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, 2001

OR

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

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)

+353 1 6615933

(Telephone number 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, 2001:

Ordinary Stock (nominal value of €0.64 per unit): 1,001,288,093

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 ''ADSs'' refers to American Depositary Shares each representing the right to receive four units of Ordinary Stock and evidenced by American Depositary Receipts (''ADRs'').

In 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. 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 ADR Ratio, with one ADS representing 4 units of Ordinary Stock, remained unchanged. However following the Stock Split each ADR holder held 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.

FORWARD LOOKING INFORMATION

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 Irish economy and the international capital markets, the Group's ability to expand certain of its activities, competition, the Group's ability to address information technology issues and the availability of funding sources; and (ii) other risks and uncertainties detailed in this Annual Report, including under ''Key Information — Risk Factors''. 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 and joint ventures.

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 United States of America (''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.

Although these prior year amounts depict the same trends as would have been shown had they been presented in Irish pounds, they may not be directly comparable to the financial statements of other companies that have also been restated in euro. Prior to the adoption of the euro, the currencies of other countries fluctuated against the Irish pound, but because the euro did not exist prior to January 1, 1999, actual historic exchange rates for euro are not available. A comparison of the Group's financial statements and those of another company that had historically used a reporting currency other than the Irish pound that takes into account actual fluctuations in exchange rates could give a different impression than a comparison of the Group's financial statements and those of another company as translated to euro.

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 rate prevailing on March 31, 2001 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 January 1, 1999. The countries participating in the European Single Currency are: Austria, Belgium, Finland, France, Germany, Greece, 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 until December 31, 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 15, 2001, the Noon Buying Rate (as defined below) was U.S.$0.9114 = €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:

	Year ended March 31,				
	2001	2000	1999	1998	1997
			(dollars per €)		
Euro/dollar rates:					
March 31	0.8794	0.9574	1.0808	1.0695	1.2475
Average(1)	0.9069	1.0217	1.1295	1.1430	1.2690
High	0.9648	1.0842	1.2223	1.2479	1.3326
Low	0.8270	0.9328	1.0679	1.0644	1.2219
March 31 rate used by the Group(2)	0.8832	0.9553	1.0742	1.0728	1.2352
Average rate used by the Group(2)	0.9053	1.0247	1.1283	1.1446	1.2671

The highest noon buying rate for each of the last six months was July 2001: 0.8797, June 2001: 0.8628, May 2001: 0.8937, April 2001: 0.9032, March 2001: 0.9340, February 2001: 0.9395.

The lowest noon buying rate for each of the last six months was July 2001: 0.8370, June 2001: 0.8425, May 2001: 0.8455, April 2001: 0.8814, March 2001: 0.8794, February 2001: 0.9057.

	Year ended March 31,				
	2001	2000	1999	1998	1997
			(STG£ per €)		
Euro/sterling rates:					
March 31 rate used by the Group(2)	0.6192	0.5985	0.6663	0.6372	0.7591
Average rate used by the Group(2)	0.6145	0.6368	0.6834	0.6946	0.7948

(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, 2001 certain sterling and U.S. dollar profits were hedged during the year and translated at the following rates €/STG£0.6145 and €/U.S.$0.9962. 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.

(3) All rates prior to December 31, 1998 have been converted at the fixed translation rate of € 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

The Bank of Ireland Group is one of the largest Irish financial services groups, with total assets of €78.9 billion (U.S.$69.7 billion) at March 31, 2001. Headquartered in Dublin, the Group's operations extend geographically throughout Ireland and in the United Kingdom. Its market capitalization at March 31, 2001 was €9.4 billion (U.S.$8.3 billion) and at June 30, 2001 was €11.7 billion (U.S.$9.9 billion).

The Group provides a broad range of financial services in Ireland to all major sectors of the Irish economy. These include checking and deposit services, overdrafts, term loans, mortgages, international asset financing, leasing, installment credit, debt factoring, foreign exchange facilities, interest and exchange rate hedging instruments, executor, trustee, stockbroking, life assurance and pension and investment fund management, fund administration and custodial services and financial advisory services, including mergers and acquisitions and underwriting. The Group provides services in Irish pounds, euro 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 276 full-time branches and 415 ATMs at March 31, 2001, its direct telephone banking service, direct sales forces and its on-line services. 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 provides standard and nonstandard residential mortgages, savings and investment products to customers and operates advice based businesses.

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,		
	2001	**2000**	**1999**
	(€ millions, except per unit amounts and percentages)		
Income before taxation:			
Before exceptional items(1)	1,088	920	836
After exceptional item(1)(2)	995	920	1,054
Income after taxation(2)	799	724	801
Balance Sheet:			
Total stockholders' funds	3,798	3,279	2,854
Total assets	78,875	68,017	54,314
Per unit of €0.64 Ordinary Stock:			
Earnings	72.8c	68.0c	74.5c
Alternative earnings (excluding exceptional items)(1)	83.1c		54.3c
Diluted earnings	72.1c	67.6c	73.9c
Dividends	29.0c	23.5c	18.41c
Ratios (excluding exceptional items in 1999 and 2001):			
Return on average total assets(1)	1.1%	1.2%	1.1%
Return on average stockholders' funds(1)	24.6%	24.5%	23.8%
Capital Ratios:			
Tier 1 Capital ratio	7.8%	7.4%	9.0%
Total Capital ratio	12.4%	11.8%	13.0%

(1) The exceptional items in the year to March 31, 2001 represents the charge for the Group Transformation Program and the Deposit Interest Retention Tax (DIRT) settlement and the exceptional item in the year to March 31, 1999 represents the profit on the sale of the Group's interest in Citizens Financial Group.

(2) Excluding the effect of the DIRT settlement, see Note 12 on page F-20.

PART 1

Item 1 IDENTITY OF DIRECTORS, SENIOR MANAGEMENT & ADVISORS

Not applicable.

Item 2 OFFER STATISTICS & EXPECTED TIMETABLE

Not applicable.

Item 3 KEY INFORMATION

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, 2001, 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 5 — ‘‘Operating & Financial Review and Prospects’’.

SELECTED CONSOLIDATED FINANCIAL DATA

	At and for the Financial Year Ended March 31,					
	2001(1)	**2001**	**2000**	**1999**	**1998**	**1997**
	$m	**(in € millions, except per unit amounts and percentages)**				
Income Statement Data						
Amounts in accordance with Irish GAAP:						
Interest receivable and similar income	3,639	4,138	3,002	3,125	2,575	1,601
Interest payable and similar charges	2,385	2,712	1,760	2,009	1,619	820
Net interest income	1,254	1,426	1,242	1,116	956	781
Provision for bad and doubtful debts	63	72	56	56	47	25
Other income	986	1,121	901	836	655	444
Operating expenses	1,220	1,387	1,167	1,060	891	697
Income from ordinary activities before exceptional items	957	1,088	920	836	673	503
Profit on disposal of associated undertaking(3)	—	—	—	218	—	—
Group Transformation Program(3)	(82)	(93)	—	—	—	—
Income before taxation	875	995	920	1,054	673	503
Taxation on income from ordinary activities	172	196	196	253	197	164
Deposit Interest Retention Tax(3)	31	35	—	—	—	—
Minority interests						
— equity	3	3	3	1	1	—
— non equity	6	7	6	6	6	—
Non-cumulative preference stock dividend	23	26	25	23	20	19
Interest paid to outside interest — non equity	3	3	—	—	—	—
Income attributable to holders of ordinary stock	637	725	690	771	449	320
Per unit of Ordinary Stock						
Income attributable to holders of ordinary stock	64.0c	72.8c	68.0c	74.5c	45.0c	33.0c
Alternative income attributable to holders of ordinary stock	73.1c	83.1c		54.3c		
Dividends(2)	25.5c	29.0c	23.5c	18.41c	14.6c	11.27c
Amounts in accordance with U.S. GAAP:						
Net income attributable to holders of ordinary stock:	606	689	628	777	424	370
Net income per unit of ordinary stock						
Basic	60.8c	69.1c	62.0c	75.1c	42.5c	38.1c
Diluted	60.2c	68.5c	61.6c	74.5c	42.1c	37.8c
Number of shares used in EPS calculation	996.8	996.8	1,013.6	1,034.8	998.2	969.0

	At and for the Financial Year Ended March 31,					
	2001(1)	2001	2000	1999	1998	1997
	$m	(in € millions, except per unit amounts and percentages)				
Balance Sheet Data						
Amounts in accordance with Irish GAAP:						
Total assets	69,363	78,875	68,017	54,314	50,322	24,976
Loans and advances to customers	44,979	51,147	44,844	36,183	31,959	14,984
Loans and advances to banks	7,136	8,115	6,972	3,457	6,168	2,739
Allowance for loan losses	378	430	398	359	357	224
Deposits, short-term borrowings and other accounts	54,795	62,310	54,121	41,877	39,489	18,960
Dated capital notes	1,362	1,549	1,504	814	843	470
Undated capital notes	324	368	362	575	612	442
Minority interests						
— equity	4	5	5	3	4	3
— non equity	71	81	87	79	81	—
Outside interest — non equity	521	593	—	—	—	—
Called up capital stock	608	691	690	681	674	638
Reserves	2,732	3,107	2,589	2,173	1,333	1,154
Total stockholders' funds including non-equity interests	3,340	3,798	3,279	2,854	2,007	1,792
Amounts in accordance with U.S. GAAP:						
Stockholders' equity	3,642	4,141	3,727	3,453	2,701	1,892
Total assets	70,425	80,083	68,666	55,281	51,668	25,612

	At and for the Financial Year Ended March 31,				
	2001	2000	1999	1998	1997
	(in percentages)				
Other Financial Data					
Other Financial data in accordance with Irish GAAP:					
Return on average total assets(4)	1.1	1.2	1.1	1.2	1.3
Return on average stockholders' funds(5)	24.6	24.5	23.8	27.5	21.7
Dividend payout ratio(6)	35	34	34	33	34
Net interest margin(7)	2.3	2.5	2.5	2.9	3.6
Net interest margin, tax equivalent basis(8)	2.3	2.6	2.6	3.0	3.7
Cost/income ratio(9)	54	54	55	58	59
Allowance for loan losses to total loans	0.8	0.9	1.0	1.1	1.5
Provisions for bad and doubtful debts to average total loans	0.2	0.1	0.2	0.2	0.2
Tier 1 capital ratio(10)	7.8	7.4	9.0	7.2	11.0
Total capital ratio(10)	12.4	11.8	13.0	11.3	16.3
Average stockholders' equity to average total assets(11)	4.9	5.1	5.0	5.0	6.9

(1) Translated solely for convenience into dollars at €1.00 = U.S.$0.8794, the Noon Buying Rate on March 31, 2001.

(2) See Item 8 "Financial Information — Dividend Policy" for details of dividends per unit of Ordinary Stock in U.S. Dollars.

(3) The exceptional items in the year to March 31,2001 represents the charge for the Group Transformation Program and the DIRT settlement and the exceptional item in the year to March 31, 1999 represents the profit on the sale of the Group's interest in Citizens.

(4) Return on average total assets represents profit attributable to the ordinary stockholders, before exceptional items in the financial years ended March 31, 2001 and 1999, 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 5 "Operating & Financial Review and Prospects — Selected Statistical

Information — Average Balance Sheet and Interest Rates''. The Bank considers these average balances to be representative of the operations of the Group.

(5) Return on average stockholders' funds represents profit attributable to the ordinary stockholders, before exceptional items in the financial year ended March 31, 2001 and 1999, as a percentage of average stockholders' funds, excluding non-equity interests.

(6) The dividend payout ratio in 2001 and 1999 excludes the exceptional items.

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

(8) Net interest margin on a tax equivalent basis includes an adjustment to reflect tax benefits received by the Group in return for undertaking certain lending (''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.

(9) 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 and joint ventures) on a tax equivalent basis.

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

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

RISK FACTORS

Business conditions and general economy

Negative changes in the general economic conditions in Ireland or elsewhere would adversely affect the Group's profitability. The credit quality of the Group's assets could also be impacted. An economic downturn or significantly higher interest rates, particularly in Ireland, could increase the risk that a greater number of the Group's customers would default on their loans or other obligations, or would refrain from seeking additional borrowing or other services.

Government policies and economic controls

The fiscal or other policies that are adopted by various regulatory authorities of the Republic of Ireland, the European Union, foreign governments and international agencies can also affect the Group's businesses and earnings. The Group cannot predict the nature and impact of future changes in such policies and these changes may affect the Bank and/or the trading price of the Bank's ordinary stock. For further discussion on the Group's business, the Irish economy, competition, and supervision and regulation in the main geographical areas the Group operates in, see Item 4 — "Information on the Company" on pages 14 to 27.

Competition

The Group faces intense competition in all of its principal areas of operation and this competition has been further heightened by the introduction of internet, phone banking and other non traditional distribution channels.

Risk Management

A detailed discussion on major risk management issues facing Bank of Ireland — credit risk, market risk and operational risk; is contained in Item 11 — "Market Risk" on pages 82 to 89.

European Monetary Union

The risks associated with the introduction of the Euro are discussed on page 40.

Item 4 INFORMATION ON THE COMPANY

GENERAL

Bank of Ireland was established by Royal Charter of King George III in 1783. The Bank of Ireland Group is one of the largest financial services groups in Ireland with total assets of €78.9 billion at March 31, 2001. The address of the principal executive offices is Lower Baggot Street, Dublin 2 (phone 353-1-6615933).

The Group provides an extensive range of banking and other financial services. All of these activities are carried out by the Group in Ireland, with a less comprehensive range carried out in the United Kingdom.

The Group has a network of retail branches in Ireland and the United Kingdom. Its international business has centers in Dublin and London. In addition, the Group has a representative office in Frankfurt and wholly owned subsidiaries in Jersey and the Isle of Man.

The Group provides fund management services through Bank of Ireland Asset Management and in addition to its commercial banking business, the Bank has an installment finance business, operated through its business unit, Bank of Ireland Finance and an international asset financing subsidiary, Bank of Ireland International Finance Limited, the latter is located in the International Financial Services Center (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).

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.

RECENT DEVELOPMENTS

Appointment of Group Chief Executive — Designate

On June 14, 2001, Bank of Ireland announced the appointment of Michael Soden as Group Chief Executive-Designate to replace Maurice Keane who will retire from the Bank in February 2002.

Acquisitions and Disposals

Bank of Ireland announced on July 31, 2001 that its wholly owned subsidiary Bristol & West has completed the acquisition of independent financial advisory business, Willis National, from the current joint owners, Willis Group and Abbey National plc. The consideration consisted of Stg£36 million in cash plus Stg£4 million cash currently held by Willis National. The transaction was financed from the internal resources of Bank of Ireland Group. Willis National provides independent financial advice, with particular expertise in investments and pension planning, and employs 300 staff working from a network of 18 UK offices.

Details of other acquisitions and disposals included in the accounts are set out in Notes 2, 3 and 4 on pages F-14 to F-16.

Securitisations

Details of recent securitisations are set out in Note 17 on pages F-23 and F-24.

Capital Raising

See Item 11 ''Market Risk — Analysis of Financial Condition''.

BUSINESS OVERVIEW

The Group provides a broad range of financial services in Ireland to all major sectors of the Irish economy. These include checking and deposit services, overdrafts, term loans, mortgages, international asset financing, leasing, installment credit, debt factoring, foreign exchange facilities, interest and exchange rate hedging instruments, executor, trustee, stockbroking, life assurance and pension and investment fund management, fund administration and custodial services and financial advisory services, including mergers and acquisitions and underwriting. The Group provides services in Irish pounds, euro 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 276 full-time branches and 415 ATMs at March 31, 2001, its direct telephone banking service, direct sales forces and its on-line services. 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 subsidiary and the Group's retail branch network. Bristol & West provides standard and nonstandard residential mortgages, savings and investment products to customers and operates advice based businesses.

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

STRATEGY

The 2000/01 trading and profit performance is evidence of the strong momentum in the Group's main businesses during the year, 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 resulted in the Bank adopting the following strategic 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 the Group's revenue stream in Great Britain, reducing its 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.

In the area of e-business, the Group will build upon the competencies it has already developed. The Group is to invest significantly in the further development of its e-offerings and recognizes 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 program will enhance the current Banking 365 Online and business online services. It will enable the Bank to be a business partner for Small and Medium Size Enterprises (SMEs) and a financial partner for personal customers.

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

The range of delivery mechanisms now available facilitates a more rational segmentation of services that are better related to customer needs. The identification of these needs, the segmentation of customer groupings based on need 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, 2001 amounted to €1,114 million, representing almost 44% 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, 2001 was 54%.

Implementation of the Group's cost reduction program is underway and will be facilitated by the channel strategy and network changes mentioned above. While the Group Transformation Program includes realization costs, the payback is very attractive and justifies the investment. The Group will achieve in full the cost reductions targeted in the program.

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, 2001, bad debt provision charges were €72 million (representing 0.15% of average loans to customers), the level of balances under provisions was €315 million and the ratio of allowance for loan losses to balances under provision stood at 137%.

The Group intends to continue to manage Treasury related exposures 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. See Item 11 "Market Risk".

The Group intends to maintain strong capital ratios, comfortably in excess of the regulatory minimum. At March 31, 2001, the Group's Tier 1 and Total Capital ratios were 7.8% and 12.4% respectively, well above the regulatory minimum.

CORPORATE STRUCTURE

For the purpose of reporting its performance, the Group organizes its businesses into Retail Banking Republic of Ireland, Life & Pensions, Corporate and Treasury, Bristol & West, Asset and Wealth Management and Group and Central Costs. The Group's operations extend geographically throughout Ireland and the United Kingdom. The Segmental Analysis note is shown in Note 46, on pages F-69 to F-72 and outlines a detailed analysis of profit contributions by both geographic segments and by business classes.

The following table shows the profit contribution by business for the three years ended March 31, 2001 and the total assets at March 31, 1999, 2000 and 2001. 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 5 — "Operating & Financial Review and Prospects".

	For the Financial Year Ended March 31,					
	2001	%	2000	%	1999	%
	(in € millions, except percentages)					
Income Before Tax						
Retail Banking Republic of Ireland	290	27	229	25	199	23
Life & Pensions	131	12	107	12	97	12
Corporate and Treasury	368	34	280	30	266	32
Bristol & West	228	21	216	23	185	22
Asset and Wealth Management	147	13	129	14	95	11
Group and Central Costs	(30)	(3)	18	2	(1)	—
Citizens(1)	—	—	—	—	32	4
Tax equivalent adjustment(2)	(46)	(4)	(59)	(6)	(37)	(4)
Income from ordinary activities before exceptional items	1,088	100	920	100	836	100
Profit on disposal of associated undertaking	—	—	—	—	218	—
Group Transformation Program	(93)	—	—	—	—	—
Income before taxation	995	100	920	100	1,054	100

	At March 31,					
	2001	%	2000	%	1999	%
	(in € millions, except percentages)					
Assets						
Retail Banking Republic of Ireland	19,449	20	19,076	22	16,392	23
Life & Pensions	5,305	5	4,520	5	4,111	6
Corporate and Treasury	42,974	44	36,038	41	25,474	37
Bristol & West	23,767	24	22,346	26	19,378	28
Asset and Wealth Management	2,127	2	2,339	3	1,373	2
Group and Central Costs	5,051	5	2,778	3	2,753	4
Total(3)	98,673	100	87,097	100	69,481	100

(1) 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.

(2) 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 tax-based lending.

(3) Total Assets include intra-group items of €19,798m (2000: €19,080m, 1999: €15,167m).

Retail Banking Republic of Ireland

Retail Banking Republic of Ireland 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, installment credit and leasing facilities, as well as a direct telephone banking unit, credit card operations and commercial finance/factoring businesses.

As at March 31, 2001, Branch Banking Republic operated 276 full-time branches. A full range of banking services is provided to all major sectors of the Irish economy including 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.

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 provides installment 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 installment credit, leasing, 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 the Republic of Ireland and in Northern Ireland. It provides MasterCard, VISA and American Express cards and is supported by Bank branches in marketing its services.

Banking 365, a direct selling operation, offers personal loan facilities by telephone, outside as well as during normal business hours. It also operates a call center which deals with customer queries and processes transactions. A related company Premier Direct Insurance Services offers motor insurance over the telephone.

Life & Pensions

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.

New Ireland, which offers products under its own brand, operates through the broker channel and its direct sales force to access the domestic life assurance and pensions markets.

Corporate and Treasury

The principal constituents of this division are Corporate Banking, Bank of Ireland International Finance Limited, Treasury and International Banking, Branch Banking operations in Northern Ireland and Great Britain, J&E Davy Stockbrokers, First Rate Enterprises Limited, IBI Corporate Finance Limited and Bank of Ireland International Services Limited.

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 syndicated lending to major multi-national companies, principally in the United Kingdom and the United States.

Treasury and International Banking, 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 and International Banking 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 and International Banking is also represented overseas in Bristol, Isle of Man and Jersey.

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 installment 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).

First Rate Enterprises Limited specializes in the provision of foreign exchange services through a number of separate businesses. In Ireland, First Rate Ireland operates through its own bureaux located in key tourist locations and through its agencies in excess of 400 hotels, shops and tourist sites. It also provides Foreign Exchange Services to An Post (the Irish postal service) and has responsibility for the provision of Foreign Exchange Currency and travelers cheques to the Bank of Ireland Branch Network. In the UK, First Rate Currency Services operates under contract to supply the UK Post Office with foreign currency and travelers cheques through the latter's 19,000 outlets.

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

Bank of Ireland International Services Limited provides consulting services to overseas banks and financial institutions.

Bristol & West

Bristol & West operates in Great Britain. Bristol & West provides standard and nonstandard residential mortgages, savings and investment products to retail customers, and operates advice based businesses.

Bristol & West is based in Bristol, operating out of 131 branches located mainly in the South West of England. Bristol & West also operates through broker and intermediary channels in sourcing residential mortgages.

Savings and investment products include traditional savings accounts, online and postal savings accounts, single premium bonds, Individual Savings Accounts and guaranteed equity products.

Bristol & West's principal subsidiaries are: Bank of Ireland Home Mortgages, a centralized mortgage lender; Chase de Vere Investments plc which was acquired on September 11, 2000 and is one of the UK's leading Independent Financial Advisors; and Moneyextra Limited, which is a leading business to consumer online advisory service which was acquired on December 27, 2000.

Asset and Wealth Management

Bank of Ireland Asset Management is the investment management arm of the Bank of Ireland group. It provides active and passive investment services for Irish Institutional clients and active discretionary management of equities and fixed interest securities for International clients. It also acts as sub-advisor for a number of retail distributors in Ireland and overseas. The company's head office is located in Dublin and it has nine international offices servicing clients across five continents. It had assets under management of €49.8 billion at March 31, 2001 — 52% of which were for North American clients.

Bank of Ireland Securities Services is the investment administration and custodial arm of the group. It has offices in Dublin's IFSC and Jersey. It provides a full range of fund administration services to leading international fund managers and it supplies a full range of custody services for all Irish and UK instruments to an international and domestic client base as well as offering a full administration out-sourcing service to fund managers. It also operates a strategic alliance with State Street Bank and Trust Company of Boston. The alliance provides fund administration and custody services to funds domiciled in Dublin and Jersey. Assets under administration/custody were €121 billion at March 31, 2001.

Bank of Ireland Private Banking provides wealth management solutions to high net worth individuals in Ireland. It offers a complete private banking service utilizing an extensive range of investment, fiduciary and banking products.

Group and Central Costs

Group and Central Costs mainly include earnings on surplus capital, and unallocated central overheads. Investment costs in BOIe, which specializes in eCommerce and web-enabled solutions, is also included in this category. BOIe is now firmly established and the Group's strategic positioning with respect to eCommerce, which has remained consistent from the outset, has proved to be robust. The targets the Group set for both personal and business use of internet banking have been met. The Group is achieving encouraging levels of product sales through the web and the Group confidently anticipates further progress in this regard. The Group believes that eCommerce will play an important role in the evolution of financial services and anticipates continuing investment in this area of the business.

Material Subsidiaries

The principal group undertakings at March 31, 2001 were:

Name	Principal Activity	Country of Incorporation	Statutory Year End
Bank of Ireland Asset Management Limited	Asset Management	Ireland	31 March
Bank of Ireland International Finance Limited*	International Asset Financing	Ireland	31 March
Bristol & West plc	Mortgages, Savings and Investments	England	31 March
ICS Building Society*	Building Society	Ireland	31 December
IBI Corporate Finance Limited	Corporate Finance	Ireland	31 March
J & E Davy Holdings Limited	Stockbroking	Ireland	31 December
Lifetime Assurance Company Limited	Life Assurance and pensions	Ireland	31 December
New Ireland Assurance Company plc	Life Assurance and pensions	Ireland	31 December

* Direct subsidiary of The Governor and Company of the Bank of Ireland.

All the Group undertakings are included in the consolidated accounts. The Group owns 90.44% of the equity of J & E Davy Holdings Limited and holds 49% of its voting shares. The Group owns 100% of the equity share capital of the other principal group undertakings and 100% of the voting shares of all these undertakings and in the case of ICS Building Society, 100% of the investment shares.

DESCRIPTION OF PROPERTY

At March 31, 2001 the Bank operated 345 full-time retail bank branches of which 276 were in Ireland, 47 in Northern Ireland and 22 in Britain. Additionally, the Bank has a representative office in Frankfurt, 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 meters (200,000 square feet) net floor space. The Bank has a 30% equity interest in the premises which are held on a lease which expires in 2071. The freehold interest in the Bank's headquarters is held in trust on behalf of the Bank of Ireland Staff Pension Fund, which is the Group's principal pension fund. The Group also occupies approximately 52,000 square meters (584,000 square feet) net for central functions in Dublin: of this space 16,000 square meters (177,000 square feet) net is owned, the balance is held on commercial leases.

The Bank occupies approximately 2,600 square meters (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 Temple Quay, Bristol, England. It has a network of 131 operational Branches. The administrative buildings occupy approximately 31,800 square meters (342,000 square feet) net floor space of which approximately 75% is held Freehold.

New Ireland Assurance's Head Office is located at 9/12 Dawson Street, Dublin, Ireland. New Ireland has a network of 20 operational branches. The Head Office and Administrative buildings occupy approximately 4,900 square meters (53,000 square feet) net floor space, of which 93% is held Freehold.

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, in particular 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, which acquired the Trustee Savings Bank in 2001, 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 (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 Group increasingly faces competition from the introduction of the internet, phone banking and other non traditional distribution channels.

Bank of Scotland has entered the mortgage market and has acquired ICC Bank, formerly owned by the Irish State.

Britain

The Bank of Ireland Group's operations in Britain are small in the overall market context. 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, and 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, and the Insurance Act 2000 (in respect of insurance intermediaries).

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 announced in February 2001 that a new entity identified as "the Central Bank of Ireland and Financial Services Authority" would be established with the Central Bank of Ireland discharging Ireland's obligations in respect of the European Central Bank, and the Irish Financial Services Regulatory Authority exercising responsibility for supervision of banking and insurance activities. Implementing legislation is awaited.

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. Bank of Ireland and The Investment Bank of Ireland hold licenses granted under the 1971 Act and no conditions have been attached to them. In September 2000, by means of a scheme of transfer under Part III of the 1971 Act, Bank of Ireland Finance Limited transferred all of its business and undertakings to Bank of Ireland and surrendered its banking license. 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. EC Directive 93/6 of March 15, 1993 on the capital adequacy of investment and credit institutions deals mainly with the capital adequacy of investment business funds. These Directives have been implemented by the Central Bank of Ireland by way of administrative notice, and were codified recently into a single text by Directive 2000/12/EC of March 20, 2000.

