Bank of Ireland

Bank of Ireland UK Holdings plc

(Incorporated with limited liability in Northern Ireland)

€600,000,000

7.40 per cent. Guaranteed Step-up Callable Perpetual Preferred Securities

having the benefit of a subordinated guarantee of

The Governor and Company of the Bank of Ireland

(Established in Ireland by Charter in 1783, and having limited liability)

Issue price: 99.862 per cent.

UBS Warburg

Cazenove & Co. **Davy Stockbrokers**

The €600,000,000 7.40 per cent. Guaranteed Step-up Callable Perpetual Preferred Securities (the "Preferred Securities") of Bank of Ireland UK Holdings plc (the "Issuer"), guaranteed on a subordinated basis (the "Guarantee") to the extent specified herein by The Governor and Company of the Bank of Ireland (the "Bank", "Bank of Ireland" or the "Guarantor"), will bear interest from (and including) 7 March 2001 to (but excluding) 7 March 2011 at a rate of 7.40 per cent. per annum, payable annually in arrear on 7 March in each year, starting 7 March 2002. Thereafter, the Preferred Securities will bear interest at a rate, reset quarterly, of 3.26 per cent. per annum above the Euro-zone interbank offered rate for three month euro deposits, payable quarterly in arrear on 7 March, 7 June, 7 September and 7 December in each year, all as more particularly described in "Terms and Conditions of the Preferred Securities — 5. Coupon Payments". Payments (which term, as defined herein, does not include principal) may be deferred as described in "Terms and Conditions of the Preferred Securities — 4. Deferrals", but neither the Issuer nor the Bank may, whilst any Payments are deferred, declare or pay dividends or distributions on any ordinary or preference shares or stock (as the case may be) or other issued Tier 1 Capital of the Issuer or the Bank or (in the case of the Bank) make any payment under any applicable guarantee in respect of any such dividend or distribution, except for any such dividend or distribution paid by the Issuer to the Bank, any holding company of the Bank or another wholly-owned subsidiary of the Bank.

The Preferred Securities are redeemable in whole or in part at the option of the Issuer on 7 March 2011 or on each Coupon Payment Date (as defined herein) thereafter. In addition, upon the occurrence of certain tax or regulatory events, the Preferred Securities may, subject as provided herein, at the option of the Issuer either (i) be exchanged for, or their terms varied so that they become, Upper Tier 2 Securities (as defined herein), or (ii) be redeemed at, as applicable, their principal amount or the Redemption Price (as defined herein), in either case together with any Outstanding Payments (as defined herein), all as more particularly described in "Terms and Conditions of the Preferred Securities — 8. Exchange, Variation or Redemption".

Under existing Central Bank of Ireland requirements, the Issuer may not redeem or purchase any Preferred Securities unless the Central Bank of Ireland has given its prior consent.

For a description of certain matters that prospective investors should consider, see "Investment Considerations".

Application has been made to list the Preferred Securities on the Luxembourg Stock Exchange. A copy of this Offering Circular has been delivered to the Registrar of Companies in Ireland for registration in accordance with the European Communities (Stock Exchange) Regulations 1984 (as amended) of Ireland.

The Issuer and the Bank accept responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer and the Bank (which have taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

In connection with the issue and sale of the Preferred Securities, no person is authorised to give any information or to make any representation not contained in this document and if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Bank, the Managers (as defined in "Subscription and Sale" below) or The Bank of New York, as trustee (the "Trustee"). Neither the delivery of this Offering Circular nor any sale hereunder shall create, under any circumstances, any implication that there has been no change in the affairs of the Issuer or the Bank since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Bank or the Managers that any recipient of this Offering Circular should purchase any of the Preferred Securities. Each investor contemplating purchasing Preferred Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Bank.

The distribution of this document and the offering or sale of the Preferred Securities in certain jurisdictions may be restricted by law. No action has been taken by the Issuer, the Bank or the Managers which would permit a public offering of the Preferred Securities or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Preferred Securities may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or the Preferred Securities may come must inform themselves about, and observe, any such restrictions. See "Subscription and Sale" below for a description of certain restrictions on offers, sales and deliveries of the Preferred Securities.

The Preferred Securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended, and comprise Preferred Securities in bearer form that are subject to United States tax law requirements. Subject to certain exceptions, the Preferred Securities may not be sold or delivered, directly or indirectly, within the United States or to U.S. persons.

