28% effective January 1, 1999.

(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 and the International Financial Services Center tax rate of 10%.

(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, 2000 compared to financial year ended March 31, 1999

The effective rate of tax has fallen to 21% compared to 29% for the previous year. The contributory factors include the reduction in the Irish corporation tax rate, additional tax based lending, increased IFSC income and the non recurring write down of deferred tax assets which was charged in 1999.

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 €197 million in 1998 to €253 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 €30 million of deferred tax assets attributable to the planned reductions in Irish corporation tax rates and an unrelated non recurring deferred tax release, the effective tax rate would have been 26.6%. The impact of progressive reductions in Irish corporation tax rates are reflected in the tax charge and will be increasingly evident as Irish corporation tax rates fall to 12.5% in 2003.

Results of Operations — Business 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, 2000. The discussion includes reference to the contributions to income before tax in addition to total assets, by business segment.

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, 2000 and total assets by Division as at the end of each year.

	At and for the Financial Year Ended March 31,		
	2000	**1999**	**1998**
		(in € millions)	
Income Before Tax			
Retail Banking Republic	237	205	169
Life Assurance(1)	99	91	54
Corporate & Treasury	280	266	220
Bristol & West(2)	216	185	108
Asset and Wealth Management Services	129	95	69
Group and Central Costs	18	(1)	3
Citizens(3)	—	32	70
Tax-equivalent adjustment(4)	(59)	(37)	(20)
Income from ordinary activities before exceptional items	920	836	673
Profit on disposal of associated undertaking	—	218	—
Income from ordinary activities before taxation	920	1,054	673
Assets			
Retail Banking Republic	19,076	16,392	13,920
Life Assurance(1)	4,520	4,111	3,591
Corporate & Treasury	36,038	25,474	22,289
Bristol & West(2)	22,346	19,378	18,047
Asset and Wealth Management Services	2,339	1,373	1,097
Group and Central Costs	2,778	2,753	2,067
Citizens(3)	—	—	231
Total(5)	87,097	69,481	61,242

(1) Life Assurance for the year ended March 31, 1999 and March 31, 2000 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. 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.

(3) Citizens for the year ended March 31, 1999 includes the Group's share (23.5%) of profits for the year up to the date of disposal September 3, 1998.

(4) 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.

(5) Total Assets include intra-group items of €19,080m (1999: €15,167m, 1998 €10,920m).

(6) The information presented for March 1999 and March 1998 has been restated in accordance with the revised structure announced in November 1999.

Financial year ended March 31, 2000 compared to financial year ended March 31, 1999

Bank of Ireland Group reported profit before tax of €920m for the year ending March 31, 2000, an increase of 10% pre the exceptional item last year (equivalent to 12% increase on a grossed up basis). Profit after tax increased by 22% to €724m. Earnings per share (EPS) of 68.0 cents increased by 25%. (The results for the year ended March 31, 1999 included an exceptional pre tax gain of €218m on the sale of the Group's shareholding in Citizens Financial Group).

These results reflect growth in each of the Group's business segments and demonstrate continuing ability to grow the portfolio of businesses profitably. The Group is benefiting from the very strong performance of the Irish economy, which has supported volume growth in all sectors. The Group believes that the strong underlying economic fundamentals of demography and the absolute increase in the level of broadly based employment will support continued economic growth. However, rising euro interest rates are expected gradually to reduce the rate of economic expansion to more typical and sustainable levels.

Retail Banking Republic

Retail Banking in the Republic had a very satisfactory year and continues to benefit from the strength of the domestic economy. Strong profit growth was achieved, with pre-tax profits of €237m showing an increase of €32m or 16% on the previous year. All of the business units recorded good profit increases.

Total income rose by 10% with both interest and non interest income performing well.

Average resources volumes grew by 11% despite intense competition in the market. The introduction of new and innovative demand, notice and term deposit products contributed to this performance. Sales of investment products through branches were exceptionally strong.

Loan demand from the Business and Personal sectors was buoyant through the year and average non-mortgage advances volumes rose by 25%. Lending to the Business Sector by Branch Banking grew by 27%; new commercial leasing in Bank of Ireland Finance was higher by 28% while volumes in Bank of Ireland Commercial Finance increased by 36%. Advances to the Personal Sector by Branch Banking rose by 34%, new motorloan volumes were up 30% and credit card lending was ahead by 25%. Credit processes for business and personal lending were further streamlined during the year and the electronic banking service for business customers — Business on Line — was launched.

The residential mortgage business recorded another year of exceptional volume growth despite the further intensification of competition. There were significant enhancements to the product range and new mortgage volumes expanded by 43%. The quality of the mortgage book remains very good and conservative lending criteria have been maintained.

Net interest margin declined by 16 basis points, mainly reflecting narrower deposit margins in the context of the very low level of interest rates throughout the year. While the overall average margin on the mortgage book remained unchanged during the year, there was a narrowing of margin on the variable rate book in the second half of the year.

The volume and margin trends together contributed growth in net interest income of 10%.

Non interest income grew by 12%. In Branch Banking income from sales of Assurance and Investment products was very strong, growing by 46% and other fee income was also ahead. New credit card sales rose by an exceptional 66% and customer spend was higher by 27%. The General Insurance business had a very successful year with income growing by 28%.

The loan loss charge at €26m was €3m lower than in the previous year. As a percentage of average advances, the charge fell from 0.31% to 0.23%. Overall credit quality continued to be very satisfactory.

Operating costs rose by 9% while the cost/income ratio declined by 1%. Growth in business volumes led to a 4% increase in staffing levels.

Overall, Retail Banking in the Republic had a very successful year and is well positioned to achieve further growth in the context of a buoyant economy.

Life Assurance

Lifetime Assurance and New Ireland Assurance, the two channels for the Group's life and pensions business, produced substantial increases in both business volumes and profits.

Profits are computed on an achieved profits valuation basis which, in the Group's view, provides a more realistic measure of long term life and pension business profits than the statutory accounting basis. The value of inforce business of the Group represents the sum of:

(i) the net assets attributable to shareholders,

(ii) the present value of shareholder net profits expected to be earned from the inforce book of life and pension business.

The table below provides an analysis of profits before tax.

	1999/00	1998/99
	€m	€m
New business	30	14
Existing business	56	45
Return on shareholders' funds	8	15
Operating profit before tax	94	74
Change in discount rate	14	—
Change in tax rate	8	18
Exceptional items	11	15
Contribution from life assurance companies	127	107
Less: income adjustment for certain services provided by Group companies	(28)	(16)
Life assurance segment, profit before tax	99	91

Profits from new business increased by €16m reflecting an annual premium equivalent increase of 45%. Existing business profits increased by €11m due to the increase in the value of inforce business, strong mortality and persistency profits together with additional fees on unit linked business earned from higher stock market values. Return on shareholders' funds was lower as a result of reduced interest rates and the move out of equities and into gilts in New Ireland. The discount rate used to value future cash flows was reduced from 12% to 11% in line with long term trends in the life assurance market and the impact of the reduction was to increase the value of inforce business by €14m. The profit from changes in tax rates resulted from the net impact of reductions in the Corporate Tax rates and the standard rate of income tax. The Group's policy in its life assurance activities is to recognise the impact of tax rate changes in the year that the change is implemented. Exceptional items arose in

1999/00 primarily due to the higher than normal returns on investment property and gilts, and in 1998/99 due to the once off impact of the change in valuation methodology in Lifetime. Services provided by Group companies represents, for management accounting purposes, an income adjustment associated with generating referrals in the network.

Corporate and Treasury

Profit before tax increased by 5% with good growth across all businesses except Treasury where a step down in profitability was anticipated following the exceptional results recorded in 1998/1999. Start up costs of €7m for the offshore internet bank (Fsharp) are also included in this year's results.

Corporate Banking had an excellent year recording a 45% growth in pre tax profit to €65m. Lending and resources volumes increased by 44% and 22% respectively. Fee income was very strong reflecting the high volume of new business written. Notwithstanding this significant growth, asset quality remains at a very high level. Domestically, Corporate Banking maintained its leading position with the majority of large Irish corporates and multinational subsidiaries by providing a fully integrated relationship management service. This included structuring and leading/co-leading a large number of significant syndicated loan facilities, executing some major big ticket structured finance transactions and delivering leading edge electronic banking solutions. ''Business on Line'', the market leading internet based cash management and payment system, was launched during 1999 and 10,000 business customers are expected to avail of this service within the next 12 months.

Internationally, Corporate Banking's niche international financing activities located in the IFSC performed extremely strongly and generated €38m of total Corporate Banking profitability. An increasingly significant presence is being built in international investment grade debt, leveraged acquisition finance, project finance and structured finance markets; Corporate Banking participated in and underwrote a large number of major transactions in these markets during the year. This business is well positioned for additional growth.

The results in Northern Ireland (NI) and Banking Great Britain (GB) recorded a 9% increase in profit to €73m. The Group business banking strategy in NI and niche strategy in GB are proving very successful and have driven good growth in business volumes and customer numbers. Lending performed strongly with overall average growth of 18% while average resources volumes increased by 15% in a highly competitive market place.

Distribution capability in both NI and GB was significantly enhanced during the year with the launch of ''Business on Line'' for our business customers and Banking 365 Online, our internet and telephone banking service, for personal customers.

Profits in Treasury and International Banking, while 7% lower than last year, were significantly ahead of expectations; the comparable period was exceptional as Treasury benefited from the sharp fall in Irish pound interest rates prior to the introduction of the euro.

Both Treasury and International Banking performed very well in the first full year operating in the euro market environment. In a year of considerable currency volatility, demand from customers for exchange rate risk management products was particularly strong. Sound risk management systems operated very effectively during the year and careful planning resulted in a smooth transition through the millennium.

In November 1999, Bank of Ireland Treasury was voted ''Financial Institution of the Year'' by the members of the Irish Association of Corporate Treasurers. Bank of Ireland was also the first major Irish bank to be authorised as a savings carrier for Save as You Earn (''SAYE'') schemes.

Fsharp, the world's first standalone offshore internet bank, was launched in September 1999. Fsharp is targeting the English speaking expatriate population and initially offers deposit and tracker products, debit and credit cards and offshore investment funds. Enquiries have been received from over 120 countries and these are being dealt with by a customer service team in a dedicated 24 hour, seven day week Call Centre, based in the Isle of Man. Fsharp has also proved extremely beneficial to the Group in further developing an understanding of the internet as a new delivery channel.

Davy Stockbrokers had another excellent year. Buoyant stock markets generated increased trading volumes by both private and institutional investors and Davy maintained its market leadership in the Irish broker market.

Bristol & West

The Group's investment of Stg£600m in 1997 in Bristol & West continued to provide an excellent return to stockholders. It is now almost three years since the acquisition of Bristol & West, and it is worth reflecting on the performance since acquisition.

During these three years Bristol & West has integrated where commercially sensible, bringing Bristol & West and our then existing UK mortgage operation (Bank of Ireland Mortgages) together. At an early stage, the treasury operation was transferred into Group Treasury, and the captive insurance business was subsequently consolidated into the Bank of Ireland Group captive. Most importantly, Bristol & West moved quickly to adopt Bank of Ireland credit management standards.

Profit before tax increased by €31m (Stg£20m) to €216m (Stg£145m) during the last twelve months, and the net interest margin on average earning assets remained relatively stable despite considerable market pressure on both sides of the balance sheet. The provision of competitive lending, savings and investment products to the UK market, supported by specialist advice and quality service, has enabled continued growth in key performance measures.

Although loans and advances to customers increased by 6% during the year, Bristol & West has chosen not to compete aggressively for market share. Instead, the diversity of distribution enables the company to be selective about the market segments in which it is active. Opportunities exist for attractive returns in niche sectors of the mortgage market, and Bristol & West, as a market specialist, is well positioned to identify and exploit these. During the year Bristol & West commenced a successful but cautious diversification into the related lending areas of buy to let and specialised lending, supported by stringent underwriting and prudent provisioning. At March 31, 2000, this wider margin lending accounted for 2% of the overall book and the company is at an advanced stage of completing a credit default swap on the buy to let portion written to date which caps risk on this lending. The remainder of the book comprises 90% mainstream residential mortgages and 8% commercial lending. The quality of the Bristol & West mortgage book continues to improve and the value of arrears has fallen by 34% compared to last year.

Bristol & West savings balances have grown by 2% in spite of intense and persistent market competition. The growth in retail balances following the launch of the Easy Life range of savings accounts was particularly encouraging. This year also saw the introduction of a new Direct Savings Contact Centre which services users of direct channels such as post, phone and internet. Internet inflows are expected to grow significantly following the rollout of the full Bristol & West savings portfolio online.

This has been Bristol & West's most successful year ever for investment fee income throughout all of the business channels. FSA fee income has doubled over the last two years to €27m (Stg£17m).

Costs fell by €3m. The cost/asset ratio, the target measure of the cost reshaping programme, has improved to 0.96% (1999: 1.04%) and the cost income ratio has also improved from 49% to 46%.

Assets and Wealth Management Services

Profits before tax increased by 36% to €129m with all of the businesses enjoying good growth. The Asset and Wealth Management Services segment amalgamates Asset Management, Securities Services, Private Banking and Trust Services units within one structure to provide focus to an increasingly important part of the Group.

Asset Management continued its strong growth during the year. Assets under management grew by €15bn to €52bn representing an increase of 39%; €4bn of the increase relates to new business and €11bn to market performance. Overseas business, particularly North America, accounted for 80% of the new business. It has been estimated that during 1999 Bank of Ireland Asset Management had the fourth largest cash inflows for international mandates in the U.S. In Ireland assets under management grew by 16% representing investment performance and cash flow from both the Institutional & Personal businesses. Other overseas offices performed well and the new Tokyo office is now fully operational.

Securities Services experienced strong growth in their International Financial Services Centre (IFSC) activities arising from both new clients and higher volumes of transactions. Assets under administration at year end were €108bn, up 59% on the previous year. All lines of business contributed to this increased growth.

Private Banking and Trust Services continued to perform well with profit before tax up 71%. Private Banking increased both advances and resources. These two businesses are currently being amalgamated with the Private Client unit of Asset Management to form a new business which will focus exclusively on the fast growing High Net Worth market in Ireland.

Group and Central Costs

Profit before tax in Group and Central Costs increased by €19m — from a loss of €1m in 1998/99 to a profit of €18m in the current year. The increase largely reflects the once off gain on a property disposal, partly offset by lower earnings on surplus equity due to the share buy back in September 1999. In addition 1998/99 included the cost of the Bank of Ireland Millennium Scholars Trust (€13m).

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 €836 million for the year ended March 31, 1999 (1998: €673 million), an increase of 24%. This excludes a gain of €218 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 €1,054 million with earnings per share (EPS) of 74.5c. Alternative EPS, computed excluding the Citizens gain, at 54.3c 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 €208 million on the Citizens sale, profit attributable to stockholders was €562 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 totalled €2,854 million at year-end and supported 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 Banking Republic

Profit before tax of €205 million was €36 million or 21% ahead of the previous year and all key business units reported satisfactory profit performances. Total income rose by 11%, reflecting strong growth in both funds and non funds based income of 10% and 15% 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 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 10%.

Residential mortgages remain an important component of the 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 and General Insurance were each significant contributors to a 15% increase in non funds based income. New Credit Card sales were ahead by 17% and customer spend 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, remained at a satisfactory level benefiting from the continuation of favorable economic conditions and the low risk profile of the asset base.

Costs rose by 6%. The very strong growth in 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 expenses. These were partially offset by a reduction in pension funding costs.

Life Assurance

Lifetime Assurance and New Ireland Assurance reported profit before taxation of €91m. 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 €18 million on the year), the beneficial impact of the buoyant stock market on fee income and business retention. In addition, the result reflects €6 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 €114 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.

Corporate and Treasury

Profit before tax increased by 21% to €266 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 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 the leveraged acquisition, project and structured finance portfolios. Asset quality overall in Corporate Banking remains at a very high level.

Treasury and International Banking had a good 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.

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.

Banking Great Britain and Northern Ireland returned good profits, up 12%. Both lending and resources experienced strong volume growth but this was partly offset by reduced margins.

Bristol and 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 €185 million. Operating profit before tax for the year ended March 31, 1998 of €108 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.

Asset and Wealth Management Services

Profits increased by 38% to €95 million.

Bank of Ireland Asset Management reported strong growth in profits and in assets under management, the latter up 21% to €37 billion at year-end. North American clients represented 44% of the total. Apart from U.S. 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.

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.

Bank of Ireland Securities Services grew substantially. Total assets under administration at year-end were €69 billion up by 24% on the previous year.

Group and Central Costs

Profit before taxation reduced by €4m to a loss of €1m for the year to March 31, 1999. The cost of the Bank of Ireland Millennium Scholars Trust has been included as part of Group and Central Costs.

Citizens

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

ANALYSIS OF FINANCIAL CONDITION

Capital Resources

The following table sets forth the Group's capital resources at March 31, 2000, 1999, and 1998.

	As at March 31,		
	2000	1999	1998
	(in € millions)		
Stockholders' funds			
Equity	3,064	2,647	1,798
Non-equity	215	207	209
Minority interests			
— equity	5	3	4
— non-equity	87	79	81
Undated capital notes	362	575	612
Dated capital notes	1,504	814	843
Total capital resources	5,237	4,325	3,547

In the year ended March 31, 2000, total Group Capital resources increased by €912 million to €5,237 million.

Stockholders' funds increased to €3,279m from €2,854m including retentions of €457m for the year, premises revaluation of €152m, translation differences €183m and new capital stock subscribed €42m partly offset by the impact of the stock buyback in September 1999 of €409m. During the year €600m of dated fixed rate notes were issued. Exchange rate movements resulted in a higher translation of dated and undated capital notes of €132m. This was partly offset by a redemption of €252m loan capital during the year. The net overall increase in dated and undated capital notes was €477m. As a result, the Group's capital base has been reduced with the Tier 1 and Total Capital ratios at March 31, 2000 falling to 7.4% and 11.8% respectively.

In the year ended March 31, 1999, total Group Capital resources increased by €778 million to €4,325 million.

The retained 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 €847 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.

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 stockholders' 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, 2000.

	As at March 31,		
	2000	1999	1998
	(in € millions, except percentages)		
Adjusted Capital Base			
Tier 1 capital	2,973	2,795	2,006
Total capital	4,772	4,033	3,148
Risk Weighted Assets			
Banking book	39,086	30,001	26,855
Trading book	1,214	1,128	1,122
Total	40,300	31,129	27,977
Capital Ratios			
Tier 1 capital	7.4%	9.0%	7.2%
Total capital	11.8%	13.0%	11.3%

In the year to March 31, 2000 the tier 1 capital ratio decreased to 7.4% from 9.0% at March 31, 1999 and the total capital ratio decreased from 13.0% to 11.8%. This decrease was primarily due to a share buy back in September 1999 of €409m. 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%.

RISK MANAGEMENT AND CONTROL

The Group through its normal operations is exposed to a number of risks, the most significant of which are credit risk, market risk, operational risk and liquidity risk.

The Court of Directors approves policy and limits with respect to credit risk and market risk and has delegated its monitoring and control responsibilities to the Group Credit Committee for credit matters and the Group Asset and Liability Committee ("ALCO") 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 Credit Review, Group Internal Audit and Group Compliance are central control functions, independent of business unit management, whose roles include monitoring the Group's activities to ensure compliance with financial and operating controls. The structure of risk, financial and operational controls is designed to safeguard the Group's assets while allowing sufficient operational freedom to earn an acceptable return to Stockholders.

Financial instruments are fundamental to the Group's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Group. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Group's balance sheet. Each of these risks and the Group's policies and objectives for managing such risks are discussed below.

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 for the Group and for many of its corporate customers. Further details can be seen in Note 32 and the accounting policy in Note 1.

It is recognised 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 operational risk. Any material change in the nature of the Group's derivatives business is subject to Court approval.

Nature of Derivatives 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 (of which the most important are options on interest-rate futures) are traded on exchanges 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.

The following table summarises activities undertaken by the Group, the related market risks associated with such activities and the type of derivative used in managing such risks. Such risks may also be managed using on-balance sheet instruments as part of an integrated approach to risk management.

Activity	Market Risk	Type of Derivative
Fixed rate lending	Sensitivity to increases in interest rates.	Pay fixed interest rate swaps.
Capped rate lending	Sensitivity to increases in interest rates.	Buy interest rate caps.
Fixed rate funding	Sensitivity to falls in interest rates.	Receive fixed interest rate swaps.
Management of the investment of reserves and other non-interest bearing liabilities	Sensitivity to changes in interest rates.	Interest rate swaps.
Earnings translation risk	Sensitivity to euro appreciation.	Buy euro forward.

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

CREDIT RISK

The Bank is continuing to enhance its credit risk management systems and processes in line with best industry practice in loan rating/credit risk modelling, economic capital allocation, loan pricing and strategic loan portfolio management, including identification and control of concentration risk.