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 for Finance where a person proposes to participate in an acquiring transaction involving the acquisition of shares or other interest in a licensed bank, 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 the Insurance Act, 2000 which will increase the regulation of insurance brokers and intermediaries.

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, Sweden and the United Kingdom) became irrevocably fixed and denominations of the new currency, the euro. Notes and coins in the new currency will be issued on 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 insure 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 independance 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.

The Government has recently published the Euro Changeover (Amounts) Bill, 2001 which, among other things, permits the replacement of Irish Pound amounts set down in legislation (such as administrative fees and charges) with amounts in euro. The Bill also recognizes that no person will be compelled to make any payment on December 31, 2001, when — exceptionally — the TARGET payment system will not operate in order to facilitate the introduction of euro notes and coins.

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

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 FSA for the full range of financial business, including deposit taking business, securities and other investment business and insurance business. As part of this program 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 fulfill 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.

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 2000 was €103 billion and is estimated by the Government at €115 billion in 2001. The Irish economy has expanded very strongly over the past decade, with real GDP growth averaging 7.3% between 1990 and 2000. Growth has been very broadly based, with consumption, investment and trade all making a strong contribution. This has resulted in a significant improvement in labor market conditions and the unemployment rate stood at 3.7% in June 2001. The Government has estimated a budget surplus of 3% of GDP in 2001.

Item 5 OPERATING & FINANCIAL REVIEW AND PROSPECTS

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 51 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

In the year to March 31, 2001 the Group reported profit on ordinary activities before tax and exceptional items of €1,088 million an increase of 18.3% on the previous year. Total average earning assets increased by 25.3% to €63.3 billion. The return on average total assets was 1.1% and return on average stockholders funds was 24.6% for the year ended March 31, 2001.

In the year to March 31, 2000 the Group's income before exceptional item and taxation of €920 million was 10% above the previous year. Total average interest earning assets increased by 14.3% to €50.5 billion from €44.2 billion the previous 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.

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.

Group Income Statement

	For the Financial Year Ended March 31,		
	2001	2000	1999
		(in € millions)	
Net interest income	1,426	1,242	1,116
Other income(1)	1,121	901	804
Operating expenses	1,387	1,167	1,060
Citizens(2)	—	—	32
Provision for loan losses	72	56	56
Income before exceptional items	1,088	920	836
Exceptional items(3)	(93)	—	218
Income from ordinary activities before taxation	995	920	1,054

(1) Includes income from associated undertakings.

(2) The investment in Citizens was not consolidated but was treated as an associated company.

(3) The exceptional item in the year to March 31, 2001 represents the charge for the Group Transformation Program and 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, 2001:

	For the Financial Year Ended March 31,		
	2001	2000	1999
		(in € millions)	
Interest receivable	4,138	3,002	3,125
Interest payable	2,712	1,760	2,009
Net interest income	1,426	1,242	1,116

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, 2001, the level of domestic interest earning assets has increased significantly, but the Group's net interest margin has declined from 2.6% to 2.3% 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 and the narrowing of the average spread between lending and borrowing rates.

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, 2001 compared to financial year ended March 31, 2000

Net interest income increased by 15% to €1,426m in the year to March 31, 2001, an increase of €184m. This was supported by strong growth in lending volumes across the Group of 15% and an increase in customer accounts of 11%. On a constant currency basis, the increase in net interest income was 11%.

The Group net interest margin on a tax equivalent basis reduced from 2.55% to 2.31%. In the previous year, the Group margin benefited from positions taken in Treasury in advance of the introduction of the Euro. The Group net interest margin for all businesses in the Republic of Ireland reduced from 3.09% to 2.66%. While the Retail Banking margin remained relatively stable for the year, higher wholesale borrowings, together with strong volume growth in Corporate Banking and a more normal trading environment in Treasury, impacted on the margin. The foreign net interest margin reduced from 1.97% to 1.90%, reflecting higher wholesale borrowings, the funding costs of acquisitions and some slight reduction in Bristol & West. The Group average earning assets increased from €50.5 billion to €63.3 billion, an increase of 25% with average domestic earning assets increasing by 31% to €34.3 billion and average foreign earning assets increasing by 19% to €29.0 billion.

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

Net interest income increased by €126m or 11% 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 was 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 1999/2000 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 to March 31 2000, total Group average earning assets increased by 14% to €50.5 billion with average domestic earning assets increasing by 20% to €26.2 billion and average foreign earning assets by 9% to €24.3 billion.

The following tables set forth yield, spreads and margins, prevailing average interest rates and average interest earning assets for each of the three years ended March 31, 2001:

	For the Financial Year Ended March 31,		
	2001	2000	1999
		(percentages)	
Gross yield(1)	6.5	5.9	7.1
Interest spread(2)	1.6	1.8	1.8
Net interest margin(3)	2.3	2.5	2.5
Net interest margin, tax equivalent basis(4)	2.3	2.6	2.6
Domestic net interest margin, tax equivalent basis(4)	2.7	3.1	3.1
Foreign net interest margin, tax equivalent basis(4)	1.9	2.0	2.2

(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.

Average Interest Earning Assets

	For the Financial Year Ended March 31,		
	2001	2000	1999
	(€ billion)		
Group	63.3	50.5	44.2
Domestic	34.3	26.2	21.9
Foreign	29.0	24.3	22.3

	For the Financial Year Ended March 31,		
	2001	2000	1999
	(percentages)		
Ireland			
European interbank offered rate:			
One month Euribor	4.60	2.93	5.14
Three month Euribor	4.70	3.08	4.93
United Kingdom			
London interbank offered rate:			
One month Sterling	5.99	5.49	6.96
Three month Sterling	6.06	5.69	6.94
United States			
Prime Rate	9.20	8.23	8.17

Other Income

The following table sets forth other income for each of the three years ended March 31, 2001.

	For the Financial Year Ended March 31,		
	2001	2000	1999
	(in € millions)		
Dealing profits	101	44	71
Contributions from life assurance business	164	127	107
Fees and commissions	785	617	553
Other operating income	64	112	71
Income from associated undertakings and joint ventures	7	1	2
	1,121	901	804
Income from associated undertaking — Citizens	—	—	32
Total	1,121	901	836

Financial Year ended March 31, 2001 compared to March 31, 2000.

Other income increased by 24% or €220m to €1,121m in the twelve month period ending March 31, 2001. This growth is reflected across all major businesses, with high levels of fee income in Corporate Banking and Asset and Wealth Management, customer driven volumes in Treasury and International Banking, and in sales of Group products in Retail Banking that were ahead of last year.

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 & Pensions from 12% last year to 11% in 1999/2000.

Continued strong growth in other income was experienced across the businesses — in Retail Banking, Life & Pensions, 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.

Operating Expenses

The following table sets forth operating expenses for each of the three years ended March 31, 2001.

	For the Financial Year Ended March 31,		
	2001	2000	1999
		(in € millions)	
Staff expenses	773	658	582
Other administrative expenses	484	390	380
Depreciation and amortization	130	119	98
Total	1,387	1,167	1,060
Average staff headcount (full time equivalent)	17,356	16,400	15,618

Financial year ended March 31, 2001 compared to financial year ended March 31, 2000.

In the year to March 31, 2001, total operating expenses increased by €220m or 19%.

The increase in staff expenses and other administrative expenses is attributable to a number of factors, mainly the impact of the Moneyextra and Chase de Vere acquisitions (€50m), the strengthening of Sterling against the Euro (€34m), and substantial volume increases in internationally-focused businesses such as asset management and international lending. The cost increase in the longer established businesses was 8% reflecting normal salary increments and growing business volumes. The total charge for depreciation and amortization increased by €11m to €130m. (This includes goodwill amortization of €7m for acquisitions completed in the UK during the year). The Group's cost income ratio, excluding goodwill amortization, of 54.2% improved slightly over the corresponding period last year.

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

Total operating expense increased by €107m or 10% in 1999/2000 to €1,167m. The increase in staff expenses of €76m or 13% reflected 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 55.4% to 54.4%.

Provisions for Loan Losses

The following table sets forth the provisions for loan losses for each of the three years ended March 31, 2001. The Group's procedure for determining provisions for loan losses is described under Item 11 — "Market Risk — Risk Management and Control — Credit Risk — Provisions and Allowances for Loan Losses".

	For the Financial Year Ended March 31,		
	2001	2000	1999
		(in € millions)	
Provision for bad and doubtful debts	72	56	56
As a percentage of average total loans	0.15%	0.14%	0.16%

Financial year ended March 31 2001 compared to financial year ended March 31, 2000

The provision for bad and doubtful debts increased to €72m, representing a charge of 0.15% of average loans for the year ended March 31, 2001. Balances under provision (i.e. the total balance of loans against which some provision has been recorded) reduced further from €355m to €315m representing a coverage ratio of 137%. The total general provision was €307m as at March 31, 2001 and includes a non-designated specific element of €147m. For a breakdown of the provision, see Item 5 — ''Operating and Financial Review and Prospects — Selected Statistical Data — Risk Elements in Lending''. The 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 reflected 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, 2000 compared to financial year ended March 31, 1999

The Group loan loss charge at €56m was unchanged over the previous year, and represented a charge of 0.14% of average loans. Balances under provision reduced from €461m to €355m at March 31, 2000 and represented a coverage ratio of 112%, compared to 78% for the previous year.

Exceptional Items

Costs associated with the Group Transformation Program, at €93m in the year to March 31 2001, include a charge of €68m, to cover staff severance costs, together with associated project implementation costs incurred during the year.

On September 3, 1998, the Group sold its 23.5% shareholding and other interests in Citizens to the Royal Bank of Scotland Group and resulted in an exceptional profit before taxation of €218 million for the year ended March 31, 1999.

Taxes

The following tables set forth a reconciliation of taxes chargeable at the statutory Irish corporation tax rate and the Group's effective tax rate for each of the three years ended March 31, 2001. 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,		
	2001	**2000**	**1999**
	(in € millions, except percentages)		
Average statutory corporation tax rate(1)	23%	27%	31%
Tax charge based on the statutory rate	229	249	259
Tax on foreign income	13	—	(5)
Tax-exempted income and income taxed at reduced tax rate	(43)	(50)	(27)
Other items	(3)	(3)	16
Taxes(2)(4)	196	196	243
Effective tax rate(3)	19.7%	21.3%	29.2%

(1) For 2001, the average statutory rate reflected the reduction in the statutory rate from 24% to 20%, effective January 1, 2001.

For 2000, the average statutory rate reflected the reduction in the statutory rate from 28% to 24%, effective January 1, 2000.

(2) 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%.

(3) 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%.

(4) Taxation for the year ended March 31, 2001 excludes the effect of the DIRT settlement.

Financial year ended March 31, 2001 compared to financial year ended March 31, 2000.

The effective rate of tax has fallen to 19.7% compared to 21.3% for the previous year. The benefits arising from tax based lending and IFSC income were partially offset by the negative impact of tax on income from higher tax rate jurisdictions.

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

The effective rate of tax fell to 21.3% compared to 29.2% for the previous year. The contributory factors included 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.

Results of Operations — Business Analysis

Set out below is a discussion and analysis of the Group's income before tax for the three years ended March 31, 2001. 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, 2001 and total assets by Division as at the end of each year.

	At and for the Financial Year Ended March 31,		
	2001	2000	1999
	(in € millions)		
Income Before Tax			
Retail Banking Republic of Ireland	290	229	199
Life & Pensions	131	107	97
Corporate and Treasury	368	280	266
Bristol & West	228	216	185
Asset and Wealth Management	147	129	95
Group and Central Costs	(30)	18	(1)
Citizens(1)	—	—	32
Tax-equivalent adjustment(2)	(46)	(59)	(37)
Income from ordinary activities before exceptional items	1,088	920	836
Profit on disposal of associated undertaking	—	—	218
Group Transformation Program	(93)	—	—
Income from ordinary activities before taxation	995	920	1,054
Assets			
Retail Banking Republic of Ireland	19,449	19,076	16,392
Life & Pensions	5,305	4,520	4,111
Corporate and Treasury	42,974	36,038	25,474
Bristol & West	23,767	22,346	19,378
Asset and Wealth Management	2,127	2,339	1,373
Group and Central Costs	5,051	2,778	2,753
Total(3)	98,673	87,097	69,481

(1) 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.

(2) 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.

(3) Total Assets include intra-group items of €19,798m (2000: €19,080m, 1999: €15,167m).

Financial year ended March 31, 2001 compared to financial year ended March 31, 2000.

Retail Banking Republic of Ireland

The Republic of Ireland retail businesses again delivered a strong performance on the back of volume growth in profitable segments that was ahead of market growth, stable margins and good asset quality. The result was a 27% year on year increase in pre-tax profits to €290m.

Net interest income rose by 17%, a substantial increase driven by both resources and lending growth combined with stable net interest margin. Margin decline in Ireland partially offset volume gains in previous reporting periods. Total resources increased by 16%, with particularly strong growth in credit balances.

Lending was buoyant, but without any deterioration in asset quality and the quality of the retail loan book remains high. Mortgage lending increased by 29% and other lending by 21%. The Group's share of new mortgages increased by almost 3% to 25.7% in the latest twelve month period for which information is available and Bank of Ireland Group is now the leader in the new mortgage market. This gain was achieved while operating prudent lending criteria and conservative Loan to Value ratios.

Life Loan, an equity release product designed to meet the needs of older customers who may be asset rich but cash poor, was enthusiastically received and has generated considerable interest in the market. Customers above pre-determined age limits may borrow against up to 30% of the value of their principal residence, without any requirement to repay during their lifetime. Bank of Ireland was first in the market in Ireland with such a product and its introduction was a response to a clear need.

The Group's share of the resources market in Ireland increased significantly. Total savings volumes are expected to be boosted by the Government's Special Savings Investment Account scheme and Bank of Ireland has introduced a full suite of deposit and equity based products in support of the scheme.

Non interest income in Retail Banking Republic of Ireland increased by 9% on a like for like basis compared with the prior year. The transfer of the credit card merchant acquiring business to EuroConex, the joint venture company with Nova Corporation, means that the headline figure for non interest income is virtually unchanged from last year. The principal contributors to the increase were branch banking, Banking 365, the credit card issuing business and general insurance.

The loan loss charge as a percentage of average advances increased marginally, from 0.23% to 0.25%, and includes a further contribution of €8m to the non-designated specific provision.

Year on year, costs increased by 5.5%. This is a satisfactory cost performance, especially in the context of the major growth in volumes and revenues in the businesses concerned. The Retail Transformation Program, a subset of the Group Transformation Program referred to earlier, has made good progress, evident in extensive rationalization of delivery channels, accelerated customer migration to electronic payments, the development of shared service centers and new, flatter, management structures — all of which have resulted in manpower and cost savings. A high priority has been placed on the enhancement of the IT infrastructure, which is critical to the successful transformation of the business.

Throughout this period of change, a strong focus has been maintained on customer service, and satisfaction levels are continuously monitored and measured. The Group is conscious that branch closures and changes in branch services cause some inconvenience and that customers may require a period of adjustment to become accustomed to and comfortable with alternative ways of conducting business.

Life & Pensions

The Group's Life & Pensions operations have become an increasingly important component of the Group's business and, in the year under review, generated some 12% of total pre-tax profits. The two channel strategy — through Lifetime and New Ireland — has provided a marketing advantage with the bancassurance and broker channels performing very well and making significant contributions.

Profits from the Life & Pensions businesses in 2000/01 were €131m compared to €107m in the previous year, an increase of 22%. Both years benefited from substantial non-trading gains, the most significant of which in the year under review was a €33m gain from the capitalization of the future value of changes in Irish Corporation Tax Rates. This is based on actuarial assumptions which assume an improvement from 24% to 16% in Irish corporate tax rates.

The table below provides an analysis of profits before tax:

	2000/01	1999/00
	€m	€m
New business	45	30
Existing business	67	56
Return on shareholders' funds	13	8
Operating profit before tax	125	94
Change in discount rate	—	14
Change in tax rate	33	8
Other exceptional items	6	11
Sub total	164	127
Less: income adjustment for certain services provided by Group companies	(33)	(20)*
Profit before tax	131	107

* Restated to reflect revised commission arrangements.

Profits from new business increased by €15m. Life business sales of €228m increased by 33% on the prior year. Profits from existing business increased by €11m, driven by good operating performance.

The Group believes that the outlook for the life and pensions business remains positive. While economic growth in Ireland is slowing, this has not yet been reflected in demand for life and pension products. Ireland has traditionally been under-provided in these areas and growing personal prosperity has led to increased demand. The Group is well positioned to meet this demand with a range of products and innovative delivery channels.

Corporate and Treasury

Corporate and Treasury delivered a 31% increase in profits to €368m from €280m in the previous year. Income increased by 25%, with particularly strong growth in non interest income, which benefited from a strong performance in Treasury and International Banking and strong fee income flows in Corporate Banking. Asset quality remains satisfactory despite the rapid growth of the business. Some of the trading gains in the second half of the year are regarded as exceptional and may not recur.

Costs increased by 18%, of which 5% arose from exchange rate differences. The underlying increase is modest compared with income growth of 25%.

Profits in Corporate Banking increased by 44% year on year, with international activities now accounting for 63% of profit. Income was up by 42%, with very strong growth in fee income from increased arranging, underwriting and structuring activity. Average lending volumes rose by 36%, and high credit standards were maintained.

A significant number of Corporate Banking customers have signed on to Business Online, which is recognized as the market leading internet payment and cash management system for business customers and in the year the target of 10,000 business customers was reached.

Treasury and International Banking were successfully integrated during the year and all strands of both businesses will soon consolidate in a single location. The combined businesses increased their pretax profit contribution by 26%, reflecting growth in customer related activity and successful trading, with the trading desks correctly positioned for the fall in global interest rates. The buoyant Irish economy drove significant growth in cross-border payments, although there was some evidence of a slowdown in customer business in the final months of the year.

Banking UK now operates under a single management team and material efficiencies have been achieved as a result. Profits in Northern Ireland increased by 25%, with income ahead by 13% and costs by 6%. In Great Britain, profits were up 31%, income 9% and costs 1%.

Profits in Davy were slightly below last year, due to significant investment in systems development, and increased staff numbers to support higher business volumes. Institutional business was very strong earlier in the year, with good institutional deal-flow in the final months.

First Rate Enterprises profits increased by 37%.

Bristol & West

Bristol & West made substantial progress in the implementation of its diversification strategy and this is reflected in its results, which are impacted both by earnings from acquired businesses and new business lines, offset by the investment costs associated with these developments. Excluding the amortization of goodwill associated with the acquisition of Chase de Vere and Moneyextra, profits in constant currency were virtually unchanged from last year at Stg£144m. Profits in euro increased by 6% to €228m.

Net interest margin on average earning assets reduced by 5 basis points to 1.48%, of which 3 basis points relate to the funding costs of the acquisitions. Costs were successfully managed during the year. Investment fee income grew strongly to Stg£69m, up by 74%, assisted by the eight month contribution from Chase de Vere.

Mortgage lending has been moved steadily towards higher margin products, such as buy-to-let and self certification, and strong growth has been achieved in these segments without any adverse impact on credit quality. Bristol & West is increasingly seen as a specializt mortgage provider with strong propositions in niche areas.

In the UK, an estimated Stg£21bn of TESSA funds reached maturity during the financial year and the year was, as a consequence, critical for all deposit takers in the market. Bristol & West was particularly successful in attracting such funds with its TESSA-only ISA. The Bristol & West Guaranteed Equity TESSA was the top performer in the market and inflows to the Guaranteed Equity Bond have increased significantly in the early months of 2001.

Bristol & West Online, through which customers can actively manage their savings portfolios, is showing encouraging trends, with more than 5,000 customers registered in its first three months of operation. Savings inflows are increasing steadily through the online channel, reflecting its potential as an important source of future business.

Two acquisitions were completed during the year, both supporting the Bristol & West strategy to develop rapidly into advice-led investment services. The purchase of Chase de Vere Investments plc in September provides the Group with an excellent opportunity to extend into a strongly growing market sector, focused on high net worth customers. Chase de Vere is one of the leading independent financial advisers in the UK with more than Stg£1 billion placed on behalf of clients.

Moneyextra, a leading business to consumer online advisory service, was purchased in December. It is an internet based personal finance "infomediary" website, attracting some 500,000 visitors each month and providing information and advice on mortgages, pensions, life assurance and credit cards.

Asset and Wealth Management

In the context of the poor stock market conditions which prevailed throughout most of the year and the sharp falls in January and February 2001, PBT growth of 14% year on year by the Asset and Wealth Management businesses is a satisfactory result. This segment of Group operations accounted for 14% of total pre-tax profits.

Investment performance by Bank of Ireland Asset Management was strong relative to competitors, both in Ireland and internationally and generated more than €3 billion in new business, partly offsetting the sharp falls in equity prices on the main international markets. Total assets under management at year end amounted to €49.8 billion.

Bank of Ireland Securities Services achieved substantial further growth in business volumes and profits. Assets under administration and custody increased by 12% to €121bn and profits were up by 42%.

Profits in Bank of Ireland Private Banking which merged with Trust Services at the beginning of the year, were up by 46%, reflecting the enhanced range of products that it now offers and increased market penetration of the growing affluent sector in Ireland.

Group and Central Costs

There was a loss under this heading of €30m in the current year compared to a profit of €18m last year. The principal factors in the change were investment expenditures on a range of Group projects, some miscellaneous provisions and, in particular, investment costs of €20m in BOIe and significantly lower property disposal gains in Ireland following an exceptional gain in the previous year.

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

Retail Banking Republic of Ireland

Retail Banking in the Republic had a very satisfactory year and continued to benefit from the strength of the domestic economy. Strong profit growth was achieved, with pre-tax profits of €229m showing an increase of €30m or 15% 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%.

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 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.

Life & Pensions

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.

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*	(20)	(10)
Life assurance segment, profit before tax	107	97

* Restated to reflect revised commission arrangements.

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. 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 had been anticipated following the strong results recorded in 1998/1999. Start up costs of €7m for the offshore internet bank (Fsharp) were also included in the 1999/2000 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. 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.

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 was 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.

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 has proved successful and drove 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 the Group's business customers and Banking 365 Online, the Group's internet and telephone banking service, for personal customers.

Profits in Treasury and International Banking, while 7% lower than the prior year, were significantly ahead of expectations; the comparable period had been very strong 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 authorized as a savings carrier for Save as You Earn ("SAYE") schemes.

Davy Stockbrokers had another strong 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.

Profit before tax increased by €31m (Stg£20m) to €216m (Stg£145m) 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 specializt advice and quality service, enabled continued growth in key performance measures.

Although loans and advances to customers increased by 6% during the year, Bristol & West chose not to compete aggressively for market share. Instead, the diversity of distribution enabled the company to be selective about the market segments in which it is active. During the year Bristol & West commenced a successful but cautious diversification into the related lending areas of buy to let and specialized lending, supported by stringent underwriting and prudent provisioning. The remainder of the book comprised 90% mainstream residential mortgages and 8% commercial lending. The quality of the Bristol & West mortgage book continued to improve.

Bristol & West savings balances grew 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. 1999/2000 also saw the introduction of a new Direct Savings Contact Center 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.

Costs fell by €3m. The cost / asset ratio, the target measure of the cost reshaping program, improved to 0.96% from 1.04% for the previous year and the cost income ratio also improved from 49% to 46%.

Asset and Wealth Management

Profits before tax increased by 36% to €129m with all of the businesses enjoying good growth. The Asset and Wealth Management 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 €15 billion to €52 billion representing an increase of 39%; €4 billion of the increase relates to new business and €11 billion 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.

Securities Services experienced strong growth in their IFSC activities arising from both new clients and higher volumes of transactions. Assets under administration at March 31, 2000 were €108 billion, 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 were amalgamated with the Private Client unit of Asset Management to form a new business which focuses 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 1999/2000. The increase largely reflected 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).

EUROPEAN MONETARY UNION

The EMU transitional period ends on December 31, 2001. From that time, all of the Group's activities in the Republic of Ireland must be conducted in euro rather than in Irish pounds or other participating currencies. The Group has been preparing for this unprecedented event for a number of years. Despite the unique scale of the effort and challenge involved, the Group is confident that each of its businesses in the Republic of Ireland will have successfully completed their preparations by January 1, 2002 and will carry out the extensive conversion processes required in a timely and customer-friendly way.

In the period to December 31, 2001 the Group will engage in comprehensive communication campaigns — with staff to insure that they can provide as much help as possible to customers during the changeover period, and with customers to familiarise them with the conversion process and how it will impact on how they conduct their business with the Group, both during the changeover period and subsequently.

The introduction of euro notes and coin and the withdrawal of Irish pound notes and coin from January 1, 2002 will be a huge, unprecedented logistical challenge for banks as well as the other key players involved, including the retail sector and the Central Bank. Bank of Ireland will play its full part in the national effort to bring about this major change in our financial environment as smoothly and as efficiently as possible.

Expenditure attributed to EMU preparations to March 2001 was €36m of which €23m was incurred in the year to March 31, 2001. It is estimated that a further €48m will be incurred in the year to March 31, 2002 in completing preparations. Approximately €10m of this relates to the Group's involvement in the changeover of Irish notes and coin to euro.

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, 2001. 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.

	2001			2000			1999		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	€m	€m	%	€m	€m	%	€m	€m	%
ASSETS									
Loans to banks									
Domestic offices	5,584	292	5.2	3,635	146	4.0	5,160	264	5.1
Foreign offices	1,153	57	5.0	363	18	5.0	411	25	6.2
Loans to customers(1)									
Domestic offices	19,672	1,317	6.7	15,522	926	6.0	11,923	871	7.3
Foreign offices	26,069	1,802	6.9	22,075	1,414	6.4	19,976	1,534	7.7
Central government and other eligible bills									
Domestic offices	40	1	3.3	6	—	0.5	11	—	2.3
Foreign offices	212	12	5.4	596	31	5.2	342	22	6.5
Debt Securities									
Domestic offices	6,275	383	6.1	4,999	279	5.6	3,286	197	6.0
Foreign offices	994	59	5.9	754	42	5.6	1,120	87	7.8
Installment credit									
Domestic offices	346	26	7.5	243	18	7.4	147	13	8.8
Foreign offices	540	51	9.4	428	39	9.1	352	37	10.6
Finance lease receivables									
Domestic offices	2,389	137	5.7	1,829	88	4.8	1,364	72	5.3
Foreign offices	33	1	4.0	39	1	3.7	58	3	4.4
Total interest-earning assets									
Domestic offices	34,306	2,156	6.3	26,234	1,457	5.6	21,891	1,417	6.5
Foreign offices	29,001	1,982	6.8	24,255	1,545	6.4	22,259	1,708	7.7
	63,307	4,138	6.5	50,489	3,002	5.9	44,150	3,125	7.1
Allowance for loan losses	(415)			(367)			(358)		
Non interest earning assets(2)	11,024			8,698			7,206		
Total Assets	73,916	4,138	5.6	58,820	3,002	5.1	50,998	3,125	6.1
Percentage of assets applicable to foreign activities	40.5%			42.7%			45.3%		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Deposits by banks									
Domestic offices	10,640	607	5.7	7,605	366	4.8	3,896	230	5.9
Foreign offices	1,491	85	5.7	1,521	80	5.3	1,333	84	6.3
Customer accounts									
Demand deposits									
Domestic offices	8,231	203	2.5	7,155	114	1.6	6,076	152	2.5
Foreign offices	8,014	435	5.4	6,523	242	3.7	6,456	329	5.1
Term deposits									
Domestic offices	6,522	196	3.0	5,712	120	2.1	5,699	296	5.2
Foreign offices	12,042	704	5.8	10,487	628	6.0	10,768	705	6.5
Other deposits									
Domestic offices	614	44	7.2	173	10	5.5	156	9	5.6
Foreign offices	41	3	6.2	46	3	5.8	66	5	7.7
Interest bearing current accounts									
Domestic offices	488	14	2.9	401	8	2.0	404	10	2.6
Foreign offices	1,360	49	3.6	1,098	26	2.4	891	25	2.8
Debt securities in issue									
Domestic offices	1,633	102	6.2	238	13	5.5	331	13	3.9
Foreign offices	2,022	126	6.2	982	58	5.9	649	47	7.3

AVERAGE BALANCE SHEET AND INTEREST RATES (Continued)

	2001			2000			1999		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	€m	€m	%	€m	€m	%	€m	€m	%
Subordinated liabilities									
Domestic offices	1,479	111	7.5	885	59	6.7	978	70	7.2
Foreign offices	376	33	8.8	385	33	8.6	380	34	8.9
Total interest bearing liabilities									
Domestic offices	29,607	1,277	4.3	22,169	690	3.1	17,540	780	4.4
Foreign offices	25,346	1,435	5.7	21,042	1,070	5.1	20,543	1,229	6.0
	54,953	2,712	4.9	43,211	1,760	4.1	38,083	2,009	5.3
Non interest bearing liabilities									
Current accounts	4,655			3,685			2,721		
Other non interest bearing liabilities(2)	10,722			8,905			7,624		
Stockholders' equity including non equity interests	3,586			3,019			2,570		
Total liabilities and stockholders' equity	73,916	2,712	3.7	58,820	1,760	3.0	50,998	2,009	3.9
Percentage of liabilities applicable to foreign activities	40.5%			42.7%			45.3%		

(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 2001 compared to 2000 and for 2000 compared to 1999. 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.