In this document, all references to "IR£" refer to Irish pounds, those to "£" and "Sterling" refer to pounds sterling and those to "euro" and "€" refer to the single currency of participating member states of the European Union introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended from time to time.

In connection with this issue, UBS AG, acting though its business group UBS Warburg, may over-allot or effect transactions which stabilise or maintain the market price of the Preferred Securities at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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Summary

The following summary refers to certain provisions of the Terms and Conditions of the Preferred Securities and the Trust Deed and insofar as it refers to the Terms and Conditions of the Preferred Securities is qualified by the more detailed information contained elsewhere in this document. Defined terms used herein have the meaning given to them in "Terms and Conditions of the Preferred Securities".

Issuer	Bank of Ireland UK Holdings plc
Guarantor	The Governor and Company of the Bank of Ireland
Trustee	The Bank of New York
Issue Size	€600,000,000
Redemption	The Preferred Securities are perpetual securities and have no maturity date. However, the Preferred Securities are redeemable in whole or in part at the option of the Issuer, subject to the prior approval of the Central Bank of Ireland and of the Guarantor, at their principal amount together with any Outstanding Payments on 7 March 2011 (the "First Reset Date") or any Coupon Payment Date thereafter.
Interest	The Preferred Securities bear interest at a rate of 7.40 per cent. per annum to (but excluding) the First Reset Date and thereafter at a rate of three month EURIBOR plus 3.26 per cent. per annum, reset quarterly.
Coupon Payment Dates	Subject as described below, Coupon Payments will be payable on 7 March in each year from (and including) 7 March 2002 to (and including) the First Reset Date, and thereafter, subject to adjustment for non-business days, on 7 March, 7 June, 7 September and 7 December in each year.
Guarantee	The Preferred Securities will be guaranteed on a subordinated basis by the Guarantor. Payments of principal and/or interest in respect of the Preferred Securities will be deemed to be due and payable in full for purposes of the Guarantee notwithstanding that, as a result of the provisions referred to under "Subordination" below, they are not in fact due and payable by the Issuer.
Subordination	The Preferred Securities will be guaranteed, unsecured, subordinated securities of the Issuer. The rights and claims of Holders of the Preferred Securities under the Preferred Securities and the Guarantee will be subordinated to the claims of the Senior Creditors of the Issuer or the Guarantor (as the case may be) in that no payment in respect of the Preferred Securities or the Guarantee shall be due and payable except to the extent that the Issuer or the Guarantor (as applicable) is Solvent and could make such payment and still be Solvent immediately thereafter. Upon any winding-up of the Issuer or of the Guarantor the claims of the Holder of each Preferred Security will rank as set out under "Winding-up Claims" below.
Winding-up claims	In the event of the winding-up of the Issuer or (in respect of claims under the Guarantee) of the Guarantor, the Holders of Preferred Securities will, for the purpose only of calculating the amounts payable by the Issuer or the Guarantor (as the case may be) in respect of each Preferred Security, be treated as if, on the day prior to the commencement of the winding-up and thereafter, they were the holders of preference shares or preference stock having an equal right to a return of the assets of the Issuer or the Guarantor (as the case may be) to, and so ranking *pari passu* with, the holders of that class or classes of preference shares or preference stock

(if any) from time to time issued by the Issuer or the Guarantor (as the case may be) which have a preferential right to a return of assets in the winding-up over, and so rank ahead of the holders of, all other classes of the issued shares or stock of the Issuer or the Guarantor (as the case may be) but which rank junior to the claims of Senior Creditors of the Issuer or the Guarantor (as the case may be) and junior to any notional class of preference shares or preference stock in the capital of the Issuer or the Guarantor (as the case may be) by reference to which the amount payable in respect of any subordinated debt in the winding-up of the Issuer or of any Undated Subordinated Debt of the Guarantor in the winding-up of the Guarantor is determined.