A number of elements of this enhanced system are now in place for the Bank's larger business lending activity. These include: a new risk rating system which is actuarially based, reflects the Bank's historical loan loss record and industry wide loss experience and is consistent with rating agency scales; streamlining of the Bank's credit processes to more cost effectively focus senior management attention on the basis of inherent risk; enhanced systems for economic capital allocation, Risk Adjusted Return on Capital ("RAROC") measurement, loan pricing and customer profitability measurement which replace the previous ROE approach and enhance the ability of business relationship managers to structure loans, negotiate with customers and more effectively price for risk. These initiatives will position the Bank for ongoing prudent loan growth and are consistent with the recent Basle Committee proposals on regulatory capital reform.

The final stage in this process — integrating the previous stages into a full loan portfolio management system — is planned for the coming year. This will allow more precise identification and control of credit risk concentrations and guide strategic decisions on loan portfolio composition and overall capital allocation. It will be consistent with and complement our ongoing Value Based Management initiatives to enhance stockholder 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 €2.5 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 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 a 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.

There are differences between the provisioning policies generally applied in the United States and those applied in Ireland and the United Kingdom. In its Irish and United Kingdom 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 recognises 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, 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 Treasury which is responsible for the centralised management of Group market risk.

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

TRADING BOOK

In line with regulatory and accounting conventions, the Group's Trading Book is defined to consist of Treasury's mark to market interest rate and foreign exchange books, as well as risk positions arising from J&E Davy's normal market making and broking activities in securities and equities.

In the case of interest rate markets in the year ended March 31, 2000, risk arose predominately from transactions in securities, interest rate swaps and interest rate futures. Positions in forward foreign exchange, FRAs, interest rate caps and options on futures also contributed to risk from time to time.

Trading Book risk is measured on a consistent basis across different activities. A Value at Risk (VaR) approach is used to measure risk and set limits. 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. In the Group's case, the horizon is 1 day and the confidence level is 97.5%. This implies that on any given day, VaR provides an estimate of potential mark to market loss which has no more than a 2.5% probability of being exceeded.

The VaR system uses a variance covariance matrix approach. Matrices are updated weekly using the Exponentially Weighted Moving Average Approach (EWMA). This methodology gives greater weight to more recent data in the calculation of volatilities and correlations. The EWMA approach was implemented in June 2000; prior to this, matrices were updated monthly using unweighted estimation applied to the preceding 6 months data.

Management recognises 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. In addition scenario based stress testing is used to calculate the profit and loss impact of extreme market moves.

The Group uses a variety of backtests to assess the reliability of its VaR modelling and these tests have been supportive of the methodology and techniques used.

During the financial year ended March 31, 2000, the Group's average Trading Book VaR calculated weekly amounted to €1.4m. Its lowest Trading Book VaR was €0.8m and its peak was €2.7m. At March 31, 2000, Trading Book VaR was €1.2m.

Interest rate risk in Treasury was the predominant source of Trading Book VaR. The average VaR for this component of risk in the year ended March 31, 2000 was €1.0m.

BANKING BOOK

Interest Rate Risk

The Group's banking book consist of its retail and corporate deposit and loan books, as well as Treasury's interbank cash books and the 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 Treasury's non trading books and is also used in Bristol & West, although these are accrual accounted for financial reporting purposes. In the other 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 banking book exposure is in euro and sterling. At March 31, 2000, the Group's exposure to a parallel upward shift in the euro and Sterling yield curves was €6.0m (1999: €6.1m, 1998: €11.2m) and €20.3m (1999: €28.8m, 1998: €31.4m) respectively.

The table in Note 33 to the Accounts (page F-51) provides an indication of the repricing mismatch in the Non Trading Books at March 31, 2000.

Foreign Exchange 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 investments 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.

At March 31, 2000, the Group's structural foreign exchange position was as follows:

	March 31, 2000	March 31, 1999
	€m	€m
GBP	1,853	1,449
USD	77	42
Total structural FX position	1,930	1,491

The positions indicate that a 10% change in the value of the euro against all other currencies at March 31, would result in an amount taken to or from reserves of €193m (1999: €149m, 1998: €99m).

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 31 March 2000, the Group sold forward Stg£80m (1999: Stg£128m) at an average exchange rate of 0.9234 (1999: 0.8610) against the Irish pound.

LIQUIDITY RISK

It is Group policy to ensure that resources are at all times available to meet the Group's 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 Treasury's cashflow position.

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 and the Court. The policy specifies that the Group will operate such measures of risk identification, assessment, monitoring and management as are necessary to ensure that operational risk management is consistent with the approach, aims and strategic goals of the 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 Audit Committee and 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.

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 cancellable 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 on 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.

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, 2000. 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.

	2000			1999			1998		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	€m	€m	%	€m	€m	%	€m	€m	%
ASSETS									
Loans to banks									
Domestic offices	3,635	146	4.0	5,160	264	5.1	4,259	245	5.8
Foreign offices	363	18	5.0	411	25	6.2	731	48	6.5
Loans to customers(1)									
Domestic offices	15,522	926	6.0	11,923	871	7.3	9,861	886	9.0
Foreign offices	22,075	1,414	6.4	19,976	1,534	7.7	12,167	1,038	8.5
Funds sold									
Domestic offices	—	—	—	—	—	—	—	—	—
Foreign offices	—	—	—	—	—	—	6	—	2.0
Central government and other eligible bills									
Domestic offices	6	—	0.5	11	—	2.3	24	1	4.6
Foreign offices	596	31	5.2	342	22	6.5	—	—	—
Debt Securities									
Domestic offices	4,999	279	5.6	3,286	197	6.0	3,144	199	6.3
Foreign offices	754	42	5.6	1,120	87	7.8	913	65	7.1
Instalment credit									
Domestic offices	243	18	7.4	147	13	8.8	74	6	9.3
Foreign offices	428	39	9.1	352	37	10.6	249	27	10.6
Finance lease receivables									
Domestic offices	1,829	88	4.8	1,364	72	5.3	929	56	6.0
Foreign offices	39	1	3.7	58	3	4.4	76	4	5.0
Total interest-earning assets									
Domestic offices	26,234	1,457	5.6	21,891	1,417	6.5	18,291	1,393	7.6
Foreign offices	24,255	1,545	6.4	22,259	1,708	7.7	14,142	1,182	8.3
	50,489	3,002	5.9	44,150	3,125	7.1	32,433	2,575	7.9
Allowance for loan losses	(367)			(358)			(281)		
Non interest earning assets(2)	8,698			7,206			4,431		
Total Assets	58,820	3,002	5.1	50,998	3,125	6.1	36,583	2,575	7.0
Percentage of assets applicable to foreign activities	42.70%			45.27%			40.18%		

AVERAGE BALANCE SHEET AND INTEREST RATES (Continued)

	2000			1999			1998		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	€m	€m	%	€m	€m	%	€m	€m	%
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits by banks									
Domestic offices	7,605	366	4.8	3,896	230	5.9	2,498	163	6.5
Foreign offices	1,521	80	5.3	1,333	84	6.3	677	41	6.0
Customer accounts									
Demand deposits									
Domestic offices	7,155	114	1.6	6,076	152	2.5	5,200	203	3.9
Foreign offices	6,523	242	3.7	6,456	329	5.1	3,732	197	5.3
Term deposits									
Domestic offices	5,712	120	2.1	5,699	296	5.2	5,311	305	5.7
Foreign offices	10,487	628	6.0	10,768	705	6.5	6,749	510	7.6
Other deposits									
Domestic offices	173	10	5.5	156	9	5.6	249	17	6.5
Foreign offices	46	3	5.8	66	5	7.7	66	5	8.0
Interest bearing current accounts									
Domestic offices	401	8	2.0	404	10	2.6	396	11	2.9
Foreign offices	1,098	26	2.4	891	25	2.8	689	20	2.9
Debt securities in issue									
Domestic offices	238	13	5.5	331	13	3.9	430	20	4.8
Foreign offices	982	58	5.9	649	47	7.3	481	37	7.6
Subordinated liabilities									
Domestic offices	885	59	6.7	978	70	7.2	929	70	7.6
Foreign offices	385	33	8.6	380	34	8.9	221	20	9.1
Total interest bearing liabilities									
Domestic offices	22,169	690	3.1	17,540	780	4.4	15,013	789	5.3
Foreign offices	21,042	1,070	5.1	20,543	1,229	6.0	12,615	830	6.6
	43,211	1,760	4.1	38,083	2,009	5.3	27,628	1,619	5.9
Non interest bearing liabilities									
Current accounts	3,685			2,721			2,213		
Other non interest bearing liabilities(2)	8,905			7,624			4,911		
Stockholders equity including non equity interests	3,019			2,570			1,831		
Total liabilities and stockholders' equity	58,820	1,760	3.0	50,998	2,009	3.9	36,583	1,619	4.4
Percentage of liabilities applicable to foreign activities	42.70%			45.27%			40.18%		

(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 2000 compared to 1999 and for 1999 compared to 1998. 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 rateably to volume and rate.

	2000 over 1999			1999 over 1998		
	Increase/(Decrease) due to change in					
	Average Volume	Average Rate	Net Change	Average Volume	Average Rate	Net Change
	(in € millions)					
INTEREST EARNING ASSETS						
Loans to Banks						
Domestic offices	(68)	(50)	(118)	49	(30)	19
Foreign offices	(3)	(4)	(7)	(20)	(3)	(23)
Loans to customers						
Domestic offices	230	(175)	55	168	(183)	(15)
Foreign offices	153	(273)	(120)	603	(107)	496
Central government and other eligible bills						
Domestic offices	—	—	—	(1)	—	(1)
Foreign offices	14	(5)	9	22	—	22
Debt securities						
Domestic offices	96	(14)	82	8	(10)	(2)
Foreign offices	(24)	(21)	(45)	16	6	22
Instalment credit						
Domestic offices	7	(2)	5	7	—	7
Foreign offices	8	(6)	2	10	—	10
Finance lease receivables						
Domestic offices	23	(7)	16	24	(8)	16
Foreign offices	(1)	(1)	(2)	(1)	—	(1)
Total interest income	435	(558)	(123)	885	(335)	550

	2000 over 1999			1999 over 1998		
	Increase/(Decrease) due to change in					
	Average Volume	Average Rate	Net Change	Average Volume	Average Rate	Net Change
	(in € millions)					
INTEREST BEARING LIABILITIES						
Deposits by Banks						
Domestic offices	185	(49)	136	84	(17)	67
Foreign offices	11	(15)	(4)	41	2	43
Customer accounts						
Demand deposits						
Domestic offices	24	(62)	(38)	30	(81)	(51)
Foreign offices	4	(91)	(87)	140	(8)	132
Term deposits						
Domestic offices	1	(177)	(176)	20	(29)	(9)
Foreign offices	(20)	(57)	(77)	276	(81)	195
Other deposits						
Domestic offices	1	—	1	(5)	(3)	(8)
Foreign offices	(1)	(1)	(2)	—	—	—
Interest bearing current accounts						
Domestic offices	—	(2)	(2)	—	(1)	(1)
Foreign offices	5	(4)	1	6	(1)	5
Debt securities in issue						
Domestic offices	(4)	4	—	(4)	(3)	(7)
Foreign offices	21	(10)	11	11	(1)	10
Subordinated liabilities						
Domestic offices	(6)	(5)	(11)	4	(4)	—
Foreign offices	—	(1)	(1)	14	—	14
Total interest bearing expense	221	(470)	(249)	617	(227)	390
Net interest income	214	(88)	126	268	(108)	160

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 instalment 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, 2000 residential mortgages accounted for 56% 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 80%, 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 checking 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, 2000.

	At March 31,				
	2000	1999	1998	1997	1996
			(in € millions)		
Ireland					
Agriculture	918	919	875	751	770
Energy	424	217	85	81	71
Manufacturing	2,979	2,321	1,849	1,331	1,051
Construction and property	1,056	780	630	378	389
Distribution	1,453	1,115	770	862	780
Transport	503	227	406	208	202
Financial	1,782	1,609	974	765	384
Business and other services	2,102	1,380	1,335	841	679
Personal					
— residential mortgages	5,031	3,913	3,319	2,802	2,485
— other lending	3,180	2,642	1,926	1,597	1,361
	19,428	15,123	12,169	9,616	8,172
United Kingdom					
Agriculture	60	55	58	46	43
Energy	45	8	11	14	28
Manufacturing	458	375	338	188	166
Construction and property	1,457	852	622	485	337
Distribution	242	277	215	222	204
Transport	85	85	84	29	27
Financial	116	108	188	36	22
Business and other services	706	473	507	333	250
Commercial mortgages	1,566	1,307	1,614	—	—
Personal					
— residential mortgages	20,428	17,341	15,826	3,386	3,121
— other lending	625	499	471	363	307
	25,788	21,380	19,934	5,102	4,505
United States					
Commercial loans	26	23	122	418	635
Real estate loans, construction	—	—	62	27	48
Real estate loans, mortgage	—	—	—	1	1,190
Consumer loans	—	—	—	—	326
Bank card loans	—	—	—	—	78
Leasing	—	16	29	44	44
Other loans	—	—	—	—	6
	26	39	213	490	2,327
Group total loan portfolio	45,242	36,542	32,316	15,208	15,004
Allowance for loan losses	(398)	(359)	(357)	(224)	(234)
Total	44,844	36,183	31,959	14,984	14,770

The following table sets forth the percentage of total loans to customers represented by each category of loan at March 31, for each of the five years ended March 31, 2000.

	At March 31,				
	2000	1999	1998	1997	1996
	%	%	%	%	%
Ireland					
Agriculture	2.0	2.5	2.7	4.9	5.1
Energy	0.9	0.6	0.3	0.5	0.5
Manufacturing	6.6	6.4	5.7	8.8	7.0
Construction and property	2.3	2.1	1.9	2.5	2.6
Distribution	3.2	3.1	2.4	5.7	5.2
Transport	1.1	0.6	1.2	1.4	1.3
Financial	3.9	4.4	3.0	5.0	2.6
Business and other services	4.7	3.8	4.1	5.5	4.5
Personal					
— residential mortgages	11.1	10.7	10.3	18.4	16.6
— other lending	7.1	7.2	6.0	10.5	9.1
	42.9	41.4	37.6	63.2	54.5
United Kingdom					
Agriculture	0.1	0.1	0.2	0.3	0.3
Energy	0.1	—	—	0.1	0.2
Manufacturing	1.0	1.0	1.0	1.2	1.1
Construction and property	3.2	2.3	1.9	3.2	2.2
Distribution	0.5	0.8	0.7	1.5	1.4
Transport	0.2	0.2	0.2	0.2	0.2
Financial	0.3	0.3	0.6	0.2	0.1
Business and other services	1.6	1.3	1.6	2.2	1.7
Commercial mortgages	3.5	3.6	5.0	—	—
Personal					
— residential mortgages	45.1	47.5	49.0	22.3	20.8
— other lending	1.4	1.4	1.5	2.4	2.0
	57.0	58.5	61.7	33.6	30.0
United States					
Commercial loans	0.1	0.1	0.4	2.7	4.2
Real estate loans, construction	—	—	0.2	0.2	0.3
Real estate loans, mortgage	—	—	—	—	7.9
Consumer loans	—	—	—	—	2.2
Bank card loans	—	—	—	—	0.5
Leasing	—	—	0.1	0.3	0.3
Other loans	—	—	—	—	0.1
	0.1	0.1	0.7	3.2	15.5
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, 2000 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, 2000			
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(in € millions)			
Ireland	5,034	6,216	8,178	19,428
United Kingdom	1,729	2,407	21,652	25,788
United States	—	26	—	26
Total loans by maturity	6,763	8,649	29,830	45,242
Fixed rate	777	1,717	1,970	4,464
Variable rate	5,986	6,932	27,860	40,778
Total loans by maturity	6,763	8,649	29,830	45,242

The following tables set forth an analysis of loans by maturity within each classification as at March 31, 2000.

	As at March 31, 2000			
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(in € millions)			
Ireland				
Agriculture	408	245	265	918
Energy	41	235	148	424
Manufacturing	835	930	1,214	2,979
Construction and property	348	501	207	1,056
Distribution	512	463	478	1,453
Transport	95	141	267	503
Financial	387	649	746	1,782
Business and other services	638	781	683	2,102
Personal				
— residential mortgages	286	1,043	3,702	5,031
— other lending	1,484	1,228	468	3,180
	5,034	6,216	8,178	19,428
United Kingdom				
Agriculture	30	17	13	60
Energy	36	2	7	45
Manufacturing	233	155	70	458
Construction and property	522	409	526	1,457
Distribution	33	78	131	242
Transport	25	29	31	85
Financial	58	42	16	116
Business and other services	286	175	245	706
Commercial Mortgages	142	567	857	1,566
Personal				
— residential mortgages	120	665	19,643	20,428
— other lending	244	268	113	625
	1,729	2,407	21,652	25,788
United States				
Commercial loans	—	26	—	26
Real estate loans, construction	—	—	—	—
Real estate loans, mortgage	—	—	—	—
Consumer loans	—	—	—	—
Bank card loans	—	—	—	—
Leasing	—	—	—	—
Other loans	—	—	—	—
	—	26	—	26
Group total loan portfolio	6,763	8,649	29,830	45,242

Movement in the Allowance for Loan Losses:

The Group's loan loss experience over the five years to March 2000 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 and achieved 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 was 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 31, 2000, this provision stood at €142 million.

Over the past five years total Group loan loss allowances have increased from €234m to €398m, representing 1.6% and 0.9% respectively of total loans.

The ratio of loan loss allowances to loans accounted for on a non-accrual basis has increased from 71% in 1996 to 112% in 2000. The improved ratio is as a result of increased loan loss allowances over the period, set against only a marginal increase in loans accounted for on a non-accrual basis during the same period.

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, 2000. 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,					
	2000		1999		1998	
	Specific	General	Specific	General	Specific	General
	(in € millions)					
Allowance at beginning of year	122.9	236.2	143.5	212.7	112.9	111.0
Total allowance	359.1		356.2		223.9	
Exchange adjustments	6.5	15.9	(2.0)	(4.8)	8.4	9.7
Other adjustments:						
Acquisitions/Mergers	—	—	—	—	42.0	54.1
Disposals	—	—	—	—	—	—
Transfers: general to specific	—	—	—	—	—	—
	—	—	—	—	42.0	54.1
Recovery of amounts previously charged off:						
Ireland	9.9	—	6.3	—	5.5	—
United Kingdom	7.8	—	9.3	—	6.1	—
United States	—	—	0.3	—	1.1	—
Total recovery of amounts previously charged off	17.7	—	15.9	—	12.7	—
Amounts charged off:						
Ireland	(26.3)	—	(40.0)	—	(7.8)	—
United Kingdom	(20.8)	—	(20.6)	—	(17.7)	—
United States	(10.4)	—	(0.9)	—	(16.0)	—
Total amounts charged off	(57.5)	—	(61.5)	—	(41.5)	—
Provision for loan losses charged to income:						
Ireland	22.9	13.2	24.9	10.1	9.0	19.4
United Kingdom	2.9	17.8	1.6	18.7	(0.6)	20.3
United States	(0.9)	—	0.5	(0.5)	0.6	(1.8)
	24.9	31.0	27.0	28.3	9.0	37.9
Allowance at end of year	114.5	283.1	122.9	236.2	143.5	212.7
Total allowance	397.6		359.1		356.2	

Movement in the Allowance for Loan Losses

	Financial year ended March 31,			
	1997		1996	
	Specific	General	Specific	General
	(in € millions)			
Allowance at beginning of year	119.8	113.8	138.3	106.5
Total allowance	233.6		244.8	
Exchange adjustments	2.5	2.3	(0.1)	0.9
Other adjustments:				
Acquisitions/Mergers	—	—	—	—
Disposals	—	(26.6)	—	—
Transfers: general to specific	3.9	(3.9)	5.3	(5.3)
Other (release of provision relating to U.S. restructuring)	—	—	(0.8)	(10.9)
	3.9	(30.5)	4.5	(16.2)
Recovery of amounts previously charged off:				
Ireland	6.4	—	5.6	—
United Kingdom	2.5	—	2.5	—
United States	0.4	—	0.3	—
Total recovery of amounts previously charged off	9.3	—	8.4	—
Amounts charged off:				
Ireland	(13.3)	—	(23.4)	—
United Kingdom	(7.7)	—	(6.3)	—
United States	(1.6)	—	(6.0)	—
Total amounts charged off	(22.6)	—	(35.7)	—
Provision for loan losses charged to income:				
Ireland	1.7	16.4	(2.2)	20.2
United Kingdom	(5.0)	8.2	6.0	1.8
United States	3.3	0.8	0.6	0.6
	—	25.4	4.4	22.6
Allowance at end of year	112.9	111.0	119.8	113.8
Total allowance	223.9		233.6	

The following table presents additional information regarding provisions and allowances for loan losses for each of the five years ending March 31, 2000.