	2001 over 2000			2000 over 1999		
	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	94	52	146	(68)	(50)	(118)
Foreign offices	39	—	39	(3)	(4)	(7)
Loans to customers						
Domestic offices	272	119	391	230	(175)	55
Foreign offices	271	117	388	153	(273)	(120)
Central government and other eligible bills						
Domestic offices	1	—	1	—	—	—
Foreign offices	(20)	1	(19)	14	(5)	9
Debt securities						
Domestic offices	77	27	104	96	(14)	82
Foreign offices	15	2	17	(24)	(21)	(45)
Installment credit						
Domestic offices	8	—	8	7	(2)	5
Foreign offices	11	1	12	8	(6)	2
Finance lease receivables						
Domestic offices	30	19	49	23	(7)	16
Foreign offices	—	—	—	(1)	(1)	(2)
Total interest income	798	338	1,136	435	(558)	(123)

	2001 over 2000			2000 over 1999		
	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	164	77	241	185	(49)	136
Foreign offices	(2)	7	5	11	(15)	(4)
Customer accounts						
Demand deposits						
Domestic offices	19	70	89	24	(62)	(38)
Foreign offices	64	129	193	4	(91)	(87)
Term deposits						
Domestic offices	19	57	76	1	(177)	(176)
Foreign offices	96	(20)	76	(20)	(57)	(77)
Other deposits						
Domestic offices	30	4	34	1	—	1
Foreign offices	—	—	—	(1)	(1)	(2)
Interest bearing current accounts						
Domestic offices	2	4	6	—	(2)	(2)
Foreign offices	7	16	23	5	(4)	1
Debt securities in issue						
Domestic offices	87	2	89	(4)	4	—
Foreign offices	65	3	68	21	(10)	11
Subordinated liabilities						
Domestic offices	44	8	52	(6)	(5)	(11)
Foreign offices	(1)	1	—	—	(1)	(1)
Total interest bearing expense	594	358	952	221	(470)	(249)
Net interest income	204	(20)	184	214	(88)	126

DESCRIPTION OF ASSETS AND LIABILITIES

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

Assets

Loan Portfolio

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

The Bank provides mortgage loans for house purchases as well as home improvement loans and secured personal loans to existing mortgage customers. The Bank has a wide range of home mortgage loan products including amortizing, interest only and endowment loans. Interest on mortgage loans is typically at a floating rate but the Bank also makes some fixed rate loans. At March 31, 2001 residential mortgages accounted for 53% 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, 2001. For the purposes of comparison the categories for previous years have been reclassified in line with the classifications for 2001.

	At March 31,				
	2001	**2000**	**1999**	**1998**	**1997**
			(in € millions)		
Ireland					
Agriculture	977	873	865	846	748
Energy	651	406	216	86	81
Manufacturing	3,450	2,974	2,291	1,753	1,331
Construction and property	2,187	1,561	1,038	598	295
Distribution	1,192	1,245	932	853	863
Transport	491	507	240	433	208
Financial	2,123	1,548	1,463	969	765
Business and other services	3,044	2,175	1,588	1,312	907
Personal					
— residential mortgages	5,923	5,031	4,053	3,476	2,948
— other lending	3,780	3,108	2,437	1,843	1,470
	23,818	19,428	15,123	12,169	9,616
United Kingdom					
Agriculture	53	60	55	58	46
Energy	91	45	8	11	14
Manufacturing	568	458	375	338	188
Construction and property	1,650	1,457	852	622	485
Distribution	211	242	277	215	222
Transport	71	85	85	84	29
Financial	171	116	108	188	36
Business and other services	994	706	473	507	333
Commercial mortgages	1,719	1,566	1,307	1,614	—
Personal					
— residential mortgages	21,362	20,428	17,341	15,826	3,386
— other lending	841	625	499	471	363
	27,731	25,788	21,380	19,934	5,102
United States					
Commercial loans	28	26	23	122	418
Real estate loans, construction	—	—	—	62	27
Real estate loans, mortgage	—	—	—	—	1
Consumer loans	—	—	—	—	—
Bank card loans	—	—	—	—	—
Leasing	—	—	16	29	44
Other loans	—	—	—	—	—
	28	26	39	213	490
Group total loan portfolio	51,577	45,242	36,542	32,316	15,208
Allowance for loan losses	(430)	(398)	(359)	(357)	(224)
Total	51,147	44,844	36,183	31,959	14,984

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, 2001.

	At March 31,				
	2001	2000	1999	1998	1997
	%	%	%	%	%
Ireland					
Agriculture	1.9	1.9	2.4	2.6	4.9
Energy	1.3	0.9	0.6	0.3	0.5
Manufacturing	6.7	6.6	6.3	5.4	8.7
Construction and property	4.2	3.4	2.8	1.8	1.9
Distribution	2.3	2.8	2.6	2.6	5.7
Transport	1.0	1.1	0.6	1.3	1.4
Financial	4.1	3.4	4.0	3.0	5.0
Business and other services	5.9	4.8	4.3	4.1	6.0
Personal					
— residential mortgages	11.5	11.1	11.1	10.8	19.4
— other lending	7.3	6.9	6.7	5.7	9.7
	46.2	42.9	41.4	37.6	63.2
United Kingdom					
Agriculture	0.1	0.1	0.1	0.2	0.3
Energy	0.2	0.1	—	—	0.1
Manufacturing	1.1	1.0	1.0	1.0	1.2
Construction and property	3.2	3.2	2.3	1.9	3.2
Distribution	0.4	0.5	0.8	0.7	1.5
Transport	0.1	0.2	0.2	0.2	0.2
Financial	0.3	0.3	0.3	0.6	0.2
Business and other services	1.9	1.6	1.3	1.6	2.2
Commercial mortgages	3.4	3.5	3.6	5.0	—
Personal					
— residential mortgages	41.4	45.1	47.5	49.0	22.3
— other lending	1.6	1.4	1.4	1.5	2.4
	53.7	57.0	58.5	61.7	33.6
United States					
Commercial loans	0.1	0.1	0.1	0.4	2.7
Real estate loans, construction	—	—	—	0.2	0.2
Real estate loans, mortgage	—	—	—	—	—
Consumer loans	—	—	—	—	—
Bank card loans	—	—	—	—	—
Leasing	—	—	—	0.1	0.3
Other loans	—	—	—	—	—
	0.1	0.1	0.1	0.7	3.2
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 12% of the Bank of Ireland Group's loan portfolio at March 31, 2001 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 Treasury and International Banking within agreed policy parameters. See Item 11 — "Market Risk".

	As at March 31, 2001			
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(in € millions)			
Ireland	5,830	8,518	9,470	23,818
United Kingdom	2,064	2,751	22,916	27,731
United States	—	28	—	28
Total loans by maturity	7,894	11,297	32,386	51,577
Fixed rate	1,236	2,382	2,368	5,986
Variable rate	6,658	8,915	30,018	45,591
Total loans by maturity	7,894	11,297	32,386	51,577

The following tables set forth an analysis of loans by maturity within each classification as at March 31, 2001.

	As at March 31, 2001			
	Within 1 year	After 1 year but within 5 years	After 5 years	Total
	(in € millions)			
Ireland				
Agriculture	453	241	283	977
Energy	111	349	191	651
Manufacturing	938	1,193	1,319	3,450
Construction and property	619	1,039	529	2,187
Distribution	547	370	275	1,192
Transport	124	145	222	491
Financial	218	1,365	540	2,123
Business and other services	955	949	1,140	3,044
Personal				
— residential mortgages	364	1,164	4,395	5,923
— other lending	1,501	1,703	576	3,780
	5,830	8,518	9,470	23,818
United Kingdom				
Agriculture	26	15	12	53
Energy	41	43	7	91
Manufacturing	331	187	50	568
Construction and property	463	478	709	1,650
Distribution	92	65	54	211
Transport	25	21	25	71
Financial	76	39	56	171
Business and other services	324	254	416	994
Commercial Mortgages	148	544	1,027	1,719
Personal				
— residential mortgages	156	804	20,402	21,362
— other lending	382	301	158	841
	2,064	2,751	22,916	27,731
United States				
Commercial loans	—	28	—	28
Real estate loans, construction	—	—	—	—
Real estate loans, mortgage	—	—	—	—
Consumer loans	—	—	—	—
Bank card loans	—	—	—	—
Leasing	—	—	—	—
Other loans	—	—	—	—
	—	28	—	28
Group total loan portfolio	7,894	11,297	32,386	51,577

Movement in the Allowance for Loan Losses:

The Group's loan loss experience over the five years to March 2001 has been 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, 2001, this non designated specific provision stood at €147m.

Over the past five years total Group loan loss allowances have increased from €224m to €430m, representing 1.5% and 0.8% respectively of total loans.

The ratio of loan loss allowances to loans accounted for on a non-accrual basis has increased from 80.1% in 1997 to 136.7% in 2001. The improved ratio was a result of significantly 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 Group 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, 2001. Figures for recovery of amounts previously charged off for the U.S. do not include recoveries of BOIFH (Bank of Ireland First Holdings, Inc.) which are netted against loans charged off.

	Financial year ended March 31,					
	2001		2000		1999	
	Specific	General	Specific	General	Specific	General
			(in € millions)			
Allowance at beginning of year	114.5	283.1	122.9	236.2	143.5	212.7
Total allowance	397.6		359.1		356.2	
Exchange adjustments	(1.5)	(5.5)	6.5	15.9	(2.0)	(4.8)
Other adjustments:						
Acquisitions/Mergers	—	(0.5)	—	—	—	—
Disposals	—	—	—	—	—	—
Transfers: general to specific	—	—	—	—	—	—
	—	(0.5)	—	—	—	—
Recovery of amounts previously charged off:						
Ireland	9.6	—	9.9	—	6.3	—
United Kingdom	7.1	—	7.8	—	9.3	—
United States	—	—	—	—	0.3	—
Total recovery of amounts previously charged off	16.7	—	17.7	—	15.9	—
Amounts charged off:						
Ireland	(29.1)	—	(26.3)	—	(40.0)	—
United Kingdom	(19.6)	—	(20.8)	—	(20.6)	—
United States	—	—	(10.4)	—	(0.9)	—
Total amounts charged off	(48.7)	—	(57.5)	—	(61.5)	—
Provision for loan losses charged to income:						
Ireland	28.1	30.3	22.9	13.2	24.9	10.1
United Kingdom	14.1	(0.2)	2.9	17.8	1.6	18.7
United States	—	—	(0.9)	—	0.5	(0.5)
	42.2	30.1	24.9	31.0	27.0	28.3
Allowance at end of year	123.2	307.2	114.5	283.1	122.9	236.2
Total allowance	430.4		397.6		359.1	

Movement in the Allowance for Loan Losses

	Financial year ended March 31,			
	1998		1997	
	Specific	General	Specific	General
	(in € millions)			
Allowance at beginning of year	112.9	111.0	119.8	113.8
Total allowance	223.9		233.6	
Exchange adjustments	8.4	9.7	2.5	2.3
Other adjustments:				
Acquisitions/Mergers	42.0	54.1	—	—
Disposals	—	—	—	(26.6)
Transfers: general to specific	—	—	3.9	(3.9)
	42.0	54.1	3.9	(30.5)
Recovery of amounts previously charged off:				
Ireland	5.5	—	6.4	—
United Kingdom	6.1	—	2.5	—
United States	1.1	—	0.4	—
Total recovery of amounts previously charged off	12.7	—	9.3	—
Amounts charged off:				
Ireland	(7.8)	—	(13.3)	—
United Kingdom	(17.7)	—	(7.7)	—
United States	(16.0)	—	(1.6)	—
Total amounts charged off	(41.5)	—	(22.6)	—
Provision for loan losses charged to income:				
Ireland	9.0	19.4	1.7	16.4
United Kingdom	(0.6)	20.3	(5.0)	8.2
United States	0.6	(1.8)	3.3	0.8
	9.0	37.9	—	25.4
Allowance at end of year	143.5	212.7	112.9	111.0
Total allowance	356.2		223.9	

The following table presents additional information regarding provisions and allowances for loan losses for each of the five years ending March 31, 2001.

	For the Financial Year Ended March 31,				
	2001	2000	1999	1998	1997
	(in € millions, except percentages)				
	%	%	%	%	%
Allowance at end of year as a percentage of total loans to customers at end of year:					
Ireland	0.92	0.89	1.20	1.47	1.58
United Kingdom	0.76	0.87	0.79	0.82	0.90
United States	—	—	25.86	5.81	5.03
Total	0.83	0.88	0.98	1.10	1.47
Specific	0.23	0.25	0.34	0.44	0.74
General	0.60	0.63	0.64	0.66	0.73
Total	0.83	0.88	0.98	1.10	1.47
Allowance at end of year as a percentage of loans accounted for on a non-accrual basis at end of year:(1)					
Ireland	142.7	119.3	148.5	139.5	126.2
United Kingdom	131.2	107.2	52.2	43.4	29.8
United States	—	—	—	—	970.0
Total	136.7	112.1	81.0	70.0	80.1
Average loans to customers(2)	49,049	40,136	33,836	23,355	14,239
Provisions charged to income as a percentage of average loans to customers:					
Specific	0.09	0.06	0.08	0.04	—
General	0.06	0.08	0.08	0.16	0.18
Total	0.15	0.14	0.16	0.20	0.18
Net loans charged off as a percentage of average loans to customers	0.07	0.10	0.13	0.12	0.09

(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, 2001.

	At March 31,				
	2001	2000	1999	1998	1997
	(in € millions)				
Ireland					
Agriculture	2.5	2.1	3.7	1.1	0.9
Energy	—	1.8	—	—	—
Manufacturing	0.2	1.0	6.0	0.3	1.4
Construction and property	0.6	0.5	0.9	0.4	0.8
Distribution	1.6	1.5	3.4	1.3	1.5
Transport	—	—	0.4	0.1	0.1
Financial	—	—	—	—	—
Business and Other Services	5.4	5.0	3.0	0.4	2.8
Personal					
— Residential Mortgages	—	0.1	0.1	0.1	—
— Other lending	18.8	14.3	22.5	4.1	5.8
	29.1	26.3	40.0	7.8	13.3
United Kingdom					
Agriculture	0.1	0.1	—	0.1	0.1
Manufacturing	0.8	0.9	0.4	0.1	0.2
Construction and property	6.1	0.2	0.5	0.3	0.3
Distribution	0.2	0.4	0.4	1.0	0.4
Transport	—	—	0.1	0.1	0.1
Financial	—	—	—	—	—
Business and Other Services	1.5	1.4	0.3	0.5	0.9
Commercial mortgages	—	2.9	—	0.9	—
Personal					
— Residential Mortgages	6.4	12.5	16.6	11.0	2.0
— Other lending	4.5	2.4	2.3	3.7	3.7
	19.6	20.8	20.6	17.7	7.7
United States					
Commercial loans	—	—	0.9	3.6	1.6
Real estate loans, construction	—	—	—	—	—
Real estate loans, mortgage	—	—	—	—	—
Leases including consumer loans	—	10.4	—	12.4	—
	0.0	10.4	0.9	16.0	1.6
Group total	48.7	57.5	61.5	41.5	22.6

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, 2001.

	At March 31,				
	2001	2000	1999	1998	1997
	(in € millions)				
Ireland					
Agriculture	0.8	0.9	0.9	0.4	1.0
Manufacturing	1.0	1.5	0.2	0.6	0.4
Construction and property	0.2	0.2	0.3	0.3	0.1
Distribution	0.5	0.8	1.0	0.6	0.8
Transport	—	—	0.1	—	—
Financial	—	—	—	—	0.6
Business and Other Services	1.9	0.9	0.4	1.2	0.8
Personal					
— Residential Mortgages	—	—	0.1	—	—
— Other lending	5.2	5.6	3.3	2.4	2.7
	9.6	9.9	6.3	5.5	6.4
United Kingdom					
Manufacturing	0.3	0.1	0.1	0.3	0.1
Construction and property	1.1	0.2	0.7	—	0.3
Distribution	0.2	0.1	0.5	0.3	1.5
Transport	—	—	0.1	0.1	—
Financial	—	—	—	—	0.4
Business and Other Services	0.5	0.2	0.3	0.7	0.2
Commercial mortgages	—	2.9	—	0.3	—
Personal					
— Residential Mortgages	4.2	3.5	5.8	3.1	—
— Other lending	0.8	0.8	1.8	1.3	—
	7.1	7.8	9.3	6.1	2.5
United States					
Commercial loans	—	—	0.3	1.1	—
Real estate loans, construction	—	—	—	—	—
Real estate loans, mortgage	—	—	—	—	0.1
Leases including consumer loans	—	—	—	—	0.3
	—	—	0.3	1.1	0.4
Group total	16.7	17.7	15.9	12.7	9.3

The following table presents an analysis of allowances for loan losses at March 31, for each of the five years ended March 31, 2001.

	At March 31,				
	2001	2000	1999	1998	1997
			(in € millions)		
Ireland					
Agriculture	10.7	12.3	10.3	9.9	8.9
Energy	—	—	0.3	0.3	0.3
Manufacturing	11.0	3.6	5.1	7.2	6.1
Construction and property	2.3	2.5	2.0	2.2	2.0
Distribution	4.1	4.1	6.5	7.5	7.6
Transport	—	—	0.6	1.0	0.6
Financial	—	—	0.1	0.1	0.3
Business and Other Services	9.0	9.8	5.2	9.0	8.3
Personal					
— Residential Mortgages	0.4	0.4	0.4	0.4	0.5
— Other lending	45.5	43.6	38.3	39.9	36.4
	83.0	76.3	68.8	77.5	71.0
United Kingdom					
Agriculture	0.2	0.3	1.1	0.8	0.1
Manufacturing	12.2	12.0	2.0	2.1	1.5
Construction and property	3.6	1.5	1.5	2.9	4.1
Distribution	0.7	0.6	2.9	1.8	2.3
Transport	—	—	0.1	0.3	0.3
Financial	—	—	0.1	0.5	0.8
Business and Other Services	8.1	2.6	1.3	2.4	2.6
Commercial mortgages	—	6.2	8.8	5.6	—
Personal					
— Residential Mortgages	5.0	8.3	19.6	31.9	5.1
— Other lending	10.4	6.7	6.3	7.4	4.0
	40.2	38.2	43.7	55.7	20.8
United States					
Commercial loans	—	—	—	—	2.2
Real estate loans, construction	—	—	—	—	—
Real estate loans, mortgage	—	—	—	—	—
Leases (including consumer)	—	—	10.4	10.3	18.9
	—	—	10.4	10.3	21.1
Total specific allowance	123.2	114.5	122.9	143.5	112.9
Total general allowance	307.2	283.1	236.2	212.7	111.0
Total group allowance	430.4	397.6	359.1	356.2	223.9

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. See ''Provisions and Allowances for Loan Losses''.

The Bank of Ireland Group's loan control and review procedures 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 on which interest continues to be accrued but against which specific provisions have been made.

	At March 31,				
	2001	2000	1999	1998	1997
			(in € millions)		
Loans accounted for on a non-accrual basis					
Ireland(1)	154	145	122	128	121
United Kingdom	161	210	322	381	156
United States	—	—	—	—	3
Total	315	355	444	509	280
Accruing loans which are contractually past due 90 days or more as to principal or interest(2)(3)					
Ireland	128	109	109	80	71
United Kingdom	181	240	246	211	126
United States	—	—	—	—	—
Total	309	349	355	291	197
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, 2001: €39 million in Ireland and €168 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 €24.5 million at March 31, 2001.

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.

There were no cross border outstandings exceeding 1% at March 31, 2001, March 31, 2000 or March 31, 1999.

Assets, consisting of total assets as reported in the consolidated balance sheet plus acceptances were €79.0 billion at March 31, 2001 (March 31, 2000: €68.1 billion, March 31, 1999: €54.4 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 €766m at March 31, 2001, €1,173.2 at March 31, 2000 and €nil million at March 31, 1999. The countries concerned were the United Kingdom in 2001 and previously the United States, Cayman Islands and Germany.

As at March 31, 2001, 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, 2001, 2000 and 1999.

	At March 31,		
	2001	**2000**	**1999**
		(in € millions)	
Irish government	1,481	1,927	1,476
Other European government	398	520	362
U.S. Treasury and U.S. government agencies	3	51	6
Mortgage-backed obligations of federal agencies	45	—	—
Collateralized mortgage obligations	5	6	8
Obligations of U.S. states and political subdivisions	—	—	—
Corporate bonds	5,658	3,892	2,774
Other securities	939	272	520
	8,529	6,668	5,146

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, 2001 was €1.5 billion (2000: €1.9 billion; 1999: €1.5 billion).

The following table categorizes the Group's investment debt securities, excluding trading securities, by maturity and weighted average yield at March 31, 2001.

	At March 31, 2001							
	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	13	6.50	21	4.00	4	5.66	—	—
Other European government	59	3.54	31	7.04	39	6.21	3	5.18
U.S. Treasury & U.S. government agencies	—	—	—	—	2	5.82	—	—
Collateralized mortgage obligations	—	—	—	—	—	—	—	—
Corporate bonds	833	5.75	2,524	5.71	954	5.64	839	5.89
Other	454	5.67	3	11.00	—	—	—	—
Total book value	1,359		2,579		999		842	

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,		
	2001	2000	1999
	(in € millions)		
Placings with banks repayable within 30 days:			
Domestic	1,811	2,462	1,328
Foreign	1,460	1,411	279
Total	3,271	3,873	1,607
Placings with banks repayable beyond 30 days:			
Domestic	4,795	3,020	1,814
Foreign	49	79	36
Total	4,844	3,099	1,850
Total	8,115	6,972	3,457

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,		
	2001	2000	1999
	(in € millions)		
Branches in Ireland	19,376	16,486	14,519
Branches outside Ireland	21,936	18,575	18,496
Total	41,312	35,061	33,015

	Average Interest Rate during 2001	At March 31,		
		2001	2000	1999
	%	(in € millions)		
Branches in Ireland				
Current accounts:				
Interest bearing	2.9	488	401	404
Non-interest bearing	—	4,135	3,218	2,340
Deposit accounts:				
Demand	2.5	8,231	7,155	6,076
Time	3.0	6,522	5,712	5,699
		19,376	16,486	14,519
Branches outside Ireland				
Current accounts:				
Interest bearing	3.6	1,360	1,098	891
Non-interest bearing	—	520	467	381
Deposit accounts:				
Demand	5.4	8,014	6,523	6,456
Time	5.8	12,042	10,487	10,768
		21,936	18,575	18,496
Total		41,312	35,061	33,015

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, 2001			
	0-3 months	3-6 months	6-12 months	Over 12 months
	(in € millions)			
Time deposits				
Domestic branches	3,722	517	187	305
Foreign branches	3,498	392	222	293
Certificates of deposit				
Domestic branches	—	—	—	—
Foreign branches	1,117	108	307	165
	8,337	1,017	716	763

Nonresident deposits held in domestic branches at March 31, 2001 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, 2001.

	At March 31,		
	2001	2000	1999
	(in € millions, except percentages)		
Debt securities in issue			
End of year outstandings	5,016	2,825	541
Highest month-end balance	5,059	2,825	1,258
Average balance	3,655	1,220	980
Average rate of interest			
At year-end	4.2%	5.5%	5.2%
During year	6.2%	5.8%	6.1%
Deposits by banks			
End of year outstandings	10,802	9,431	6,034
Highest month-end balance	15,844	11,124	6,307
Average balance	12,131	9,126	5,229
Average rate of interest			
At year-end	6.4%	5.3%	4.7%
During year	5.7%	4.9%	6.0%

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.

Item 6 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

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

Certain information concerning the Directors and executive officers as at July 23, 2001 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			
Laurence G Crowley	64	Governor	1990
Mary P Redmond	50	Deputy Governor	1994
Maurice A Keane [1998]	60	Group Chief Executive	1983
Roy E Bailie	58	Non-Executive Director	1999
Anthony D Barry	66	Non-Executive Director	1993
Richard Burrows	55	Non-Executive Director	2000
Paul M D'Alton [1991]	50	Group Chief Financial Officer	2000
Donal J Geaney	50	Non-Executive Director	2000
Brian J Goggin [1996]	49	Chief Executive Corporate and Treasury Division	2000
Raymond Mac Sharry	63	Non-Executive Director	1993
Caroline Marland	55	Non-Executive Director	2001
Thomas Moran	48	Non-Executive Director	2001
Denis O'Brien	43	Non-Executive Director	2000
Executive Officers			
John G Collins	54	Chief Executive Retail Businesses	
William R Cotter	56	Chief Executive Asset & Wealth Management Services	
Des Crowley	41	Chief Executive Retail Banking & Distribution	
Cyril Dunne	41	Chief Information Officer	
Terence H Forsyth	59	Group Secretary	
Denis Hanrahan	56	Head of Group Corporate Development	
Jeff Warren	53	Chief Executive Bristol & West plc	

Non-Executive Officers

Laurence G Crowley ## OO
Governor

Appointed to the Court in 1990 and Deputy Governor from 1995 to 1997. Appointed Governor following the 2000 Annual General Court. Director of Elan Corporation plc and a number of other companies and Chairman of PJ Carroll and Co. Ltd. Former Executive Chairman of the Michael Smurfit Graduate School of Business at University College, Dublin.

(Age 64)

Mary P Redmond # O
Deputy Governor

Appointed to the Court in 1994. Appointed Deputy Governor in September 2000. A partner in Arthur Cox, Solicitors and in this capacity acts for the Group in relation to aspects of labor law. A Director of Jefferson Smurfit Group plc, Campbell Bewley Group Ltd and founder of the Irish Hospice Foundation.