Exceptional deferral of payments

If the Issuer determines, prior to the making of a payment (other than a payment in respect of principal) that the Guarantor is, or the making of such payment will result in the Guarantor being, in non-compliance with applicable Capital Regulations, the Issuer is required, subject to the dividend restriction described below, to defer that payment. Such exceptionally deferred payment may be satisfied at any time by the Issuer giving not less than 16 business days notice of such satisfaction, and must, unless the Issuer elects to defer such payment pursuant to its general right to defer referred to below, be satisfied on the next following Coupon Payment Date if, on the 20th business day prior to such Coupon Payment Date, the Guarantor no longer is, and payment of a Coupon Payment will not result in it being, in non-compliance with such applicable Capital Regulations. Exceptionally Deferred Coupon Payments will not accrue interest on the deferred payments.

General deferral of payments

Subject to the dividend restriction described below, the Issuer may elect to defer any payment (other than a payment of principal) on the Preferred Securities for any period of time. However, the deferred payment will bear interest at 2 per cent. per annum above the rate of interest generally applicable to the Preferred Securities as set out under "Interest" above.

Dividend restriction during period of deferral

If the Issuer defers a payment for any reason as described above then, while any payment is so deferred, neither the Issuer nor the Guarantor may declare or pay a dividend or distribution (or, in the case of the Guarantor, make a payment under any guarantee in respect of any such dividend or distribution) on any of their ordinary or preference shares or stock or other issued Tier 1 Capital, as the case may be, other than a dividend or distribution paid by the Issuer to the Guarantor, any holding company of the Guarantor or to another Wholly-Owned Subsidiary of the Guarantor.

Alternative coupon satisfaction mechanism

Investors will always receive payments made in respect of Preferred Securities in cash. However, if the Issuer defers a payment it must, or if and to the extent the Issuer so elects at any time it may, satisfy its obligation to make any payment (other than a payment of principal) to Holders of Preferred Securities by issuing its ordinary shares to the Trustee or its agent. In such event, the Trustee or its agent will exchange such ordinary shares for units of ordinary stock in the Guarantor which, when sold, will provide a cash amount which the Trustee or its agent will pay to the Preferred Security Holders in respect of the relevant payment. The Calculation Agent will calculate in advance the number of units of ordinary stock in the Guarantor to be issued in order to enable the Trustee or its agent to raise the full amount of money due on the relevant payment date to Preferred Security Holders.

Alternative guarantee satisfaction mechanism

If a payment due from the Guarantor pursuant to the Guarantee is in respect of a Payment which has previously been deferred by the Issuer

	the Guarantor must, and if and to the extent the Guarantor so elects at any time in respect of a payment due from it the Guarantor may, satisfy its obligation to make such payment to Holders of Preferred Securities, by the issue of its ordinary stock to the Trustee or its agent. In such event, the Trustee or its agent will sell such units of ordinary stock for a cash amount which the Trustee or its agent will pay to the Preferred Security Holders in respect of the relevant guarantee payment. The Guarantor has agreed in the Trust Deed that any obligation owed by the Issuer to the Guarantor in respect of payments made under the Guarantee will be satisfied only by the issue of ordinary shares in the Issuer.
Insufficiency	Each of the Issuer and the Guarantor is required to keep available for issue enough shares or stock (as the case may be) as it reasonably considers would be required to satisfy from time to time the next year's Coupon Payment or Payments using the alternative coupon satisfaction mechanism and/or, in the case of the Guarantor, the alternative guarantee satisfaction mechanism described above.
Market Disruption Event	If, in the opinion of the Issuer or, as the case may be, the Guarantor, in each case subject where necessary to determinations made by the Calculation Agent, a Market Disruption Event exists on or after the 15th business day preceding any date upon which it is due to satisfy a payment using the alternative coupon satisfaction mechanism or the alternative guarantee satisfaction mechanism (as the case may be) the relevant payment to Holders of the Preferred Securities may be deferred until the Market Disruption Event no longer exists.
Suspension	If, following any take-over offer or any reorganisation, restructuring or scheme of arrangement, the Guarantor (or any successor ultimate holding company of the Bank of Ireland group of companies) ceases to be the ultimate holding company of the Bank of Ireland group of companies, any changes to the documentation relating to the Preferred Securities (including the Guarantee) determined by an independent investment bank to be appropriate will be made by the Issuer, the Guarantor and the Trustee, and pending such changes the Issuer and the Guarantor will be unable to settle payments using the alternative coupon satisfaction mechanism and/or the alternative guarantee satisfaction mechanism. If the investment bank is unable to determine appropriate amendments, as notified to the Issuer, the Guarantor and the Trustee, the Preferred Securities will (subject to the prior consent of the Central Bank of Ireland) be redeemed at the Redemption Price, together with any Outstanding Payments.
Additional amounts	The Issuer and the Guarantor will pay additional amounts to Holders of the Preferred Securities to gross up Coupon Payments or payments under the Guarantee in respect thereof upon the imposition of UK or Irish withholding tax, subject to customary exceptions.
Exchange, variation or redemption for taxation reasons	Upon the occurrence of certain changes in the treatment of the Preferred Securities for taxation purposes, the Issuer may, subject to the prior consent of the Central Bank of Ireland and of the Guarantor, either (i) redeem the Preferred Securities at their principal amount or (in the circumstances set out herein) at their Redemption Price, in each case together with any Outstanding Payments, or (ii) exchange the Preferred Securities for, or vary the terms of the Preferred Securities so that they become, Upper Tier 2 Securities or, if such change in tax treatment also affects or would affect the Upper Tier 2 Securities and provided the Issuer is Solvent, redeem all, but not some only of the Preferred