	For the Financial Year Ended March 31,				
	2000	1999	1998	1997	1996
	(in € millions, except percentages)				
	%	%	%	%	%
Allowance at end of year as a percentage of total loans to customers at end of year:					
Ireland	0.89	1.20	1.47	1.58	1.73
United Kingdom	0.87	0.79	0.82	0.90	1.00
United States	—	25.86	5.81	5.03	2.02
Total	0.88	0.98	1.10	1.47	1.56
Specific	0.25	0.34	0.44	0.74	0.80
General	0.63	0.64	0.66	0.73	0.76
Total	0.88	0.98	1.10	1.47	1.56
Allowance at end of year as a percentage of loans accounted for on a non-accrual basis at end of year:(1)					
Ireland	119.3	148.5	139.5	126.2	103.9
United Kingdom	107.2	52.2	43.4	29.8	26.4
United States	—	—	—	970.0	221.9
Total	112.1	81.0	70.0	80.1	71.2
Average loans to customers(2)	40,136	33,836	23,355	14,239	14,836
Provisions charged to income as a percentage of average loans to customers:					
Specific	0.06	0.08	0.04	—	0.03
General	0.08	0.08	0.16	0.18	0.15
Total	0.14	0.16	0.20	0.18	0.18
Net loans charged off as a percentage of average loans to customers	0.10	0.13	0.12	0.09	0.18

(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, 2000.

	At March 31,				
	2000	1999	1998	1997	1996
	(in € millions)				
Ireland					
Agriculture	2.1	3.7	1.1	0.9	2.0
Energy	1.8	—	—	—	0.1
Manufacturing	1.0	6.0	0.3	1.4	1.5
Construction and property	0.5	0.9	0.4	0.8	0.7
Distribution	1.5	3.4	1.3	1.5	3.9
Transport	—	0.4	0.1	0.1	0.3
Financial	—	—	—	—	1.4
Services	5.0	3.0	0.4	2.8	4.1
Total personal	14.4	22.6	4.2	5.8	9.4
	26.3	40.0	7.8	13.3	23.4
United Kingdom					
Agriculture	0.1	—	0.1	0.1	0.1
Manufacturing	0.9	0.4	0.1	0.2	0.3
Construction and property	0.2	0.5	0.3	0.3	0.6
Distribution	0.4	0.4	1.0	0.4	1.0
Transport	—	0.1	0.1	0.1	—
Financial	—	—	—	—	—
Services	1.4	0.3	0.5	0.9	0.8
Commercial mortgages	2.9	—	0.9	—	—
Total personal	14.9	18.9	14.7	5.7	3.5
	20.8	20.6	17.7	7.7	6.3
United States					
Commercial loans	—	0.9	3.6	1.6	(0.1)
Real estate loans, construction	—	—	—	—	(0.8)
Real estate loans, mortgage	—	—	—	—	3.3
Leases including consumer loans	10.4	—	12.4	—	3.6
	10.4	0.9	16.0	1.6	6.0
Group total	57.5	61.5	41.5	22.6	35.7

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, 2000.

	At March 31,				
	2000	1999	1998	1997	1996
	(in € millions)				
Ireland					
Agriculture	0.9	0.9	0.4	1.0	0.5
Manufacturing	1.5	0.2	0.6	0.4	0.3
Construction and property	0.2	0.3	0.3	0.1	0.1
Distribution	0.8	1.0	0.6	0.8	0.5
Transport	—	0.1	—	—	—
Financial	—	—	—	0.6	—
Services	0.9	0.4	1.2	0.8	0.6
Total personal	5.6	3.4	2.4	2.7	3.6
	9.9	6.3	5.5	6.4	5.6
United Kingdom					
Manufacturing	0.1	0.1	0.3	0.1	—
Construction and property	0.2	0.7	—	0.3	1.9
Distribution	0.1	0.5	0.3	1.5	—
Services	0.2	0.3	0.7	0.2	—
Transport	—	0.1	0.1	—	—
Personal	4.3	7.6	4.4	—	0.4
Financial	—	—	—	0.4	0.2
Commercial mortgages	2.9	—	0.3	—	—
	7.8	9.3	6.1	2.5	2.5
United States					
Commercial loans	—	0.3	1.1	—	0.2
Real estate loans, construction	—	—	—	—	—
Real estate loans, mortgage	—	—	—	0.1	—
Leases including consumer loans	—	—	—	0.3	0.1
	—	0.3	1.1	0.4	0.3
Group total	17.7	15.9	12.7	9.3	8.4

The following table presents an analysis of allowances for loan losses at March 31, for each of the five years ended March 31, 2000.

	At March 31,				
	2000	1999	1998	1997	1996
			(in € millions)		
Ireland					
Agriculture	12.3	10.3	9.9	8.9	9.3
Energy	—	0.3	0.3	0.3	—
Manufacturing	3.6	5.1	7.2	6.1	7.3
Construction and property	2.5	2.0	2.2	2.0	2.8
Distribution	4.1	6.5	7.5	7.6	6.9
Transport	—	0.6	1.0	0.6	1.0
Financial	—	0.1	0.1	0.3	0.4
Services	9.8	5.2	9.0	8.3	10.4
Total personal	44.0	38.7	40.3	36.9	38.2
	76.3	68.8	77.5	71.0	76.3
United Kingdom					
Agriculture	0.3	1.1	0.8	0.1	0.1
Manufacturing	12.0	2.0	2.1	1.5	1.5
Construction and property	1.5	1.5	2.9	4.1	5.8
Distribution	0.6	2.9	1.8	2.3	2.9
Transport	—	0.1	0.3	0.3	0.1
Financial	—	0.1	0.5	0.8	0.5
Services	2.6	1.3	2.4	2.6	2.9
Commercial mortgages	6.2	8.8	5.6	—	—
Total personal	15.0	25.9	39.3	9.1	15.2
	38.2	43.7	55.7	20.8	29.0
United States					
Commercial loans	—	—	—	2.2	0.9
Real estate loans, construction	—	—	—	—	—
Real estate loans, mortgage	—	—	—	—	—
Leases (including consumer)	—	10.4	10.3	18.9	13.6
	—	10.4	10.3	21.1	14.5
Total specific allowance	114.5	122.9	143.5	112.9	119.8
Total general allowance	283.1	236.2	212.7	111.0	113.8
Total group allowance	397.6	359.1	356.2	223.9	233.6

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, 1996 and are stated on a basis consistent with the Consolidated Financial Statements.

	At March 31,				
	2000	**1999**	**1998**	**1997**	**1996**
			(in € millions)		
Loans accounted for on a non-accrual basis					
Ireland(1)	145	122	128	121	136
United Kingdom	210	322	381	156	171
United States	—	—	—	3	22
Total	355	444	509	280	329
Accruing loans which are contractually past due 90 days or more as to principal or interest(2)(3)					
Ireland	109	109	80	71	62
United Kingdom	240	246	211	126	136
United States	—	—	—	—	3
Total	349	355	291	197	201
Restructured loans not included above	—	5	—	—	—

(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, 2000: €34 million in Ireland and €225 million in the United Kingdom) which are secured and, in cases where the original loan to value ratio exceeds 80%, 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, totalled approximately €6 million at March 31, 2000.

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 € millions, except percentages)				
As at March 31, 2000	—	—	—	—	—
As at March 31, 1999	—	—	—	—	—
As at March 31, 1998					
United Kingdom	583	—	100	683	1.4%
Germany	618	—	6	624	1.2%
Switzerland	623	—	3	626	1.2%
Netherlands/Antilles	477	—	83	560	1.1%

(1) Assets, consisting of total assets as reported in the consolidated balance sheet plus acceptances were €68.1 billion at March 31, 2000 (March 31, 1999: €54.4 billion, March 31, 1998: €50.4 billion).

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 €1,173.2 million at March 31, 2000, €nil at March 31, 1999 and €1,246.1 million at March 31, 1998. The countries concerned were the United Kingdom and Germany in 2000 and the United States, Cayman Islands and France in 1998.

As at March 31, 2000, 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, 1998, 1999 and 2000.

	At March 31,		
	2000	1999	1998
	(in € millions)		
Irish Government	1,927	1,476	1,586
Other European government	520	362	755
U.S. Treasury and U.S. government agencies	51	6	8
Mortgage-backed obligations of federal agencies	—	—	10
Collateralized mortgage obligations	6	8	13
Obligations of U.S. states and political subdivisions	—	—	—
Corporate bonds	3,892	2,774	1,966
Other securities	272	520	523
	6,668	5,146	4,861

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, 2000 was €1.9 billion (1999: €1.5 billion; 1998: €1.6 billion).

The following table categorizes the Group's investment debt securities, excluding trading securities, by maturity and weighted average yield at March 31, 2000.

	At March 31, 2000							
	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 Yield	Book Value	Percent Yield	Book Value	Percent Yield
	(in € millions, except percentages)							
Irish government	207	6.33	21	5.74	—	—	—	—
Other European government	85	7.69	129	4.88	53	8.99	—	—
U.S. Treasury & U.S. government agencies	4	5.04	20	6.69	13	2.51	—	—
Corporate bonds	743	6.06	1,777	5.92	637	6.34	495	6.42
Other	42	5.88	5	11.00	—	—	7	5.89
Total book value	1,081		1,952		703		502	

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,		
	2000	1999	1998
	(in € millions)		
Placings with banks repayable within 30 days:			
Domestic	2,462	1,328	3,824
Foreign	1,411	279	432
Total	3,873	1,607	4,256
Placings with banks repayable beyond 30 days:			
Domestic	3,020	1,814	1,844
Foreign	79	36	68
Total	3,099	1,850	1,912
Total	6,972	3,457	6,168

LIABILITIES

Deposits

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

	At March 31, 2000	1999	1998
	(in € millions)		
Branches in Ireland	16,486	14,519	12,790
Branches outside Ireland	18,575	18,496	11,500
Total	35,061	33,015	24,290

	Average Interest Rate during 2000	At March 31, 2000	1999	1998
	%	(in € millions)		
Branches in Ireland				
Current accounts:				
Interest bearing	2.0	401	404	396
Non-interest bearing	—	3,218	2,340	1,883
Deposit:				
Demand	1.6	7,155	6,076	5,200
Time	2.1	5,712	5,699	5,311
		16,486	14,519	12,790
Branches outside Ireland				
Current accounts:				
Interest bearing	2.4	1,098	891	689
Non-interest bearing	—	467	381	330
Deposit:				
Demand	3.7	6,523	6,456	3,732
Time	6.0	10,487	10,768	6,749
		18,575	18,496	11,500
Total		35,061	33,015	24,290

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, 2000			
	0-3 months	3-6 months	6-12 months	Over 12 months
	(in € millions)			
Time deposits				
Domestic branches	2,544	285	294	388
Foreign branches	3,568	310	142	510
Certificates of deposit				
Domestic branches	—	—	6	—
Foreign branches	601	—	852	200
	6,713	595	1,294	1,098

Non-resident deposits held in domestic branches at March 31, 2000 accounted for approximately 9% 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, 2000.

	At March 31,		
	2000	1999	1998
	(in € millions, except percentages)		
Debt securities in issue			
End of year outstandings	2,825	541	1,120
Highest month-end balance	2,825	1,258	1,216
Average balance	1,220	980	911
Average rate of interest			
At year-end	5.5%	5.2%	5.9%
During year	5.8%	6.1%	6.3%
Deposits by banks			
End of year outstandings	9,431	6,034	4,450
Highest month-end balance	11,124	6,307	4,450
Average balance	9,126	5,229	3,175
Average rate of interest			
At year-end	5.3%	4.7%	7.1%
During year	4.9%	6.0%	6.4%

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 Bank of Ireland Group regarded Year 2000 planning and preparation as a top priority for the organisation. The objective of this planning and preparation was to ensure that business processes, functionality and service standards remained normal prior to, during and after the Year 2000 calendar change. This objective was achieved.

The costs of the Programme were €56m, (including €6m of capitalised costs) of which €6m was incurred in the year ended March 31, 2000.

EMU

The Group continues to meet customer requirements for Banking and payment services denominated in euro. In addition, it is well advanced in its preparations for the withdrawal of the Irish pound in 2002 and for the introduction of euro notes and coins.

Revenue expenditure attributed to EMU preparations to March 31, 2000 has been €13m of which €4m was incurred in the year to March 31, 2000. It is estimated that a further €69m will be incurred in completing systems preparations for 2002 and in facilitating the changeover of national notes and coin from Irish pound to euro.

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, referred to in the Bank's 2000 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	64	Governor*	1991
Anthony D Barry	65	Deputy Governor	1993
Maurice A Keane [1998]	59	Group Chief Executive	1983
Lord Armstrong of Ilminster	73	Non-Executive Director	1997
Roy E Bailie	56	Non-Executive Director	1999
Richard Burrows	54	Non-Executive Director	2000
Laurence G Crowley	63	Governor Designate*	1990
Paul M D'Alton [1991]	48	Group Chief Financial Officer	2000
Margaret Downes	67	Non-Executive Director	1986
E. Patrick Galvin	67	Non-Executive Director	1994
Brian J Goggin [1996]	48	Chief Executive Corporate and Treasury Division	2000
Raymond Mac Sharry	62	Non-Executive Director	1993
Patrick J A Molloy	62	Non-Executive Director	1983
Denis O'Brien	42	Non-Executive Director	2000
Mary P Redmond	49	Non-Executive Director	1994
Executive Officers			
Terence H. Forsyth	57	Group Secretary	
Denis Hanrahan	55	Head of Group Corporate Development	

* Howard E Kilroy retired from the position of Governor and as a Director of the Bank immediately following the Annual General Court held on July 5, 2000. Mr. Laurence G. Crowley succeeded Mr. Kilroy as Governor of the Bank.

Howard E Kilroy ##
Governor

Appointed to the Court in 1991 and Governor following the 1991 Annual General Court. Retires as Governor and as a Director of the Bank following the 2000 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 64)

Anthony D Barry +#
Deputy Governor

Appointed to the Court in 1993. Appointed Deputy Governor in October 1997 and senior independent director in November 1998. Former Chief Executive and former Chairman of CRH plc. A Director of Greencore Group plc, DCC plc and Ivernia West plc.

(Age 65)

Laurence G Crowley
Governor Designate

Appointed to the Court in 1990 and Deputy Governor from 1995 to 1997. Will become Governor following the 2000 Annual General Court. Chairman of PJ Carroll and Co. Ltd, a Director of 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 63)

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 59)

Lord Armstrong of Ilminster, GCB CVO +

Appointed to the Court in 1997. Chairman of 3i Bioscience Investment Trust plc. 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 73)

Roy E Bailie, OBE

Appointed to the Court in 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 56)

Richard Burrows

Appointed to the Court in March 2000. Chairman of Irish Distillers Group Ltd, Joint Managing Director of Groupe Pernod Ricard and immediate past president of the Irish Business and Employers Confederation (IBEC).

(Age 54)

Paul M D'Alton *
Group Chief Financial Officer

Joined the Bank in 1991 as Group Chief Financial Officer. Appointed to the Court in January 2000. Formerly Chief Executive — Finance, Aer Lingus Group plc. A Fellow of the Institute of Chartered Accountants in Ireland.

(Age 48)

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 67)

E Patrick Galvin +#

Appointed to the Court in 1994. Former Chairman and Chief Executive of Waterford Crystal Ltd. A Director of Gallaher (Dublin) Ltd, Greencore Group plc and Irish Shell Ltd. Chairman of the Board of Governors of The National College of Ireland.

(Age 67)

Brian J Goggin *
Chief Executive Corporate & Treasury

Joined the Bank in 1969. Served in a variety of senior management positions in the United States, Britain and Ireland. He has been in his current position since 1996. Appointed to the Court in January 2000.

(Age 48)

Raymond Mac Sharry #

Appointed to the Court in 1993. A former EU Commissioner for Agriculture, Chairman of eircom plc, Green Property plc, London City Airport Ltd and Coillte Teoranta. A Director of Jefferson Smurfit Group plc and Ryanair Holdings plc.

(Age 62)

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 CRH plc, Bristol & West plc and Enterprise Ireland. A Director of eircom plc.

(Age 62)

Denis O'Brien

Appointed to the Court in April 2000. Chairman of ESAT Telecom Group plc. A Director of Oakhill plc and a number of other companies.

(Age 42)

Mary P Redmond +

Appointed to the Court in 1994. A solicitor specialising in labour law. In her professional capacity as a solicitor acts for the Group in relation to aspects of labour law. A Director of Jefferson Smurfit Group plc, Campbell Bewley Group Ltd and founder of the Irish Hospice Foundation.

(Age 49)

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*	Executive Director
++	Chairman of the Group Audit Committee
+	Member of the Group Audit Committee
##	Chairman of the Group Remuneration and the Group Nominations Committees
#	Member of the Group Remuneration and the Group Nominations Committees

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, 2000 was € 3.1 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, 2000, to provide pension benefits for these Directors and Executive Officers amounted to € 0.3 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. Their salaries, reviewed annually by the Group Remuneration Committee, take into consideration, inter alia, such factors as each individual's responsibilities and performance, salaries in comparable organisations and the general pay awards made to staff overall. 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 organisations.

The key elements of the remuneration package for Executive Directors are basic salary, a performance related cash bonus, a Long Term Performance Stock Plan, stock options, participation in the all employee Staff Stock Issue Scheme, and in the Group Savings-Related Stock Option Scheme and membership of a defined benefit pension scheme.

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 3.5% of each participant's basic remuneration. The most recent payment approved under the Scheme was 3.5% of basic remuneration (€ 14 million) for the financial year ended March 31, 2000. As at March 31, 2000, 0.4% 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, 2000 was €11 million of which €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, 2000 options were outstanding over 10,681,326 units of stock representing 1.08% of the total Ordinary Stock then in issue.

Such options are exercisable as follows:

Exercise price (€ cent)	Number Outstanding at March 31, 2000	Exercise Period
1.325	25,564	June 1993 – June 2000
0.971	51,128	June 1994 – June 2001
0.982	319,556	June 1995 – June 2002
1.436	950,628	May 1996 – May 2003
1.670	660,000	May 1997 – May 2004
1.834	100,000	Nov. 1997 – Nov. 2004
2.111	1,100,000	May 1998 – May 2005
2.819	2,333,200	June 1999 – June 2006
3.241	180,000	Nov. 1999 – Nov. 2006
4.529	1,910,000	June 2000 – June 2007
5.753	1,720,000	Nov. 2000 – Nov. 2007
8.264	446,000	May 2001 – May 2008
8.933	785,000	July 2002 – July 2009
8.430	100,250	Nov. 2002 – Nov. 2009

As at March 31, 2000, Executive Directors and Executive Officers as a group held options under the above scheme over a total of 1,864,366 units, representing 0.19% of the total Ordinary Stock in issue.

The interests of the Directors and Secretary, in office at March 31, 2000 and of their spouses and minor children, in the stocks issued by the Bank are set out below:

	Units of €0.64 of Ordinary Stock		
	As at March 31, 2000		
	Beneficial	Executive Options(1)	Performance Stock Award(2)
Directors			
Lord Armstrong of Ilminster	2,000	—	—
Roy E Bailie	1,000	—	—
Anthony D Barry	18,153	—	—
Richard Burrows	23,454	—	—
Laurence G Crowley	28,296	—	—
Paul M D'Alton	9,225	350,038	10,769
Margaret Downes	74,961	—	—
E. Patrick Galvin	10,276	—	—
Brian J Goggin	71,514	325,214	9,605
Maurice A Keane	906,928	350,000	—
Howard E Kilroy	523,495	—	—
Raymond Mac Sharry	1,199	—	—
Patrick W McDowell	476,370	—	—
Patrick J A Molloy	1,075,246	259,558	—
Mary P Redmond	1,074	—	—
Secretary			
Terence H. Forsyth	38,469	80,000	—

(1) These options have been granted under the terms of the Stock Option Scheme at prices ranging between €0.97 and €8.93. In addition the Executive Directors and Secretary hold Savings-Related Options as shown in Note 37(b).

(2) Conditional awards of units of Ordinary Stock were made on July 13, 1999 to Senior Executives under the terms of the Long Term Performance Stock Plan ("LTPSP"). These awards do not vest in the Executives unless demanding performance criteria are achieved.

The Directors and Secretary and their spouses and minor children had no other interests in the stocks of the Bank or its group undertakings at March 31, 2000.

Limitations on Stock Issue and Stock Option Plans

All of the employee stock issue and stock option schemes are subject to a range of flow rate controls approved by the Stockholders and which conform to current institutional investor guidelines.

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.

Group Savings — Related Stock Scheme

At the 1999 Annual General Court the Stockholders approved the establishment of a Group Savings-Related Stock Scheme. This Scheme was launched in February 2000 and as a result options over 15,527,008 units of Ordinary Stock (1.6% of the Issued Ordinary Stock) were granted to participating employees. These options are exercisable, provided the participant's savings contracts are complete, between May 2003 and May 2007. See Note 29 for further information.