(Age 50)

Executive Directors

Maurice A Keane
Group Chief Executive

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

(Age 60)

Paul M D'Alton
Group Chief Financial Officer

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

(Age 50)

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 2000.

(Age 49)

Non-Executive Directors

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 58)

Anthony D Barry * # O

Appointed to the Court in 1993. Deputy Governor from October 1997 to September 2000 and appointed senior independent director in November 1998. Former Chief Executive and former Chairman of CRH plc. Chairman of Greencore Group plc, a Director of DCC plc and Ivernia West plc.

(Age 66)

Richard Burrows ++ #

Appointed to the Court in 2000. Joint Managing Director of Pernod Ricard S.A. and Chairman of Irish Distillers Group Ltd, and past President of the Irish Business and Employers Confederation (IBEC).

(Age 55)

Donal J Geaney +

Appointed to the Court in September 2000. Chairman and Chief Executive of Elan Corporation plc and Chairman of the Irish Aviation Authority.

(Age 50)

Caroline Marland

Appointed to the Court in April 2001. Director of Potential Squared Ltd. Former Managing Director of Guardian Newspapers and a member of the main board of directors of the Institute of Directors and the Newspaper Panel of the Competition Commission in the UK.

(Age 55)

Thomas J Moran

Appointed to the Court in April 2001. President and Chief Executive Officer of Mutual of America Life Insurance Company. A member of the Taoiseach's Economic Advisory Board as well as the Boards of the Irish Chamber of Commerce in the USA and the Ireland — U.S. Council for Commerce. Chairman of the North American Board of the Michael Smurfit Graduate School of Business at UCD.

(Age 48)

Raymond MacSharry + O

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 63)

Denis O'Brien O

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

(Age 43)

++	Chairman of the Group Audit Committee
+	Member of the Group Audit Committee
##	Chairman of the Group Remuneration Committee
#	Member of the Group Remuneration Committee
*	Senior Independent Director
OO	Chairman of the Group Nomination Committee
O	Member of the Group Nomination Committee

Terms of Office of the Directors

In accordance with the Bye-Laws of the Bank each Director, if eligible, must submit himself/herself for re-election by the stockholders every three years. The normal retirement age for Directors is age 68.

REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate remuneration paid by the Group to the Directors and Executive Officers, (23 persons), then in office, for the financial year ended March 31, 2001 was €4.79 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, 2001, to provide pension benefits for these Directors and Executive Officers amounted to

€0.32 million. None of the Executive Officers beneficially holds more than 1% of the Share Capital on an individual basis. Additional information regarding remuneration of Directors is set out in Note 44 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 insure 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 organizations 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 organizations.

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 Stock Issue, and in the Sharesave Scheme and membership of a defined benefit pension scheme.

Service Contracts

There are no service contracts in force for any Director or Non-Executive Officer of the Bank providing for termination benefits other than those described in Note 44 ''Directors Remuneration'' on pages F-59 to F-65.

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 be 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 (€16 million) for the financial year ended March 31, 2001. As at March 31, 2001, 0.5% of the Bank's Issued Ordinary Stock was held by the Trustees of the Scheme.

Group Pension Plans

The Group operates a number of pension plans in Ireland and overseas. The plans are funded and are primarily of the defined benefit type and the assets of the plans are held in separate trustee administered funds. Payments to these defined benefit funds are determined on an actuarial basis, designed to build up reserves during the working life of full-time employees to pay the employees, or their dependents, 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, 2001 was €16 million of which € 2.5m net credit related to the main scheme.

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 (12 persons), on normal commercial terms to the Bank of Ireland Group amounted to €31 million at March 31, 2001. 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 (10 persons) and three 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 €0.6 million at March 31, 2001. 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..

BOARD PRACTICES

The Group continues to be committed to maintaining the highest standards of corporate governance. The Court of Directors is accountable to the Bank's Stockholders for corporate governance and this Corporate Governance Statement describes how the relevant principles and provisions of governance set out in "The Combined Code: Principles of Good Governance and Code of Best Practice" (the "Code") and adopted by the Irish Stock Exchange and the London Stock Exchange are applied in the Group. The Directors believe that the Bank has complied fully with the provisions of the Code and that it has complied throughout 2000/2001 with the provisions where the requirements are of a continuing nature.

The following statements indicate how the Court has applied the principles contained in the Code:

- it is the practice of the Bank that the Court of Directors comprises a significant majority of Non-Executive Directors;
- the Court currently comprises 13 Directors, 10 of whom are Non-Executive Directors and has a composition and membership which brings strong and effective leadership to the Group (see short biographical descriptions of each of the Court members on pages 62 to 64);
- the Non-Executive Directors have varied backgrounds, skills and experience and each brings his/her own independent judgment to bear on issues of strategy, performance and standards of conduct; all are considered to be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment;
- Mr A D Barry was appointed senior independent director in November 1998;
- all Non-Executive Directors are appointed for an initial three year term with the prospect of having a second three year term. Following that, the expectation is that they will leave the Court unless specifically asked to stay;
- all Directors retire by rotation at least every three years and if eligible may offer themselves for re-election;
- on appointment all Non-Executive Directors receive comprehensive briefing documents relating to the Court and the role of the key Court Committees and about the Group and its operations and have access to an induction program designed to familiarise them with the Group's operations, management and governance structures. On an ongoing basis special training/briefing sessions appropriate to the business of the Group are provided to Non-Executive Directors;
- all newly appointed Directors are provided with documentation detailing their responsibilities as Directors;

- there is a clear distinction between the responsibilities at the head of the Group through the separation of the position of the chairman of the Court (the Governor), who is non-executive and the Group Chief Executive;
- a scheduled meeting of the Court is usually held each month, except August. Additional meetings are convened as required;
- the Court is provided by management with relevant information to enable it to discharge its duties. Additionally it has a schedule of matters specifically reserved for its decision and periodically reviews and appraises its own performance and effectiveness;
- in addition the Court meets informally to explore business and banking issues in more detail than might be practicable at the regular formal meetings;
- the Court receives regular reports, both directly and through the Group Audit Committee on corporate governance, compliance issues and internal controls;
- the Non-Executive Directors meet annually, without management present, to review Court and Court Committee procedures and corporate governance in general;
- the Directors have access to the advice and services of the Group Secretary, who is responsible to the Court to insure Court procedures and regulations are complied with. The Directors also have access to independent professional advice, at the Group's expense, if and when required.

Court Committees

The Court delegates to committees, which have specific terms of reference and which are reviewed periodically, its responsibility in relation to audit and senior executive remuneration issues and nominations to the Court of Directors. The minutes of these Committees are brought to the Court for its information and to provide the Court with an opportunity to have its views taken into account. Through a Committee of Executive Directors, the Court also delegates its responsibility in relation to credit control and asset and liability management, to sub-committees of the Court.

Group Audit Committee — The Group Audit Committee comprises Non-Executive Directors only. The Group Audit Committee meets regularly with the Group's senior management, the external auditors, the Group Chief Internal Auditor and the Head of Group Compliance to review the Group's internal controls, the internal and external audit plans and subsequent findings, the selection of accounting policies, the audit report, financial reporting including the annual audited accounts and other related matters including the monitoring of the activities of the Group Operational Risk function. The Group Audit Committee is also charged with the responsibility of reviewing the independance and objectivity of the external auditors and annually reviews the nature and extent of non-audit work carried out by them to insure a proper balance between objectivity and cost effectiveness. The Group's plans in relation to its preparation for the conversion to the euro has also been subject to special review by the Group Audit Committee as well as by the Court of Directors on an on-going basis. The external auditors, the Group Chief Internal Auditor and the Head of Group Compliance all have full and unrestricted access to the Group Audit Committee. The external auditors attend meetings of the Group Audit Committee and once a year meet with the Committee without management present to insure that there are no outstanding issues of concern. The membership of the Group Audit Committee currently comprises Mr Richard Burrows (Chairman), Mr Roy E Bailie, Mr Donal J Geaney and Mr Raymond MacSharry.

Group Remuneration Committee — The Group Remuneration Committee comprises Non-Executive Directors only. It is responsible for the formulation of the Group's policy on remuneration in relation to all Executive Directors, the Group Secretary and the Senior Executives who report directly to the Group Chief Executive. The membership of the Group Remuneration Committee currently comprises Mr Laurence G Crowley (Chairman), Mr Roy E Bailie, Mr Anthony D Barry, Mr Richard Burrows and Dr Mary Redmond.

Group Nominations Committee — The Group Nominations Committee comprises Non-Executive Directors only. It is responsible for recommending to the Court names of Directors for co-option to the Court and for overseeing top management succession plans. The membership of the Group Nominations Committee currently comprises Mr Laurence G Crowley (Chairman), Mr Anthony D Barry, Mr Raymond MacSharry, Mr Denis O'Brien and Dr Mary Redmond.

EMPLOYEES

For the year ended March 31, 2001 the Group employed 17,356 staff on an average full time equivalent basis (see Note 49 on page F-73). The increase over the previous year's figure of 16,400 staff 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 and West in Britain.

Managing human capital is a priority for Bank of Ireland with executives and managers having participated on both a "Managing People" program based on measuring managers against best people management practices and a "Business Leadership" program 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 Sharesave (SAYE) stock option scheme for staff in February 2000.

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 — "Program for Prosperity and Fairness" — was agreed in the Republic of Ireland in 2000. This agreement provides for salary increases of 15%, payable in three phases, over a 33 month period.

STOCK OPTIONS

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 July 23, 2001 options were outstanding over 7,904,092 units of stock representing 0.79% of the total Ordinary Stock then in issue.

Such options are exercisable as follows:

Exercise price (€ cent)	Number Outstanding at July 23, 2001	Exercise Period
0.982	319,556	June 1995 – June 2002
1.436	331,536	May 1996 – May 2003
1.670	245,000	May 1997 – May 2004
1.834	100,000	Nov 1997 – Nov 2004
2.111	595,000	May 1998 – May 2005
2.819	1,311,000	June 1999 – June 2006
3.241	80,000	Nov 1999 – Nov 2006
4.529	1,090,000	June 2000 – June 2007
5.753	884,600	Nov 2000 – Nov 2007
8.264	314,000	May 2001 – May 2008
8.933	785,000	July 2002 – July 2009
8.430	100,250	Nov 2002 – Nov 2009
6.960	825,000	May 2003 – May 2010
9.150	171,150	Nov 2003 – Nov 2010
11.050	752,000	May 2004 – May 2011

As at July 23, 2001, Executive Directors and Executive Officers as a group held options under the above scheme over a total of 1,941,564 units, representing 0.19% of the total Ordinary Stock in issue.

The interests of the Directors and Secretary, in office at July 23, 2001 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 July 23, 2001 Beneficial
DIRECTORS	
Roy E Bailie	1,041
Anthony D Barry	38,198
Richard Burrows	34,411
Laurence G Crowley	29,451
Paul M D'Alton	11,655
Donal J Geaney	7,363
Brian J Goggin	124,206
Maurice A Keane	1,079,281
Raymond Mac Sharry	1,249
Caroline A Marland	1,000
Thomas V Moran	1,015
Denis O'Brien	201,000
Mary P Redmond	2,132
SECRETARY	
Terence H Forsyth	88,396

Apart from the interests set out above and those recorded in F-63 and F-64 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 July 23, 2001.

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 Stock holders 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 Sharesave Scheme

At the 1999 Annual General Court the Stockholders approved the establishment of a Sharesave (“SAYE”) 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 36 on page F-41 for further information.

Item 7 MAJOR STOCKHOLDERS AND RELATED PARTY TRANSACTIONS

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 July 23, 2001 the Bank had received notification of the following substantial interests in its Issued Ordinary Stock:-

NAME	Units Held	%
Bank of Ireland Asset Management Limited*	68,180,595	6.8
AIB plc and subsidiaries*	30,647,555	3.0

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

As at July 23, 2001, Directors and executive officers of the Bank as a group beneficially held 0.17% (1.7 million units) of the Bank’s Issued Ordinary Stock.

The Group’s major stockholders do not have different voting rights from other stockholders.

RELATED PARTY TRANSACTIONS

Refer to Note 44 on page F-64 and Note 47 on page F-72 in the Financial Statements.

DESCRIPTION OF U.S. STOCKHOLDERS

At March 31, 2001, 797,062.53 units of Ordinary Stock were held by 426 stockholders with registered addresses in the U.S. and 7,167,449 ADSs were held by 253 holders with registered addresses in the U.S.. The combined shareholdings of these holders comprise approximately 0.8% of the total number of units of Ordinary Stock in issue at March 31, 2001 (being 1,001,288,093 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 8 FINANCIAL INFORMATION

See pages F-1 through F-90.

DIVIDEND POLICY (See Note 13 on page F-20)

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, 2001		
July 13, 2001	19.60	16.71
January 16, 2001	9.40	8.81
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

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

(2) Prior to December 31, 1998 all amounts have been converted at the fixed translation rate of €1 = IR£0.787564.

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 alleged 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. On June 6, 2001 the Commission informed the Bank that it had closed its file, and terminated its proceedings against the Bank, following the reduction or elimination by the Bank of certain charges with transactions for exchange of euro-zone currencies.

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.

PROSPECTIVE ACCOUNTING CHANGES

Financial Reporting Standard 17, "Retirement Benefits" ("FRS 17")

In November 2000, FRS 17 was issued by the UK Accounting Standards Board. This standard is to be implemented on a three year phased basis. The first implementation relates solely to disclosures and will be effective for the March 2002 year end. The standard sets out the requirements for accounting for retirement benefits. It requires that scheme assets are valued at fair value and scheme liabilities are measured using the projected unit method. The pensions charge in the profit and loss account is to consist of two elements, the current service cost and the net of the expected return on pension assets and the interest cost of the pension liabilities. Actuarial gains or losses are to be recognized through the statement of total recognized gains or losses and not amortized through the profit and loss account. The full impact of FRS 17 on Bank of Ireland has not yet been determined. Full implementation of the standard will be effective for the year ended March 31, 2004.

Financial Reporting Standard 18 "Accounting Policies" ("FRS18")

In December 2000, FRS 18 was issued by the UK Accounting Standards Board and is effective for the March 2002 year end. The standard sets out the principles to be followed in selecting accounting policies and the disclosures needed to help users of accounts to understand the policies adopted and how they have been applied. The impact of FRS 18 on Bank of Ireland is not expected to be material.

Financial Reporting Standard 19 "Deferred Tax" ("FRS 19")

In December 2000, FRS 19 was issued by the UK Accounting Standards Board and is effective for the March 2002 year end. The standard requires full provision to be made for deferred tax assets and liabilities and sets out other requirements regarding the measurement and presentation of deferred tax assets and liabilities.

Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133")

SFAS 133 ''Accounting for Derivative Instruments and Hedging Activities'', as amended by SFAS 137, ''Accounting for Derivative Instruments and Hedging Activities — Deferral of Effective Date of FASB Statement 133'' and SFAS 138, ''Accounting for Certain Derivative Instruments and Certain Hedging Activities — An Amendment of SFAS 133'' is effective for all fiscal quarters of all fiscal years beginning after June 15, 2000. This statement establishes accounting and reporting standards for derivative instruments, including certain derivative financial instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign currency denominated forecasted transaction. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

SFAS 133 contains transitional rules with specific requirements dependent upon the nature of the hedge deemed to exist before the adoption of SFAS 133.

Bank of Ireland Group will be adopting SFAS 133 from April 1, 2001. However, an assessment of the impact of adopting the standard on the Group accounts has been carried out and the expected transition increase on the U.S. GAAP income is €64.5m and on the Balance Sheet is €604.8m.

Statement of Financial Accounting Standard No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS 140")

SFAS No. 140, ''Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, a replacement of FASB Statement No. 125'', was issued in September 2000. While most of the provisions of Statement No. 125 have been carried forward without reconsideration, certain provisions of Statement 125 were reconsidered and amended or clarified by Statement No. 140. The new statement clarifies accounting for transfers of financial assets where the entity has continuing involvement. These transfers may be considered sales of all or part of the assets or as secured borrowings, depending on circumstances. The statement also addresses how transferors and transferees should account for sales and secured borrowings and requires certain additional disclosures related to transferred assets.

This statement is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Certain provisions related to recognition, reclassification, and disclosures of collateral as well as disclosures relating to securitization transactions became effective for year end March 31, 2001. The impact of adopting the requirements of this Standard on Bank of Ireland Group's financial position, results of operations, and cash flow is expected to be immaterial.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), Business Combinations and No. 142 (SFAS 142), Goodwill and other Intangible Assets. Management are currently considering the impact of these standards on the results of the Group.

Item 9 THE OFFER AND LISTING

NATURE OF TRADING MARKET

As at July 23, 2001 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, 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 €127,000,000 divided into 100,000,000 units of Non-Cumulative Preference Stock of €1.27 each.

As at July 23, 2001, there were 1,006,130,892 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 July 23, 2001, 92 companies were quoted on the Irish Stock Exchange. These companies have a combined market capitalization of more than €202,415 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 93% 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 periods indicated, the reported highest and lowest closing price for one unit of Ordinary Stock on the Irish Stock Exchange, as derived from the Daily Official List of the Irish Stock Exchange which, since January 1, 1999 is quoted in Euro and the highest and lowest sales prices for the ADSs as reported on the New York Stock Exchange Composite tape.

	Ordinary Stock		ADSs	
	High	Low	High	Low
	(in euro)		(in dollars)	
Financial Year ended March 31				
1997	4.14	2.55	20.94	15.63
1998	9.87	3.84	43.25	19.50
1999	10.61	6.13	50.00	30.29
2000	9.70	5.68	42.38	22.25
2001	10.80	6.36	41.75	24.07
Financial year 1999/2000				
First quarter	9.70	8.05	42.38	34.88
Second quarter	9.25	7.60	39.00	32.50
Third quarter	8.90	7.42	37.69	31.00
Fourth quarter	7.85	5.68	32.38	22.25
Financial year 2000/2001				
First quarter	7.91	6.36	30.75	24.57
Second quarter	9.06	6.50	31.94	24.07
Third quarter	10.55	8.00	39.25	27.00
Fourth quarter	10.80	8.25	41.75	28.50
Month ended				
February 2001	10.53	9.72	39.84	35.70
March 2001	10.39	8.25	38.45	28.50
April 2001	10.81	9.10	38.20	31.30
May 2001	11.75	10.70	40.15	37.75
June 2001	11.80	10.76	40.10	37.10
July 2001	12.00	10.71	41.00	37.55

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 ADSs have been restated in this section to reflect the stock split and its subsequent redenomination.

Item 10. ADDITIONAL INFORMATION

CHARTER AND BYE-LAWS

1. Objects and Registration Details

The Governor and Company of the Bank of Ireland (the "Bank") is registered in Ireland with the Companies Office under No. C-1. The corporation was established pursuant to a Charter granted by King George III on foot of an Act of the Irish Parliament passed in 1781/82. The Charter was granted in 1783.

The corporation's objects and purposes were set out originally in the Charter and have been amended by legislation (in 1872 and 1929) and by resolutions passed by the stockholders meeting in General Court in

1972 and 1995. The principal objects of the corporation are to carry on the business of banking and to undertake all types of financial services.

2. Directors

Any director interested in a contract must declare his/her interest at a meeting of the directors at which the question of entering into such contract first arises. The Bye-Laws also require that a director may not vote in respect of any proposal in which he or any person connected with him has a material interest. Interests in stock, shares, debenture or other securities of the Bank are disregarded for the purpose. A director cannot be counted in a quorum of the Court of Directors or of the meeting of a committee in relation to any resolution on which he is debarred from voting. The prohibition on voting in respect of contracts in which directors are interested is disapplied in respect of proposals:

(a) where a director is given security or indemnified in respect of money lent or obligations incurred by him for the benefit of the Bank;

(b) giving security or indemnifying a third party in respect of a debt or obligation of the Bank;

(c) relating to an offer of debentures or securities of the Bank in which a director is interested as an underwriter;

(d) regarding any proposal concerning any other company in which a director is interested, directly or indirectly, provided that the does not hold or is not beneficially interested in more than 1% of any class of share capital of that company; and

(e) regarding any pension or retirement fund or stock option scheme from which a director might benefit and which has been approved by the Revenue Commissioners.

The remuneration of directors is fixed from time to time by the stockholders in General Court. Such remuneration is divided among them as the directors determine. Such remuneration shall be independent of any remuneration to which a director may be entitled in respect of any other office or appointment within the Group. In the absence of an independent quorum, the Directors are not competent to vote compensation to themselves or any members of their body. The Governor and Deputy Governor, elected from time to time by the Directors, are office holders and are remunerated on terms established by the Directors.

Directors may exercise all the borrowing powers of the Bank and may give security in connection therewith. These borrowing powers may be amended or restricted only by the stockholders in General Court.

There is no age limit requirement in the Bye-laws that specifies when a Director must retire. However the Directors have adopted as a guideline that the normal retirement age for non-executive directors is age 68.

All Directors must hold at least 1,000 units of Ordinary Stock.

In accordance with the "Combined Code: Principles of Good Governance and Code of Best Practice", adopted by the Irish Stock Exchange and the London Stock Exchange, all directors retire by rotation every three years and, if eligible, may offer themselves for re-election.

3. Rights and Restrictions Attaching to Stock

(a) Ordinary Stock

Dividend Rights

Under Irish law, and under the Bye-Laws of the Bank, dividends are payable on the Ordinary Stock of the Bank only out of profits available for distribution. Holders of the Ordinary Stock of the Bank are entitled to receive such dividends as may be declared by the stockholders in General Court, provided that the dividend cannot exceed the amount recommended by the Directors. The Bank may pay Stockholders such interim dividends as appear to the Directors to be justified by the profits of the Bank. Any dividend which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

Voting Rights

Voting at any General Court is by a show of hands unless a poll is properly demanded. On a show of hands every stockholder who is present in person or by proxy has one vote regardless of the number of units of stock held by him. On a poll, every shareholder who is present in person or by proxy has one vote for every unit of Ordinary Stock of €0.64 each. A poll may be demanded by: the chairman of the meeting, *or* by at least nine members of the Bank present in person or by proxy and entitled to vote on a poll. The necessary quorum for a General Court is ten persons present in person or by proxy and entitled to vote.

All business is considered to be special business if it is transacted at an Extraordinary General Court as is all business transacted at an Annual General Court other than the declaration of a dividend, the consideration of the accounts, the balance sheet and reports of the Directors and Auditors, the election of Directors in the place of those retiring, the re-appointment of the retiring Auditors, and the fixing of the remuneration of the Auditors, all of which is deemed ordinary business. Special business is dealt with by way of a special resolution, which must be passed by not less than three fourths of the votes cast by such members as being entitled so to do, vote in person or, where proxies are allowed, by proxy at a General Court at which not less than 21 days' notice specifying the intention to propose a resolution as a special resolution has been duly given. Ordinary business is dealt with by way of an ordinary resolution which requires a simple majority of the votes cast by the members voting in person or by proxy at a General Court. Where an equal number of votes has been cast on any resolution the chairman of the meeting is entitled to a second or casting vote.

Liquidation Rights

In the event of any surplus arising on the occasion of the liquidation of the Bank the Ordinary Stockholders would be entitled to a share in that surplus *pro rata* to their holdings of Ordinary Stock.

(b) **Preference Stock**

The capital of the Bank is divided into Ordinary Stock and Non-Cumulative Dollar Preference Stock, Non-Cumulative Sterling Preference Stock and Non-Cumulative euro Preference Stock. Five million units of Non-Cumulative Sterling Preference Stock and 10.5 million units of euro Preference Stock have been issued. The holders of Non-Cumulative Sterling and euro Preference Stock are entitled to a fixed annual dividend in accordance with the terms and conditions relating to the issue of the Preference Stock. Any dividend which has remained unclaimed for 12 years from the date of its declaration may be forfeited and cease to remain owing by the Bank.

The Non-Cumulative Sterling Preference Stock and the Non-Cumulative euro Preference Stock ranks *pari passu inter se* and the right to a fixed dividend is in priority to the dividend rights of Ordinary Stock in the capital of the Bank. On a winding up or other return of capital by the Bank the Non-Cumulative Sterling Preference Stockholders and the Non-Cumulative euro Preference Stockholders are entitled to receive, out of the surplus assets available for distribution to the Bank's members, an amount equal to the amount paid up on their Preference Stock including any Preference Dividend outstanding at the date of the commencement of the winding-up or other return of capital. Otherwise the Preference Stockholders are not entitled to any further or other right of participation in the assets of the Bank.

4. Variation of Class Rights

The rights attached to the Ordinary Stock of the Bank may be varied or abrogated, either while the Bank is a going concern or during or in contemplation of a winding-up, with the sanction of a resolution passed at a class meeting of the holders of the Ordinary Stock. Similarly, the rights, privileges, limitations or restrictions attached to the Preference Stock may be varied, altered or abrogated, either while the Bank is a going concern or during or in contemplation of a winding-up, with the written consent of the holders of not less than 75% of such class of stock or with the sanction of a resolution passed at a class meeting at which the holders of 75% in nominal value of those in attendance vote in favor of the resolution.

5. Convening of General Courts

Annual General Courts and a Court called for the passing of a special resolution must be called by 21 days' notice in writing. The notice must specify the place and date of the meeting and, in the case of special business, must give the general nature of that business. Admission to General Courts is limited to members of the Bank and validly appointed proxies.

6. Limitation on the Rights to Own Securities

Neither the Charter nor the Bye-Laws impose restrictions on the right of nonresident or foreign shareholders to own securities in the Bank. See, however, "Exchange Control and other Limitations affecting Security Holders" on page 78, for restrictions imposed in the context of EU and UN sanctions.

7. Not applicable.

8. Disclosure of Stock Ownership

Under Irish company law where a person acquires an interest in shares in a public limited company (and the Bank is considered to be a public limited company for these purposes) or ceases to be interested in such shares, he has an obligation to notify the company of the interests he has, or had, in its shares. The initial notifiable threshold is 5% of the aggregate nominal value of the issued share capital carrying rights to vote in all circumstances at a general meeting of the company. In addition, if the shares of the company are quoted on the Irish Stock Exchange and a person becomes aware that he has acquired, or has ceased to have an interest in, shares in a quoted company, he must notify the exchange when his interest in such shares exceeds or falls below, as the case may be, certain reference levels: 10%, 25%, 50% and 75%.

Under the Bye-Laws of the Bank any member may be requested to declare by statutory declaration whether he is beneficially entitled to Ordinary Stock of which he is the registered owner and, if not, to disclose the person or persons for whom he holds such Ordinary Stock in trust. Such a declaration must be made within 14 days of service of the notice. Failure to respond to the notice in the prescribed period entitles the Directors to serve a disenfranchisement notice to such member with the consequence that the member may not attend or vote, either personally or by proxy, at any General Court of the Bank or exercise any other rights conferred by membership in respect of his holding Ordinary Stock (the "Default Stock"). In addition, where the Default Stock amounts to more than 5% of the Ordinary Stock then in issue of the Bank then the disenfranchisement notice can state that no dividend will be payable on the Default Stock, and that no transfer of the Default Stock will be registered by, or on behalf of, the Bank. A disenfranchisement notice may continue in effect for as long as the default in respect of which it was issued continues.