	Securities at their principal amount together with any Outstanding Payments.
Exchange, variation or redemption for regulatory reasons	The Preferred Securities will qualify as Tier 1 Capital for the purposes of the Central Bank of Ireland's capital adequacy regulation of the Guarantor. If at any time the Preferred Securities cease to qualify as Tier 1 Capital, the Issuer may, subject to the prior consent of the Central Bank of Ireland and of the Guarantor either (i) redeem the Preferred Securities at their Redemption Price together with any Outstanding Payments or (ii) exchange the Preferred Securities for, or vary the terms of the Preferred Securities so that they become, Upper Tier 2 Securities or, if either such exchanged or varied securities do not or would not constitute Upper Tier 2 Capital of the Guarantor or a change in tax treatment as referred to under "Exchange, variation or redemption for taxation reasons" above also affects or would affect the Upper Tier 2 Securities, and provided the Issuer is Solvent, redeem all, but not some only, of the Preferred Securities at their principal amount together with any Outstanding Payments.
Remedy for non-payment	The sole remedy against the Issuer or the Guarantor available to the Trustee or any Holder of Preferred Securities for recovery of amounts owing in respect of the Preferred Securities will be the institution of proceedings for the winding-up of the Issuer and/or the Guarantor and/or proving in such winding-up.
Form	Bearer. The Preferred Securities will be represented initially by the Temporary Global Preferred Security, which will be deposited outside the United States with a common depositary for Clearstream, Luxembourg and Euroclear on or about 7 March 2001. Interests in the Temporary Global Preferred Security will be exchangeable for interests in the Permanent Global Preferred Security on or after a date which is expected to be 16 April 2001 upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global Preferred Security. Save in limited circumstances, Preferred Securities in definitive bearer form with coupons and a talon attached on issue will not be issued in exchange for interests in the Permanent Global Preferred Security.
Listing	Luxembourg.
Rating	The Preferred Securities are expected to be assigned, on issue, a rating of A– by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. and a rating of "aa3" by Moody's Investors Service, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
Governing law	English, except for the provisions relating to (i) the subordination of the Issuer's obligations under the Preferred Securities and the winding-up of the Issuer, and (ii) the subordination of the Guarantor's obligations under the Guarantee and the winding-up of the Guarantor, which are governed by Northern Irish law and Irish law respectively.

Investment Considerations

Prospective investors should carefully consider the following information in conjunction with the other information contained in this document.

1.1 Deferral

The Issuer may defer any Payment (such term does not include principal) on the Preferred Securities for any period of time, and in certain circumstances must defer any Payment, all as more particularly described in "Terms and Conditions of the Preferred Securities — 4. Deferrals". Any such deferred payment will, unless it is an exceptional deferral as described under "Terms and Conditions of the Preferred Securities — 4. Deferrals — 4(a) Exceptional Deferral of Payments", bear interest at two per cent. above the rate applicable to the Preferred Securities. During the period of all deferrals, neither the Issuer nor the Bank may declare or pay a dividend or distribution on any of its ordinary or preference shares or stock or other issued Tier 1 Capital or (in the case of the Guarantor) make any payment under a guarantee in respect of any such dividend or distribution except for any dividend or distribution paid by the Issuer to the Bank, any holding company of the Bank or another wholly-owned subsidiary of the Bank.