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 (13 persons), on normal commercial terms to the Bank of Ireland Group amounted to €1.7 million at March 31, 2000. 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 five 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 €0.4 million at March 31, 2000. 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-86

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: August 9, 2000

By: ______________________________

Name: Maurice A Keane
Title: Group Chief Executive

By: ______________________________

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

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2000

BANK OF IRELAND

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The following statement, which should be read in conjunction with the Report of Independent Auditors set out on page F-3, is made with a view to distinguish for Stockholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

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

With regard to the financial statements on pages F-4 to F-86, the Directors have determined that it is appropriate that they continue to be prepared on a going concern basis and consider that in their preparation:

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

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish law including the Companies Acts, 1963 to 1999, and the European Communities (Credit Institutions: Accounts) Regulations, 1992. They also have 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, 2000 and 1999 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, 2000 all expressed in Euro as set out on pages F-4 to F-86 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 the United States of America. 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, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2000 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 44 to the consolidated financial statements.

PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
Dublin
Ireland
May 10, 2000

BANK OF IRELAND GROUP

CONSOLIDATED STATEMENT OF INCOME

	Notes	2000 Group Total	1999 Group Total	1998 Group Total
		Year ended March 31,		
		(in € millions)		
INTEREST RECEIVABLE				
Interest receivable and similar income arising from debt securities		321	284	264
Other interest receivable and similar income	3	2,681	2,841	2,311
INTEREST PAYABLE	4	1,760	2,009	1,619
NET INTEREST INCOME		1,242	1,116	956
Fees and commissions receivable		729	603	469
Fees and commissions payable		(112)	(50)	(36)
Dealing profits	32	44	71	42
Contribution from life assurance companies		127	107	67
Other operating income	5	112	71	42
TOTAL OPERATING INCOME		2,142	1,918	1,540
Administrative expenses	6	1,048	962	820
Depreciation and amortisation	6,17	119	98	71
OPERATING PROFIT BEFORE PROVISIONS		975	858	649
Provision for bad and doubtful debts	14	56	56	47
OPERATING PROFIT		919	802	602
Income from associated undertakings	7	1	34	71
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEM		920	836	673
Profit on disposal of associated undertaking	2	—	218	—
PROFIT BEFORE TAXATION		920	1,054	673
Taxation on profit on ordinary activities	8	196	223	197
Effect of reductions in Irish corporation tax standard rate on deferred tax balances	8	—	30	—
PROFIT AFTER TAXATION		724	801	476

The notes on pages F-11 to F-86
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED STATEMENT OF INCOME

	Notes	Year ended March 31, 2000 Group Total	1999 Group Total	1998 Group Total
		(in € millions)		
PROFIT AFTER TAXATION		724	801	476
Minority interests				
: equity		3	1	1
: non equity		6	6	6
Non-cumulative preference stock dividends	9	25	23	20
PROFIT ATTRIBUTABLE TO THE ORDINARY STOCKHOLDERS		690	771	449
Transfer to capital reserve	30	70	36	41
Ordinary dividends	9	233	192	150
PROFIT RETAINED FOR THE YEAR		387	543	258
Earnings per unit of €0.64 Ordinary Stock	10	68.0c	74.5c	45.0c
Alternative Earnings per unit of €0.64 Ordinary Stock	10		54.3c	
Diluted Earnings per unit of €0.64 Ordinary Stock	10	67.6c	73.9c	44.7c

The notes on pages F-11 to F-86
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED BALANCE SHEET

	Notes	At March 31, 2000	At March 31, 1999
		(in € millions)	
ASSETS			
Cash and balances at central banks		210	1,083
Items in the course of collection from other banks		617	575
Central government and other eligible bills	11	746	662
Loans and advances to banks	12	6,972	3,457
Loans and advances to customers	13	44,844	36,183
Securitisation and loan transfers		708	858
Less: non returnable amounts		578	741
		130	117
Debt securities	15	6,668	5,146
Equity shares		15	18
Own shares		33	—
Interests in associated undertakings	16	14	13
Tangible fixed assets	17	975	835
Intangible fixed assets	18	9	—
Other assets	19	2,044	2,223
Prepayments and accrued income		502	467
		63,779	50,779
Life assurance assets attributable to policyholders	20	4,238	3,535
		68,017	54,314
LIABILITIES			
Deposits by banks	21	10,306	7,039
Customer accounts	22	40,990	34,297
Debt securities in issue	23	2,825	541
Items in the course of transmission to other banks		219	251
Other liabilities	24	3,398	3,477
Accruals and deferred income		611	670
Provisions for liabilities and charges			
— deferred taxation	25	86	65
— other	26	107	114
Subordinated liabilities	27	1,866	1,389
Minority interests			
— equity		5	3
— non equity	28	87	79
Called up capital stock	29	690	681
Stock premium account	30	679	633
Capital reserve	30	232	159
Profit and loss account	30	1,510	1,365
Revaluation reserve	30	168	16
Stockholders' funds including non equity interests		3,279	2,854
Life assurance liabilities attributable to policyholders	20	4,238	3,535
		68,017	54,314

The notes on pages F-11 to F-86
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED BALANCE SHEET

	Notes	At March 31, 2000	At March 31, 1999
		(in € millions)	
MEMORANDUM ITEMS			
Contingent liabilities			
Acceptances and endorsements		106	73
Guarantees and assets pledged as collateral security		897	621
Other contingent liabilities		343	343
	35	1,346	1,037
Commitments	35	11,553	9,075

The notes on pages F-11 to F-86
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

OTHER PRIMARY STATEMENTS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Notes	Year ended March 31, 2000	1999	1998
		(in € millions)		
Profit attributable to the ordinary stockholders		690	771	449
Exchange adjustments	29,30	183	(23)	159
Revaluation of property	30	152	4	2
Total recognised gains since last year		1,025	752	610

NOTE OF HISTORICAL COST PROFIT AND LOSS

There is no significant difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis.

RECONCILIATION OF MOVEMENT IN STOCKHOLDERS' FUNDS

	Notes	Year ended March 31, 2000	1999	1998
		(in € millions)		
Profit attributable to the ordinary stockholders		690	771	449
Dividends	9	(233)	(192)	(150)
		457	579	299
Other recognised (losses)/gains		335	(19)	161
New capital stock subscribed	29,30	42	56	281
Goodwill arising on acquisitions		—	—	(526)
Goodwill written back on disposal of Citizens	30	—	230	—
Goodwill written back on other disposal	30	—	1	—
Stock buyback	30	(409)	—	—
		425	847	215
At 1 April		2,854	2,007	1,792
At March 31		3,279	2,854	2,007
Stockholders' funds:				
Equity		3,064	2,647	1,798
Non equity		215	207	209
		3,279	2,854	2,007

The notes on pages F-11 to F-86
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Notes	2000	1999	1998
		Year ended March 31, (in € millions)		
Preference stock				
At April 1		21	21	21
Exchange adjustments		1	—	—
At March 31	29	22	21	21
Ordinary stock				
At April 1		660	652	618
Stock alternative scheme issue		2	4	2
Employees' profit sharing plan and executive stock option plan		1	4	3
Share placing		—	—	29
Capitalisation of reserves		5	—	—
At March 31	29	668	660	652
Stock premium				
At April 1		633	587	329
Premium on issue of capital stock		13	14	226
Premium on stock alternative scheme issue		26	35	23
Stock issue expenses		—	—	(2)
Exchange adjustments		7	(3)	11
At March 31	30	679	633	587
Capital Reserve				
At April 1		159	124	67
Exchange adjustments		3	(1)	16
Transfer to/from revenue reserves		70	36	41
At March 31	30	232	159	124
Profit and loss account				
At April 1		1,365	1,410	1,021
Transfer from goodwill reserve		—	(801)	—
		1,365	609	1,021
Profit attributable to the ordinary stockholders		690	771	449
Transfer to Capital Reserve		(70)	(36)	(41)
Ordinary dividends		(233)	(192)	(150)
Goodwill written back on disposal of Citizens		—	230	—
Goodwill written back on other disposal		—	1	—
Transfer from revaluation reserve		—	—	2
Stock buyback		(409)	—	—
Capitalisation of reserves		(5)	—	—
Exchange adjustments		172	(18)	129
At March 31	30	1,510	1,365	1,410
Goodwill reserve				
At April 1		—	(801)	(275)
Transfer to profit and loss account		—	801	—
Goodwill written off on acquisition of Bristol & West		—	—	(375)
Goodwill written off on acquisition of New Ireland		—	—	(118)
Goodwill on acquisitions undertaken by Citizens Financial Group		—	—	(27)
Other Goodwill		—	—	(6)
At March 31	30	—	—	(801)
Revaluation reserve				
At April 1		16	13	11
Revaluation of property		152	4	2
Exchange adjustments		—	(1)	2
Transfer to profit and loss		—	—	(2)
At March 31	30	168	16	13
Total stockholders' funds		3,279	2,854	2,007

The notes on pages F-11 to F-86
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED CASH FLOW STATEMENT

RECONCILIATION OF OPERATING PROFIT TO NET OPERATING CASH FLOWS

	Notes	Year ended March 31, 2000	1999	1998
			(in € millions)	
Operating Profit		919	802	602
(Increase)/decrease in accrued income and prepayments		(24)	63	(113)
(Decrease)/increase in accruals and deferred income		(98)	(19)	210
Provisions for bad and doubtful debts		56	56	47
Loans and advances written off net of recoveries		(39)	(47)	(29)
Depreciation and amortisation		119	98	71
Interest charged on subordinated liabilities		92	104	90
Other non-cash movements		(49)	(18)	20
Net cash flow from trading activities		976	1,039	898
Net (increase)/decrease in collections/transmissions		(61)	(93)	77
Net (increase)/decrease in loans and advances to banks		(2,836)	1,959	(877)
Net (increase) in loans and advances to customers		(6,055)	(5,061)	(1,821)
Net increase in deposits by banks		3,037	1,669	2,668
Net increase in customers accounts		4,468	2,164	1,342
Net increase/(decrease) in debt securities in issue		2,084	(538)	(32)
Net (increase)/decrease in non-investment debt and equity securities		(914)	124	374
Net decrease/(increase) in other assets		209	(524)	(617)
Net (decrease)/increase in other liabilities		(210)	287	778
Exchange movements		(150)	(216)	184
Net cash flow from operating activities		548	810	2,226
Dividend received from associated undertaking		—	1	2
Returns on investment and servicing of finance	38	(122)	(141)	(103)
Taxation		(192)	(138)	(146)
Capital expenditure and financial investment	38	(310)	(903)	159
Acquisitions and disposals	38	(10)	715	(1,028)
Equity dividends paid		(176)	(127)	(93)
Financing	38	(92)	(9)	206
(Decrease)/increase in cash		(354)	208	1,223

The notes on pages F-11 to F-86
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

1.1 Accounting Convention

The accounts on pages F-4 to F-86 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 1999 and the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with applicable accounting standards. The accounts are drawn up in euro (€) and except where otherwise indicated are expressed in millions and the 1999 and the 1998 amounts have been restated in euro at the fixed translation rate of €1 = IR£0.787564. Costs, assets and liabilities are inclusive of irrecoverable value added taxes, where appropriate. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

During the year, the Group implemented the requirements of Financial Reporting Standard 15, Tangible Fixed Assets (FRS 15) arising from which an interim valuation of the Group's properties was undertaken, see note 17. Financial Reporting Standard 16, Current Tax (FRS 16) was also implemented.

1.2 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.

1.3 Foreign Currency Translation

Assets and liabilities in foreign currencies are translated into euro 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 euro 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.

1.4 Income Recognition

Interest income is recognised as it accrues, except in the case of doubtful debts where interest is recognised 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.

1.5 Mortgage Incentives

Mortgage interest discounts below the cost of funds and cashbacks are capitalised in other assets when there is a right and intention to recover the incentive in the event of early redemption. The amount capitalised 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.

1.6 Leasing and Instalment Finance

Leasing income is recognised 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 instalment finance transactions, including hire purchase finance, is recognised in proportion to the balances outstanding.

1.7 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 amortisation of premiums or discounts over the period to maturity. The amortisation 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 recognised when realised.

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 recognised in the profit and loss account as they arise and included in dealing profits. Profits and losses on disposal are recognised when realised and included in dealing profits, except for those securities maintained for hedging purposes, which are amortised over the lives of the underlying transactions and included in net interest income.

1.8 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 recognised 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. Unrealised 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 amortised over the remaining life of the asset, liability, position or cash flow previously being hedged.

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

1.9 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 amortised to the profit and loss account as appropriate.

1.10 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.

1.11 Tangible Fixed Assets

Properties held by the Group are stated at valuation. Computer and other equipment is stated at cost less depreciation. Leasehold property with unexpired terms of 50 years or less is depreciated by equal annual instalments 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 material, 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.

1.12 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. Provisions made during the year are charged against profits, less amounts released and net of recoveries previously written off.

1.13 Deferred Taxation

Deferred taxation is recognised 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 recognised unless the benefit assured is beyond reasonable doubt.

1.14 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.

1.15 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.

1.16 Securitisation and Loan Transfers

Assets sold under securitisation 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.

1.17 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 capitalised as assets on the balance sheet and amortised over their estimated useful economic lives.

1.18 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 U.S. retail banking interests in New England and results in an exceptional profit before taxation of €218m (€208m after tax) for the year end March 31, 1999, equivalent to an exceptional increase in EPS of 20.2c. After writing back goodwill previously written off to reserves, the transaction results in an improvement to Bank of Ireland's stockholders funds of €438m.

3 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended March 31,		
	2000	1999	1998
	(in € millions)		
Loans and advances to banks	164	289	293
Loans and advances to customers	2,371	2,427	1,925
Finance leasing	89	75	60
Instalment credit	57	50	33
	2,681	2,841	2,311

4 INTEREST PAYABLE

	Year ended March 31, 2000	1999	1998
	(in € millions)		
Interest on subordinated liabilities	92	104	90
Other interest payable	1,668	1,905	1,529
	1,760	2,009	1,619

5 OTHER OPERATING INCOME

	Year ended March 31, 2000	1999	1998
	(in € millions)		
Profit on disposal of investment securities	39	15	—
Profit on disposal of tangible fixed assets	23	2	—
Securitisation servicing fees	8	13	9
Other income	42	41	33
	112	71	42

6 OPERATING EXPENSES

	Year ended March 31, 2000	1999	1998
	(in € millions)		
Staff Costs:			
wages and salaries	584	519	425
social security costs	47	41	34
pension costs	11	11	29
staff stock issue	14	9	10
severance packages	2	2	2
	658	582	500
Operating lease rentals:			
property	10	17	10
equipment	1	1	—
Other administrative expenses	379	362	310
Total administrative expenses	1,048	962	820
Depreciation and amortisation:			
freehold and leasehold property	14	13	10
computer and other equipment	105	85	61
Total depreciation	119	98	71
Total operating expenses	1,167	1,060	891

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 2000 the charge represents 3.5% of eligible employees' basic salary (1999: 2.5%, 1998: 3.0%).

6 OPERATING EXPENSES (Continued)

	Year ended March 31,		
	2000	1999	1998
	(in € millions)		
Auditors' remuneration (including VAT)			
Audit work	1.6	1.5	1.4
Non audit work	3.8	3.8	4.3

7 INCOME FROM ASSOCIATED UNDERTAKINGS

	Year ended March 31,		
	2000	1999	1998
	(in € millions)		
Citizens Financial Group, Inc.	—	32	70
Other associates	1	2	1
	1	34	71

8 TAXATION

	Year ended March 31,		
	2000	1999	1998
	(in € millions)		
Corporation tax	156	174	125
Tax on the sale of Citizens Financial Group	—	10	—
Tax credits applicable to distributions received	—	5	5
Duty on certain tax-based lending	—	1	1
Deferred taxation:			
Effect of reductions in Irish Corporation tax standard rate on deferred tax balances(1)	—	30	—
Other	40	23	44
Associated undertakings	—	10	22
	196	253	197

The tax charge for the year, at an effective rate of 21.3% is lower than the standard Irish corporation tax rate because of relief arising from tax based lending and the International Financial Services Centre 10% tax rate.

	Year ended March 31,		
	2000	1999	1998
	(in € millions)		
Current taxation			
Domestic	102	114	89
Foreign	54	86	64
	156	200	153
Deferred taxation			
Domestic	42	49	38
Foreign	(2)	4	6
	40	53	44
	196	253	197

8 TAXATION (Continued)

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

	Year ended March 31,		
	2000	1999*	1998
		(%)	
Statutory corporation tax rate	27.0	31.0	35.0
Tax on foreign income	—	(0.6)	(1.7)
Tax exempted income and income at a reduced tax rate	(5.4)	(3.1)	(3.5)
BOIFH non tax effected profits	—	—	(0.1)
Other items	(0.3)	1.9	(0.3)
Effective tax rate	21.3	29.2	29.4

* excluding exceptional items

Included in the charge for corporation tax is €81m (1999: €86m, 1998: €65m) in respect of taxation on non Republic of Ireland business units.

	Year ended March 31,		
	2000	1999	1998
		(in € millions)	
The deferred taxation charge arises from:			
Leased assets	38	18	36
Own assets	—	(9)	—
Short term timing differences	2	44	8
	40	53	44

(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;

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

9 DIVIDENDS

	Year ended March 31,		
	2000	1999	1998
	(in € millions)		
Equity Stock:			
2000			
On units of €0.64 Ordinary Stock in issue			
Interim dividend 7.36c (Tax credit nil)	73		
Proposed final dividend 16.14c (Tax credit nil)	160		
1999			
On units of €0.64 Ordinary Stock in issue			
Interim dividend 5.84c (Tax credit 1.4438c)		61	
Final dividend 12.57c (Tax credit nil)		131	
1998			
On units of €0.64 Ordinary Stock in issue			
Interim dividend 4.5c (Tax credit 1.1142c)			46
Final dividend 10.1c (Tax credit 2.4953c)			104
	233	192	150

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.

9 DIVIDENDS (Continued)

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

	Year ended March 31,		
	2000	1999	1998
	(in € millions)		
Non Equity Stock:			
2000			
On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR1.2p (Tax credit nil)	16		
On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg1.2625p (Tax credit nil)	9		
1999			
On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR1.068000p (Tax credit IR0.132000p)		14	
On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg1.123625p (Tax credit Stg0.138875p)		9	
1998			
On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR1.008001p (Tax credit IR0.191999p)			14
On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg1.0605015p (Tax credit Stg0.2019985p)			6
	25	23	20

Dividend payments on Non Cumulative Preference Stock are accrued.

10 EARNINGS PER UNIT OF €0.64 ORDINARY STOCK

The calculation of earnings per unit of €0.64 Ordinary Stock is based on the profit attributable to Ordinary Stockholders of €689.5m (1999: €771m, 1998: €449m) and the weighted average Ordinary Stock in issue of 1,013.6m units (1999: 1,034.8m units, 1998: 998.2m units).

The calculation of the alternative earnings per share for year ended March 31, 1999 is based on the profit attributable to Ordinary Stockholders before the exceptional item of €563m after tax and the weighted average Ordinary Stock of 1,034.8m units.

The diluted earnings per share is based on the profit attributable to Ordinary Stockholders of €689.5m (1999: €771m, 1998: 449m) and the weighted average Ordinary Stock in issue of 1,013.6m units (1999: 1,034.8m units, 1998: 998.2m units) adjusted for the effect of all dilutive potential Ordinary Stock of 5.9m units (1999: 7.6m units, 1998: 8.2m units).

11 CENTRAL GOVERNMENT BILLS AND OTHER ELIGIBLE BILLS

	At March 31, 2000	At March 31, 1999
	(in € millions)	
Investment securities		
government bills and similar securities	5	—
other eligible bills	636	587
Other securities		
government bills and similar securities	105	75
	746	662

12 LOANS AND ADVANCES TO BANKS

	At March 31, 2000	At March 31, 1999
	(in € millions)	
Funds placed with Central Bank of Ireland	74	72
Funds placed with other central banks	582	25
Funds placed with other banks	6,316	3,360
	6,972	3,457
Repayable on demand	1,189	594
Other loans and advances to banks by remaining maturity		
3 months or less	4,630	1,811
1 year or less but over 3 months	1,107	995
5 years or less but over 1 year	22	43
over 5 years	24	14
	6,972	3,457

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

13 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	At March 31, 2000	At March 31, 1999
	(in € millions)	
Loans and advances to customers	42,109	34,329
Loans and advances to customers — finance leases	2,323	1,640
Hire purchase receivables	810	573
	45,242	36,542
General and specific bad and doubtful debt provisions	(398)	(359)
	44,844	36,183
Repayable on demand	1,953	1,616
Other loans and advances to customers by remaining maturity		
3 months or less	2,148	1,469
1 year or less but over 3 months	2,662	2,408
5 years or less but over 1 year	8,649	7,043
over 5 years	29,830	24,006
	45,242	36,542

The loans accounted for on a non-accrual basis at March 31, amounted to €355m (1999: €444m).

(b) Securitisation and loan transfers

The Group has sold the following pools of mortgages.