9. Not applicable.

10. Not applicable.

Changes to Constitutional Documentation

At the Annual General Court held on July 4, 2001 stockholders approved a number of resolutions that amended the Bye-Laws of the Bank:

(i) Ordinary stock, which was capable of being traded in amounts of less than one whole unit, can now be traded only in whole units. Stockholders also approved a small capitalization of reserves to facilitate the "rounding up" of all holdings on the register comprising a fraction of a unit of stock;

(ii) Stockholders approved the redenomination and renominalisation of the Irish Pound preference stock, including a small capitalization from reserves to adjust the converted euro nominal value of each unit of euro preference stock to a round figure (€1.27);

(iii) To take advantage of the Electronic Commerce Act, 2000, stockholders approved a resolution to facilitate the giving and receiving of information using electronic mail; where a stockholder gives his or her prior consent and provides the Bank with his or her e-mail address, all notices, reports and accounts, forms of proxy and other communications may be sent by electronic mail;

(iv) Several administrative changes were approved concerning the use of the Seal of the Bank and the method of determination of the price at which new units of ordinary stock will be created instead of all or part of a cash dividend under Stock Alternative Scheme.

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are no restrictions under the Bye-Laws of the Bank, 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 nonresident 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 European Union or United Nations' sanctions. In addition, new or amended domestic implementing measures are expected in connection with the freezing of funds (including dividends) pursuant to EC Council Regulation 1081/2000 of May 22, 2000 and EC Council Regulation 467/2001 of March 6, 2001 concerning Burma/Myanmar and Afghanistan respectively. The ability of institutions of government, and of certain named individuals, in the states mentioned in this paragraph, to buy and sell publicly traded securities, including those of the Bank, has been curtailed by those domestic measures based on EU or UN sanctions. The Financial Transfers Act 1992 confers power on the Minister for Finance to make orders for this purpose.

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, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, tax-exempt organizations, life assurance companies, persons liable for alternative minimum tax, persons that actually or constructively own 10% or more of the voting stock of the Bank, persons that hold Ordinary Stock or ADSs as part of a straddle or a hedging or conversion transaction, 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 income tax treaty between Ireland and the United States of America in effect as of January 1, 1998 (the "Tax Treaty"), tax laws, regulations, administrative rulings and court decisions 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 a trade or business in Ireland through a permanent establishment and is otherwise eligible for benefits under the Treaty with respect to income and gain from the Ordinary Stock or ADSs.

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 do not carry a tax credit and are subject to Dividend Withholding Tax (''DWT'') at the standard rate of income tax, currently 20%. 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.

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 DWT) 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 ordinary income, but will not be eligible for the dividends-received deduction generally allowed to corporations. The amount of any dividend will be the U.S. 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 euros 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 U.S. dollar 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 or loss will generally be U.S. source income or loss.

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 ‘‘back-up withholding’’ 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.

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. In addition 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 may 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.

Documents on Display

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC’s public reference room located at 450 Fifth Street, NW, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges.

Item 11 MARKET RISK

ANALYSIS OF FINANCIAL CONDITION

Capital Resources

The following table sets forth the Group's capital resources at March 31, 2001, 2000, and 1999.

	At March 31,		
	2001	2000	1999
		(in € millions)	
Stockholders' funds			
Equity	3,586	3,064	2,647
Non-equity	212	215	207
Minority interests			
— equity	5	5	3
— non-equity	81	87	79
Outside interest — non equity	593	—	—
Undated capital notes	368	362	575
Dated capital notes	1,549	1,504	814
Total capital resources	6,394	5,237	4,325

In the year ended March 31, 2001, total Group capital resources increased by €1,157m to €6,394m.

Stockholders' funds increased to €3,798m from €3,279m, including retentions of €435m, premises revaluation of €85m, translation differences of (€52m) and new capital stock subscribed €51m. During the year €600m of guaranteed step-up callable perpetual preferred securities were issued by Bank of Ireland UK Holdings plc and guaranteed by the Bank. During the year €150m of dated subordinated bonds were issued. This was partly offset by a redemption of €100m dated subordinated bonds. Overall, the Group's capital base has increased with the Tier 1 and Total Capital ratios at March 31, 2001 rising to 7.8% and 12.4% respectively.

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 of €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 of 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 was reduced with the Tier 1 and Total Capital ratios at March 31, 2000 falling to 7.4% and 11.8% 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 various currencies 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 4 — "Information on the Company — 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, 2001.

	For the Financial Year Ended March 31,		
	2001	**2000**	**1999**
	(in € millions, except percentages)		
Adjusted Capital Base			
Tier 1 capital	3,654	2,973	2,795
Total capital	5,800	4,772	4,033
Risk Weighted Assets			
Banking book	45,239	39,086	30,001
Trading book	1,406	1,214	1,128
Total	46,645	40,300	31,129
Capital Ratios			
Tier 1 capital	7.8%	7.4%	9.0%
Total capital	12.4%	11.8%	13.0%

In the year to March 31, 2001 the tier 1 capital ratio increased to 7.8% from 7.4% at March 31, 2000 and the total capital ratio increased from 11.8% to 12.4%. This increase was primarily due to an issue of €600m of guaranteed step-up callable perpetual preferred securities.

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.

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 Market Risk, Group Internal Audit and Group Compliance are central control functions, independent of business unit management, whose roles include monitoring the Group's activities to insure 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 39 and the accounting policy in Note 1.

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

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

Nature of Derivative Instruments

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

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

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

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

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

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

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

Interest-rate options (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 summarizes 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 modeling, 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 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 to meet the expected requirements of the Basle II Accord on regulatory capital reform.

The final stage in this process — integrating the previous stages into a full loan portfolio management system — is underway. This will allow more precise identification and control of credit risk concentrations and guide strategic decisions on loan portfolio composition and overall capital allocation.

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 comprises 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 judgment 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 a 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 (e.g., 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.

Maximum limits on exposures to banks are approved 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 recognizes that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of stockholder value and the achievement of the Group's corporate objectives.

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

Based on these aggregate limits, 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 centralized 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, 2001, 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 methodology, which is widely applied in the industry. Management recognizes that VaR is subject to certain inherent limitations. The past will not always be a reliable guide to the future and the statistical assumptions employed may understate the probability of very large market moves. For this reason, VaR limits are supplemented by a range of controls which include position limits and loss tolerances. 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 modeling and these tests have been supportive of the methodology and techniques used.

During the financial year ended March 31, 2001, the Group's average Trading Book VaR calculated weekly amounted to €1.8m. Its lowest Trading Book VaR was €0.8m and its peak was €3.2m. At March 31, 2001, Trading Book VaR was €1.7m.

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, 2001 was €1.2m.

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, 2001, the Group's exposure to a parallel upward shift in the euro and Sterling yield curves was €8.0m (2000: €6.0m, 1999: €6.1m) and €21.9m (2000: €20.3m, 1999: €28.8m) respectively.

The table in Note 40 to the Accounts (pages F-52 to F-54) provides an indication of the repricing mismatch in the Non Trading Books at March 31, 2001.

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 insure that capital ratios are not excessively exposed to changes in exchange rates.

At March 31, 2001, the Group's structural foreign exchange position was as follows:

	March 31 2001	**March 31 2000**
	€m	**€m**
GBP	2,158	1,853
U.S.D	112	77
Total structural FX position	2,270	1,930

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 €227m (2000: €193m, 1999: €149m).

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

Translation hedging of overseas earnings

The Group may choose to hedge all or part of its overseas earnings in a particular year, thereby fixing a translation rate for the amount hedged. In the year ended March 31, 2001, the Group sold forward Stg£162m (2000: Stg£80m) at an average exchange rate of 0.61445 (2000: 0.7273) against the euro and U.S.$10m at an average rate of 0.9962 against the euro.

LIQUIDITY RISK

It is Group policy to insure 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 Treasury and International Banking.

Limits on potential cashflow mismatches over defined time horizons are the principal basis of liquidity control. The cashflow mismatch methodology involves calculating, over defined time horizons, the potential net outflow of funds arising from the refinancing of the existing wholesale book and projected net new financing. The measure of the potential recourse to wholesale markets is formally related to the level of the Group's holdings of liquid assets.

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 insure 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. Recognizing 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 customers' 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 or commitment is generally its full contractual amount.

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

Item 12 DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

PART II

Item 13 DEFAULTS, DIVIDEND ARREARAGES & DELINQUENCIES

Not Applicable.

Item 14 MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS & USE OF PROCEEDS

Not Applicable.

Item 15 RESERVED

Item 16 RESERVED

PART III

Item 17 FINANCIAL STATEMENTS

(Not responded to as Item 18 complied with)

Item 18 FINANCIAL STATEMENTS

(a) Financial Statements

Item 19 EXHIBITS

1.1 — Charter & Acts
1.2 — Bye-Laws
4 — Rules of the Bank of Ireland Group Stock Options Scheme — 1996
— Rules of the Bank of Ireland Group Long Term Performance Stock Plan.
8 — List of significant subsidiaries — incorporated by reference to page 20 of this Form 20-F.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended March 31, 2001

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 distinguishing for Stockholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

Irish company law requires the Directors to insure that the accounts, 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 accounts on pages F-4 to F-90, the Directors have determined that it is appropriate that they continue to be prepared on a going concern basis and consider that in their preparation:

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

The Directors 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 insure that the accounts 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, 2001, and 2000 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, 2001 all expressed in euro as set out on pages F-4 to F-90 inclusive. These accounts are the responsibility of the Bank's management. Our responsibility is to express an opinion on these accounts 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 accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall accounts presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated accounts 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, 2001 and 2000, and the results of their operations and cash flows for each of the three years in the period ended March 31, 2001 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 51 to the consolidated accounts.

PRICEWATERHOUSECOOPERS
Chartered Accountants and Registered Auditors
Dublin
Ireland
May 9, 2001

BANK OF IRELAND GROUP

CONSOLIDATED STATEMENT OF INCOME

	Notes	2001 Group Total	2000 Group Total	1999 Group Total
		Year ended March 31,		
		(in € millions)		
INTEREST RECEIVABLE				
Interest receivable and similar income arising from debt securities		442	321	284
Other interest receivable and similar income	5	3,696	2,681	2,841
INTEREST PAYABLE	6	2,712	1,760	2,009
NET INTEREST INCOME		1,426	1,242	1,116
Fees and commissions receivable		850	729	603
Fees and commissions payable		(65)	(112)	(50)
Dealing profits	39	101	44	71
Contribution from life assurance companies		164	127	107
Other operating income	7	64	112	71
TOTAL OPERATING INCOME		2,540	2,142	1,918
Administrative expenses	8	1,257	1,048	962
Depreciation and amortization	8,23	130	119	98
OPERATING PROFIT BEFORE PROVISIONS		1,153	975	858
Provision for bad and doubtful debts	18	72	56	56
OPERATING PROFIT		1,081	919	802
Income from associated undertakings and joint ventures	9	7	1	34
PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEM		1,088	920	836
Profit on disposal of associated undertakings	4	—	—	218
Group Transformation Program	10	(93)	—	—
PROFIT BEFORE TAXATION		995	920	1,054
Taxation on profit on ordinary activities	11	196	196	223
Effect of reductions in Irish corporation tax standard rate on deferred tax balances	11	—	—	30
PROFIT AFTER TAXATION		799	724	801

The notes on pages F-11 to F-90
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED STATEMENT OF INCOME

	Notes	2001 Group Total	2000 Group Total	1999 Group Total
		Year ended March 31,		
		(in € millions)		
PROFIT AFTER TAXATION		799	724	801
Deposit Interest Retention Tax	12	35	—	—
PROFIT FOR THE FINANCIAL YEAR		764	724	801
Minority interests				
— equity		3	3	1
— non equity		7	6	6
Non-cumulative preference stock dividends	13	26	25	23
Interest paid to outside interest — non equity		3	—	—
PROFIT ATTRIBUTABLE TO THE ORDINARY STOCKHOLDERS		725	690	771
Transfer to capital reserve	37	101	70	36
Ordinary dividends	13	290	233	192
PROFIT RETAINED FOR THE YEAR		334	387	543
Earnings per unit of €0.64 Ordinary Stock	14	72.8c	68.0c	74.5c
Alternative Earnings per unit of €0.64 Ordinary Stock	14	83.1c		54.3c
Diluted Earnings per unit of €0.64 Ordinary Stock	14	72.1c	67.6c	73.9c

The notes on pages F-11 to F-90
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED BALANCE SHEET

	Notes	At March 31, 2001	At March 31, 2000
		(in € millions)	
ASSETS			
Cash and balances at central banks		256	210
Items in the course of collection from other banks		708	617
Central government and other eligible bills	15	76	746
Loans and advances to banks	16	8,115	6,972
Loans and advances to customers	17	51,147	44,844
Securitisation and loan transfers		1,414	708
Less: non returnable amounts		1,273	578
		141	130
Debt securities	19	8,529	6,668
Equity shares	20	144	15
Own shares		29	33
Interests in associated undertakings	21	14	14
Interest in Joint Ventures	22	9	—
Tangible fixed assets	23	1,150	975
Intangible fixed assets	24	227	9
Other assets	25	2,727	2,044
Prepayments and accrued income		616	502
		73,888	63,779
Life assurance assets attributable to policyholders	26	4,987	4,238
		78,875	68,017
LIABILITIES			
Deposits by banks	27	11,664	10,306
Customer accounts	28	45,630	40,990
Debt securities in issue	29	5,016	2,825
Items in the course of transmission to other banks		178	219
Other liabilities	30	3,936	3,398
Accruals and deferred income		770	611
Provisions for liabilities and charges			
— deferred taxation	31	104	86
— other	32	196	107
Subordinated liabilities	33	1,917	1,866
Minority interests			
— equity		5	5
— non equity	34	81	87
Outside Interest — non equity		593	—
Called up capital stock	36	691	690
Stock premium account	37	726	679
Capital reserve	37	311	232
Profit and loss account	37	1,818	1,510
Revaluation reserve	37	252	168
Stockholders' funds including non equity interests		3,798	3,279
Life assurance liabilities attributable to policyholders	26	4,987	4,238
		78,875	68,017

The notes on pages F-11 to F-90
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED BALANCE SHEET

MEMORANDUM ITEMS

	Notes	At March 31, 2001	At March 31, 2000
		(in € millions)	
Contingent liabilities			
Acceptances and endorsements		105	106
Guarantees and assets pledged as collateral security		946	897
Other contingent liabilities		528	343
	42	1,579	1,346
Commitments	42	15,801	11,553

The notes on pages F-11 to F-90
form an integral part of these consolidated financial statements

OTHER PRIMARY STATEMENTS

STATEMENT OF TOTAL RECOGNIZED GAINS AND LOSSES

	Notes	Year ended March 31, 2001	2000	1999
		(in € millions)		
Profit attributable to the ordinary stockholders		725	690	771
Exchange adjustments	36,37	(52)	183	(23)
Revaluation of property	37	85	152	4
Total recognized gains since last year		758	1,025	752

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, 2001	2000	1999
		(in € millions)		
Profit attributable to the ordinary stockholders		725	690	771
Dividends	13	(290)	(233)	(192)
		435	457	579
Other recognized (losses)/gains		33	335	(19)
New capital stock subscribed	36,37	51	42	56
Goodwill written back on disposal of Citizens	37	—	—	230
Goodwill written back on other disposal	37	—	—	1
Stock buyback	37	—	(409)	—
		519	425	847
At April 1		3,279	2,854	2,007
At March 31		3,798	3,279	2,854
Stockholders' funds:				
Equity		3,586	3,064	2,647
Non equity		212	215	207
		3,798	3,279	2,854

The notes on pages F-11 to F-90
form an integral part of these consolidated financial statements

BANK OF IRELAND GROUP

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Notes	2001	2000	1999
		Year ended March 31,		
		(in € millions)		
Preference stock				
At April 1		22	21	21
Exchange adjustments		(1)	1	—
At March 31	36	21	22	21
Ordinary stock				
At April 1		668	660	652
Stock alternative scheme issue		2	2	4
Employees' profit sharing plan and executive stock option plan		—	1	4
Capitalization of reserves		—	5	—
At March 31	36	670	668	660
Stock premium				
At April 1		679	633	587
Premium on issue of capital stock		9	13	14
Premium on stock alternative scheme issue		40	26	35
Exchange adjustments		(2)	7	(3)
At March 31	37	726	679	633
Capital reserve				
At April 1		232	159	124
Exchange adjustments		—	3	(1)
Transfer from revenue reserves		101	70	36
Transfer to revenue reserves		(22)	—	—
At March 31	37	311	232	159
Profit and loss account				
At April 1		1,510	1,365	1,410
Transfer from goodwill reserve		—	—	(801)
		1,510	1,365	609
Profit attributable to the ordinary stockholders		725	690	771
Transfer to Capital Reserve		(101)	(70)	(36)
Ordinary dividends		(290)	(233)	(192)
Goodwill written back on disposal of Citizens		—	—	230
Goodwill written back on other disposal		—	—	1
Transfer from capital reserve		22	—	—
Stock buyback		—	(409)	
Capitalization of reserves		—	(5)	
Exchange adjustments		(48)	172	(18)
At March 31	37	1,818	1,510	1,365
Goodwill reserve				
At April 1		—	—	(801)
Transfer to profit and loss account		—	—	801
At March 31	37	—	—	—
Revaluation reserve				
At April 1		168	16	13
Revaluation of property		85	152	4
Exchange adjustments		(1)	—	(1)
At March 31	37	252	168	16
Total stockholders' funds		3,798	3,279	2,854

The notes on pages F-11 to F-90
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	2001	2000	1999
		Year ended March 31,		
		(in € millions)		
Operating Profit		1,081	919	802
(Increase)/decrease in accrued income and prepayments		(117)	(24)	63
Increase/(decrease) in accruals and deferred income		170	(98)	(19)
Provisions for bad and doubtful debts		72	56	56
Loans and advances written off net of recoveries		(32)	(39)	(47)
Depreciation and amortization		130	119	98
Interest charged on subordinated liabilities		144	92	104
Other non-cash movements		3	(26)	(16)
Profit on disposal of fixed assets		(17)	(23)	(2)
Net cash flow from trading activities		1,434	976	1,039
Net (increase) in collections / transmissions		(137)	(61)	(93)
Net (increase)/decrease in loans and advances to banks		(421)	(2,836)	1,959
Net (increase) in loans and advances to customers		(7,236)	(6,055)	(5,061)
Net increase in deposits by banks		1,425	3,037	1,669
Net increase in customers accounts		5,389	4,468	2,164
Net increase/(decrease) in debt securities in issue		2,260	2,084	(538)
Net (increase)/decrease in non-investment debt and equity securities		(335)	(914)	124
Net (increase)/decrease in other assets		(690)	209	(524)
Net increase/(decrease) in other liabilities		477	(210)	287
Exchange movements		(97)	(150)	(216)
Net cash flow from operating activities		2,069	548	810
Dividend received from associated undertaking		8	—	1
Returns on investment and servicing of finance	45	(189)	(122)	(141)
Taxation		(142)	(192)	(138)
Deposit Interest Retention Tax		(39)	—	—
Capital expenditure and financial investment	45	(1,127)	(310)	(903)
Acquisitions and disposals	45	(228)	(10)	715
Equity dividends paid		(210)	(176)	(127)
Financing	45	660	(92)	(9)
Increase/(decrease) in cash		802	(354)	208

The notes on pages F-11 to F-90
form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES

1.1 Accounting Convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain properties and investments, in accordance with the Companies Acts, 1963 to 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. Costs, assets and liabilities are inclusive of irrecoverable value added taxes, where appropriate. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

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

1.5 Mortgage Incentives

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

1.6 Leasing and Installment Finance

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

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES (Continued)

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 amortization of premiums or discounts over the period to maturity. The amortization of premiums or discounts is included in interest income. In those rare instances where an investment security is sold prior to maturity, profits and losses are recognized when realized.

Other Securities

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

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 recognized formulae for the type of transaction. Where market prices may not be achievable because of the size of positions or the illiquidity of markets, adjustments are made in determining fair value. Unrealized gains and losses are reported in Other Assets or Other Liabilities on a gross basis.

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

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

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

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

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

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES (Continued)

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

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

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 amortized 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 installments over the remaining period of the lease. Freehold and long leasehold property is maintained in a state of good repair and the Directors consider that residual values based on prices prevailing at the time of acquisition or subsequent valuation are such that depreciation is not 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 recognized 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 recognized at the appropriate rates of tax using the liability method on timing differences between profits stated in the accounts and profits computed for taxation purposes where it is expected that a liability or asset is likely to arise in the foreseeable future. The future tax benefit relating to tax losses is not recognized unless the benefit assured is beyond reasonable doubt.

1 BASIS OF ACCOUNTING AND ACCOUNTING POLICIES (Continued)

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 capitalized as assets on the balance sheet and amortized 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 CHASE DE VERE INVESTMENTS PLC

On September 11, 2000, Bank of Ireland announced that its wholly owned subsidiary, Bristol & West plc (''Bristol & West'') completed the acquisition of Chase de Vere Holdings Limited (formerly M R Edge Holdings Limited), the parent company of Chase de Vere Investments plc. The acquisition was effective from August 1, 2000 and the results of this business have been consolidated in full from the date of acquisition.

The present value of the expected total cost of the acquisition is Stg£122.3m (€200.1m). This comprises initial consideration of Stg£112.8m (€184.6m) including incidental expenses, and deferred consideration of Stg£9.5m, (€15.5m). The deferred consideration can range from nil to Stg£22.5m (€36.8m) dependent on the performance of Chase de Vere investments plc over the three year period to December 31, 2002.

As analyzed below the acquisition gave rise to goodwill on consolidation of Stg£112.9m (€184.7m) which, has been capitalized and will be written off to the profit and loss account over its estimated useful life of 20 years.

2 CHASE DE VERE INVESTMENTS PLC (Continued)

There were no fair value adjustments to the consolidated balance sheet of Chase de Vere Holdings Limited at August 1 2000 which was as follows:

	Stg£m	€m
Loans and advances to banks	9.7	15.9
Loans and advances to customers	2.1	3.4
Other assets	3.0	4.9
Other liabilities	(5.4)	(8.8)
Net assets acquired	9.4	15.4
Goodwill	112.9	184.7
	122.3	200.1
Consideration	119.6	195.7
Costs of acquisition	2.7	4.4
	122.3	200.1

The consolidated profit after tax for Chase de Vere Holdings Limited for the period from January 1, 2000 to July 31, 2000 was Stg£4.9m (€8.0m) (Year ended December 31, 1999: Stg£2.6m)

A summarized consolidated profit and loss account for the period from August 1, 2000 to March 31, 2001 is as follows:

	Stg£m	€m
Net interest expense	(3.9)	(6.4)
Other income	21.2	34.5
Operating expenses	(14.8)	(24.1)
Operating profit	2.5	4.0

Bristol & West have included in net interest income Stg£4.4m (€7.2m), of finance costs incurred due to the acquisition.

3 MONEYEXTRA LIMITED AND MONEYEXTRA MORTGAGES LIMITED

(a) Moneyextra Limited

On December 27, 2000 the Group's subsidiary Moneyextra Limited (formerly Great Western Financial Services Limited) acquired the business of the Business 2 Customer (''B2C'') division of Moneyextra plc for a cash consideration of Stg£25.9m (€41.5 m). The results of this business have been consolidated in full from the date of acquisition. The assets acquired were employed within the business of Moneyextra Limited and managed on a unified basis. It is therefore not feasible to identify and report separately the results of the acquired business from December 27, 2000. The net assets acquired, being tangible fixed assets, were Stg£0.2m (€0.3m). There were no fair value adjustments made to the assets acquired.

3 MONEYEXTRA LIMITED AND MONEYEXTRA MORTGAGES LIMITED (Continued)

	Stg£m	€m
Net assets acquired	0.2	0.3
Goodwill	25.7	41.2
	25.9	41.5
Consideration	25.4	40.7
Costs of acquisition	0.5	0.8
	25.9	41.5

The goodwill on acquisition has been capitalized and will be written off to the profit & loss account over its estimated useful life of 10 years.

Only certain assets of Moneyextra plc were acquired, being its B2C division. In these circumstances it is not practical to provide details of profits or recognized gains and losses for B2C division of Moneyextra plc for periods before acquisition.

(b) Moneyextra Mortgages Limited

On December 27, 2000 Bristol & West plc completed the purchase of Moneyextra Mortgages Limited for a cash consideration of Stg£0.6m (€1.0m). The goodwill on acquisition of Stg£0.6m (€1.0m) has been capitalized and will be written off to the profit and loss account over its estimated useful life of 10 years. There were no fair value adjustments to the assets acquired. The results of the business have been consolidated in full from the date of acquisition. The effect of the results on the Group is not material.

4 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 U.S.$763m in cash, consisted of U.S.$753m in respect of its 23.5% shareholding and U.S.$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.

5 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended March 31,		
	2001	2000	1999
		(in € millions)	
Loans and advances to banks	345	164	289
Loans and advances to customers	3,134	2,371	2,427
Finance leasing	140	89	75
Installment credit	77	57	50
	3,696	2,681	2,841

6 INTEREST PAYABLE

	Year ended March 31,		
	2001	2000	1999
	(in € millions)		
Interest on subordinated liabilities	144	92	104
Other interest payable	2,568	1,668	1,905
	2,712	1,760	2,009

7 OTHER OPERATING INCOME

	Year ended March 31,		
	2001	2000	1999
	(in € millions)		
Profit on disposal of investment securities	—	39	15
Profit on disposal of tangible fixed assets	17	23	2
Securitisation servicing fees	7	8	13
Other income	40	42	41
	64	112	71

8 OPERATING EXPENSES

	Year ended March 31,		
	2001	2000	1999
	(in € millions)		
Staff Costs:			
— wages and salaries	685	584	519
— social security costs	55	47	41
— pension costs	16	11	11
— staff stock issue	16	14	9
— severance packages	1	2	2
	773	658	582
Operating lease rentals:			
— property	9	10	17
— equipment	1	1	1
Other administrative expenses	474	379	362
Total administrative expenses	1,257	1,048	962
Depreciation and amortization:			
— freehold and leasehold property	14	14	13
— computer and other equipment	109	105	85
— amortization of goodwill	7	—	—
Total depreciation	130	119	98
Total operating expenses	1,387	1,167	1,060

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 2001 the charge represents 3.5% of eligible employees' basic salary (2000: 3.5%, 1999: 2.5%).

8 OPERATING EXPENSES (Continued)

Auditors' remuneration (including VAT)	Year ended March 31, 2001	2000	1999
	(in € millions)		
— Audit work	1.9	1.6	1.5
— Non audit work	9.3	3.8	3.8

The increase in non-audit work fees in 2001 is primarily due to consultancy fees in respect of the Group Transformation Program. The Audit Committee has reviewed the level of non-audit work fees and is satisfied that it has not affected the independance of the Auditors.

9 INCOME FROM ASSOCIATED UNDERTAKINGS & JOINT VENTURES

	Year ended March 31, 2001	2000	1999
	(in € millions)		
Citizens Financial Group, Inc.	—	—	32
Other associates and joint ventures	7	1	2
	7	1	34

10 GROUP TRANSFORMATION PROGRAM

Implementation of the Group's cost reduction program is now underway and a charge of €93m before tax (€72m after tax) has been recognized in the year to March 31, 2001. See Note 32 for further details.

11 TAXATION

	Year ended March 31, 2001	2000	1999
	(in € millions)		
Corporation tax	155	156	174
Tax on the sale of Citizens Financial Group	—	—	10
Tax credits applicable to distributions received	—	—	5
Duty on certain tax-based lending	—	—	1
Deferred taxation:			
Effect of reductions in Irish Corporation tax standard rate on deferred tax balances(1)	—	—	30
Other	40	40	23
Associated undertakings	1	—	10
	196	196	253

The tax charge for the year, at an effective rate of 19.7% is lower than the standard Irish corporation tax rate because of relief arising from tax based lending and the International Financial Services Center 10% tax rate.