1.2 Perpetual securities

The Issuer is under no obligation to redeem the Preferred Securities at any time (save, subject to the prior consent of the Central Bank of Ireland, in the particular circumstances referred to in "Terms and Conditions of the Preferred Securities — 9. Payments — Suspension") and the Holders have no right to call for their redemption.

1.3 Redemption risk

Upon the occurrence of certain specified tax and regulatory events, the Preferred Securities may, at the option of the Issuer, either (i) be exchanged for, or their terms varied so that they become, Upper Tier 2 Securities or (ii) be redeemed at, as applicable, their principal amount or the Redemption Price, in each case together with any Outstanding Payments, subject as provided in "Terms and Conditions of the Preferred Securities — 8. Exchange, Variation or Redemption — (c) Exchange, Variation or Redemption due to Taxation and — (d) Exchange, Variation or Redemption for Regulatory Purposes".

1.4 Subordination

1.4.1 In the event of a winding-up of the Issuer, the claims of the holders of the Preferred Securities will rank for payment:

(a) after the claims of unsubordinated creditors have been met in full;

(b) after payment in full of amounts owing to creditors whose claims are or are expressed to be subordinated to those claims described in (a) above but not further or otherwise;

(c) after payment in full of amounts owing to creditors whose claims are or are expressed to be subordinated to the claims of other creditors of the Issuer, whether subordinated or unsubordinated, including, in the winding-up of the Issuer, amounts owing to holders of any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any subordinated debt in the winding-up of the Issuer is determined; and

(d) *pari passu* with the holders of that class or classes of preference shares (if any) from time to time issued by the Issuer which have a preferential right to a return of assets in a winding-up of the Issuer and thus rank for payment ahead of the holders of other classes of issued shares in the capital of the Issuer (but excluding any notional class of preference shares in the capital of the Issuer as described in sub-paragraph (c) above).

1.4.2 In the event of a winding-up of the Bank, the claims of the holders of the Preferred Securities under the Guarantee will rank for payment:

(a) after the claims of depositors and other unsubordinated creditors have been met in full;

(b) after payment in full of amounts owing to creditors whose claims are or are expressed to be subordinated to those claims described in (a) above including the holders of the Dated Subordinated Debt (as defined in "Terms and Conditions of the Preferred Securities — 22. Definitions") but not further or otherwise;

(c) after payment in full of amounts owing to creditors whose claims are or are expressed to be subordinated to the claims of other creditors of the Guarantor, whether subordinated or unsubordinated, including, in the winding-up of the Guarantor, amounts owing to the holders of any notional class of preference stock in the capital of the Guarantor by reference to which the amount payable in respect of any subordinated debt in the winding-up of the Guarantor is determined, and including the holders of the Undated Subordinated Notes (as defined in "Terms and Conditions of the Preferred Securities – 22. Definitions"); and

(d) *pari passu* with the holders of that class or classes of preference stock (if any) from time to time issued by the Guarantor which have a preferential right to a return of assets in a winding-up of the Guarantor and thus rank for payment ahead of the holders of other classes of issued stock in the capital of the Guarantor (but excluding any notional class of preference stock in the capital of the Guarantor as described in sub-paragraph (c) above).

1.5 No limitation on issuing debt

There is no restriction:

(a) on the amount of debt which the Issuer or the Bank may issue which ranks senior to the Preferred Securities or senior to the obligations of the Bank under the Guarantee or on the amount either of securities which the Issuer or the Bank may issue or of guarantees which may be given by the Bank in respect of any such securities which rank *pari passu* with the Preferred Securities or with the obligations of the Bank under the Guarantee; or

(b) on the issue of preference stock by the Bank ranking *pari passu* with or junior to the Preferred Securities.

The issue of any such debt, securities or preference stock or the giving of any such guarantee may reduce the amount recoverable by Holders on a winding-up of the Issuer or the Bank or may increase the likelihood of a deferral of Payments under the Preferred Securities.