Year	Securitisations	Notes	Mortgages	Presentation in accounts	Value €m
1992	Private placements with UK financial Institutions	(ii),(v)	Residential	Linked	242
1993	Private placements with UK financial Institutions	(ii),(v)	Residential	Consolidated	167
1993	Residential Property Securities No. 3 plc (RPS3)	(i),(ii)	Residential	Linked	418
1994	Residential Property Securities No. 4 plc (RPS4)	(i),(iii)	Residential	Linked	836
1994	Commercial Loans on Investment Property Securitisation (No. 1) plc (CLIPS)	(iv)	Commercial	Linked	250
1997	Residential Property Securities No. 5 plc (RPS5)	(i),(iii)	Residential	Linked	501

All the issued shares in the above companies, excluding the private placements, are held by Trusts. The Group does not own directly or indirectly any of the share capital of these companies or their parent companies.

Under the terms of separate agreements, the Group continues to administer the mortgages, for which it receives fees and income. In addition, the Group is required to cover credit losses arising subject to specified limits as set out below. 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.

Notes

(i) These companies issued Mortgage Backed Floating Rate Notes ('Notes') to finance the purchase of the mortgage pools. Loan facilities have been made available by the Group to finance certain issue related

13 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Securitisation and loan transfers (Continued)

expenses and loan losses arising on the pools of mortgages sold. The loans are repayable when all Notes have been redeemed subject to the issuer having sufficient funds available.

The companies have hedged their interest rate exposure to fixed rate mortgages using interest exchange agreements with financial institutions including Bank of Ireland and Bank of Ireland Home Mortgages Limited.

The companies are incorporated under the Companies Acts 1985 and are registered and operating in the UK.

(ii) 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% of the original sale proceeds.

(iii) 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 5% of the original sale proceeds.

(iv) The company funded this purchase by the issue of floating rate mortgage backed securities, the lowest ranking of which have been purchased by the Group. Under the terms of this issue, the Group is not obliged to repurchase any of the assets, or to transfer in any additional assets. The issue terms of the notes include provisions that neither the company nor the noteholders have recourse to the Group and no Group company is obliged or intends to support any losses of the company. 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 the Group as deferred consideration.

The company is incorporated under the Irish Companies Acts 1963 to 1999 and is registered and operating in the Republic of Ireland.

(v) Under the terms of the agreements relating to the private placements, the Group has agreed to support losses to a maximum of €1.93m. The providers of finance have agreed that they will seek no further recourse to the Company above this amount.

A summarised profit and loss account for the period to March 31, 2000 for RPS3, RPS4, RPS5, the private placement of €242m and CLIPS is set out below:

	At March 31,	
	2000	1999
	(in € millions)	
Interest receivable	55	87
Interest payable	(50)	(80)
Fee income	4	3
Deposit income	3	4
Operating expenses	(4)	(1)
Profit for the financial period	8	13

(c) Concentration of exposure to credit risk

The Group's exposure to credit 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 56% of the total loans and advances to customers, 25% of the loans and advances in Ireland (including Northern Ireland) and 86% in Great Britain.

13 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Leasing and hire purchase

	At March 31, 2000	At March 31, 1999
	(in € millions)	
Amount receivable by remaining maturity		
within 1 year	670	395
5 years or less but over 1 year	1,035	898
over 5 years	1,428	920
	3,133	2,213

The cost of assets acquired for finance leases and hire purchase contracts, net of grants received or receivable, amounted to €1,545m (1999: €1,072m).

Aggregate amounts receivable including capital repayments during the year in respect of finance leases and hire purchase contracts amounted to €1,082m (1999: €753m).

14 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Year ended March 31, 2000	1999	1998
	(in € millions)		
At April 1,	359	357	223
Exchange adjustments	22	(7)	19
Charge against profits	56	56	47
Amounts written off	(57)	(62)	(42)
Recoveries	18	15	13
Acquisition of Group undertaking	—	—	97
At March 31,	398	359	357
All of which relates to loans and advances to customers			
Provisions at March 31,			
specific	115	123	143
general	283	236	214
	398	359	357

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 €141m (1999: €126m, 1998: €126m) and a non designated element, for prudential purposes of €142m (1999: €110m, 1998: €88m). The non designated element, against which a deferred tax asset has been recognised, will be offset, in certain pre-defined circumstances, against specific loan losses as they crystallise in future years.

15 DEBT SECURITIES

	At March 31, 2000			
	Book Value	Gross Unrealised Gains	Gross Unrealised Losses	Fair Value
	(in € millions)			
Issued by Public Bodies				
Investment securities				
government securities	533	12	(1)	544
Other securities				
government securities	1,965			1,965
other public sector securities	—			—
	1,965			1,965
Issued by Other Issuers				
Investment securities				
bank and building society certificates of deposit	49	—	—	49
other debt securities	3,656	7	(6)	3,657
	3,705	7	(6)	3,706
Other securities				
bank and building society certificates of deposit	—			—
other debt securities	465			465
	465			465
	6,668	19	(7)	6,680

15 DEBT SECURITIES (Continued)

	At March 31, 1999			
	Book Value	Gross Unrealised Gains	Gross Unrealised Losses	Fair Value
	(in € millions)			
Issued by Public Bodies				
Investment securities				
government securities	600	28	—	628
Other securities				
government securities	1,244			1,244
other public sector securities	22			22
	1,266			1,266
Issued by Other Issuers				
Investment securities				
bank and building society certificates of deposit	281	—	—	281
other debt securities	2,708	50	(15)	2,743
	2,989	50	(15)	3,024
Other securities				
bank and building society certificates of deposit	—			—
other debt securities	291			291
	291			291
	5,146	78	(15)	5,209

	Year ended March 31,	
	2000	1999
	(in € millions)	
Investment securities		
listed	3,189	2,542
unlisted	1,049	1,047
	4,238	3,589
Other securities		
listed	2,160	1,294
unlisted	270	263
	2,430	1,557
Unamortised premiums and discounts on investment securities	5	18

Income from listed and unlisted investments amounted to €337m (1999: €298m, 1998: €263m).

15 DEBT SECURITIES (Continued)

Investment securities' movements

	Cost	Discount/ (Premium)	Carrying Value
		(in € millions)	
At April 1, 1999	3,628	(39)	3,589
Exchange adjustments	362	(1)	361
Acquisitions	3,091	—	3,091
Disposals and redemptions	(2,797)	1	(2,796)
Amortisation of premiums and discounts	—	(7)	(7)
At March 31, 2000	4,284	(46)	4,238

	Year ended March 31, 2000	Year ended March 31, 1999
	(in € millions)	
Analysed by remaining maturity:		
Due within one year	1,883	871
Due one year and over	4,785	4,275
	6,668	5,146

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 €1,295m (1999: €884m).

Debt securities with a market value of €1,708m (1999: €2,565m) were pledged as collateral to cover settlement risk for securities' transactions.

16 INTERESTS IN ASSOCIATED UNDERTAKINGS

	Year ended March 31, 2000	Year ended March 31, 1999
	(in € millions)	
At April 1, 1999	13	270
Exchange adjustments	—	(15)
Acquisitions	—	3
Net increase in investments	1	1
Disposal of Citizens Financial Group	—	(237)
Other disposals	—	(33)
Retained profits	—	24
At March 31, 2000	14	13

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.

17 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 € millions)			
Cost or valuation						
At April 1, 1999	427	73	46	708	8	1,262
Exchange adjustments	23	1	3	22	—	49
Additions	72	—	7	128	—	207
Disposals	(121)	(1)	(2)	(27)	(1)	(152)
Revaluation	80	41	(11)	—	—	110
At March 31, 2000	481	114	43	831	7	1,476
Accumulated depreciation and amortisation						
At April 1, 1999	18	3	9	392	5	427
Exchange adjustments	—	—	1	16	—	17
Disposals	—	(1)	(1)	(18)	—	(20)
Charge for year	8	—	5	105	1	119
Revaluation	(26)	(2)	(14)	—	—	(42)
At March 31, 2000	—	—	—	495	6	501
Net book value						
At March 31, 2000	481	114	43	336	1	975
At March 31, 1999	409	70	37	316	3	835

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.

An interim revaluation was undertaken at March 31, 2000 by the Bank's professionally qualified staff valuing all property using the same basis of valuation as used in the 1996 valuation as outlined above. The surplus arising on this revaluation amounted to €152m.

The Group's freehold land and buildings includes €50m for the new head office of Bristol & West Group at Temple Quay in Bristol which is in the course of construction.

As at March 31, 2000 on a historical cost basis the cost of group property would have been included at €415m (1999: €433m) less accumulated depreciation €42m (1999: €32m). The Group occupies properties with a net book value of €484m (1999: €339m) in the course of carrying out its own activities.

In the year to March 31, 2000 salary and other costs of €15m (1999: €19m) incurred on computer software development and other projects have been capitalised and included in computer and other equipment. This

17 TANGIBLE FIXED ASSETS (Continued)

expenditure is depreciated in equal annual instalments over its estimated useful life subject generally to a maximum period of five years.

	Year ended March 31, 2000	Year ended March 31, 1999
	(in € millions)	
Tangible fixed assets leased	99	157

	Year ended March 31, 2000	Year ended March 31, 1999
	(in € millions)	
Future capital expenditure		
contracted but not provided in the accounts	22	43
authorised by the Directors but not contracted	1	9

Rentals payable in 2000 under non-cancellable operating leases amounted to €37m (1999: €32m). Of this amount €3m (1999: €4m) relates to leases expiring within one year, €6m (1999: €5m) relates to leases expiring in two to five years and €28m (1999: €23m) relates to leases expiring after five years, split between property €35m and equipment €2m.

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

Year ended March 31	Payable	Receivable
	(in € millions)	
2001	35	6
2002	32	6
2003	31	5
2004	30	4
2005	29	2
Thereafter	449	14

The obligations under finance leases amount to €1.1m (1999: €1.5m) of which €0.6m (1999: €0.7m) is due within one year, €0.5m (1999: €0.8m) is due after more than one year but within five years and €nil (1999: €nil) is due after five years.

18 INTANGIBLE FIXED ASSETS

	Year ended March 31, 2000	Year ended March 31, 1999
	(in € millions)	
Goodwill on acquisition of minority interest in subsidiary	9	—
	9	—

In December 1999, the remaining 25% minority interest in Active Business Services was purchased by a subsidiary of the Group for a cost of €9m.

19 OTHER ASSETS

	Year ended March 31, 2000	1999
	(in € millions)	
Sundry debtors	1,060	914
Foreign exchange and interest rate contracts	566	999
Value of life assurance business in force	282	221
Other	136	89
	2,044	2,223

20 LIFE ASSURANCE BUSINESS

The net assets attributable to stockholders from the life assurance business are analysed as follows:

	Year ended March 31, 2000	1999
	(in € millions)	
Long Term Assurance Business		
Net tangible assets of life companies including surplus	270	235
Value of life assurance business in force	282	221
	552	456
Increase in net tangible assets of life companies including surplus	34	26
Increase in value of life assurance business in force	62	49
Profit after tax (includes a movement in revaluation reserve of €3m in 2000)	96	75

The life assurance assets attributable to policyholders consist of:

	Year ended March 31, 2000	1999
	(in € millions)	
Property	274	216
Fixed interest securities	1,285	1,309
Other securities	2,429	1,760
Bank balances and cash	203	194
Income receivable	31	34
Other assets	27	32
Other liabilities	(11)	(10)
	4,238	3,535

20 LIFE ASSURANCE BUSINESS (Continued)

Value of in-force business

The principal assumptions used in the calculation of shareholders' value of in-force business are:

	2000	1999
Risk adjusted discount rate (net of tax)	11%	12%
Gross investment return	6.5%	6.5%

Mortality Rates	Based on actual experience
Lapse Rates	Based on actual experience on each block of business.
Asset Values	The value of unit-linked assets used as a starting point to project future charges on funds is calculated on a smoothed basis. Assets supporting the solvency margin are not discounted.

Achieved Profits:

The profit, derived using the Achieved Profits method, is analysed into four categories:

A contribution from new business, comprising the excess amount of the value added after providing for the return equal to the risk adjusted discount rate on capital employed in writing the new business;

A contribution from in-force business at the beginning of the year, comprising interest at the risk adjusted discount rate on the value of in-force business together with the effect of any deviations in experience compared with the assumptions;

Investment earnings on the net assets attributable to shareholders;

Changes in assumptions and exceptional items expected to be non-recurring.

20 LIFE ASSURANCE BUSINESS (Continued)

Premium Income Analysis

The table below sets out the levels of gross premiums and new business written for 2000 and 1999.

	Individual Life	Individual Pensions	Group Contracts	Total
	(in € millions)			
Gross Premiums Written — 2000				
Recurring premiums	220	121	8	349
Single premiums	422	60	29	511
Total gross premiums written	642	181	37	860
Gross Premiums Written — 1999				
Recurring premiums	178	100	6	284
Single premiums	264	40	24	328
Total gross premiums written	442	140	30	612
Gross New Business Premiums Written — 2000				
Recurring premiums	76	41	3	120
Single premiums	422	60	29	511
Total gross new business written	498	101	32	631
Gross New Business Premiums Written — 1999				
Recurring premiums	53	32	—	85
Single premiums	264	40	24	328
Total gross new business written	317	72	24	413

21 DEPOSITS BY BANKS

	Year ended March 31, 2000	1999
	(in € millions)	
Deposits by Banks	10,306	7,039
of which:		
Domestic	8,095	5,828
Foreign	2,211	1,211
	10,306	7,039
Repayable on demand	3,799	2,146
Other deposits by remaining maturity		
3 months or less	4,982	3,621
1 year or less but over 3 months	1,094	388
5 years or less but over 1 year	139	843
over 5 years	292	41
	10,306	7,039

22 CUSTOMER ACCOUNTS

	Year ended March 31, 2000	1999
	(in € millions)	
Current accounts	6,114	4,834
Demand deposits	16,763	13,575
Term deposits and other products	17,979	15,715
Other short-term borrowings	134	173
	40,990	34,297
of which:		
Non interest bearing current accounts		
Domestic	4,055	3,122
Foreign	632	532
	4,687	3,654
Interest bearing current accounts and short term borrowings		
Domestic	15,135	12,626
Foreign	21,168	18,017
	36,303	30,643
Repayable on demand	23,561	19,149
Other deposits with agreed maturity dates or periods of notice, by remaining maturity		
3 months or less	10,347	9,579
1 year or less but over 3 months	3,383	2,988
5 years or less but over 1 year	2,947	2,099
over 5 years	752	482
	40,990	34,297

23 DEBT SECURITIES IN ISSUE

	Year ended March 31, 2000	1999
	(in € millions)	
Bonds and medium term notes by remaining maturity		
3 months or less	8	26
1 year or less but over 3 months	14	15
5 years or less but over 1 year	1,037	236
Other debt securities in issue by remaining maturity		
3 months or less	642	161
1 year or less but over 3 months	924	103
5 years or less but over 1 year	200	—
	2,825	541

24 OTHER LIABILITIES

	Year ended March 31, 2000	1999
	(in € millions)	
Current taxation	136	189
Notes in circulation	522	401
Foreign exchange and interest rate contracts	519	989
Sundry creditors	1,485	1,137
Other	576	630
Dividends	160	131
	3,398	3,477

The Bank is authorised 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.

25 DEFERRED TAXATION

	Year ended March 31, 2000	1999
	(in € millions)	
Taxation treatment of capital allowances:		
finance leases	90	57
equipment used by group	10	10
Other short term timing differences	(14)	(2)
	86	65
At April 1,	65	93
Provision made/(utilised)	40	53
Other movements	(19)	(81)
At March 31,	86	65

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.

26 OTHER PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions obligations	Other	Total
	(in € millions)		
At April 1, 1999	70	44	114
Exchange adjustments	2	4	6
Provisions made	10	2	12
Provisions utilised	(11)	(10)	(21)
Provisions released	—	(4)	(4)
At March 31, 2000	71	36	107

27 SUBORDINATED LIABILITIES

	Year ended March 31,	
	2000	1999
	(in € millions)	
Undated Loan Capital		
Bank of Ireland		
US$150m Undated Floating Rate Primary Capital Notes	155	138
US$270.3m Undated Variable Rate Notes	—	252
Bristol & West		
Stg£75m 13 3/8% Perpetual Subordinated Bonds	207	185
	362	575
Dated Loan Capital		
Bank of Ireland		
Stg£100m 9.75% Subordinated Bonds 2005	166	149
US$175m Subordinated Floating Rate Notes 2007	183	162
Stg £200m Subordinated Floating Rate Notes 2009	334	300
€600m 6.45% Subordinated Bonds 2010	597	—
Bristol & West		
Stg£60m 10 7/8% Subordinated Bonds 2000	100	90
Stg£75m 10 3/4% Subordinated Bonds 2018	124	113
	1,504	814
	1,866	1,389
Repayable		
in 1 year or less	100	—
Between 1 and not more than 2 years	—	90
Between 2 and not more than 5 years	166	—
5 years or more	1,238	724
	1,504	814

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 June 10, 1999, the remaining US$270.3m of the US$300m Undated Variable Rate Notes was redeemed.

The Bank issued Stg£100m 9.75 per cent Subordinated Bonds due 2005 on March 21, 1995. The Bank set up a Stg£500m Euro Note Programme (“the Programme”) in July 1995 and issued Stg£200m Subordinated Floating Rate Notes due 2009 on February 11, 1997. The Programme was increased to Stg£1bn in July 1997 and the Bank issued US$175m Subordinated Floating Rate Notes due 2007 on September 4, 1997. On November 9, 1999 the Programme was redenominated from sterling to euro and increased to €4bn. On February 10, 2000 the Bank issued €600m 6.45 per cent Subordinated Notes due 2010. The Bonds and Notes constitute unsecured obligations of the Bank subordinated in right of payments to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

27 SUBORDINATED LIABILITIES (Continued)

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 13⅜% Perpetual Subordinated Bonds have a nominal value of Stg£75m and were revalued as part of the fair value adjustments on acquisition.

28 MINORITY INTEREST — NON EQUITY

	Year ended March 31,	
	2000	1999
	(in € millions)	
Bristol & West		
Stg£52.2m 8⅛% Non-Cumulative Preference Shares of Stg£1 each	87	79
	87	79

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 instalments 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.

29 CALLED UP CAPITAL STOCK

	Year ended March 31,	
	2000	1999
	(in € millions)	
Authorised		
1,500m units of €0.64 of Ordinary Stock*	960	952
8m units of Non-Cumulative Preference Stock of US$25 each	209	187
100m units of Non-Cumulative Preference Stock of Stg£1 each	167	150
100m units of Non-Cumulative Preference Stock of IR£1 each	127	127
	1,463	1,416

* The level of Authorised Ordinary Stock was increased during the year as a result of the redenomination and revaluation of stock into units of nominal value of €0.64 each.

29 CALLED UP CAPITAL STOCK (Continued)

	Year ended March 31, 2000	1999
	(in € millions)	
Allotted and fully paid		
Equity		
992.3m units of €0.64 of Ordinary Stock	635	660
51.7m units of €0.64 of Treasury Stock	33	—
Non equity		
5m units of Non-Cumulative Preference Stock of Stg£1 each	9	8
10.5m units of Non-Cumulative Preference Stock of IR£1 each	13	13
	690	681

In September 1999, 52m units of Ordinary Stock of nominal value of €0.64 each, were bought back by the Bank at the open market price on September 15 (€8.45) and September 16 (€8.15). This buyback was in accordance with authority granted by the Stockholders at the July 1999 Annual General Court. Following the re-issue of 0.3m of these units in connection with the Stock Option Scheme, the remaining 51.7m units of Ordinary Stock are held by the Bank as Treasury Stock and continue to be included in the allotted and fully paid capital stock. In accordance with the European Communities (Credit Institutions: Accounts) Regulations, 1992 the nominal value of the Treasury Stock is included in Own Shares. The premium and related costs (€409m) have been deducted from Revenue Reserves.

The weighted average Ordinary Stock in issue at March 31, 2000, used in the earnings per unit of Ordinary Stock calculation, excludes the Treasury Stock from the date of buyback, (See Note 10). This Treasury Stock does not rank for dividend.

Movements in Issued Ordinary Stock

In July 1999 the Ordinary Stock was split and redenominated into euro, each one IR£1 unit being split into two euro units of nominal value of €0.64 each.

For ease of comparison all units and prices of Ordinary Stock have been restated in this section to reflect the stock split and its subsequent redenomination.

During the year the total Ordinary Stock in issue decreased from 1,037,750,066 units of nominal value of €0.64 each to 992,330,835 units of nominal value of €0.64 each as follows:

In July 1999, 2,045,456 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 €9.18 per unit, instead of all or part of the cash element of their 1998/1999 Final Dividend. Additionally in that month, 1,338,171 units of Ordinary Stock were allocated 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 €8.27 per unit.

In September 1999, 52,000,000 units of Ordinary Stock were bought back at a weighted average price of €8.42.

In January 2000, 1,046,802 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 €8.44 per unit instead of all or part of the cash element of their 1999/2000 Interim Dividend.