11 TAXATION (Continued)

	Year ended March 31,		
	2001	2000	1999
Current taxation			
Domestic	68	102	114
Foreign	88	54	86
	156	156	200
Deferred taxation			
Domestic	44	42	49
Foreign	(4)	(2)	4
	40	40	53
	196	196	253

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

	Year ended March 31,		
	2001	2000	1999*
		(%)	
Statutory corporation tax rate	23.0	27.0	31.0
Tax on foreign income	1.3	—	(0.6)
Tax exempted income and income at a reduced tax rate	(4.4)	(5.4)	(3.1)
Other items	(0.2)	(0.3)	1.9
Effective tax rate	19.7	21.3	29.2

* excluding exceptional items

Included in the charge for corporation tax is €88m (2000: €81m, 1999: €86m) in respect of taxation on non Republic of Ireland business units, giving rise to double tax relief of €24m (2000: €23m).

	Year ended March 31,		
	2001	2000	1999
		(in € millions)	
The deferred taxation charge arises from:			
Leased assets	25	38	18
Own assets	6	—	(9)
Short term timing differences	9	2	44
	40	40	53

(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%.

11 TAXATION (Continued)

The standard rate is to be:

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

12 DEPOSIT INTEREST RETENTION TAX

The Bank has reached agreement with the Revenue Commissioners that the sum of €39m is in full and final settlement of the Bank of Ireland Group's liability for arrears of DIRT (Deposit Interest Retention Tax) including interest and penalties to 31 March 2001. Of the aggregate amount, the sum of €4m was previously provided.

13 DIVIDENDS

	Year ended March, 31		
	2001	2000	1999
	(in € millions)		
Equity Stock:			
2001			
On units of €0.64 Ordinary Stock in issue			
Interim dividend 9.4c	94		
Proposed final dividend 19.6c	196		
2000			
On units of €0.64 Ordinary Stock in issue			
Interim dividend 7.36c		73	
Proposed final dividend 16.14c		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
	290	233	192

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.

13 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,		
	2001	2000	1999
		(in € millions)	
Non Equity Stock:			
2001			
On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR 1.2p (Tax credit nil)	16		
On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg 1.265p (Tax credit nil)	10		
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
	26	25	23

Dividend payments on Non Cumulative Preference Stock are accrued.

14 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 €725.3m (2000: €689.5m, 1999: €771m) and the weighted average Ordinary Stock in issue of 996.8m units (2000: 1,013.6m units, 1999: 1,034.8m units).

The calculation of the alternative earnings per share for the years ended March 31, 2001 and March 31, 1999 is based on the profit attributable to Ordinary Stockholders before the exceptional item of €828m after tax (1999: €563m) and the weighted average Ordinary Stock of 996.8m units (1999: 1034.8m).

The diluted earnings per share is based on the profit attributable to Ordinary Stockholders of €725.3m (2000: €689.5m, 1999: €771m) and the weighted average Ordinary Stock in issue of 996.8m (2000: 1,013.6m units, 1999: 1,034.8m units) adjusted for the effect of all dilutive potential Ordinary Stock of 8.9m units (2000: 5.9m units, 1999: 7.6m units).

15 CENTRAL GOVERNMENT BILLS AND OTHER ELIGIBLE BILLS

	At March 31, 2001	At March 31, 2000
	(in € millions)	
Investment securities		
government bills and similar securities	5	5
other eligible bills	—	636
Other securities		
government bills and similar securities	71	105
	76	746

16 LOANS AND ADVANCES TO BANKS

	At March 31, 2001	At March 31, 2000
	(in € millions)	
Funds placed with Central Bank of Ireland	84	74
Funds placed with other central banks	632	582
Funds placed with other banks	7,399	6,316
	8,115	6,972
Repayable on demand	1,914	1,189
Other loans and advances to banks by remaining maturity		
3 months or less	4,010	4,630
1 year or less but over 3 months	1,723	1,107
5 years or less but over 1 year	468	22
over 5 years	—	24
	8,115	6,972

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

17 LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances to customers

	At March 31, 2001	At March 31, 2000
	(in € millions)	
Loans and advances to customers	48,187	42,109
Loans and advances to customers — finance leases	2,471	2,323
Hire purchase receivables	919	810
	51,577	45,242
General and specific bad and doubtful debt provisions	(430)	(398)
	51,147	44,844
Repayable on demand	2,234	1,953
Other loans and advances to customers by remaining maturity		
3 months or less	2,454	2,148
1 year or less but over 3 months	3,206	2,662
5 years or less but over 1 year	11,297	8,649
over 5 years	32,386	29,830
	51,577	45,242

The loans accounted for on a non-accrual basis at March 31 2001, amounted to €315m (2000: €355m).

(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),(vi)	Residential	Linked	234
1993	Private placements with UK financial Institutions	(ii),(vi)	Residential	Consolidated	161
1993	Residential Property Securities No. 3 plc (RPS3)	(i),(ii)	Residential	Linked	404
1994	Residential Property Securities No. 4 plc (RPS4)	(i),(iii)	Residential	Linked	807
1994	Commercial Loans on Investment Property Securitisation (No. 1) plc (CLIPS)	(iv),(v)	Commercial	Linked	242
1997	Residential Property Securities No. 5 plc (RPS5)	(i),(iii)	Residential	Linked	484
2000	Liberator Securities No. 1 plc	(v)	Residential	Linked	500
2000	Shipshape Residential Mortgages No. 1 plc (SS1)	(vii)	Residential	Linked	485

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.

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Securitisation and loan transfers (Continued)

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 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.

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

(vi) Under the terms of the agreements relating to the private placements, the Group has agreed to support losses to a maximum of stg£1.2m. The providers of finance have agreed that they will seek no further recourse to the Company above this amount.

(vii) Under the terms of this issue, the Group is not obliged to repurchase any of the assets or to transfer in any additional assets, except in respect of individual mortgages in breach of warranty.

A summarized profit and loss account for the period to March 31, 2001 for CLIPS, RPS3, RPS4, RPS5, the private placement of €234m, Liberator Securities No. 1 and SS No. 1 is set out below:

	At March 31,		
	2001	2000	1999
	(in € millions)		
Interest receivable	99	55	87
Interest payable	(89)	(50)	(80)
Fee income	2	4	3
Deposit income	4	3	4
Operating expenses	(9)	(4)	(1)
Profit for the financial period	7	8	13

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(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 53% of the total loans and advances to customers, 24% of the loans and advances in Ireland (including Northern Ireland) and 85% in Great Britain.

(d) Leasing and hire purchase

	At March 31,	
	2001	2000
	(in € millions)	
Amount receivable by remaining maturity		
— within 1 year	724	670
— 5 years or less but over 1 year	1,352	1,035
— over 5 years	1,314	1,428
	3,390	3,133

The cost of assets acquired for finance leases and hire purchase contracts, net of grants received or receivable, amounted to €1,136m (2000: €1,545m).

Aggregate amounts receivable including capital repayments during the year in respect of finance leases and hire purchase contracts amounted to €1,344m (2000: €1,082m).

18 PROVISIONS FOR BAD AND DOUBTFUL DEBTS

	Year ended March 31,		
	2001	2000	1999
		(in € millions)	
At April 1,	398	359	357
Exchange adjustments	(8)	22	(7)
Transfer of provisions from subsidiary	—	—	—
Charge against profits	72	56	56
Amounts written off	(49)	(57)	(62)
Recoveries	17	18	15
At March 31,	430	398	359
All of which relates to loans and advances to customers			
Provisions at March 31,			
specific	123	115	123
general	307	283	236
	430	398	359

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 €160m (2000: €141m, 1999: €126m) and a non designated element, for prudential purposes of €147m (2000: €142m, 1999: €110m). The non designated

18 PROVISIONS FOR BAD AND DOUBTFUL DEBTS (Continued)

element, against which a deferred tax asset has been recognized, will be offset, in certain pre-defined circumstances, against specific loan losses as they crystallise in future years.

19 DEBT SECURITIES

	At March 31, 2001			
	Book Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in € millions)			
Issued by Public Bodies				
Investment securities				
— government securities	173	11	—	184
Other securities				
— government securities	1,754			1,754
— other public sector securities	14			14
	1,768			1,768
Issued by Other Issuers				
Investment securities				
— bank and building society certificates of deposit	453	—	—	453
— other debt securities	5,153	25	(4)	5,174
	5,606	25	(4)	5,627
Other securities				
— bank and building society certificates of deposit	13			13
— other debt securities	969			969
	982			982
	8,529	36	(4)	8,561

19 DEBT SECURITIES (Continued)

	At March 31, 2000			
	Book Value	Gross Unrealized Gains	Gross Unrealized 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

	Year ended March 31,	
	2001	2000
	(in € millions)	
Investment securities		
listed	4,709	3,189
unlisted	1,070	1,049
	5,779	4,238
Other securities		
listed	2,533	2,160
unlisted	217	270
	2,750	2,430
Unamortized premiums and discounts on investment securities	(1)	5

Income from listed and unlisted investments amounted to €448m (2000: €337m, 1999: €298m).

19 DEBT SECURITIES (Continued)

Investment securities' movements	Cost	Discount/ (Premium)	Carrying Value
		(in € millions)	
At April 1, 2000	4,284	(46)	4,238
Exchange adjustments	95	1	96
Acquisitions	2,951	—	2,951
Disposals and redemptions	(1,504)	—	(1,504)
Amortization of premiums and discounts	—	(2)	(2)
At March 31, 2001	5,826	(47)	5,779

	Year ended March 31,	
	2001	2000
	(in € millions)	
Analyzed by remaining maturity:		
Due within one year	2,157	1,883
Due one year and over	6,372	4,785
	8,529	6,668

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 €1,413m (2000: €1,295m).

Debt securities with at market value of €2,689m (2000: €1,708m) were pledged as collateral to cover settlement risk for securities' transactions.

20 EQUITY SHARES

	Year ended March 31,	
	2001	2000
	(in € millions)	
At April 1	15	18
Net increase during the year	129	—
Net decrease during the year	—	(3)
At March 31	144	15

21 INTERESTS IN ASSOCIATED UNDERTAKINGS

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
At April 1	14	13
Increase in investments	5	1
Disposal of investments	(4)	—
Distribution	(8)	—
Retained profits	7	—
At March 31	14	14

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.

22 INTEREST IN JOINT VENTURES

	The Group €m
At April 1, 2000	—
Acquisitions	9
Retained profits	—
At March 31, 2001	9

On June 23, 2000 Bank of Ireland and Nova Corporation, a U.S. Company announced an agreement to form a joint venture, EuroConex Technologies Ltd.

23 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, 2000	481	114	43	831	7	1,476
Exchange adjustments	(6)	—	(1)	(7)	—	(14)
Additions	42	—	9	197	5	253
Disposals	(13)	—	—	(77)	—	(90)
Revaluation	66	3	3	—	—	72
Reclassification	7	(7)	—	—	—	—
Acquisition of subsidiary	—	—	—	2	—	2
At March 31, 2001	577	110	54	946	12	1,699
Accumulated depreciation and amortization						
At April 1, 2000	—	—	—	495	6	501
Exchange adjustments	—	—	—	(5)	—	(5)
Disposals	—	—	—	(57)	—	(57)
Charge for year	9	—	4	109	1	123
Revaluation	(9)	—	(4)	—	—	(13)
At March 31, 2001	—	—	—	542	7	549
Net book value						
At March 31, 2001	577	110	54	404	5	1,150
At March 31, 2000	481	114	43	336	1	975

Property and Equipment

A revaluation of all Group property, with the exception of property identified as surplus to requirements under the Group Transformation Program, was carried out as at March 31, 2001. All freehold and long leasehold (50 years or more unexpired) commercial properties were valued by Jones Lang LaSalle as external valuers, who also reviewed the valuation carried out by the Bank's professionally qualified staff of all other property. The valuation was undertaken in accordance with the requirements of FRS 15 and the Appraisal & 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.

The surplus arising on this revaluation amounted to €85m.

As at March 31, 2001 on a historical cost basis the cost of group property would have been included at €510m (2000: €415m) less accumulated depreciation €55m (2000: €42m). The Group occupies properties with a net book value of €625m (2000: €484m) in the course of carrying out its own activities.

23 TANGIBLE FIXED ASSETS (Continued)

In the year to March 31, 2001 salary and other costs of €44m (2000: €15m) incurred on computer software development and other projects have been capitalized and included in computer and other equipment. This expenditure is depreciated in equal annual installments over its estimated useful life ranging between five and ten years.

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
Tangible fixed assets leased	107	99

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
Future capital expenditure		
— contracted but not provided in the accounts	39	22
— authorized by the Directors but not contracted	37	1

Rentals payable in 2001 under non-cancellable operating leases amounted to €44m (2000: €37m). Of this amount €2m (2000: €3m) relates to leases expiring within one year, €9m (2000: €6m) relates to leases expiring in two to five years and €33m (2000: €28m) relates to leases expiring after five years, split between property €43m and equipment €1m.

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

Year ended March 31	Payable	Receivable
	(in € millions)	
2002	44	5
2003	44	5
2004	41	3
2005	40	2
2006	39	2
Thereafter	604	10

The obligations under finance leases amount to €6.4m (2000: €1.1m) of which €1.1m (2000: €0.6m) is due within one year, €3.7m (2000: €0.5m) is due after more than one year but within five years and €1.6m (2000: €nil) is due after five years.

24 INTANGIBLE FIXED ASSETS

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
At April 1	9	—
Goodwill arising on acquisitions during the year	227	9
Exchange adjustments	(2)	—
Amortization during the year	(7)	—
At March 31	227	9

The details relating to Chase de Vere and Moneyextra are set out in detail in Notes 2 and 3.

25 OTHER ASSETS

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
Sundry debtors	1,420	1,060
Foreign exchange and interest rate contracts	796	566
Value of life assurance business in force	368	282
Other	143	136
	2,727	2,044

26 LIFE ASSURANCE BUSINESS

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

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
Long Term Assurance Business		
Net tangible assets of life companies including surplus (before payment of dividend €102m to Governor and Company of the Bank of Ireland)	313	270
Value of life assurance business in force	368	282
	681	552
Increase in net tangible assets of life companies including surplus	43	34
Increase in value of life assurance business in force	86	62
Profit after tax (includes a movement in revaluation reserve of €3m in 2000)	129	96

During 2001 the Life Assurance Business paid a dividend of €102m to the Governor and Company of the Bank of Ireland which reduced the net tangible assets including surplus from €313m shown above to €211m.

26 LIFE ASSURANCE BUSINESS (Continued)

The life assurance assets attributable to policyholders consist of:

	Year ended March 31, 2001	2000
	(in € millions)	
Property	377	274
Fixed interest securities	1,469	1,285
Other securities	2,770	2,429
Bank balances and cash	311	203
Income receivable	58	31
Other assets	31	27
Other liabilities	(29)	(11)
	4,987	4,238

Value of in-force business

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

	2001	2000
Risk adjusted discount rate (net of tax)	11%	11%
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 analyzed into four categories:

(i) 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.

(ii) 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;

(iii) Investment earnings on the net assets attributable to shareholders;

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

26 LIFE ASSURANCE BUSINESS (Continued)

Premium Income Analysis

The table below sets out the levels of gross premiums and new business written for 2001 and 2000.

	Individual		Group	
	Life	Pensions	Contracts	Total
	(in € millions)			
Gross Premiums Written — 2001				
Recurring premiums	260	154	10	424
Single premiums	599	118	25	742
Total gross premiums written	859	272	35	1,166
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 New Business Premiums Written — 2001				
Recurring premiums	78	61	3	142
Single premiums	599	118	25	742
Total gross new business written	677	179	28	884
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

27 DEPOSITS BY BANKS

	Year ended March 31,	
	2001	2000
	(in € millions)	
Deposits by Banks	11,664	10,306
of which:		
Domestic	10,217	8,095
Foreign	1,447	2,211
	11,664	10,306
Repayable on demand	2,711	3,799
Other deposits by remaining maturity		
3 months or less	6,263	4,982
1 year or less but over 3 months	1,789	1,094
5 years or less but over 1 year	487	139
over 5 years	414	292
	11,664	10,306

28 CUSTOMER ACCOUNTS

	Year ended March 31, 2001	2000
	(in € millions)	
Current accounts	7,499	6,114
Demand deposits	16,924	16,763
Term deposits and other products	20,754	17,979
Other short-term borrowings	453	134
	45,630	40,990
of which:		
Non interest bearing current accounts		
Domestic	5,049	4,055
Foreign	689	632
	5,738	4,687
Interest bearing current accounts and short term borrowings		
Domestic	17,391	15,135
Foreign	22,501	21,168
	39,892	36,303
Repayable on demand	24,842	23,561
Other deposits with agreed maturity dates or periods of notice, by remaining maturity		
— 3 months or less	12,457	10,347
— 1 year or less but over 3 months	4,699	3,383
— 5 years or less but over 1 year	2,900	2,947
— over 5 years	732	752
	45,630	40,990

29 DEBT SECURITIES IN ISSUE

	Year ended March 31, 2001	2000
	(in € millions)	
Bonds and medium term notes by remaining maturity		
— 3 months or less	—	8
— 1 year or less but over 3 months	—	14
— 5 years or less but over 1 year	2,644	1,037
Other debt securities in issue by remaining maturity		
— 3 months or less	1,731	642
— 1 year or less but over 3 months	476	924
— 5 years or less but over 1 year	165	200
	5,016	2,825

30 OTHER LIABILITIES

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
Current taxation	153	136
Notes in circulation	605	522
Foreign exchange and interest rate contracts	786	519
Sundry creditors	1,460	1,485
Other	736	576
Dividends	196	160
	3,936	3,398

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

31 DEFERRED TAXATION

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
Taxation treatment of capital allowances:		
— finance leases	113	90
— equipment used by group	11	10
Other short term timing differences	(20)	(14)
	104	86
At April 1,	86	65
Provision made/ (utilized)	40	40
Other movements	(22)	(19)
At March 31	104	86

No account is taken of the liability to taxation which could arise if property was disposed of at its book value, as rollover relief is expected to be available.

32 OTHER PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions obligations	Group Transformation Program(i)	Other	Total
	€m	€m	€m	€m
At April 1, 2000	71	—	36	107
Exchange adjustments	(1)	—	(1)	(2)
Provisions made	13	68	30	111
Provisions utilized	(14)	(13)	(8)	(35)
Provisions released	—	—	(3)	(3)
Share of provisions of subsidiaries acquired	—	—	18	18
At March 31, 2001	69	55	72	196

(i) A provision of €68m was created in the current year while €13m was utilized in 2000/01, the remaining amount is expected to be incurred prior to March 31, 2003.

33 SUBORDINATED LIABILITIES

	Year ended March 31, 2001	Year ended March 31, 2000
	(in € millions)	
Undated Loan Capital		
Bank of Ireland		
U.S.$150m Undated Floating Rate Primary Capital Notes	168	155
Bristol & West	200	207
Stg£75m 13⅜% Perpetual Subordinated Bonds	—	—
	368	362
Dated Loan Capital		
Bank of Ireland		
Stg£100m 9.75% Subordinated Bonds 2005	161	166
U.S.$175m Subordinated Floating Rate Notes 2007	198	183
Stg£200m Subordinated Floating Rate Notes 2009	323	334
€750m 6.45% Subordinated Bonds 2010	747	597
Bristol & West		
Stg£60m 10⅞% Subordinated Bonds 2000	—	100
Stg£75m 10¾% Subordinated Bonds 2018	120	124
	1,549	1,504
	1,917	1,866
Repayable		
in 1 year or less	—	100
Between 2 and not more than 5 years	162	166
5 years or more	1,387	1,238
	1,549	1,504

The U.S.$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.

33 SUBORDINATED LIABILITIES (Continued)

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 Program ("the Program") in July 1995 and issued Stg£200m Subordinated Floating Rate Notes due 2009 on February 11, 1997. The Program was increased to Stg£1bn in July 1997 and the Bank issued U.S.$175m Subordinated Floating Rate Notes due 2007 on September 4, 1997. On November 9, 1999 the Program 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. On January 22, 2001 the Bank issued an additional €150m 6.45 per cent subordinated bonds due 2010 which are fungible and form a single series with the €600m issued in February 2000. 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.

In April 2001 the program was increased from €4bn to €8bn.

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.

34 MINORITY INTEREST — NON EQUITY

	Year ended March 31,	
	2001	**2000**
	(in € millions)	
Bristol & West		
Stg£50.4m 8⅛% Non-Cumulative Preference Shares of Stg£1 each	81	87
	81	87

These Preference Shares which are non redeemable, non equity shares rank equally amongst themselves as regards participation in profits and in priority to the ordinary shares of Bristol & West plc.

Holders of the Preference Shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly installments in arrears on May 15 and November 15 each year. Bank of Ireland holds 35.8% 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.

35 OUTSIDE INTEREST — NON EQUITY

	2001	2000
	€m	€m
Bank of Ireland UK Holdings plc		
€600m 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities	593	—

On March 7, 2001 Bank of Ireland UK Holdings plc (the issuer) issued €600m 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities (the Preferred Securities) which have the benefit of a subordinated guarantee by the Bank.

The Preferred Securities are perpetual securities and have no maturity date. However, they are redeemable in whole or in part at the option of the Issuer subject to the prior consent of the Central Bank of Ireland and of the Bank, at their principal amount together with any outstanding payments on March 7, 2011 or any coupon payment date thereafter.

The Preferred Securities bear interest at a rate of 7.40% per annum to March 7, 2011 and thereafter at a rate of three month EURIBOR plus 3.26% per annum, reset quarterly.

The rights and claims of the holder of the Preferred Securities are subordinated to the claims of the senior creditors of the Issuer or of the Bank (as the case may be) in that no payment in respect of the Preferred Securities or the guarantee in respect of them shall be due and payable except to the extent that the Issuer or the Bank (as applicable) is solvent and could make such payment and still be solvent immediately thereafter. Upon any winding up of the Issuer or the Bank, the holders of the Preferred Securities will rank pari pasu with the holders of the most senior class or classes of preferences shares or stock (if any) of the issuer or of the Bank then in issue and in priority to all other shareholders of the Issuer and of the Bank.

36 CALLED UP CAPITAL STOCK

	Year ended March 31,	
	2001	2000
	(in € millions)	
Authorized		
1,500m units of €0.64 of Ordinary Stock	960	960
8m units of Non-Cumulative Preference Stock of US$25 each	226	209
100m units of Non-Cumulative Preference Stock of Stg£1 each	162	167
100m units of Non-Cumulative Preference Stock of IR£1 each	127	127
	1,475	1,463
Allotted and fully paid		
Equity		
1,001.3m units of €0.64 of Ordinary Stock	641	635
45.0m units of €0.64 of Treasury Stock	29	33
Non equity		
5m units of Non-Cumulative Preference Stock of Stg£1 each	8	9
10.5m units of Non-Cumulative Preference Stock of IR£1 each	13	13
	691	690

36 CALLED UP CAPITAL STOCK (Continued)

The weighted average Ordinary Stock in issue at March 31, 2001, used in the earnings per unit of Ordinary Stock calculation, excludes the Treasury Stock from the date of buyback, (See Note 14). This Treasury Stock does not rank for dividend.

Movements in Issued Ordinary Stock

During the year the total Ordinary Stock in issue increased from 992,330,835 units of nominal value of €0.64 each to 1,001,288,093 units of nominal value of €0.64 each as follows:

In July 2000 3,299,218 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 €6.91 per unit, instead of all or part of the cash element of their 1999/2000 Final Dividend, by the re-issue of units of Treasury Stock.

In January 2001 2,240,996 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 €9.32 per unit instead of all or part of the cash element of their 2000/2001 Interim Dividend.

During the year 3,416,672 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, by the re-issue of units of Treasury Stock.

During the year 372 units of Ordinary Stock were issued to Sharesave option holders on the exercise of their options under the terms of the Sharesave (‘‘SAYE’’) at a price of €5.40, by the re-issue of units of Treasury Stock.

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. It is the residual amount of the cash dividend (i.e. after deduction of Dividend Witholding Tax, 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 certain dealings 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

36 CALLED UP CAPITAL STOCK (Continued)

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.

Sharesave Scheme ("SAYE Scheme")

At the 1999 Annual General Court the Stockholders approved the establishment of a Sharesave Scheme ("SAYE" 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. The outstanding options under the scheme are exercisable, provided the participants' 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 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, 1997 and 1998 has been satisfied. Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant. During the year 150,000 options lapsed. The market price of the Bank's Ordinary Stock at March 31, 2001 was €9.41 (2000: €7.40) and the range during the year to March 31, 2001 was €6.36 to €10.80. Outstanding options under the Stock Option Scheme are exercisable at prices ranging between €0.97 to €9.15 between now and November 2010. At March 31, 2001, options were outstanding in respect of 8,180,804 units, 0.82% of the stock in issue (2000: 10,681,326 units).

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.

36 CALLED UP CAPITAL STOCK (Continued)

- 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:

LEVEL OF VESTING AS A % OF AWARD				
TSR ranking relative to Peer Group	% Vesting	TSR ranking relative to FTSE 100	% Vesting	Total %
1st or 2nd	50%	Top Decile	50%	100%
3rd or 4th	40%	Top Quartile	40%	80%
5th (Median)	25%	Median to Top Quartile	25%	50%
Below Median	Nil	Below Median	Nil	Nil

- 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 or she 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, 2001 conditional awards totaling 460,817 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.

Preference Stock

The Preference Stock is non-redeemable. The holders of Preference Stock are entitled to receive a non-cumulative preferential dividend which in the case of the Sterling Preference Stock will be payable in Sterling in a gross amount of Stg£1.2625 per unit and in the case of Irish Pound Preference Stock will be payable in Irish Pounds in a gross amount of IR£1.20 per unit per annum, in equal semi-annual installments in arrears on February 20 and August 20 in each year.

On a winding up of, or other return of capital by the Bank (other than on a redemption), the Preference Stockholders will be entitled to receive an amount equal to the amount paid up on each unit of the Preference Stock held (including the premium) out of the surplus assets available for distribution to the Ordinary Stockholders.

The Preference Stockholders are not entitled to vote at any General Court except in certain exceptional circumstances when a restricted vote may apply.

The Bank has an obligation to increase the cash dividend payable on each unit of Preference Stock so that the sum of the cash dividend paid or payable together with the associated dividend tax credit shall equal the appropriate gross amounts.

37 RESERVES

	At March 31,	
	2001	2000
	(in € millions)	
Stock premium account		
Opening balance	679	633
Premium on issue of capital stock	9	13
Premium on stock alternative scheme issue	40	26
Exchange adjustments	(2)	7
Closing balance	726	679
Capital reserve		
Opening balance	232	159
Transfer from revenue reserves	101	70
Transfer to revenue reserves	(22)	—
Exchange adjustments	—	3
Closing balance	311	232
Profit and loss account		
Opening balance	1,510	1,365
Profit retained	334	387
Exchange adjustments	(48)	172
Transfer from capital reserves	22	—
Stock buyback	—	(409)
Capitalization of reserves(1)	—	(5)
Closing balance	1,818	1,510
Revaluation reserve		
Opening balance	168	16
Revaluation of property	85	152
Exchange adjustments	(1)	—
Closing balance	252	168

(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 capitalization of Revenue Reserves.