1.6 Availability of shares and stock

If the Issuer is to satisfy a payment using the alternative coupon satisfaction mechanism or the Bank is to satisfy a payment under the Guarantee using the alternative guarantee satisfaction mechanism and insufficient Issuer Shares and/or units of Ordinary Stock (each as defined in "Terms and Conditions of the Preferred Securities — 22. Definitions") are available, then the Issuer's or the Bank's payment obligation (as applicable) shall be suspended to the extent of such insufficiency and shall, other than in respect of Exceptionally Deferred Coupon Payments, bear interest at the applicable rate set out herein until such time as sufficient Issuer Shares and/or units of Ordinary Stock are available to satisfy all or part of the suspended payment obligation, as more particularly described in "Terms and Conditions of the Preferred Securities — 6. Alternative Coupon Satisfaction Mechanism — (d) Insufficiency and 7. Alternative Guarantee Satisfaction Mechanism — (d) Insufficiency".

1.7 Market Disruption Event

If the Issuer is to satisfy a payment using the alternative coupon satisfaction mechanism or the Bank is to satisfy a payment under the Guarantee using the alternative guarantee satisfaction mechanism, and a Market Disruption Event exists in the opinion of the Issuer or Bank (as applicable), the payment to Holders may be deferred until the cessation of such market disruption, as more particularly described in "Terms and Conditions of the Preferred Securities — 6. Alternative Coupon Satisfaction Mechanism — (e) Market Disruption and 7. Alternative Guarantee Satisfaction Mechanism — (e) Market Disruption". During a Market Disruption Event, interest shall not accrue on such deferred payment unless the Market Disruption Event continues for a period of 14 days or more from the due date, in which case interest shall accrue from the due date at the applicable rate set out herein.

1.8 Restricted remedy for non-payment

The sole remedy against the Issuer or the Bank available to the Trustee or any Holder for recovery of amounts owing in respect of any Payment or principal in respect of the Preferred Securities will be the institution of proceedings for the winding-up of the Issuer and/or the Bank (in the case of the Issuer in Northern Ireland and in the case of the Bank in Ireland, but not elsewhere) and/or proving in such winding-up.

1.9 Absence of prior public markets

The Preferred Securities constitute a new issue of securities by the Issuer. Prior to this issue, there will have been no public market for the Preferred Securities. Although application has been made for the Preferred Securities to be listed on the Luxembourg Stock Exchange, there can be no assurance that an active public market for the Preferred Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Preferred Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and/or the Bank and other factors that generally influence the market prices of securities.

Terms and Conditions of the Preferred Securities

The following, subject to alteration, are the terms and conditions of the Preferred Securities which will be endorsed on each Preferred Security in definitive form (if issued).

The Preferred Securities are constituted by the Trust Deed. The issue of the Preferred Securities was authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 22 February 2001 and the giving of the Guarantee was authorised pursuant to a resolution of a Committee of the Court of Directors of the Guarantor passed on 22 February 2001, which Committee was authorised by a resolution of the Court of Directors of the Guarantor passed on 12 December 2000. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement are available for inspection during normal business hours by the Holders and the Couponholders at the registered office of the Trustee, being at 7 March 2001 at 101 Barclay Street, New York, New York 10286 U.S.A., and at the specified office of each of the Paying Agents. The Holders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Calculation Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Preferred Securities are serially numbered and in bearer form in the Authorised Denominations, each with Coupons and one Talon attached on issue.

(b) Title

Title to the Preferred Securities, Coupons and Talons will pass by delivery. The Issuer, the Guarantor, the Trustee and any Paying Agent may to the fullest extent permitted by applicable law deem and treat the bearer of any Preferred Security, Coupon or Talon as the absolute owner thereof (whether or not the same is overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes, and no person will incur any liability for so treating any such bearer.

2. STATUS, SUBORDINATION AND GUARANTEE

(a) Status and Subordination of the Preferred Securities

(i) The Preferred Securities constitute direct, guaranteed, unsecured, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves.

(ii) (1) *Condition of Payment by the Issuer:* The rights and claims of the Holders and the Couponholders against the Issuer under the Preferred Securities are subordinated to the claims of its Senior Creditors, in that payments in respect of the Preferred Securities (including payments to be satisfied by means of the issue of Issuer Shares in accordance with Condition 6 and any purchases made by the Issuer under Condition 8(e)) are conditional upon the Issuer being Solvent at the time of payment (or issuing such Issuer Shares or making such purchase) by the Issuer and in that no principal or Payments shall be due and payable in respect of the Preferred Securities (including the issue of Issuer Shares in accordance with Condition 6 or the making by the Issuer of any purchase under Condition 8(e)) except to the extent that the Issuer could make such payment (or effect such issue of Issuer Shares or purchase) and still be Solvent immediately thereafter.