During the year 2,150,340 units of Ordinary Stock were issued to option holders on the exercise of their options under the terms of the Senior Executive Stock Option Scheme at prices ranging between €0.97 and €5.753.

29 CALLED UP CAPITAL STOCK (Continued)

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. Following the introduction of Dividend Withholding Tax (''DWT'') in April 1999, it is the residual amount of the cash dividend (ie after DWT, where applicable) which may be taken in the form of new units of stock. 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 overall Group performance assessed both in terms of real growth in earnings per share (''EPS'') and how that real growth in EPS compares with that experienced by a peer group of Irish and UK financial institutions. 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. The maximum distribution under the Schemes is 4% of a participant's salary. To-date, annual distributions under the Schemes have ranged between nil and 3.5% of each participant's salary.

Group Savings — Related Stock Scheme

At the 1999 Annual General Court the Stockholders approved the establishment of a Group Savings-Related Stock Scheme. Under this Scheme, which has an Irish and UK version in order to conform with the relevant revenue legislation in both jurisdictions, all employees of the Bank and of certain subsidiaries are eligible to participate provided they are employed by the Bank on the day that the invitation to participate issues and on the day that the grant of options is made. This Scheme was launched in February 2000 and as a result options over 15,527,008 units of Ordinary Stock (1.6% of the Issued Ordinary Stock) were granted to participating employees at an option price of €5.40, which represented a 20% discount to the then market price. These options which are outstanding as at March 31, 2000 are exercisable, provided the participant's savings contracts are complete, between May 2003 and May 2007.

Stock Option Scheme

Options to subscribe for units of Ordinary Stock are granted under the terms of the 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

29 CALLED UP CAPITAL STOCK (Continued)

stock at the date of grant. The exercise of options granted since 1996 are conditional upon 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. The performance condition for options granted in 1996 and 1997 has been satisfied. Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant. At March 31, 2000, options were outstanding over 10,681,326 units of stock (1.08% of the Issued Ordinary Stock) at prices ranging from €0.97 to €8.93 per unit of stock. These options may be exercised at various dates up to 25 November 2009.

Long Term Performance Stock Plan

This Plan, approved by the Stockholders in 1999 links the number of units of stock receivable by participants, to the Bank's Total Shareholder Return (''TSR''). TSR represents stock price growth plus dividends.

Each year selected key senior executives participating in the Plan receive a conditional award of a number of units of Ordinary Stock. (The maximum value of these units may not exceed 40% of the executive's salary at the time of the award). The proportion of these units which actually vest in the executive on the 3rd anniversary of the date of the original award is based on the Bank's TSR relative to other companies as follows:

- Before any proportion of a conditional award may vest, the cumulative growth in the Bank's EPS must exceed the annual CPI plus 5%, compounded over the three years from the date of the award.
- Provided this condition has been satisfied, the proportion of the award which vests after 3 years is based on the Bank's TSR relative to other companies both in a peer group of eight Irish and UK financial institutions and in relation to the FTSE-100 companies as follows:
  - — 100% vests if Bank of Ireland is ranked 1 or 2 in the peer group and in the top decile of the FTSE-100
  - — from 100% to 50% vests if ranked between 3rd and 5th in the peer group and above the median in the FTSE-100
  - — no stock vests if ranked below both the median of the peer group and the median of the FTSE-100.
- Additionally 80% of stock which vests in an executive must be held for a further two years following which, provided the executive is still employed by the Group, he will be awarded additional units of stock not exceeding 20% of the units which had vested and were held. If the original units which vested continue to be held for a further 5 years (ie 10 years from the date of the original conditional award) and the executive remains in the employment of the Group, he will be awarded a further 30% of the units which originally vested and were held.

As at March 31, 2000 conditional awards totalling 195,752 units of stock had been made to the participants of this plan.

Limitations on Employee Stock Issue and Stock Option Schemes

All of the above stock issue and stock option schemes are subject to a range of flow rate controls approved by the Stockholders and which conform to current institutional investor guidelines.

29 CALLED UP CAPITAL STOCK (Continued)

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 instalments 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.

30 RESERVES

	At March 31, 2000	1999
	(in € millions)	
Stock premium account		
Opening balance	633	587
Premium on issue of capital stock	13	14
Premium on stock alternative scheme issue	26	35
Exchange adjustments	7	(3)
Closing balance	679	633
Capital reserve		
Opening balance	159	124
Transfer to/from revenue reserves	70	36
Exchange adjustments	3	(1)
Closing balance	232	159
Profit and loss account		
Opening balance	1,365	1,410
Transfer from goodwill reserve	—	(801)
	1,365	609
Profit retained	387	543
Exchange adjustments	172	(18)
Stock buyback (Note 29)	(409)	—
Capitalisation of reserves(1)	(5)	—
Goodwill written back on disposal of Citizens	—	230
Goodwill written back on other disposal	—	1
Closing balance	1,510	1,365
Revaluation reserve		
Opening balance	16	13
Revaluation of property	152	4
Exchange adjustments	—	(1)
Closing balance	168	16
Goodwill reserve		
Opening balance	—	(801)
Transfer to profit and loss account	—	801
	—	—

(1) Following the July 1999 Annual General Court, the capital stock of the Bank having a nominal value of IR£1 per unit was subdivided into two units of Ordinary Stock having a nominal value of IR£0.50 per unit. Each unit of Ordinary Stock was then redenominated into euro and renominalised to a nominal value of €0.64, requiring a capitalisation of Revenue Reserves.

31 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 €2,315.7m 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 €54.0m (1999: €55.1m, 1998: €58.0m) in regard to the main scheme is included in the accounts being the excess of the accumulated pension charge over the amount funded.

— the amortisation of the surplus gives rise to a net credit of €2.0m in relation to the main scheme, (1999 : €2.5m, 1998: a charge of €22.6m)

The total pension charge for the Group in respect of the year ended March 31, 2000 was €11m (1999: €11m, 1998: €29m).

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

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 section on Risk Management and Control included in the Management Discussion and Analysis on pages 49 to 56 (up to and including the paragraph on operational risk), excluding the sections entitled Country/Bank Limits, Review and Provisions and allowances for loan losses on pages 52 and 53.

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.

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

The underlying principal amounts and replacement cost, by residual maturity of the Group's over-the-counter and other non-exchange traded derivatives are presented in the table below. This table does not include exchange traded contracts which are included in the following Trading Instruments table and Non Trading Derivatives table.

	March 31, 2000				March 31, 1999
	Within one Year	One to five years	Over five years	Total	Total
	(in € millions)				
Underlying Principal Amount:					
Exchange Rate Contracts	9,535	1,730	488	11,753	12,815
Interest Rate Contracts	16,506	21,689	5,043	43,238	37,210
Equity Contracts	493	1,541	256	2,290	1,939
Replacement Cost					
Exchange Rate Contracts	168	87	37	292	281
Interest Rate Contracts	99	245	92	436	579
Equity Contracts	301	502	—	803	794

The replacement cost of the Group's over the counter and other non-exchange traded derivatives analysed into financial and non-financial counterparties for exchange rate, interest rate contracts and equity contracts were as follows:

	March 31, 2000			March 31, 1999
	Financial	Non-Financial	Total	Total
	(in € millions)			
Exchange Rate Contracts	101	191	292	281
Interest Rate Contracts	404	32	436	579
Equity Contracts	803	—	803	794
	1,308	223	1,531	1,654

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, 2000 and 1999:

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

	2000		
	Underlying Principal Amount(1)	Fair Value	Average Fair Value
	(in € millions)		
Interest rate contracts:			
Interest rate swaps	29,598		
in a favourable position		263	334
in an unfavourable position		(193)	(302)
Interest rate caps, floors and options held	4,442		
In a favourable position		75	40
In an unfavourable position		—	—
Interest rate caps, floors and options written	2,191		
In a favourable position		—	—
In an unfavourable position		(6)	(3)
Forward rate agreements	1,239		
in a favourable position		—	2
in an unfavourable position		—	(2)
Financial futures	1,379		
in a favourable position		—	—
in an unfavourable position		—	—
	38,849	139	
Foreign exchange contracts:			
Forward foreign exchange	8,898		
in a favourable position		140	155
in an unfavourable position		(117)	(159)
	8,898	23	
	47,747		

(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.

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

	1999		
	Underlying Principal Amount(1)	Fair Value	Average Fair Value
	(in € millions)		
Interest rate contracts:			
Interest rate swaps	24,388		
in a favourable position		437	358
in an unfavourable position		(483)	(311)
Interest rate caps, floors and options held	3,238		
in a favourable position		14	3
in an unfavourable position		—	—
Interest rate caps, floors and options written	1,267		
in a favourable position		—	—
in an unfavourable position		(1)	—
Forward rate agreements	4,591		
in a favourable position		8	19
in an unfavourable position		(8)	(20)
Financial futures	697		
in a favourable position		—	—
in an unfavourable position		—	—
	34,181	(33)	
Foreign exchange contracts:			
Forward foreign exchange	9,753		
in a favourable position		169	250
in an unfavourable position		(184)	(240)
	9,753	(15)	
	43,934		

(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,		
	2000	1999	1998
	(in € millions)		
Dealing profits			
Securities and interest rate contracts	18	34	20
Foreign exchange contracts	25	37	17
Equity contracts	1	—	5
Total	44	71	42

Dealing profits include the profits and losses arising on the purchase, and sale or revaluation of trading instruments. It excludes the interest receivable and the related funding cost of holding such instruments, and also excludes the administrative expenses of trading activities.

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

Non Trading Derivatives

The Group has significant business activities in a range of currencies and the details are outlined in the Operating and Financial Review.

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 unrealised 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.

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

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, 2000 and 1999.

	March 31, 2000				
	Underlying Principal Amount	Weighted Average Maturity	Weighted Average Receive Rate	Weighted Average Pay Rate	Fair Value
	€m	in Years	%	%	€m
Interest Rate Contracts:					
Interest Rate Swaps					
receive fixed					
1 year or less	1,779	0.6	5.8	5.8	49
1-5 years	1,817	2.9	2.8	5.8	7
5-10 years	261	5.6	0.9	5.3	(2)
Over 10 years	15	11.6	6.3	—	8
Interest Rate Swaps					
pay fixed					
1 year or less	3,113	0.3	5.6	6.0	(12)
1-5 years	1,153	1.9	5.8	7.1	(23)
5-10 years	203	7.3	4.4	6.4	(11)
Over 10 years	644	15.6	4.1	5.6	4
Interest Rate Swaps					
pay and receive floating					
1 year or less	30	0.4	8.0	10.5	—
1-5 years	85	2.7	5.4	6.1	—
5-10 years	45	6.2	3.6	3.7	1
Forward Rate Agreements loans					
1 year or less	42	0.9	6.9	—	—
1-5 years	3	1.7	7.3	—	—
Interest Rate Caps					
1 year or less	28	0.4	—	—	28
1-5 years	42	2.2	—	—	25
5-10 years	8	6.6	—	—	8
Interest Rate Floors					
1 year or less	31	0.7	—	—	—
1-5 years	126	2.9	—	—	—
	9,425				82

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

	March 31, 2000		
	Underlying Principal Amount	Weighted Average Maturity	Fair Value
	€m	in Years	€m
Exchange Rate Contracts:			
Forward Foreign Exchange			
1 year or less	1,061	0.2	62
1-5 years	74	1.4	5
Currency Swaps			
1 year or less	652	0.5	(32)
1-5 years	1,484	2.7	(84)
5-10 years	430	7.4	10
Over 10 years	59	14.0	5
Currency Options			
1 year or less	43	0.5	—
1-5 years	18	1.5	—
	3,821		(34)
Equity and Commodity Contracts:			
Equity Index Linked Contracts held			
1 year or less	497	0.7	345
1-5 years	1,553	2.8	478
5-10 years	256	5.6	—
	2,306		823
	15,552		

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

	March 31, 1999				
	Underlying Principal Amount	Weighted Average Maturity	Weighted Average Receive Rate	Weighted Average Pay Rate	Fair Value
	€m	in Years	%	%	€m
Interest Rate Contracts:					
Interest Rate Swaps					
receive fixed					
1 year or less	1,204	0.4	6.3	5.2	43
1-5 years	1,803	2.9	3.5	5.2	69
5-10 years	130	6.2	1.9	0.4	1
Interest Rate Swaps					
pay fixed					
1 year or less	795	0.3	5.5	7.1	(9)
1-5 years	1,870	2.2	5.3	7.3	(94)
5-10 years	197	7.7	4.0	7.4	(39)
Over 10 years	401	15.3	3.4	5.8	(42)
Interest Rate Swaps					
pay and receive floating					
1 year or less	56	0.7	5.0	4.7	—
1-5 years	88	2.6	5.4	7.8	(1)
5-10 years	51	7.2	3.4	3.1	1
Forward Rate Agreements loans					
1 year or less	67	0.5	—	3.7	—
Interest Rate Caps					
1 year or less	1	0.9	—	—	1
1-5 years	61	2.6	—	—	55
5-10 years	5	9.0	—	—	5
Interest Rate Floors					
5-10 years	11	2.5	—	—	—
	6,740				(10)

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

	March 31, 1999		
	Underlying Principal Amount	Weighted Average Maturity	Fair Value
	€m	in Years	€m
Exchange Rate Contracts:			
Forward Foreign Exchange			
1 year or less	1,246	0.3	45
1-5 years	477	2.8	3
Currency Swaps			
1 year or less	418	0.5	(20)
1-5 years	1,466	2.6	(47)
5-10 years	330	7.8	18
Over 10 years	69	14.3	1
Currency Options			
1 year or less	24	0.1	—
1-5 years	1	2.0	—
	4,031		—
Equity and Commodity Contracts:			
Equity Index Linked Contracts Held			
1 year or less	197	0.4	154
1-5 years	1,637	3.1	659
5-10 years	105	5.8	(3)
	1,939		810
	12,710		

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 Swaps	FRA's	Currency Swaps	Forward Foreign Exchange	Equity Index Linked
At April 1, 1999	6,595	67	2,283	1,723	1,939
Exchange adjustments	601	5	213	(69)	182
Additions	5,330	145	2,646	1,278	414
Maturities/amortisations	(3,369)	(150)	(2,510)	(1,725)	(229)
Cancellations	(12)	(22)	(7)	(72)	—
At March 31, 2000	9,145	45	2,625	1,135	2,306

All figures are translated at the closing exchange rate.

32 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

Unrecognised Gains and Losses on Derivative Hedges

Gains and losses on instruments used for hedging are recognised in line with the underlying items which are being hedged. The unrecognised net gains on instruments used for hedging as at March 31, 2000 were €669m (1999: €401m); (1998: €478 m).

The net gains expected to be recognised in 2000/2001 is €465m and thereafter is €204m.

The net gains recognised in 1999/00 in respect of previous years was €235m and the net gains arising in 1999/00 which were not recognised in 1999/00 were €503m.

Non Trading Derivative Deferred Balances

The table below summarises the deferred profit and losses at March 31, 2000.

	Deferred		
	Gains	Losses	Total net gains/(losses)
	(in € millions)		
As at April 1, 1999	9.0	(6.5)	2.5
Gains and losses arising in previous years that were recognised in the year ended March 31, 2000	5.1	(4.0)	1.1
Gains and losses arising before April 1, 1999 that were not recognised in the year ended March 31, 2000	3.9	(2.5)	1.4
Gains and losses arising in the year ended March 31, 2000 that were not recognised in that year	4.5	(1.5)	3.0
As at March 31, 2000	8.4	(4.0)	4.4
Of which:			
Gains and losses expected to be recognised in the year ended March 31, 2001	2.8	(1.4)	1.4

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 unrealised loss of €4.1m at March 31, 2000 and an unrealised loss of €7.6m in 1999 and €3.8m in 1998.

33 INTEREST RATE REPRICING GAP — NON TRADING BOOK

The table below provides an indication of the repricing mismatch in the non Trading Books at March 31, 2000. For the major categories of assets and liabilities, this "gap" table show the volumes maturing in selected maturity bands, taking account of any amortisation of principal. Items are allocated to time bands by reference to the earlier of the next interest rate repricing date and the maturity date.

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 high 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.

33 INTEREST RATE REPRICING GAP — NON TRADING BOOK (Continued)

Non Trading Interest Rate Repricing — Total

	March 31, 2000						
	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than five years	Over five years	Non interest bearing	Total
	(in € millions)						
Assets							
Central Government bills and other eligible bills	596	41	—	—	—	5	642
Loans and advances to banks	5,677	745	260	2	—	7	6,691
Loans and advances to customers	28,472	1,810	3,005	9,065	2,428	193	44,973
Debt securities and equity shares	2,960	290	375	717	180	38	4,560
Other assets	287	—	—	—	—	3,592	3,879
Total assets	37,992	2,886	3,640	9,784	2,608	3,835	60,745
Liabilities							
Deposits by banks	8,003	930	149	128	253	163	9,626
Customer accounts	31,629	1,224	1,809	1,730	592	4,006	40,990
Debt securities in issue	1,613	311	613	170	5	113	2,825
Other liabilities	307	—	—	—	181	2,567	3,055
Loan capital	1,423	100	—	—	343	—	1,866
Minority interests and shareholders' funds	—	—	—	—	—	3,371	3,371
Total liabilities	(42,975)	(2,565)	(2,571)	(2,028)	(1,374)	(10,220)	(61,733)
Net amounts due from/to Group units	3,837	(915)	(1,093)	(4,354)	617	5,235	3,327
Off balance sheet items	(957)	(880)	(338)	1,483	(185)	—	(877)
Interest rate repricing gap	(2,103)	(1,474)	(362)	4,885	1,666	(1,150)	—
Cumulative interest rate repricing gap	(2,103)	(3,577)	(3,939)	946	2,612	1,462	—
Euro							
Cumulative interest rate repricing gap March 31, 2000	709	1,077	1,373	3,476	4,623	990	—
Sterling							
Cumulative interest rate repricing gap March 31, 2000	817	(1,713)	(2,375)	266	739	1,390	—

33 INTEREST RATE REPRICING GAP — NON TRADING BOOK (Continued)

Non Trading Interest Rate Repricing — euro

	March 31, 1999						
	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than five years	Over five years	Non interest bearing	Total
	(in € millions)						
Assets							
Central Government bills and other eligible bills	76	—	—	—	—	—	76
Loans and advances to banks	1,069	728	25	—	—	4	1,826
Loans and advances to customers	6,898	894	752	2,452	787	396	12,179
Debt securities and equity shares	527	109	—	353	66	—	1,055
Other assets	5	27	20	95	—	2,067	2,214
Total assets	8,575	1,758	797	2,900	853	2,467	17,350
Liabilities							
Deposits by banks	2,219	416	—	—	—	135	2,770
Customer accounts	10,555	286	347	486	230	2,279	14,183
Debt securities in issue	12	—	—	4	—	—	16
Other liabilities	146	36	1	—	—	663	846
Minority interests and shareholders' funds	—	—	—	—	—	1,444	1,444
Total liabilities	(12,932)	(738)	(348)	(490)	(230)	(4,521)	(19,259)
Net amounts due from/to Group units	1,381	166	15	(24)	(176)	691	2,053
Off balance sheet items	(391)	38	148	101	103	—	(1)
Interest rate repricing gap	(3,367)	1,224	612	2,487	550	(1,363)	—
Cumulative interest rate repricing gap	(3,367)	(2,143)	(1,531)	956	1,506	143	—

33 INTEREST RATE REPRICING GAP — NON TRADING BOOK (Continued)

Non Trading interest Rate Pricing — sterling

	March 31, 1999						
	Not more than three months	Over three months but not more than six months	Over six months but not more than one year	Over one year but not more than five years	Over five years	Non-interest bearing	Total
	(in € millions)						
Assets							
Treasury bills and other eligible bills	580	—	—	—	—	—	580
Loans and advances to banks	345	3	—	—	—	24	372
Loans and advances to customers	13,190	589	1,377	7,619	371	—	23,146
Debt securities and equity shares	589	147	97	457	—	—	1,290
Other assets	215	11	1	—	—	550	777
Total assets	14,919	750	1,475	8,076	371	574	26,165
Liabilities							
Deposits by banks	2,357	138	290	—	—	—	2,785
Customer accounts	15,642	886	787	594	156	373	18,438
Debt securities in issue	387	45	8	—	—	—	440
Other liabilities	—	4	1	—	—	1,069	1,074
Loan capital	390	—	—	—	447	—	837
Minority interests and shareholders' funds	—	—	—	—	—	1,449	1,449
Total liabilities	(18,776)	(1,073)	(1,086)	(594)	(603)	(2,891)	(25,023)
Net amounts due from/to Group units	(782)	243	(15)	(367)	179	1,492	750
Off balance sheet items	4,875	(303)	(261)	(4,235)	(75)	—	1
Interest rate repricing gap	236	(383)	113	2,880	(128)	(825)	—
Cumulative interest rate repricing gap	236	(147)	(34)	2,846	2,718	1,893	—

34 FAIR VALUES OF FINANCIAL INSTRUMENTS

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, 2000 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 realise assets through collection over time. As such the fair values calculated do not represent the value of the Group as a going concern at March 31, 2000.