38 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 will be carried out as 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 €53.6m (2000: €54.0m, 1999: €55.1m) in regard to the main scheme is included in the accounts being the excess of the accumulated pension charge over the amount funded.

— the amortization of the surplus gives rise to a net credit of €2.5m in relation to the main scheme, (2000: €2.0m, 1999: €2.5m).

The total pension charge for the Group in respect of the year ended March 31, 2001 was €16m (2000: €11m, 1999: €11m).

39 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 presented in Item 11 — “Market Risk” on pages 81 to 90 (up to and including the paragraphs on operational risk), excluding the following sections entitled Country/Bank Limits, Review, Provisions and allowances for loan losses on pages 85 and 86.

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.

39 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, 2001				March 31, 2000
	Within one year	One to five years	Over five years	Total	Total
	(in € millions)				
Underlying Principal Amount:					
Exchange Rate Contracts	10,774	3,059	430	14,263	11,753
Interest Rate Contracts	18,712	19,941	8,166	46,819	43,238
Equity Contracts	378	1,613	369	2,360	2,290
Replacement Cost					
Exchange Rate Contracts	345	153	51	549	292
Interest Rate Contracts	113	278	192	583	436
Equity Contracts	37	84	—	121	803

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

	March 31, 2001			March 31, 2000
	Financial	Non-Financial	Total	Total
	€m	€m	€m	€m
Exchange Rate Contracts	315	234	549	292
Interest Rate Contracts	506	77	583	436
Equity Contracts	121	—	121	803
	942	311	1,253	1,531

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, 2001 and 2000:

39 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

	2001		
	Underlying Principal Amount(1)	Fair Value	Average Fair Value
	(in € millions)		
Interest rate contracts:			
Interest rate swaps	32,720		
in a favorable position		425	323
in an unfavorable position		(347)	(246)
Interest rate caps, floors & options held	5,009		
In a favorable position		15	24
In an unfavorable position		—	—
Interest rate caps, floors & options written	3,765		
In a favorable position		—	—
In an unfavorable position		(2)	(2)
Forward rate agreements	1,876		
in a favorable position		1	1
in an unfavorable position		(2)	(1)
Financial futures	1,854		
in a favorable position		—	—
in an unfavorable position		—	—
	45,224	90	
Foreign exchange contracts:			
Forward foreign exchange	9,623		
in a favorable position		111	145
in an unfavorable position		(123)	(138)
	9,623	(12)	
	54,847		

(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.

39 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 favorable position		263	334
in an unfavorable position		(193)	(302)
Interest rate caps, floors & options held	4,442		
in a favorable position		75	40
in an unfavorable position		—	—
Interest rate caps, floors & options written	2,191		
in a favorable position		—	—
in an unfavorable position		(6)	(3)
Forward rate agreements	1,239		
in a favorable position		—	2
in an unfavorable position		—	(2)
Financial futures	1,379		
in a favorable position		—	—
in an unfavorable position		—	—
	38,849	139	
Foreign exchange contracts:			
Forward foreign exchange	8,898		
in a favorable position		140	155
in an unfavorable 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.

	At March 31, 2000		
	2001	2000	1999
	(in € millions)		
Dealing profits			
Securities and interest rate contracts	69	18	34
Foreign exchange contracts	31	25	37
Equity contracts	1	1	—
Total	101	44	71

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.

39 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

Non Trading Derivatives

The Group has significant business activities in a range of currencies.

The operations of the Group are exposed to risk of interest rate fluctuations to the extent that assets and liabilities mature or reprice at different times or in differing amounts. Derivatives allow the Group to modify the repricing or maturity characteristics of assets and liabilities in a cost efficient manner. This flexibility helps the Group to achieve liquidity and risk management objectives.

Derivatives fluctuate in value as interest or exchange rates rise or fall just as on-balance sheet assets and liabilities fluctuate in value. If the derivatives are purchased or sold as hedges of balance sheet items, the appreciation or depreciation of the derivatives, as interest or exchange rates change, will generally be offset by the unrealized appreciation or depreciation of the hedged items.

To achieve its risk management objectives, the Group uses a combination of derivative financial instruments, particularly interest rate and currency swaps, futures and options, as well as other contracts.

The following tables represent the underlying principal amounts, average maturities and fair values by class of instrument utilized for non trading activities for the Group at March 31, 2001 and 2000.

	March 31, 2001				
	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	2,593	0.4	4.9	5.1	36
1-5 years	2,116	2.7	2.2	5.5	31
5-10 years	462	5.9	1.0	5.1	1
Interest Rate Swaps					
— pay fixed					
1 year or less	782	0.4	5.6	7.0	(8)
1-5 years	842	3.7	6.3	7.5	(68)
5-10 years	245	6.6	5.2	6.4	(17)
Over 10 years	901	15.6	5.0	5.8	(38)
Interest Rate Swaps					
— pay and receive floating					
1 year or less	74	0.1	7.1	5.5	1
1-5 years	210	2.9	5.3	5.3	1
5-10 years	183	6.8	5.4	2.5	9
Over 10 years	490	29.8	4.6	4.8	2
Forward Rate Agreements loans					
1 year or less	—	—	—	—	—
1-5 years	—	—	—	—	—

39 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

	March 31, 2001				
	Underlying Principal Amount	Weighted Average Maturity	Weighted Average Receive Rate	Weighted Average Pay Rate	Fair Value
	€m	in Years	%	%	€m
Interest Rate Caps					
1 year or less	11	0.9	7.8	—	11
1-5 years	37	1.7	3.6	—	17
5-10 years	5	5.6	8.0	—	5
Interest Rate Floors					
1-5 years	44	2.2	—	—	—
Other Interest Rate Contracts					
1 year or less	3	0.5	5.5	10.6	—
	8,998				(17)

	March 31, 2001		
	Underlying Principal Amount	Weighted Average Maturity	Fair Value
	€m	in Years	€m
Exchange Rate Contracts:			
Forward Foreign Exchange			
1 year or less	1,559	0.2	251
1-5 years	90	2.2	5
Currency Swaps			
1 year or less	801	0.4	(77)
1-5 years	2,566	3.3	68
5-10 years	361	6.7	18
Over 10 years	59	13.0	16
Currency Options			
1 year or less	101	0.3	—
	5,537		281
Equity and Commodity Contracts:			
Equity Index Linked Contracts held			
1 year or less	378	0.5	99
1-5 years	1,613	2.9	15
5-10 years	369	5.7	(48)
	2,360		66
	16,895		330

39 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

	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	—
5-0 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

39 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		871

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
	€m	€m	€m	€m	€m
At April 1, 2000	9,145	45	2,625	1,135	2,306
Exchange adjustments	(127)	(1)	(47)	(24)	85
Additions	8,366	453	5,155	3,681	615
Maturities/amortization's	(8,479)	(497)	(3,947)	(1,866)	(646)
Cancellations	—	—	—	(1,277)	—
At March 31, 2001	8,905	—	3,786	1,649	2,360

All figures are translated at the closing exchange rate.

39 DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS (Continued)

Unrecognized Gains and Losses on Derivative Hedges

Gains and losses on instruments used for hedging are recognized in line with the underlying items which are being hedged. The unrecognized net gains on instruments used for hedging as at March 31, 2001 were €25m (2000: €669m, 1999: €401m)

The net gains expected to be recognized in 2001/2002 are €41m (2000/01: gain €465m) and thereafter the net losses expected to be recognized are €16m (2000/01: €204m).

The net gains recognized in 2000/01 in respect of previous years were €465m (1999/00: €235m) and thereafter the net losses arising in 2000/01 which were not recognized in 2000/01 were €179m (1999/00: gain €503m).

Non Trading Derivative Deferred Balances

The table below summarizes the deferred profit and losses at March 31, 2001.

	Deferred		
	Gains	Losses	Total net gains/(losses)
		(in € millions)	
As at April 1, 2000	8.4	(4.0)	4.4
Gains and losses arising in previous years that were recognized in the year ended March 31, 2001	2.8	(1.4)	1.4
Gains and losses arising before April 1, 2000 that were not recognized in the year ended March 31, 2001	5.6	(2.6)	3.0
Gains and losses arising in the year ended March 31, 2001 that were not recognized in that year	1.9	(0.1)	1.8
As at March 31, 2001	7.5	(2.7)	4.8
Of which:			
Gains and losses expected to be recognized in the year ended March 31, 2002	2.6	(1.5)	(1.1)

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-euro operations. The fair value of these amounted to an unrealized gain of €6.6m at March 31, 2001 and an unrealized loss of €4.1m in 2000 and €7.6m in 1999.

40 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, 2001. For the major categories of assets and liabilities, this "gap" table shows the volumes maturing in selected maturity bands, taking account of any amortization of principal. Items are allocated to time bands by reference to the earlier of the next interest rate repricing date and the maturity date.

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

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.

Non Trading Interest Rate Repricing — Total

	March 31, 2001						
	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	71	—	—	—	—	5	76
Loans and advances to banks	5,819	922	801	511	7	16	8,076
Loans and advances to customers	31,378	2,491	3,783	10,485	2,961	170	51,268
Debt securities and equity shares	4,565	441	186	808	250	278	6,528
Other assets	501	—	—	396	—	3,105	4,002
Total assets	42,334	3,854	4,770	12,200	3,218	3,574	69,950
Liabilities							
Deposits by banks	8,662	1,151	637	487	413	151	11,501
Customer accounts	34,393	3,140	1,666	1,546	204	4,541	45,490
Debt securities in issue	4,108	170	307	431	—	—	5,016
Other liabilities	484	22	21	27	160	2,539	3,253
Subordinated liabilities	1,598	—	—	—	319	—	1,917
Outside interest — non equity, minority interests and shareholders' funds	—	—	—	396	593	3,488	4,477
Total liabilities	49,245	4,483	2,631	2,887	1,689	10,719	71,654
Net amounts due from/to Group units	1,531	(306)	(98)	(955)	(476)	2,070	1,766
Off balance sheet items	2,219	(1,840)	114	(2,185)	1,695	—	3
Interest rate repricing gap	(3,161)	(2,775)	2,155	6,173	2,748	(5,075)	65
Cumulative interest rate repricing gap	(3,161)	(5,936)	(3,781)	2,392	5,140	65	
Euro							
Cumulative interest rate repricing gap March 31, 2001	(3,840)	(3,376)	(2,405)	294	1,497	(436)	
Sterling							
Cumulative interest rate repricing gap March 31, 2001	23	(2,161)	(1,448)	1,999	3,483	826	

40 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
Subordinated liabilities	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)	1,462
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	—

41 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, 2001 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

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

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 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 do not represent the value of the Group as a going concern at March 31, 2001.

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, 2001 and 2000.

	2001		2000	
	Carrying Amount	Fair Values	Carrying Amount	Fair Values
	(in € millions)			
Financial instruments held for trading				
Debt securities	2,174	2,174	2,418	2,418
Equity shares	140	140	9	9
Interest rate contracts	90	90	139	139
Foreign exchange contracts	(12)	(12)	23	23
Non trading financial instruments				
Assets				
Cash and balances at central banks(1)	256	256	210	210
Items in course of collection(1)	708	708	617	617
Central government bills and other eligible bills(1)	76	76	641	641
Loans and advances to banks	8,115	8,149	6,770	6,768
Loans and advances to customers	51,147	51,572	44,844	44,766
Securitisation and loan transfers(1)	141	141	130	130
Debt securities	6,355	6,387	4,237	4,249
Equity shares	4	4	4	4
Own shares	29	424	33	382
Liabilities				
Deposits by banks	11,664	11,904	10,306	10,409
Customer accounts	45,630	45,803	40,990	41,616
Debt securities in issue	5,016	5,046	2,825	2,824
Items in course of transmission(1)	178	178	219	219
Subordinated liabilities	1,917	1,959	1,866	1,923
Outside interest: non equity	593	610	—	—
Minority interests: non equity	81	96	87	91
Derivative financial instruments				
Interest rate contracts		(17)		82
Exchange rate contracts		281		(34)
Equity and commodity contracts		66		823

(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.

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

In December 1991, the U.S. Financial Accounting Standards Board (''FASB'') issued Statement of Financial Accounting Standards No. 107, ''Disclosure About Fair Value of Financial Instruments'' requiring disclosure of the fair value of financial instruments (both on and off-balance sheet) for which it is practicable to estimate such value.

Wherever possible, the Group has estimated fair value using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by Group. In certain cases, however, including some advances to customers, there are no ready markets. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be. These estimation techniques are necessarily extremely subjective in nature and involve assumptions which are based upon management's view of market conditions at March 31, 2001 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, 2001.

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

1. Loans and Advances to Banks

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

2. Loans and Advances to Customers

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

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type. Each loan category is further segmented into fixed and variable rate interest terms and by performing and nonperforming categories.

The carrying amount of variable rate loans was considered to be at market rate if there was no significant change in the credit risk of the borrower.

The fair value of fixed rate loans is estimated by discounting future cash flows using market rates for similar loans with the same residual maturities, offered by the Group including an adjustment, where necessary to reflect the fact that the credit risk on a proportion of the loan has changed.

41 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

3. Debt Securities and Equity Shares

The fair value of listed debt securities and equity shares is based on market prices received from external pricing services or bid quotations received from external securities dealers.

The estimated value of unlisted debt securities and equity shares is based on the anticipated future cashflows arising from these items.

4. 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. Outside Interest Non Equity

The estimated fair value of outside interest — non equity is based on quoted market rates for instruments with similar maturities.

10. Financial Instruments with Off-Balance Sheet Risk

Financial instruments with off balance sheet risk are detailed in Note 39 of the Notes to the Consolidated Financial Statements and include the fair value of these instruments.

11. Life Assurance Assets and Liabilities

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

42 CONTINGENT LIABILITIES AND COMMITMENTS

The tables below give, for the Group, the contract amounts and risk weighted amounts of contingent liabilities and commitments. The maximum exposure to credit loss under contingent liabilities and commitments is the contract amount of the instrument in the event of non-performance by the other party where all counter claims, collateral or security proved worthless. The risk weighted amounts have been calculated in accordance with the Central Bank of Ireland's guidelines implementing the Basle agreement on capital adequacy (i).

	2001		2000	
	Contract Amount	Risk Weighted Amount	Contract Amount	Risk Weighted Amount
	€m	€m	€m	€m
Contingent Liabilities				
Acceptances and endorsements	105	98	106	101
Guarantees and assets pledged as collateral security				
— Assets pledged	—	—	—	—
— Guarantees and irrevocable letters of credit	946	825	897	736
Other contingent liabilities	528	259	343	168
	1,579	1,182	1,346	1,005
Commitments				
Sale and option to resell transactions	—	—	—	—
Other commitments				
— Documentary credits and short-term trade-related transactions	51	15	67	20
— Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	—	—	—	—
— Undrawn note issuance and revolving underwriting facilities	458	—	505	—
— Undrawn formal standby facilities, credit lines and other commitments to lend irrevocable with original maturity of over 1 year	3,227	1,490	2,709	1,350
— revocable or irrevocable with original maturity of 1 year or less(ii)	12,065	—	8,272	—
	15,801	1,505	11,553	1,370

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.

Charges in respect of the exchange of euro-zone currencies

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 Mortgage and Savings Association (the "Addressees"). In its Statement of Objections the Commission alleged that the Addressees agreed to fix prices in Ireland for the

42 CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

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 defense statements 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 lodged a reply against the Commission's Statement of Objections on October 19, 2000.

See Item 8 page 70 for current update.

43 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, Laverhill, Liscuill, Louncil Limited and Merrion Leasing.

(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.

44 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 Laurence G Crowley (Chairman), Mr Roy E Bailie, Mr Anthony D Barry, Mr Richard Burrows and Dr Mary Redmond. 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, the Group Secretary and the Senior Executives who report directly to the Group Chief Executive. 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.

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 insure they are properly rewarded and motivated to perform in the best interests of the Stockholders. Their remuneration is reviewed annually by the Remuneration Committee and such review takes into consideration, inter alia, such factors as each individual's responsibilities and performance, levels of remuneration in comparable organizations and the general pay awards made to staff

44 DIRECTORS' INFORMATION (Continued)

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 organizations.

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 Stock Issue and in the Sharesave Schemes and membership of a defined benefit pension scheme. These various elements are summarized below:—

- **Performance Bonus Scheme** — The level of cash bonus earned under the performance bonus scheme currently ranges for each individual, between nil and 40% of basic salary. The level earned for 2000/2001 is a function of the Remuneration Committee's assessment of each Executive Director's performance against his pre-determined goals for 2000/2001 and also an assessment of the overall performance of the Group in that 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 maximize Stockholder value. Under this plan, which is described in more detail in Note 36 on page F-41, awards under this Plan have been made to the Executive Directors as set out in the table on page F-42.

- **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 36 on page F-41).

- **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 36 on page F-40).

- **Sharesave** — In 1999 the Group established a Sharesave 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-63 (see Note 36 on page F-41).

- **Pensions** — The Executive Directors are members of the Bank Staff Pension Plan and have a normal retirement age of 60. 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 payable at age 60. 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 and that any fees payable for such a directorship are for the account of the Bank.

44 DIRECTORS' INFORMATION (Continued)

Directors' Remuneration (all figures in €'000s)

	Salary (1)	Court Fees (2)	Other Board Fees (3)	Performance Bonus (4)	Other Remuneration (5)	Benefits (6)	Pension Contributions (7)	Total Remuneration 2000/2001
Non Executive Officers								
Governor								
L. G. Crowley (from 5/7/00)	156	—		—	—	—	10	166
H. E. Kilroy (up to 5/7/00)	55	—	—	—	—	—	—	55
Deputy Governor								
M. P. Redmond (from 13/9/00)	32	—	—	—	—	—	—	32
A. D. Barry (up to 13/9/00)	24	—	—	—	—	—	—	24
Totals for 2000/2001	267	—	—	—	—	—	10	277
(Totals for 1999/2000*)	(259)	(—)	(—)	(—)	(—)	(—)	(—)	(259)
Executive Directors								
M. A. Keane	550	—	—	223	22	12	56	863
P. M. D'Alton	256	—	—	91	13	13	26	399
B. J. Goggin	256	—	—	91	13	11	26	397
Totals for 2000/2001	1,062	—	—	405	48	36	108	1,659
(Totals for 1999/2000*)	(804)	(—)	(—)	(321)	(25)	(24)	(82)	(1,256)
Non-Executive Directors								
Lord Armstrong	—	38	—	—	—	—	—	38
R. E. Bailie	—	38	—	—	—	—	—	38
A. D. Barry (from 13/9/2000)	—	22	—	—	—	—	—	22
R. Burrows	—	38	1	—	—	—	—	39
L. G. Crowley (up to 5/7/2000)	—	9	—	—	—	—	3	12
M. Downes (retired 28/2/01)	—	34	6	—	—	—	14	54
E. P. Galvin (retired 28/2/01)	—	34	—	—	—	—	—	34
D. J. Geaney (from 27/9/00)	—	20	—	—	—	—	—	20
R. MacSharry	—	38	—	—	—	—	—	38
P. J. Molloy	—	38	52	—	—	—	—	90
D. O'Brien (from 11/4/00)	—	37	—	—	—	—	—	37
M. P. Redmond (up to 13/9/00)	—	16	—	—	—	—	—	16
Totals for 2000/2001		362	59	—	—	—	17	438
(Totals for 1999/2000*)	—	(296)	(190)	—	—	—	(20)	(506)
Grand Totals for 2000/2001	1,329	362	59	405	48	36	135	2,374
(Grand Totals for 1999/2000*)	(1,063)	(296)	(190)	(321)	(25)	(24)	(102)	(2,021)

* The figures shown on these lines represent the total remuneration figures for the groupings:-"Non-Executive Officers", "Non-Executive Directors" and "Executive Directors" and relate to Directors in office during 1999/2000. Due to retirements etc. the totals for each grouping are not directly comparable with totals for 2000/2001.

	2000/2001	1999/2000
	€"000s	
Ex Gratia Payments paid to Former Directors/Dependents	**490**	488

44 DIRECTORS' INFORMATION (Continued)

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) Includes the cash value of Ordinary Stock receivable under the Employee Stock Issue Scheme.

(6) Benefits include the use of company car and interest on any loans at staff rates.

(7) Contributions to defined benefit pension schemes. The fees paid or payable to Non-Executive Directors appointed post April 1991 are not pensionable.

Changes in the Directorate during the Period

	Executive Directors	Non Executive Directors and Non Executive
Number at March 31, 2000	4	11
Changes during year	– Mr P. W. McDowell (31/3/2000)	+ Mr D. O'Brien (11/4/2000) – Mr H. E. Kilroy (5/7/2000) + Mr D. J. Geaney (27/9/2000) – Dr M. Downes (28/2/2000) – Dr E. P. Galvin (28/2/2000)
Number at March 31, 2001	3	10
Average Number during 2000/2001 (1999/2000)	3 (2.4)	11.6 (11.1)

Directors Pension Entitlements

	Accrued Annual Pensions at March 31(1) 2001	Increase in accrued benefits over the year	Transfer Value of increase(2)
		€000s	
Executive Directors			
M. A. Keane	372	20	350
P. M. D'Alton	67	15	164
B. J. Goggin	136	12	133
Non Executive Directors			
L. G. Crowley	14	2	19
M. Downes	19	2	27

(1) Or date of retirement if earlier.

(2) These figures show the transfer values of the increase in accrued benefits over the year (i.e. the amounts shown in the preceding column). They have been calculated in accordance with Actuarial Guidance Note GNll (RoI) and exclude Directors' contributions.

44 DIRECTORS' INFORMATION (Continued)

Stock Options held by Directors and Secretary.

(a) Executive Stock Options

Options to subscribe for units of Ordinary Stock in the Bank granted to and exercised by the Directors and the Secretary during the year to March 31, 2001 are included in the following table.

Name	Options at April 1, 2000	Options Granted Since April 1, 2000		Options Exercised Since April 1, 2000		Market Price at Exercise Date	Options at March 31, 2001	Weighted Average Exercise Price
		No.	Price €	No.	Price €	€		€
Directors:								
P M D'Alton	350,038	—	—	—	—	—	350,038	2.86
B J Goggin	325,214	—	—	—	—	—	325,214	2.65
M A Keane	350,000	—	—	100,000	1.67	7.24		
				100,000	2.82	10.53		
				40,000	1.67	10.53	110,000	5.75
P J Molloy	259,558	—	—	59,558	1.44	9.00		
				75,000	2.11	9.20	125,000	2.11
Secretary:								
T H Forsyth	80,000	—	—	10,000	1.44	7.00		
				30,000	2.11	6.92		
				20,000	4.53	10.30	20,000	4.53

The above options are exercisable between now and July 2009. Details are shown in the Register of Stock Dealings by Directors, Secretaries and their families.

(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 under this Scheme 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, 2001
Directors:		
P M D'Alton	2,234	2,234
B J Goggin	4,262	4,262
M A Keane	2,234	2,234
Secretary:		
T H Forsyth	2,234	2,234

44 DIRECTORS' INFORMATION (Continued)

(c) Long Term Performance Stock Plan ("LTPSP")

Conditional awards of units of Ordinary Stock have been made on July 13, 1999 and on May 25, 2000 to Senior Executives under the terms of the LTPSP. These awards do not vest in the Executives unless demanding performance criteria are achieved (see description of LTPSP in Note 36 on page F-41). The conditional awards of units of Ordinary Stock made to date to the Executive Directors are as follows:

Director	Conditional Award 1999	Conditional Award 2000	Total Conditional Awards
P M D'Alton	10,769	15,046	25,815
B J Goggin	9,605	15,046	24,651

Directors' Interests in Stock

In addition to their interests in the Ordinary Stock through their holding of Stock Options and the Conditional Awards of stock they have received under the LTPSP as set out above, the interests of the Directors and Secretary in office at March 31, 2001, 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, 2001 Beneficial	As at April 1, 2000(1) Beneficial
DIRECTORS		
Lord Armstrong of Ilminster	2,000	2,000
Roy E Bailie	1,026	1,000
Anthony D Barry	38,181	18,153
Richard Burrows	34,069	23,454
Laurence G Crowley	29,039	28,296
Paul M D'Alton	10,667	9,225
Donal J Geaney	7,278	7,232
Brian J Goggin	73,370	71,514
Maurice A Keane	1,078,443	906,928
Raymond MacSharry	1,231	1,199
Patrick J Molloy	1,224,833	1,075,246
Denis O'Brien	201,000	201,000
Mary P Redmond	2,102	1,074
SECRETARY		
Terence H Forsyth	87,595	38,469

(1) or at date of appointment if later.

There have been no changes in the stockholdings of the above Directors and Secretary between March 31, 2001 and May 9, 2001.

Apart from the interests set out above and in the previous section 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, 2001.

44 DIRECTORS' INFORMATION (Continued)

Transactions with Directors

The aggregate amounts outstanding and the number of persons concerned, as at March 31, 2001 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 connected persons, all staff members, are shown below:

	Aggregate Amount Outstanding		Number of Persons	
	2001	2000	2001	2000
	€	€		
Directors				
Loans to Executive Directors on terms similar to staff loans	271,852	232,498	3	3
Other loans on normal commercial terms	30,995,692	1,712,767	12	13
Quasi-loans and credit transactions	—	—	None	None
	31,267,544	1,945,265		
Connected Persons				
Loans to staff members	107,374	176,775	3	5
Quasi-loans and credit transactions	—	—	None	None
	107,374	176,775		

45 NOTES TO THE CASH FLOW STATEMENT

(i) Gross Cashflows

	At March 31, 2001	2000	1999
	(in € millions)		
Returns on investment and servicing of finance			
Interest paid on subordinated liabilities	(143)	(87)	(110)
Preference dividends paid	(26)	(25)	(23)
Issue expenses on subordinated liabilities	—	(3)	—
Dividends paid to minority shareholders in subsidiary undertakings	(10)	(7)	(8)
Issue expenses on outside interest — non equity	(7)	—	—
Interest paid to outside interest — non equity	(3)	—	—
	(189)	(122)	(141)
Capital expenditure and financial investment			
Net (purchases) of investment debt and equity securities	(915)	(258)	(785)
Purchase of tangible fixed assets	(253)	(207)	(173)
Sale of tangible fixed assets	41	155	55
	(1,127)	(310)	(903)
Acquisitions and disposals			
Investments in associated undertakings	(5)	(1)	(4)
Sale of Associated undertaking	4	—	33
Purchase of minority interest in subsidiary	—	(9)	—
Purchase of Chase de Vere	(185)	—	—
Purchase of Moneyextra	(42)	—	—
Sale of citizens financial group	—	—	686
	(228)	(10)	715
Financing			
Issue of capital stock (net of issue expenses)	11	14	18
Repayment of subordinated liabilities	(98)	(264)	(27)
Issue of subordinated liabilities	150	600	—
Issue of outside interest — non equity	600	—	—
Stock buyback	—	(442)	—
Redemption of Bristol & West preference stock	(3)	—	—
	660	(92)	(9)

45 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
		€m	
2001			
At April 1, 2000	210	1,189	1,399
Cash flow	47	755	802
Foreign exchange movement	(1)	(30)	(31)
At March 31, 2001	256	1,914	2,170
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

(iii) Analysis of changes in financing

	Capital Stock (including stock premium)	Subordinated Liabilities	Outside Interests — Non Equity	Minority Interest — Non Equity
			€m	
2001				
At April 1, 2000	1,369	1,866	—	87
Effect of foreign exchange differences	(3)	(2)	—	(3)
Cash flow	11	52	593	(3)
Stock alternative scheme issue	44	—	—	—
Capitalization of reserves	—	—	—	—
Other non cash movements	(4)	1	—	—
At March 31, 2001	1,417	1,917	593	81
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	—	—	—
Capitalization of reserves	5	—	—	—
Other non cash movements	—	(3)	—	—
At March 31, 2000	1,369	1,866	—	87

45 NOTES TO THE CASH FLOW STATEMENT (Continued)

(iv) Chase de Vere Acquisition

	€m
Net assets acquired	15
Goodwill	185
	200
Satisfied by:	
Cash	185
Deferred consideration	15
	200

An analysis of net assets is set out in Note 2.