34 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The following table represents the carrying amount and the fair value of both the trading and non trading financial assets and liabilities as at March 31, 2000 and 1999.

	2000		1999	
	Carrying Amount	Fair Values	Carrying Amount	Fair Values
	(in € millions)			
Financial instruments held for trading				
Debt securities	2,418	2,418	1,557	1,557
Equity shares	9	9	16	16
Interest rate contracts	139	139	(33)	(33)
Foreign exchange contracts	23	23	(15)	(15)
Non trading financial instruments				
Assets				
Cash and balances at central banks(1)	210	210	1,083	1,083
Items in course of collection(1)	617	617	575	575
Central government bills and other eligible bills(1)	641	641	587	587
Loans and advances to banks	6,770	6,768	3,457	3,457
Loans and advances to customers	44,844	44,766	36,183	36,584
Securitisation and loan transfers(1)	130	130	117	117
Debt securities	4,237	4,249	3,590	3,652
Equity shares	4	4	1	1
Own shares	33	382	—	—
Liabilities				
Deposits by banks	10,306	10,409	7,039	7,062
Customer accounts	40,990	41,616	34,297	34,999
Debt securities in issue	2,825	2,824	541	542
Items in course of transmission(1)	219	219	251	251
Subordinated liabilities	1,866	1,923	1,389	1,469
Minority interests : non equity	87	91	79	130
Derivative financial instruments utilised for non trading activities				
Interest rate contracts		82		(10)
Exchange rate contracts		(34)		—
Equity and commodity contracts		823		810

(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.

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,

34 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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, 2000 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, 2000.

The following notes summarise the methods and assumptions used in estimating the fair values of financial instruments shown above.

1. Loans and Advances to Banks

The 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.

34 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

4. Own Shares

The fair value of the own shares are based on the stock market price at year end.

5. 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.

6. 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.

7. 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.

8. Subordinated Liabilities

The estimated fair value of subordinated liabilities is based on quoted market rates for debt instruments with similar maturities.

9. Financial Instruments with Off-Balance Sheet Risk

Financial instruments with off balance sheet risk are detailed in Note 32 of the Notes to the Consolidated Financial Statements and include the fair value of these instruments.

10. Life Assurance Assets and Liabilities

Life assurance assets and liabilities have not been included in this note in accordance with accounting standards.

35 CONTINGENT LIABILITIES AND COMMITMENTS

The tables below give, for the Group and Bank, 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).

	2000		1999	
	Contract Amount	Risk Weighted Amount	Contract Amount	Risk Weighted Amount
	(in € millions)			
Contingent Liabilities				
Acceptances and endorsements	106	101	73	71
Guarantees and assets pledged as collateral security				
Assets pledged	—	—	—	—
Guarantees and irrevocable letters of credit	897	736	621	505
Other contingent liabilities	343	168	343	168
	1,346	1,005	1,037	744
Commitments				
Sale and option to resell transactions	—	—	—	—
Other commitments				
Documentary credits and short-term trade-related transactions	67	20	58	18
Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	—	—	—	—
Undrawn note issuance and revolving underwriting facilities	505	—	191	—
Undrawn formal standby facilities, credit lines and other commitments to lend				
irrevocable with original maturity of over 1 year	2,709	1,350	1,849	917
revocable or irrevocable with original maturity of 1 year or less(ii)	8,272	—	6,977	—
	11,553	1,370	9,075	935

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 cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.

Deposit Interest Retention Tax

Financial institutions in Ireland are required to deduct Deposit Interest Retention Tax ('DIRT') from interest paid on certain deposits with Irish branches and to remit the DIRT withheld to the Revenue Commissioners on a biannual basis, together with a statutory return of the interest paid in that period and of the applicable DIRT. These obligations were imposed by the Finance Act 1986. Certain deposits, however, are excluded from the

35 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

imposition of DIRT. Deposits held by non-residents, companies, charities and pension funds are excluded from DIRT provided the appropriate declaration in the required form has been made to the financial institution.

The Irish Revenue Commissioners are currently in the process of auditing DIRT compliance by all financial institutions in Ireland, covering the period from April 6, 1986 to April 5, 1999, including the Group's Irish based deposit taking entities with a view to establishing, in respect of each institution, the amount of additional DIRT due but unpaid as a result of documentation or other deficiencies together with any related interest and penalties. The nature and extent of the uncertainties surrounding the outcome of this process, including questions about the interpretation and application of the law, make it impossible for the Directors to make a reliable estimate of the eventual DIRT liability and any associated interest and penalties which will be assessed on the Group.

36 GENERAL

(a) The Bank has given guarantees in respect of liabilities and obligations 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 (U.S.) 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, Ilios 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

This Remuneration Report has been prepared on behalf of the Court of Directors in accordance with the requirements of the Irish Stock Exchange's Combined Code on Corporate Governance.

The Remuneration Committee comprises Non-Executive Directors only. The membership of the Committee is currently:- Mr Howard E Kilroy (Chairman), Mr Anthony D Barry, Dr E Patrick Galvin and Mr Raymond 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 Senior Executive Group. In its mode of operation and in framing this 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 Group Remuneration Committee on behalf of the Court of Directors.

37 DIRECTORS' INFORMATION (Continued)

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. Salaries, reviewed annually by the Remuneration Committee, take into consideration, inter alia, such factors as each individual's responsibilities and performance, salaries in comparable organisations and the general pay awards made to staff overall. The Group Chief Executive is fully consulted about remuneration proposals and from time to time the Group Remuneration Committee commissions job-matched salary surveys of comparator organisations.

The key elements of the remuneration package for Executive Directors are basic salary, a performance related cash bonus, a Long Term Performance Stock Plan, stock options, participation in the Employee Staff Stock Issue and in the Group Savings-Related Stock Option Schemes and membership of a defined benefit pension scheme. These various elements are summarised below:-

- **Performance Bonus Scheme** — The level of cash bonus earned under the 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.
- **Long Term Performance Stock Plan** — In 1999 the Group established a Long Term Performance Stock Plan for key Senior Executives who are best placed to maximise Stockholder value. Under this plan, which is described in more detail in Note 29, awards were made to the Executive Directors as set out in the table on page F-62.
- **Stock Options** — It is policy to grant stock options under the terms of the Stock Option Scheme to Executive Directors and Senior Executives across the Group to encourage identification with Stockholders' interests in general. Stock options may not be granted to Non-Executive Directors. 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. (See also Note 29).
- **Employee Stock Issue Scheme** — 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 (See also Note 29).
- **Group Savings-Related Stock Scheme** — In 1999 the Group established a Savings-Related Stock Scheme (SAYE scheme). Under this scheme the Executive Directors who participated in the scheme were granted options over units of Ordinary Stock as set out in the table on page F-62.
- **Pensions** — The Executive Directors are members of the Bank Staff Pension Plan. This pension plan is contributory at the rate of 2.5% of basic salary and is a defined benefit plan based on an accrual rate of $^{1}/_{60}$th of pensionable salary for each year of pensionable service with a maximum of $^{40}/_{60}$ths. Of the Executive Directors' total remuneration package only their basic salary is pensionable.

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.

37 DIRECTORS' INFORMATION (Continued)

Directors' Remuneration

The remuneration of the Directors of the Bank for 1999/2000, expressed in euro and analysed 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 2000	March 1999	March 2000	March 1999	March 2000	March 1999	March 2000	March 1999
	€'000s							
Salaries(1)	**804**	957	**259**	245	**—**	—	**1,063**	1,202
Court Fees(2)	**—**	—	**—**	—	**296**	288	**296**	288
Other Board Fees/Remuneration(3)	**—**	—	**—**	—	**190**	53	**190**	53
Group Performance — bonuses(4)	**321**	311	**—**	—	**—**	—	**321**	311
UK Profit Related Pay(5)	**—**	42	**—**	—	**—**	—	**—**	42
Other Remuneration(6)	**25**	30	**—**	—	**—**	—	**25**	30
Benefits(7)	**24**	36	**—**	—	**—**	—	**24**	36
Pension Contribution(8)	**82**	105	**—**	—	**20**	19	**102**	124
Total Remuneration	**1,256**	1,481	**259**	245	**506**	360	**2,021**	2,086
Retirement benefits paid to former Directors/dependants(9)	**182**	176	**178**	179	**128**	124	**488**	479
	1,438	1,657	**437**	424	**634**	484	**2,509**	2,565

Changes in Directorate during the period

	Executive Directors	Non-Executive Directors and Non-Executive Officers
Number at March 31, 1999	3	11
Change during year	– Mr J J Burke (4/1/1999) + Mr P M D'Alton (1/11/2000) + Mr B J Goggin (1/11/2000)	+ Mr J J Burke (4/1/1999) – Mr J J Burke (7/7/1999) – Mr N W A Fitzgerald (1/11/2000) + Mr R Burrows (3/8/2000)
Number at March 31, 2000	4	11
Average Number during 1999/2000 (1998/99)	2.4 (3)	11.1 (10.9)

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) Includes 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.

37 DIRECTORS' INFORMATION (Continued)

(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, 2000 is €112,500 per annum; the equivalent figure in respect of Non-Executive Officers is €nil and in respect of Non-Executive Directors is €34,300 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 €1,764,000, €nil and €596,000. The aggregate pensions entitlements at March 31, 2000 for the Executive Directors is €693,900 per annum, €nil for the Non-Executive Officers and €306,900 per annum for the Non-Executive Directors.

Stock Options held by Directors

(a) Executive Stock Options

Options to subscribe for units of Ordinary Stock in the Bank granted to and exercised by Directors during the year to March 31, 2000 are included in the following table. (All the figures have been restated to reflect the stock split and the redenomination of the stock into euro effected in July 1999).

Name	Options at April 1, 1999*	Options Granted Since April 1, 1999		Options Exercised Since April 1, 1999		Market Price at Exercise Date	Options at March 31, 2000	Weighted Average Exercise Price
		No.	Price €	No.	Price €	€		€
P M D'Alton	350,038	—	—	—	—	—	350,038	—
B J Goggin	325,214	—	—	—	—	—	325,214	—
M A Keane	499,126	—	—	149,126	1.44	6.50	350,000	3.28
P McDowell	313,038	—	—	100,000	1.67	7.76	—	—
				213,038	1.44	7.76	—	—
P J Molloy	293,644	—	—	34,086	1.28	9.02	259,558	1.96

* or at date of appointment if later.

During the year 142,000 options lapsed. The market price of the Bank's Ordinary Stock at March 31, 2000 was €7.40 (1999: €9.70) and the range during the year to March 31, 2000 was €5.68 to €9.70. Outstanding options under the Stock Option Scheme are exercisable between now and November 2009. At March 31, 2000, options were outstanding in respect of 10,681,326 units, 1.08% of the stock in issue (1999: 12,078,416 units).

37 DIRECTORS' INFORMATION (Continued)

(b) Savings-Related Stock Options

Under the terms of the Group Savings-Related Stock Scheme, options were granted to all participating Group Employees on February 28, 2000 at an option price of €5.40 per unit of Ordinary Stock. (This price being set at a discount of 20% of the then market price as permitted by the Rules). The options held by the Directors and Secretary are set out below.

Name	Savings Related Options Granted at February 28, 2000	Savings Related Options Held At March 31, 2000
M A Keane	2,234	2,234
P M D'Alton	2,234	2,234
B J Goggin	4,262	4,262
T H Forsyth	2,234	2,234

Directors' Interests in Stock

In addition to their interests in Savings-Related options set out above, the interests of the Directors and Secretary in office at March 31, 2000, and of their spouses and minor children, in the stocks issued by the Bank are set out below:

	UNITS OF €0.64 OF ORDINARY STOCK				
	As at March 31, 2000			As at April 1, 1999(3)	
	Beneficial	Executive(1) Options	Performance(2) Stock Award	Beneficial	Executive Options
DIRECTORS					
Lord Armstrong of Ilminster	2,000	—	—	2,000	—
Roy E Bailie	1,000	—	—	1,000	—
Anthony D Barry	18,153	—	—	18,135	—
Richard Burrows	23,454	—	—	13,454	—
Laurence G Crowley	28,296	—	—	27,821	—
Paul M D'Alton	9,225	350,038	10,769	9,225	350,038
Margaret Downes	74,961	—	—	74,961	—
E Patrick Galvin	10,276	—	—	10,238	—
Brian J Goggin	71,514	325,214	9,605	71,514	325,214
Maurice A Keane	906,928	350,000	—	756,267	499,126
Howard E Kilroy	523,495	—	—	488,695	—
Raymond Mac Sharry	1,199	—	—	1,179	—
Patrick W McDowell	476,370	—	—	162,524	313,038
Patrick J Molloy	1,075,246	259,558	—	1,041,107	293,644
Mary Redmond	1,074	—	—	1,056	—
SECRETARY					
Terence H Forsyth	38,469	80,000	—	37,833	80,000

(1) These options have been granted under the terms of the Stock Option Scheme at prices ranging between €0.97 and €8.93. In addition the Executive Directors and Secretary hold Savings-Related options as shown in the previous table.

37 DIRECTORS' INFORMATION (Continued)

(2) Conditional awards of units of Ordinary Stock were made on July 13, 1999 to the Senior Executives under the terms of the Long Term Performance Stock Plan ("LTPSP"). These awards do not vest in the Executives unless demanding performance criteria are achieved (see description of the LTPSP in Note 29).

(3) Or at date of appointment if later. Note that all these figures have been restated to reflect the redenomination of the stock into euro and the stock split effected in July 1999.

There have been no changes in the stockholdings of the above Directors and Secretary between March 31, 2000 and May 10, 2000.

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, 2000.

Transactions with Directors

The aggregate amounts outstanding and the number of persons concerned, as at March 31, 2000 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 5 connected persons, all staff members, are shown below:

	Aggregate Amount Outstanding		Number of Persons	
	2000	1999	2000	1999
	€	€		
Directors				
Loans to Executives Directors on terms similar to staff loans	232,498	17,684	3	1
Other loans on normal commercial terms	1,712,767	774,685	13	10
Quasi-loans and credit transactions	—	—	None	None
	1,945,265	792,369		
Connected Persons				
Loans to staff members	176,775	191,532	5	4
Quasi-loans and credit transactions	—	—	None	None
	176,775	191,532		

38 NOTES TO THE CASH FLOW STATEMENT

(i) Gross Cashflows

	At March 31, 2000	1999	1998
	(in € millions)		
Returns on investment and servicing of finance			
Interest paid on subordinated liabilities	(87)	(110)	(80)
Preference dividends paid	(25)	(23)	(20)
Issue expenses on subordinated liabilities	(3)	—	(2)
Dividends paid to minority shareholders in subsidiary undertakings	(7)	(8)	(1)
	(122)	(141)	(103)
Capital expenditure and financial investment			
Net (purchases) / sales of investment debt and equity securities	(258)	(785)	245
Purchase of tangible fixed assets	(207)	(173)	(115)
Sale of tangible fixed assets	155	55	29
	(310)	(903)	159
Acquisitions and disposals			
Investments in associated undertakings	(1)	(4)	(2)
Sale of Citizens Financial Group	—	686	—
Sale of Associated undertaking	—	33	—
Purchase of Bristol & West	—	—	(714)
Cash balances in Bristol & West	—	—	43
Purchase of New Ireland	—	—	(354)
Cash balances in New Ireland	—	—	4
Other acquisitions	—	—	(5)
Purchase of minority interest in subsidiary	(9)	—	—
	(10)	715	(1,028)
Financing			
Issue of capital stock (net of issue expenses)	14	18	255
Repayment of subordinated liabilities	(264)	(27)	(155)
Issue of subordinated liabilities	600	—	140
Stock buyback	(442)	—	(34)
	(92)	(9)	206

38 NOTES TO THE CASH FLOW STATEMENT (Continued)

(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
		(in € millions)	
2000			
At April 1, 1999	1,083	594	1,677
Cash flow	(876)	522	(354)
Foreign exchange movement	3	73	76
At March 31, 2000	210	1,189	1,399
1999			
At April 1, 1998	150	1,327	1,477
Cash flow	934	(726)	208
Foreign exchange movement	(1)	(7)	(8)
At March 31, 1999	1,083	594	1,677

(iii) Analysis of changes in financing

	Capital Stock (including stock premium)	Subordinated Liabilities	Minority Interest – Non Equity
		(in € millions)	
2000			
At April 1, 1999	1,314	1,389	79
Effect of foreign exchange differences	8	144	8
Cash flow	14	336	—
Stock alternative scheme issue	28	—	—
Capitalisation of reserves	5	—	—
Other non cash movements	—	(3)	—
At March 31, 2000	1,369	1,866	87
1999			
At April 1, 1998	1,261	1,455	81
Effect of foreign exchange differences	(3)	(40)	(2)
Cash flow	18	(27)	—
Stock alternative scheme issue	38	—	—
Other non cash movements	—	1	—
At March 31, 1999	1,314	1,389	79

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 net assets of the Life Assurance business segment are based on allocation of capital while previously it was based on the actual capital as there was no allocation of capital to this segment. The Directors believe that it is more meaningful to analyse 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.

Following a reorganisation announced in November 1999, Retail has become Retail Banking Republic which now excludes Banking GB, International Banking and Northern Ireland. Corporate and Treasury now includes Banking GB, International Banking and Northern Ireland, Corporate Finance, Davy and excludes Private Banking and Trust Services. A new business class, Asset and Wealth Management Services, includes Asset Management, Securities Services, Private Banking and Trust Services. The analysis below for 1999 and 1998 has been restated accordingly.

In addition the basis of capital allocation to segments has been amended from a primarily risk weighted assets basis to an economic capital one which incorporates a broader range of business risks.

(a) Geographical Segment

	2000				
	Ireland	Britain	Citizens	Rest of World	Total
			(in € millions)		
Turnover	2,150	1,733	—	131	4,014
Profit on ordinary activities before exceptional item	746	210	—	23	979
Grossing up(1)					(59)
Profit before taxation					920
Net assets	1,874	1,096	—	309	3,279
Total assets(2)	49,584	32,413	—	2,753	84,750

	1999				
	Ireland	Britain	Citizens	Rest of World	Total
			(in € millions)		
Turnover	2,049	1,781	—	147	3,977
Profit on ordinary activities before exceptional item	590	233	32	18	873
Profit on disposal of associated undertaking					218
					1,091
Grossing up(1)					(37)
Profit before taxation					1,054
Net assets	1,964	783	—	107	2,854
Total assets(2)	37,080	23,553	—	2,326	62,959

39 SEGMENTAL ANALYSIS (Continued)

	1998				
	Ireland	Britain	Citizens	Rest of World	Total
	(in € millions)				
Turnover	1,924	1,128	—	143	3,195
Profit on ordinary activities before exceptional item	463	135	70	25	693
Grossing up(1)					(20)
Profit before taxation					673
Net assets	1,008	675	231	93	2,007
Total assets(2)	32,149	21,635	231	2,441	56,456

(b) Business Class

	2000						
	Retail Banking Republic	Life Assurance(4)	Corporate & Treasury	Bristol & West	Asset and Wealth Management Services	Group and Central Costs	Total
	(in € millions)						
Net interest income	602	—	371	296	18	1	1,288
Other income(3)	216	99	234	114	199	52	914
Total operating income	818	99	605	410	217	53	2,202
Administrative expenses	485	—	283	170	82	28	1,048
Depreciation and amortisation	70	—	19	18	4	8	119
Provision for bad and doubtful debts	26	—	23	6	2	(1)	56
Profit before exceptional item	237	99	280	216	129	18	979
Grossing up(1)							(59)
Profit before taxation							920
Net assets	611	68	707	941	128	824	3,279
Total assets(2)	19,076	4,520	36,038	22,346	2,339	2,778	87,097

39 SEGMENTAL ANALYSIS (Continued)

1999

	Retail Banking Republic	Life Assurance(4)	Corporate & Treasury	Bristol & West	Asset and Wealth Management Services	Group and Central Costs	Citizens	Total
	(in € millions)							
Net interest income	550	—	311	278	14	—	—	1,153
Other income(3)	192	91	243	109	145	24	32	836
Total operating income	742	91	554	387	159	24	32	1,989
Administrative expenses	455	—	258	169	60	20	—	962
Depreciation and amortisation	53	—	15	22	3	5	—	98
Provision for bad and doubtful debts	29	—	15	11	1	—	—	56
Profit before exceptional item	205	91	266	185	95	(1)	32	873
Profit on disposal of associated undertaking								218
								1,091
Grossing up(1)								(37)
Profit before taxation								1,054
Net assets	315	456	385	695	22	981	—	2,854
Total assets(2)	16,392	4,111	25,474	19,378	1,373	2,753	—	69,481

1998

	Retail Banking Republic	Life Assurance(4)	Corporate & Treasury	Bristol & West	Asset and Wealth Management Services	Group and Central Costs	Citizens	Total
	(in € millions)							
Net interest income	500	—	275	178	12	11	—	976
Other income(3)	167	54	192	55	109	8	70	655
Total operating income	667	54	467	233	121	19	70	1,631
Administrative expenses	434	—	216	108	49	13	—	820
Depreciation and amortisation	45	—	12	8	3	3	—	71
Provision for bad and doubtful debts	19	—	19	9	—	—	—	47
Profit before exceptional item	169	54	220	108	69	3	70	693
Grossing up(1)								(20)
Profit before taxation								673
Net assets	292	381	362	594	15	132	231	2,007
Total assets(2)	13,920	3,591	22,289	18,047	1,097	2,067	231	61,242

39 SEGMENTAL ANALYSIS (Continued)

(1) The Group undertakes tax based transactions at rates which are less than normal market rates in return for tax relief arising from incentives for industrial development and other reliefs. To assist in making valid comparison of pre-tax performance, the analysis of business unit performance is grossed up.
(2) Total assets include intra-group items of €19,080m (1999: €15,167m, 1998: €10,920m) in business class and €16,733m (1999: €8,645m, 1998: €6,134m) in geographic segments.
(3) Other income includes income from associates.
(4) The life assurance profits reported in the segmental analysis are based on the management accounts.

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 had a balance outstanding at March 31, 2000 of €0.7m for processing transactions on behalf of Cashback Limited.

The Group provides and receives from its associated undertakings certain banking and financial services.

(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 31.

(c) Directors

Directors' emoluments and details of transactions between Directors and the Group are set out in the Remuneration Report in Note 37. Additionally, Dr M Redmond, Director, in her professional capacity as a solicitor, earned fees from the Group totalling €57,138 in the year to March 31, 2000, (1999: €104,119, 1998: €66,026).

(d) Securitisation

RPS3, RPS4, 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, 2000 the net amount owed from RPS3 was €0.2m (1999: €0.2m), RPS4 was €0.8m (1999: €1.4m) and CLIPS was nil. The net amount owed to RPS5 was €0.1m while in 1999 €0.2m was owed from RPS5.

41 ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	At March 31, 2000	At March 31, 1999
	(in € millions)	
Denominated in euro	29,421	23,462
Denominated in currencies other than euro	38,596	30,852
Total Assets	68,017	54,314
Denominated in euro	28,820	23,429
Denominated in currencies other than euro	39,197	30,885
Total Liabilities	68,017	54,314

The difference between aggregate foreign currency assets and aggregate foreign currency liabilities does not provide any indication of the exposure to exchange risks.

42 EMPLOYEE INFORMATION

In the year ended March 31, 2000 the average full time equivalents was 16,366 (1999: 15,618) and categorised as follows in line with the business classes as stated in Note 39.

	2000	1999
Retail Banking Republic	8,354	7,996
Life Assurance	975	924
Corporate & Treasury	2,940	2,721
Bristol & West	2,717	2,825
Asset and Wealth Management Services	738	595
Group and Central Costs	642	557
	16,366	15,618

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 6 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 RATES OF EXCHANGE

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

	31 March 2000			31 March 1999		
	Closing	Average	Hedge	Closing	Average	Hedge
€/US$	0.9553	1.0247	—	1.0742	1.1283	1.0936
€/Stg£	0.5985	0.6368	0.7273	0.6663	0.6834	0.6781

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS

Summary of Significant Differences between Irish and U.S. 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

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

generally accepted accounting principles in the U.S. (U.S. GAAP). The significant differences applicable to Bank of Ireland Group's accounts are summarised below:

Irish GAAP	U.S. 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 capitalises costs incurred internally in developing computer software for internal use. This expenditure is amortised over a period of 5 years.	AICPA SOP 98-1 requires certain costs incurred in respect of software for internal use to be capitalised and subsequently amortised. The SOP is applicable for the first time in the year to March 31, 2000 and is not applied retrospectively.
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 capitalised and amortised over its estimated useful economic life.	Goodwill arising on acquisitions of subsidiary undertakings is capitalised and amortised 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.	
Goodwill arising on acquisitions of subsidiary undertakings occurring after March 31, 1998 are capitalised as assets on the balance sheet and amortised over their estimated useful economic lives.	

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

Deferred Taxation

Irish GAAP

Deferred taxation is recognised 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.

U.S. GAAP

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 realised.

Investments

Irish GAAP

Profits and losses on disposal are recognised when realised and included in dealing profits, except for those securities maintained for hedging purposes, which are amortised 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 recognised in the profit and loss account as they arise.

U.S. GAAP

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 unrealised gains and losses included in earnings, (ii) held for sale, which are carried at fair value with unrealised gains and losses reported in a separate component of shareholders' equity or (iii) held to maturity, which are carried at amortised 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

Irish GAAP

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.

U.S. GAAP

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.

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

Irish GAAP	U.S. GAAP
Long-term Assurance Policies	
Income from long term assurance business consists of surpluses attributable to shareholders 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 recognised by the Group under U.S. GAAP. Unearned revenues and acquisition costs related to unit linked products are deferred and amortised 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 period in which they are declared.
Securitised Transactions	
Depending on specified qualifying criteria there are three methods of accounting for securitised 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.	Securitised 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 recognised using a financial components approach that focuses on control. Under that approach after a transfer of financial assets, an entity recognises the financial and servicing assets it controls and the liabilities it has incurred and derecognises financial assets when control has been surrendered.

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

Irish GAAP	U.S. GAAP
Hedges	
Gains or losses arising from 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 on hedges of anticipated transactions, unless firmly committed are reflected in the income statement.
Internal Hedge Transactions	
Derivative transactions undertaken with the Treasury unit for hedging purposes by subsidiaries or other business units may be accrual accounted by the hedging entity.	Following a recent interpretation of SFAS No. 80 by the SEC, there is a requirement for the internal transaction to be contemporaneously offset by a transaction (on a one to one basis) with the external market by Treasury for hedge accounting to be applied. Transactions which do not satisfy this requirement must be fair valued by the hedging entity.
Loan Origination Fees	
Certain loan fees are recognised when received.	All loan origination fees net of direct loan origination costs are deferred and recognised 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 to the accounting period ending March 31, 2002. The implications of this standard are currently being reviewed.

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

Consolidated Net Income

	2000	1999	1998
		(in € millions)	
Net income under Irish GAAP (Group profit attributable to ordinary stockholders)	690	771	449
Disposal of Citizens Financial Group	—	32	—
Depreciation	(7)	(5)	(1)
Software development costs	10	(11)	1
Goodwill	(33)	(32)	(27)
Deferred taxation	6	(15)	4
Pension costs	11	82	10
Long-term assurance policies	(72)	(41)	(21)
Associated undertaking	—	(4)	(8)
Other	(1)	15	8
Deferred tax effect on these adjustments	24	(15)	9
Net income under U.S. GAAP	628	777	424
Earnings per unit of €0.64 Ordinary Stock under U.S. GAAP			
basic	62.0c	75.1c	42.5c
diluted	61.6c	74.5c	42.1c

Consolidated Total Stockholders' Equity

	2000	1999
	(in € millions)	
Total stockholders' funds including non equity interests under Irish GAAP	3,279	2,854
Property less related depreciation	(272)	(112)
Software development costs	(23)	(33)
Goodwill	537	528
Deferred taxation	19	11
Debt securities — available for sale	20	42
Pension costs	151	141
Long-term assurance policies	(172)	(123)
Dividends	160	131
Other	32	23
Deferred taxation on these adjustments	(4)	(9)
Consolidated stockholders' equity including non equity interests under U.S. GAAP	3,727	3,453

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

Consolidated Total Assets

	2000	1999
	(in € millions)	
Total assets under Irish GAAP	68,017	54,314
Property less related depreciation	(272)	(112)
Goodwill	578	564
Software development costs	(23)	(33)
Debt securities — available for sale	20	42
Pension costs	155	146
Lease receivables / non-recourse debt	—	13
Acceptances	106	74
Long-term assurance policies	(172)	(123)
Other	(60)	(42)
Securitised assets	317	403
Deferred taxation on these adjustments	33	35
Total assets under U.S. GAAP	68,699	55,281

Consolidated Total Liabilities and Stockholders' Equity

	2000	1999
	(in € millions)	
Total liabilities and stockholders' equity including non equity interests under Irish GAAP	68,017	54,314
Stockholders' funds (U.S. GAAP adjustment)	448	599
Dividends	(160)	(131)
Deferred taxation	(32)	(24)
Lease receivables / non-recourse debt	—	13
Borrowings related to securitised assets	317	403
Acceptances	106	74
Other	(9)	8
Deferred taxation on these adjustments	12	25
Total liabilities and stockholders' equity including non equity interests under U.S. GAAP	68,699	55,281

(1) Pensions

Pensions accounting in the U.S. has to comply with 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 132 ''Employer's Disclosures about Pensions and Other Post-Retirement Benefits'' in preparing its U.S. GAAP information.

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

The impact of this pronouncement has been included in the GAAP reconciliation in respect of the main Bank of Ireland Pension Plans. In 2000, these plans make up approximately 87%, (1999: 87%, 1998: 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 SFAS No. 87 are estimated to be as follows:

	Year Ended March 31,		
	2000	1999	1998
	(in € millions)		
Service cost	52	38	37
Cost of special termination benefits	15	11	14
Interest cost	84	99	109
Expected return on plan assets	(145)	(184)	(138)
Net amortization and deferral	(23)	(35)	(9)
	(17)	(71)	13

The expected rate of return of 7% on plan assets was used in determining the net periodic pension cost for the year ended March 31, 2000 (1999: 6% and 1998: 8%).

Actuarial assumptions used in determining the projected benefit obligation at March 31, 2000 included a discount rate of 6% (1999: 5% and 1998: 7%) and an increase in future compensation expense of 3.5% (1999: 2.5% and 1998: 4%). Pensions are further discussed in Note 31.

During 1998, 1999 and 2000, 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 €15 million in 2000, €11 million in 1999 and €14 million in 1998 was recorded.

The main Bank of Ireland Pension Plans had investments which included the following at March 31, 2000 and 1999:

	At March 31,	
	2000	1999
	(in € millions)	
Interest in property occupied by Bank of Ireland	88	79
Bank of Ireland €0.64 Ordinary Stock	79	104
Bank of Ireland preference stock	4	4
Bank of Ireland 6.45% Subordinated Bonds 10/02/2010	1	—

There were 10,699,309 units (1999: 10,686,646 units) of the Bank's Ordinary Stock and 168,020 shares (1999: 167,640) of the Bank's Preference Shares and €899,200 Bank of Ireland 6.45% Subordinated Bonds 10/02/2010 included in the Bank's pension assets for the year ended March 31, 2000. The total gross dividend paid in cash on these shares was €2.4 million (1999: €2.4 million).

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

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, 2000.

	2000	1999	1998
		(in € millions)	
Change in projected benefit obligation			
Projected benefit obligation at April 1	1,701	1,431	1,303
Service cost (net of members contributions)	52	38	37
Interest cost	84	99	109
Members contributions	6	5	4
Actuarial loss	51	171	7
Special termination benefits	15	11	14
Benefits paid	(46)	(54)	(43)
Projected benefit obligation at March 31	1,863	1,701	1,431
Change in plan assets			
Fair value of plan assets at April 1	2,438	2,316	1,643
Actual return	409	171	706
Employer contribution	—	—	6
Members contribution	6	5	4
Benefits paid	(46)	(54)	(43)
Fair value of plan assets at March 31	2,807	2,438	2,316
Change in funded status			
Funded status at March 31	944	737	885
Unamortised net gain	(845)	(654)	(873)
Unamortised net asset at transition	(12)	(13)	(13)
Prepaid (accrued) pension cost recognised in balance sheet at year end	87	70	(1)

(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.

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

(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, 2000 and 1999 are as follows:

	At March 31, 2000	At March 31, 1999
	(in € millions)	
Deferred tax liabilities		
Accelerated capital allowances:		
on finance leases	90	66
on equipment used by the Group	10	10
Total	100	76
Deferred tax assets		
Reserve for loan and lease loss	30	15
Loss carry forwards	—	9
Accruals and reserves	4	1
Investment tax credits	1	6
Minimum tax credits	1	1
Other	16	3
Total	52	35
Deferred tax asset valuation allowance	(6)	(13)
Net deferred tax assets	46	22
Net deferred tax liabilities	54	54

(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 the Group's UK 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 Grade 7 (Write-Off). In addition, certain Credit Grade 5 loans (Unacceptable Risk) where there is no

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

loan loss immediately identifiable but where there is doubt regarding the collectibility of principal and interest out into the future are also classified as impaired.

All loans classified as Credit Grade 6 (Provision Required) or Grade 7 (Write-Off), and where the loan balance was less than €317,000 as at March 31, 2000, 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 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, 2000, the Group's net investment in impaired loans amounted to €61.4 million (1999: €73.0 million) of which €55.5 million (1999: €41.4 million) was after specific provisions of €69.8 million (1999: €64.1 million).

The average level of such impaired lending during the year was approximately €134.2 million (1999: €145.5 million).

(5) 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 Scheme, 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 the executive stock option plan. Had a fair value basis of accounting for the executive stock option plan been applied, as outlined in SFAS No 123, based on fair values at the grant dates, proforma net income and proforma basic earnings per share under U.S. GAAP would have been, €626m (1999: €775m and 1998: €422m) and 61.8c (1999:74.9c and 1998: 42.2c) respectively.

The following table summarises the number of options outstanding under this plan and weighted average exercise price:

	Year Ended March 31,			
	2000		1999	
	Number	Weighted Average exercise price	Number	Weighted Average exercise price
Outstanding at beginning of year	12,078,416	328.68	15,426,048	273.50
Granted in year	895,250	887.67	498,000	826.41
Exercised in year	2,150,340	205.79	3,605,632	144.95
Lapsed in year	142,000	620.69	240,000	575.25
Outstanding at end of year	10,681,326	317.65	12,078,416	328.68

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

The following table summarises information about the above stock options outstanding at March 31, 2000.

	Number Outstanding at March 31, 2000	Weighted Average Remaining Contractual Life	Number Exercisable at March 31, 2000
Exercise price (€ cent)			
1.325	25,564	0.17	25,564
0.971	51,128	1.17	51,128
0.982	319,556	2.17	319,556
1.436	950,628	3.17	950,628
1.670	660,000	4.17	660,000
1.834	100,000	4.67	100,000
2.111	1,100,000	5.17	1,100,000
2.819	2,333,200	6.17	2,333,200
3.241	180,000	6.67	180,000
4.529	1,910,000	7.17	—
5.753	1,720,000	7.67	—
8.264	446,000	8.17	—
8.933	785,000	9.25	—
8.430	100,250	9.67	—

The significant weighted average assumptions used to estimate the fair values of the options granted were a risk free rate of return of 4.1% (1999: 5.1%), an expected life of five years, expected volatility of 24.7% (1999: 28.5%) and a dividend yield for the sector of 2.2% (1999: 2.7%).

(6) 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 unamortised 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).

	2000			1999		
Basic EPS	**Income**	**Share No**	**Per-share Amount**	**Income**	**Share No**	**Per-share Amount**
	€m	**(in millions)**	**Cent**	**€m**	**(in millions)**	**Cent**
Approximate net income (U.S. GAAP) available to ordinary stockholders	628	1,013.6	62.0c	777	1,034.8	75.1c
Effect of dilutive securities employee share options		5.9			7.6	
Diluted EPS	628	1,019.5	61.6c	777	1,042.4	74.5c

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

Basic EPS	1998 Income	Share No	Per-share Amount
	€m	(in millions)	Cent
Approximate net income (U.S. GAAP) available to ordinary stockholders	424	998.2	42.5
Effect of dilutive securities employee share options		8.2	
Diluted EPS	424	1,006.4	42.1

(7) 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.

	March 31, 2000	1999
	(in € millions)	
Net interest income	1,242	1,116
Other income	968	854
Total income	2,210	1,970
Total operating expenses	1,291	1,168
Operating profit	919	802
Income from associated undertakings	1	34
Profit on ordinary activities before exceptional item	920	836
Profit on disposal of associated undertaking	—	218
Profit before tax	920	1,054
Taxation on profit on ordinary activities	196	253
Profit on ordinary activities after tax	724	801
Minority interest		
equity	3	1
non-equity	6	6
Non cumulative preference stock dividends	25	23
Profit for financial year attributable to holders of ordinary stock	690	771

(8) 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.

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

The following consolidated Balance Sheet illustrates this presentation.

	At March 31, 2000	At March 31, 1999
	(in € millions)	
Assets:		
Cash and balances at Central Banks	210	1,083
Items in the course of collection from banks	617	575
Central government and other eligible bills	746	662
Loans and advances to banks	7,175	3,652
Loans and advances to customers	44,844	36,183
Securitization and loan transfers	708	858
Less: non-returnable amounts	578	741
	130	117
Debt securities	9,350	7,349
Equity shares	1,047	884
Own Shares	33	—
Interest in associated undertakings	14	13
Tangible fixed assets	1,249	1,051
Intangible Fixed Assets	9	—
Other assets	2,060	2,244
Prepayments and accrued income	533	501
Total Assets	68,017	54,314

44 GROUP FINANCIAL INFORMATION FOR U.S. INVESTORS (Continued)

	At March 31, 2000	At March 31, 1999
	(in € millions)	
Liabilities:		
Deposits by banks	10,306	7,039
Customer accounts	40,990	34,297
Debt securities in issue	2,825	541
Items in the course of transmission to banks	219	251
Other liabilities	7,476	6,881
Proposed dividends — equity	160	131
Accruals and deferred income	611	670
Provision for liabilities and charges		
— deferred taxation	86	65
— other provisions for liabilities and charges	107	114
Subordinated liabilities	1,866	1,389
Minority interest		
— equity	5	3
— non-equity	87	79
Called up capital stock	690	681
Stock premium account	679	633
Capital reserve	232	159
Profit and loss account	1,510	1,365
Revaluation reserve	168	16
Total stockholders' funds including non-equity interests	3,279	2,854
Total liabilities	68,017	54,314

45 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 44 above.

The book value and market value of the debt securities are analyzed as follows:

	At March 31, 2000		At March 31, 1999	
	Book Value	Market Value	Book Value	Market Value
	(in € millions)			
Held to maturity	2,075	2,076	1,417	1,438
Available for sale	2,176	2,187	2,222	2,264
Trading	2,417	2,417	1,507	1,507
Total	6,668	6,680	5,146	5,209

45 SFAS NO. 115 "ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES" (Continued)

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, 2000 and 1999.

	Available for Sale Investment Portfolio			
	2000		1999	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(in € millions)			
Irish government	232	232	333	336
Other European government	165	176	273	297
U.S. Treasury and U.S. Government agencies	32	32	—	—
Mortgage backed obligation of federal agencies	—	—	—	—
Corporate bonds	1,694	1,694	1,313	1,325
Other securities	53	53	303	306
Total	2,176	2,187	2,222	2,264

Proceeds from sales of available for sale securities during the year ended March 31, 2000 were €868 million (1999: €4,849 million). Gross gains of €26 million (1999: €25 million) and gross losses of €3 million (1999: €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, 2000 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 € millions)				
Irish government	205	13	—	14	232
Other European government	46	73	46	—	165
U.S. Treasury and U.S. Government agencies	3	17	12	—	32
Mortgage backed obligations of federal agencies	—	—	—	—	—
Corporate bonds	455	1,199	40	—	1,694
Other securities	42	5	—	6	53
Total	751	1,307	98	20	2,176

45 SFAS NO. 115 "ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES" (Continued)

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, 2000 and 1999.

	Held to Maturity Investment Portfolio			
	March 31, 2000		March 31, 1999	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(in € millions)			
Irish government	10	10	10	10
Other European government	103	103	10	10
U.S. treasury and U.S. government agencies	5	5	1	1
Corporate bonds	1,957	1,958	1,344	1,365
Other securities	—	—	52	52
	2,075	2,076	1,417	1,438

Proceeds from sales of held to maturity securities during the year ended March 31, 2000 were €41 million (1999: €17 million). Gross gains of €1 million (1999: nil) and gross losses of €1m (1999: nil) 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, 2000 based upon amortized cost.

	Maturity Distribution of Held to Maturity Investment Portfolio At March 31, 2000				
	In One Year or Less	After One Year Through Five Years	After Five Years Through 10 Years	After 10 Years	Total
	(in € millions)				
Irish government	2	7	1	—	10
Other European government	40	56	6	1	103
U.S. treasury and U.S. government agencies	—	3	2	—	5
Corporate bonds	288	578	596	495	1,957
Other securities	—	—	—	—	—
Total	330	644	605	496	2,075

46 COMPREHENSIVE INCOME

	At March 31,		
	2000	1999	1998
	(in € millions)		
Net income in accordance with U.S. GAAP	628	777	424
Other comprehensive income net of tax			
Foreign currency translation adjustment	227	(44)	227
Net movement on unrealized gains on debt securities	(22)	29	8
Comprehensive income	833	762	659