(v) Moneyextra Acquisition

	€m
Net assets acquired	—
Goodwill	42
	42
Satisfied by:	
Cash	42
	42

An analysis of net assets is set out in Note 3.

46 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 basis of capital allocation to segments is based on an economic capital basis which incorporates a broader range of business risks. The net assets of the Life & Pensions business segment are based on allocation of capital. The Directors believe that it is more meaningful to analyze total assets and the result of this analysis is therefore also included in the tables. The analysis of results by business class is based on management accounts information. Ireland includes Northern Ireland and the profit generated in the International Financial Services Center. 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 reorganization 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.

(a) Geographical Segment

	2001				
	Ireland	Britain	Citizens	Rest of World	Total
			€m		
Turnover	2,754	2,386	—	177	5,317
Profit before exceptional item	874	224	—	36	1,134
Group Transformation Program					(93)
Grossing up(1)					(46)
Profit before taxation					995
Net assets	2,409	1,237	—	152	3,798
Total assets(2)	60,018	34,271	—	2,304	96,593

	2000				
	Ireland	Britain	Citizens	Rest of World	Total
			€m		
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

46 SEGMENTAL ANALYSIS (Continued)

	1999				
	Ireland	Britain	Citizens	Rest of World	Total
			€m		
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

(b) Business Class

	2001							
	Retail Banking Republic of Ireland	Life & Pensions	Corporate & Treasury	Bristol & West	Asset and Wealth Management	Group and Central Costs	Citizens	Total
				€m				
Net interest income	704	—	408	325	23	2	—	1,462
Other income(3)	206	131	348	175	243	28	—	1,131
Total operating income	910	131	756	500	266	30	—	2,593
Administrative expenses	524	—	331	242	110	50	—	1,257
Depreciation and amortization	62	—	24	28	6	10	—	130
Provision for bad and doubtful debts	34	—	33	2	3	—	—	72
Profit before exceptional item	290	131	368	228	147	(30)	—	1,134
Group Transformation Program								(93)
Grossing up(1)								(46)
Profit before taxation								995
Net assets	733	71	699	1,086	168	1,041	—	3,798
Total assets(2)	19,449	5,305	42,974	23,767	2,127	5,051	—	98,673

46 SEGMENTAL ANALYSIS (Continued)

	2000							
	Retail Banking Republic of Ireland	Life & Pensions(4)	Corporate & Treasury	Bristol & West	Asset and Wealth Management	Group and Central Costs	Citizens	Total
	€m							
Net interest income	602	—	371	296	18	1	—	1,288
Other income(3)	208	107	234	114	199	52	—	914
Total operating income	810	107	605	410	217	53	—	2,202
Administrative expenses	485	—	283	170	82	28	—	1,048
Depreciation and amortization	70	—	19	18	4	8	—	119
Provision for bad and doubtful debts	26	—	23	6	2	(1)	—	56
Profit before exceptional item	229	107	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

	1999							
	Retail Banking Republic of Ireland	Life & Pensions(4)	Corporate & Treasury	Bristol & West	Asset and Wealth Management	Group and Central Costs	Citizens	Total
	€m							
Net interest income	550	—	311	278	14	—	—	1,153
Other income(3)	186	97	243	109	145	24	32	836
Total operating income	736	97	554	387	159	24	32	1,989
Administrative expenses	455	—	258	169	60	20	—	962
Depreciation and amortization	53	—	15	22	3	5	—	98
Provision for bad and doubtful debts	29	—	15	11	1	—	—	56
Profit before exceptional item	199	97	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

46 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 €19,798m (2000: €19,080m, 1999: €15,167m) in business class and €17,718m (2000: €16,733m, 1999: €8,645m) in geographic segments.

(3) Other income includes income from associates.

(4) Restated to reflect revised commission arrangements for services provided by Group companies.

47 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, 2001 of €nil for processing transactions on behalf of Cashback Limited.

The Group provides and receives from its associated undertakings and joint ventures certain banking and financial services. The amount due from associated undertakings and joint ventures as at March 31, 2001 was €11m.

(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 38.

(c) Directors

Directors' emoluments and details of transactions between Directors and the Group are set out in Note 44. Additionally, fees of €130,000 in the year to March 31, 2001 (2000: €57,138) were paid to Dr Redmond, Director and Deputy Governor, in her professional capacity as a solicitor while in sole practice and fees of €904,502 were paid to Arthur Cox, Solicitors, for legal services supplied to the Group from the date Dr Redmond became a partner there up to March 31, 2001.

(d) Securitisation

RPS3, RPS4, RPS5, SS1 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. As at March 31, 2001 the net amount owed from RPS3 was €0.1m (2000: €0.2m), RPS4 was €1.0m (2000: €0.8m), SS1 was €1.6m (2000: nil), CLIPS was nil, Liberator was €1.0m (2000:nil) and RPS5 was €0.2m while in 2000 the net amount owed to RPS5 was €0.1m.

48 ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

	At March 31, 2001	At March 31, 2000
	(in € millions)	
Denominated in euro	34,311	29,421
Denominated in currencies other than euro	44,564	38,596
Total Assets	78,875	68,017
Denominated in euro	35,481	28,820
Denominated in currencies other than euro	43,394	39,197
Total Liabilities	78,875	68,017

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

49 EMPLOYEE INFORMATION

In the year ended March 31, 2001 the average full time equivalents was 17,356 (2000: 16,400) and categorised as follows in line with the business classes as stated in Note 46.

	2001	2000
Retail Banking Republic of Ireland	8,520	8,354
Life Assurance	1,050	975
Corporate & Treasury	3,115	2,940
Bristol & West Group	2,964	2,717
Asset and Wealth Management	872	738
Group and Central Costs	835	676
	17,356	16,400

Bristol & West includes the average full time equivalents for Bristol & West and also for the Group's mortgage business in Britain, Bank of Ireland Home Mortgages. The staff costs in Note 8 is exclusive of staff costs relating to the life assurance business. The contribution from life assurance companies shown in the Consolidated Statement of Income on page F-4 is net of these staff costs.

50 RATES OF EXCHANGE

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

	31 March 2001			31 March 2000		
	Closing	Average	Hedge	Closing	Average	Hedge
€/U.S.$	0.8832	0.9053	0.9962	0.9553	1.0247	—
€/Stg£	0.6192	0.6145	0.6145	0.5985	0.6368	0.7273

51 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

51 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 summarized 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 capitalizes costs incurred internally in developing computer software for internal use. Expenditure is amortized over the estimated useful life of software development ranging between 5 and 10 years.	AICPA SOP 98-1 requires certain costs incurred in respect of software for internal use to be capitalized and subsequently amortized. The SOP was 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 capitalized and amortized over its estimated useful economic life.	Goodwill arising on acquisitions of subsidiary undertakings is capitalized and amortized through income over the period estimated to benefit. In the Group's case a period of 20 years has been used. Goodwill is written off when judged to be irrecoverable.
Goodwill arising on the acquisition of subsidiary undertakings prior to March 31, 1998 was written off directly to reserves in the year of acquisition.	
Goodwill arising on acquisitions of subsidiary undertakings occurring after March 31, 1998 are capitalized as assets on the balance sheet and amortized over their estimated useful economic lives.	

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

Irish GAAP	U.S. GAAP
Deferred Taxation	
Deferred taxation is recognized at the appropriate rates of tax using the liability method on timing differences where it is expected that a tax liability or asset is likely to arise in the foreseeable future.	Provision for deferred tax under the liability method is required in full for all temporary differences. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realized.
Investments	
Profits and losses on disposal are recognized when realized and included in dealing profits, except for those securities maintained for hedging purposes, which are amortized over the lives of the underlying transaction and included in net interest income. Securities may be classified as (i) investment carried at cost, less provision for any diminution in value and (ii) other securities, which are stated at fair value, except for those securities maintained for the purpose of hedging which are accounted for on the same basis as the item hedged. Changes in the fair value of securities marked to market are recognized in the profit and loss account as they arise.	Profits and losses on the sale of investments are included in operating income in the year in which they arise. Securities may be classified as (i) trading, which are carried at fair value with unrealized gains and losses included in earnings, (ii) held for sale, which are carried at fair value with unrealized gains and losses reported in a separate component of shareholders' equity or (iii) held to maturity, which are carried at amortized cost. Trading securities are those securities held to earn a profit by trading or selling such securities. Securities held for sale are those securities which are intended for use as part of an asset / liability strategy, or that may be sold in response to changes in interest rates, changes in prepayment risks, the need to increase regulatory capital or other similar factors. Securities held for investment are only those securities for which management has both the intent and ability to hold until maturity.

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

Irish GAAP	U.S. GAAP
Pensions	
Contributions to the Group's defined benefit schemes are charged to the profit and loss account so as to spread the expected cost of pensions calculated in accordance with the advice of qualified actuaries, on a systematic basis over the employees working lives. Variations from the regular cost are spread over the average remaining service life of relevant employees.	The same basic actuarial method is used as under Irish GAAP, but certain assumptions differ, assets are assessed at fair value and liabilities are assessed at current settlement rates. Certain variations from regular cost are allocated in equal amounts over the average remaining service lives of current employees. Recognition of a liability when the accumulated benefit obligation exceeds the fair value of assets is also required. The impact of this pronouncement has been included in the GAAP reconciliation in respect of the main Bank of Ireland pensions plans.
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 recognized by the Group under U.S. GAAP. Unearned revenues and acquisition costs related to unit linked products are deferred and amortized in proportion to total estimated gross profits over the expected life of policyholders' contracts. Unearned revenues are amounts assessed from policyholders' that represent compensation for services to be provided in future periods. Acquisition costs consist of commissions and other costs which vary with and are primarily related to the production of revenues.
Acceptances	
Acceptances are not recorded on the balance sheet.	Acceptances and related customer liabilities are recorded on the balance sheet.
Dividends Payable	
Dividends declared after the period end are recorded in the period to which they relate.	Dividends are recorded in the period in which they are declared.

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

Irish GAAP	U.S. GAAP
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 recognized using a financial components approach that focuses on control. Under that approach after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred and derecognizes financial assets when control has been surrendered.
Hedges	
Gains or losses arising on hedges of anticipated transactions are taken to the profit and loss account in accordance with the accounting treatment of the underlying transaction.	Gains or losses arising from hedges of anticipated transactions, unless firmly committed are reflected in the income statement.
Internal Hedge Transactions	
Derivative transactions undertaken with Treasury & International Banking unit for hedging purposes by subsidiaries or other business units may be accrual accounted by the hedging entity.	Following an 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 & International Banking 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 recognized when received.	Loan origination fees net of direct loan origination costs are deferred and recognized as an adjustment to the yield on the related loan or facility.
Group Transformation Program	
A provision for Group Transformation costs is recognized in accordance with FRS12 when a constructive obligation to transfer economic benefit as a result of a past event exists at the balance sheet date.	Costs of the Group Transformation Program are recognized when incurred.

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

Irish GAAP **U.S. GAAP**

Future Developments

For details of future developments, see Item 8 on page 71.

Consolidated Net Income

	2001	2000	1999
		(in € millions)	
Net income under Irish GAAP (Group profit attributable to ordinary stockholders)	725	690	771
Disposal of citizens financial group	—	—	32
Depreciation	(4)	(7)	(5)
Software development costs	8	10	(11)
Goodwill	(35)	(33)	(32)
Deferred taxation	(4)	6	(15)
Pension costs	9	11	82
Long-term assurance policies	(82)	(72)	(41)
Group Transformation Program	55	—	—
Associated undertakings	—	—	(4)
Other	10	(1)	15
Deferred tax effect on these adjustments	7	24	(15)
Net income under U.S. GAAP	689	628	777
Earnings per unit of €0.64 Ordinary Stock under U.S. GAAP			
basic	69.1c	62.0c	75.1c
diluted	68.5c	61.6c	74.5c

Summary of Significant Differences between Irish and U.S. Accounting Principles

Consolidated Total Stockholders' Equity

	2001	2000
	(in € millions)	
Total stockholders' funds including non equity interests under Irish GAAP	3,798	3,279
Property less related depreciation	(346)	(272)
Software development costs	(15)	(23)
Goodwill	489	537
Deferred taxation	15	19
Debt securities — available for sale	28	20
Pension costs	159	151
Long-term assurance policies	(287)	(172)
Dividends	196	160
Other	39	32
Group Transformation Program	55	—
Deferred taxation on these adjustments	10	(4)
Consolidated stockholders' equity including non equity interests under U.S. GAAP	4,141	3,727

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

Consolidated Total Assets

	2001	2000
	(in € millions)	
Total assets under Irish GAAP	78,875	68,017
Property less related depreciation	(346)	(272)
Goodwill	528	578
Software development costs	(15)	(23)
Debt securities — available for sale	28	20
Pension costs	164	155
Acceptances	105	106
Long-term assurance policies	(287)	(172)
Other	(57)	(60)
Securitised assets	1,088	317
Total assets under U.S. GAAP	80,083	68,666

Consolidated Total Liabilities and Stockholders' Equity

	2001	2000
	(in € millions)	
Total liabilities and stockholders' equity including non equity interests under Irish GAAP	78,875	68,017
Stockholders' funds (U.S. GAAP adjustment)	343	448
Dividends	(196)	(160)
Deferred taxation	(28)	(32)
Borrowings related to securitised assets	1,088	317
Acceptances	105	106
Other	(16)	(9)
Group Transformation Program	(55)	—
Deferred taxation on these adjustments	(33)	(21)
Total liabilities and stockholders' equity including non equity interests under U.S. GAAP	80,083	68,666

(1) Pensions

Pensions accounting in the U.S. has to apply to the provisions of SFAS No. 87 ''Employers' Accounting for Pensions''. It differs from Irish GAAP with regard to certain assumptions primarily with regard to asset valuation and actuarial cost methods. The Group has adopted SFAS No. 87 ''Employers' Accounting for Pensions'' as amended by SFAS 132 ''Employers Disclosures about Pensions and Other Post-Retirement Benefits'' in preparing its U.S. GAAP information.

51 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 Plan. In 2001, this plan makes up approximately 82%, (2000: 87%, 1999: 87%) 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,		
	2001	2000	1999
	(in € millions)		
Service cost	55	52	38
Cost of special termination benefits	55	15	11
Interest cost	110	84	99
Expected return on plan assets	(194)	(145)	(184)
Net amortization and deferral	(30)	(23)	(35)
	(4)	(17)	(71)

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, 2001 (2000: 7% and 1999: 6%).

Actuarial assumptions used in determining the projected benefit obligation at March 31, 2001 included a discount rate of 6% (2000: 6% and 1999: 5%) and an increase in future compensation expense of 3.5% (2000: 3.5% and 1999: 2.5%). Pensions are further discussed in Note 38.

During 1999, 2000 and 2001 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 €55 million in 2001, €15 million in 2000 and €11 million in 1999 was recorded.

The main Bank of Ireland Pension Plans had investments which included the following at March 31, 2001 and 2000:

	At March 31,	
	2001	2000
	(in € millions)	
Interest in property occupied by Bank of Ireland	128	88
Bank of Ireland €0.64 Ordinary Stock	96	79
Bank of Ireland preference stock	4	4
Bank of Ireland 6.45% Subordinated Bonds 10.02.2010	1	1
Bank of Ireland 7.4% Guaranteed Step-up Callable Perpetual Preferred Securities	2	—

There were units 10,142,210 (2000: 10,699,309 units) of the Bank's Ordinary Stock and shares 168,020 (2000: 168,020) of the Bank's Preference Shares and €1,530,000 Bank of Ireland 6.45% Subordinated Bonds 10.02.2010 and 1,502,000 Bank of Ireland 7.4% Guaranteed Step up Callable Perpetual Preferred Securities included in the Bank's pension assets for the year ended March 31, 2001. The total gross dividend paid in cash on these investments was €3.3 million (2000: €2.4 million). In addition, the Group rents a property from the pension fund. The annual rent payable thereon, which is at arms length rates, amounted to €6.9m.

51 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, 2001.

	2001	2000	1999
		(in € millions)	
Change in projected benefit obligation			
Projected benefit obligation at April 1	1,863	1,701	1,431
Service cost (net of members contributions)	55	52	38
Interest cost	110	84	99
Members contributions	5	6	5
Actuarial loss	39	51	171
Special termination benefits	55	15	11
Benefits paid	(57)	(46)	(54)
Projected benefit obligation at March 31	2,070	1,863	1,701
Change in plan assets			
Fair value of plan assets at April 1	2,807	2,438	2,316
Actual return	12	409	171
Employer contribution	—	—	—
Members contribution	5	6	5
Benefits paid	(57)	(46)	(54)
Fair value of plan assets at March 31	2,767	2,807	2,438
Change in funded status			
Funded status at March 31	697	944	737
Unamortized net gain	(595)	(845)	(654)
Unamortized net asset at transition	(11)	(12)	(13)
Prepaid (accrued) pension cost recognized in balance sheet at year end	91	87	70

(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.

51 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, 2001 and 2000 are as follows:

	At March 31, 2001	At March 31, 2000
	(in € millions)	
Deferred tax liabilities		
Accelerated capital allowances:		
— on finance leases	107	85
— on equipment used by the Group	11	10
Other short term timing differences	6	5
Total	124	100
Deferred tax assets		
Loss carry forwards	28	—
Accruals and reserves	—	4
Investment tax credits	—	1
Minimum tax credits	1	1
Other	20	16
Total	49	52
Deferred tax asset valuation allowance	(1)	(6)
Net deferred tax assets	48	46
Net deferred tax liabilities	76	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 credit card division, finance companies and its UK residential mortgage company. 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 loan loss immediately identifiable but where there is doubt regarding the collectability of principal and interest out into the future are also classified as impaired.

All loans classified as Credit Grade 6 (Provision Required) or Grade 7 (Write-Off), and where the loan balance was less than €317,000 as at March 31, 2001, 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, 2001, the Group's net investment in impaired loans amounted to €66.8 million (2000: €61.4 million) of which €42.3 million (2000: €55.5 million) was after specific provisions of €76.7 million (2000: €69.8 million).

The average level of such impaired lending during the year was approximately €137.4 million (2000: €134.2 million).

(5) Stock Compensation Plan

The Bank operates a number of stock option schemes. Further details are set out in Note 36.

The Group has elected to follow APB 25 in accounting for these schemes. Had a fair value basis of accounting for these schemes 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, €681m for March 31, 2001 (2000: €626m and 1999: €775m) and 68.3c (2000: 61.8c and 1999:74.9c) respectively.

The following table summarizes the number of options outstanding under the Senior Executive Scheme and weighted average exercise price:

	Year Ended March 31,			
	2001		2000	
	Number	Weighted Average exercise price	Number	Weighted Average exercise price
Outstanding at beginning of year	10,681,326	317.65	12,078,416	328.68
Granted in year	1,021,150	732.71	895,250	887.67
Exercised in year	3,416,672	339.65	2,150,340	205.79
Lapsed in year	105,000	795.35	142,000	620.69
Outstanding at end of year	8,180,804	460.37	10,681,326	317.65

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

The following table summarizes information about the Executive Stock Options Scheme outstanding at March 31, 2001.

	Number Outstanding at March 31, 2001	Weighted Average Remaining Contractual Life	Number Exercisable at March 31, 2001
Exercise price (€ cent)			
0.982	319,556	1 yr 3 mths	319,556
1.436	506,748	2 yr 2 mths	506,748
1.670	330,000	3 yr 2 mths	330,000
1.834	100,000	3 yr 8 mths	100,000
2.111	815,000	4 yr 2 mths	815,000
2.819	1,538,000	5 yr 3 mths	1,538,000
3.241	80,000	5 yr 8 mths	80,000
4.529	1,250,000	6 yr 3 mths	1,250,000
5.753	994,100	6 yr 8 mths	994,100
8.264	366,000	7 yr 2 mths	—
8.933	785,000	8 yr 4 mths	—
8.430	100,250	8 yr 8 mths	—
6.960	825,000	9 yr 2 mths	—
9.150	171,150	9 yr 8 mths	—

The Sharesave Scheme (“SAYE 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. The outstanding options under the Scheme, which stood at 14,530,120 at March 31, 2001 are exercisable, provided the participant’s savings contracts are complete, between May 2003 and May 2007.

As at March 31, 2001 conditional awards totaling 460,817 units of stock were outstanding to the current participants of the Long Term Performance Stock Plan.

The significant weighted average assumptions used to estimate the fair values of the options granted were a risk free rate of return of 5.05% (2000: 4.1%), expected volatility of 33.5% (2000: 24.7%) and a dividend yield for the sector of 2.35% (2000: 2.2%). An expected life of 5 years was used in the case of the senior executive Stock Option Scheme. The expected life of the Sharesave scheme options was expected to approximate the period of the savings contracts.

(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 unamortized compensation costs, where appropriate). Any options that are antidilutive are excluded from this calculation. (An option is antidilutive when the deemed proceeds are greater than the market price used in the above calculation, there were no antidilutive options in the current or prior year).

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

Basic EPS	2001 Income	2001 Share No	2001 Per-share Amount	2000 Income	2000 Share No	2000 Per-share Amount
	€m	(in millions)	Cent	€m	(in millions)	Cent
Approximate net income (U.S. GAAP) available to ordinary stockholders	689	996.8	69.1c	628	1,013.6	62.0c
Effect of dilutive securities employee share options		8.9			5.9	
Diluted EPS	689	1,005.7	68.5c	628	1,019.5	61.6c

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

(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.

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

The following summary consolidated statements of income illustrates this presentation.

	At March 31, 2001	At March 31, 2000
	(in € millions)	
Net interest income	1,426	1,242
Other income	1,190	968
Total income	2,616	2,210
Total operating expenses	1,535	1,291
Operating profit	1,081	919
Income from associated undertakings	7	1
Profit on ordinary activities before exceptional items	1,088	920
Group Transformation Program	(93)	—
Profit before tax	995	920
Taxation on profit on ordinary activities	196	196
Profit on ordinary activities after tax	799	724
Deposit Interest Retention Tax	35	—
Profit for the financial year	764	724
Minority interest		
— equity	3	3
— non-equity	7	6
Non cumulative preference stock dividends	26	25
Interest paid to outside interest — non equity	3	—
Profit for financial year attributable to holders of ordinary stock	725	690

(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.

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

The following consolidated Balance Sheet illustrates this presentation.

	At March 31, 2001	At March 31, 2000
	(in € millions)	
Assets:		
Cash and balances at Central Banks	256	210
Items in the course of collection from banks	708	617
Central government and other eligible bills	76	746
Loans and advances to banks	8,426	7,175
Loans and advances to customers	51,147	44,844
Securitization and loan transfers	1,414	708
Less: non-returnable amounts	1,273	578
	141	130
Debt securities	9,998	9,350
Equity shares	2,914	1,047
Own Shares	29	33
Interest in associated undertakings	14	14
Interest in joint ventures	9	—
Tangible fixed assets	1,527	1,249
Intangible Fixed Assets	227	9
Other assets	2,729	2,060
Prepayments and accrued income	674	533
Total Assets	78,875	68,017

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

	At March 31, 2001	At March 31, 2000
	(in € millions)	
Liabilities:		
Deposits by banks	11,664	10,306
Customer accounts	45,630	40,990
Debt securities in issue	5,016	2,825
Items in the course of transmission to banks	178	219
Other liabilities	8,727	7,476
Proposed dividends — equity	196	160
Accruals and deferred income	770	611
Provision for liabilities and charges		
— deferred taxation	104	86
— other provisions for liabilities and charges	196	107
Subordinated liabilities	1,917	1,866
Minority interest		
— equity	5	5
— non-equity	81	87
— outside interest — non equity	593	—
Called up capital stock	691	690
Stock premium account	726	679
Capital reserve	311	232
Profit and loss account	1,818	1,510
Revaluation reserve	252	168
Total stockholders' funds including non-equity interests	3,798	3,279
Total liabilities	78,875	68,017

52 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 51 above.

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

	At March 31, 2001		2000	
	Book Value	Market Value	Book Value	Market Value
	(in € millions)			
Held to maturity	2,289	2,293	2,075	2,076
Available for sale	3,526	3,554	2,176	2,187
Trading	2,714	2,714	2,417	2,417
Total	8,529	8,561	6,668	6,680

52 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, 2001 and 2000.

	Available for Sale Investment Portfolio			
	2001		2000	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(in € millions)			
Irish government	60	60	232	232
Other European government	124	134	165	176
U.S. Treasury and U.S. Government agencies	2	2	32	32
Mortgage backed obligation of federal agencies	—	—	—	—
Corporate bonds	2,864	2,882	1,694	1,694
Other securities	476	476	53	53
Total	3,526	3,554	2,176	2,187

Proceeds from sales of available for sale securities during the year ended March 31, 2001 were €113 million (2000: €868 million). Gross gains of €nil (2000: €26 million) and gross losses of €1 million (2000: €3 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, 2001 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	13	21	4	22	60
Other European government	59	28	37	—	124
U.S. Treasury and U.S. Government agencies	—	1	1	—	2
Mortgage backed obligations of federal agencies	—	—	—	—	—
Corporate bonds	679	1,987	198	—	2,864
Other securities	467	3	—	6	476
Total	1,218	2,040	240	28	3,526

52 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, 2001 and 2000.

	Held to Maturity Investment Portfolio			
	March 31, 2001		March 31, 2000	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(in € millions)			
Irish government	—	—	10	10
Other European government	8	9	103	103
U.S. treasury and U.S. government agencies	1	1	5	5
Corporate bonds	2,280	2,283	1,957	1,958
Other securities	—	—	—	—
	2,289	2,293	2,075	2,076

Proceeds from sales of held to maturity securities during the year ended March 31, 2001 were €26 million (2000: €41 million). Gross gains of €1 million (2000: €1 million) and gross losses of €nil (2000: €1 million) were realized on those sales.

The following table shows the maturity distribution of the held to maturity investment portfolio of the Group at March 31, 2001 based upon amortized cost.

	Maturity Distribution of Held to Maturity Investment Portfolio At March 31, 2001				
	In One Year or Less	After One Year Through Five Years	After Five Years Through 10 Years	After 10 Years	Total
Irish government	—	—	—	—	—
Other European government	—	—	8	—	8
U.S. treasury and U.S. government agencies	—	—	1	—	1
Corporate bonds	154	536	756	834	2,280
Other securities	—	—	—	—	—
Total	154	536	765	834	2,289

53 COMPREHENSIVE INCOME

	At March 31,		
	2001	2000	1999
	(in € millions)		
Net income in accordance with U.S. GAAP	689	628	777
Other comprehensive income net of tax			
Foreign currency translation adjustment	(68)	227	(44)
Net movement on unrealized gains on debt securities	8	(22)	29
Comprehensive income	629	833	762

BANK OF IRELAND GROUP

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

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

Date: August 24, 2001

By: ______________________________
Name: Maurice A Keane
Title: Group Chief Executive

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