(2) *Winding-Up Claims of the Issuer:* Amounts in respect of principal or Payments in respect of which the conditions referred to in Condition 2(a)(ii)(1) are not satisfied on the date upon which the same would otherwise be due and payable ("Winding-Up Claims of the Issuer") will be payable by the Issuer both (x) in a winding-up of the Issuer as provided in Condition 3(a) and (y) on any redemption pursuant to Condition 8(b), 8(c), 8(d) or 9(d). A Winding-Up Claim of the Issuer shall not bear interest.

(b) Status and Subordination of the Guarantee

(i) The Guarantor has (subject as provided in paragraph (iii) below) in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all principal and Payments and other sums from time to time payable by the Issuer in respect of the Preferred Securities and the Coupons and all other moneys payable by the Issuer under or pursuant to the Trust Deed. The obligations of the Guarantor under such guarantee (the "Guarantee") constitute direct, unsecured, subordinated obligations of the Guarantor.

(ii) For the purpose of the obligations of the Guarantor under the Guarantee, payments of principal and/or Payments in respect of the Preferred Securities:

(1) shall be deemed to be due and payable in full by the Issuer notwithstanding that, as a result of the operation of Conditions 2(a) and/or 3(a), they are not in fact so due and payable; and

(2) shall not be deemed to be due and payable by the Issuer if any of Conditions 4(a), 4(b), 6(d), 6(e) or 9(d) apply.

(iii) (1) *Condition of Payment by the Guarantor:* The rights and claims of the Holders and the Couponholders against the Guarantor under the Guarantee are subordinated to the claims of its Senior Creditors, in that payments of amounts due under the Guarantee (including payments to be satisfied by means of the issue of Ordinary Stock in accordance with Condition 7 and any purchases made by the Guarantor under Condition 8(e)) are conditional upon the Guarantor being Solvent at the time of payment (or issuing such Ordinary Stock or making such purchase) by the Guarantor and in that no amounts shall be due and payable (including the issue of Ordinary Stock in accordance with Condition 7 or the making by the Guarantor of any purchase under Condition 8(e)) except to the extent that the Guarantor could make such payment (or effect such issue of Ordinary Stock or purchase) and still be Solvent immediately thereafter.

(2) *Winding-Up Claims of the Guarantor:* Amounts payable under the Guarantee in respect of which the conditions referred to in Condition 2(b)(iii)(1) are not satisfied on the date upon which the same would otherwise be due and payable ("Winding-Up Claims of the Guarantor") will be payable by the Guarantor in a winding-up of the Guarantor as provided in Condition 3(b). A Winding-Up Claim of the Guarantor shall not bear interest.

(iv) The Guarantor's obligations to issue Ordinary Stock in accordance with Condition 6 or Condition 7 are also subject to the Guarantor being Solvent at the time of such issue and immediately thereafter. No amounts shall be due and payable by the Guarantor under the Guarantee if the Guarantor is obliged or has elected to satisfy any Guarantee Coupon Payment through the issue of units of Ordinary Stock to the Trustee in accordance with Condition 7 and the circumstances referred to in Conditions 7(d), 7(e) or 9(d) then apply.

(c) Set-off

Subject to applicable law, no Holder or Couponholder may exercise, claim or plead any right of set-off, compensation or retention in respect of any amount owed to it by the Issuer or the Guarantor arising under or in connection with the Preferred Securities, the Coupons or the Guarantee and each Holder and Couponholder shall, by virtue of his holding of any Preferred Security or Coupon and his being a beneficiary under the Guarantee, be deemed to have waived all such rights of set-off, compensation or retention.

(d) Retained Funds to Absorb Losses

If the Issuer or the Guarantor is not Solvent, any sums which would otherwise be payable in respect of the Preferred Securities or the Guarantee by the Issuer or the Guarantor (as the case may be) will instead be available to meet the losses of the Issuer or the Guarantor (as the case may be).

(e) Reports as to Solvency

A report confirming that the Issuer or (as the case may be) the Guarantor is Solvent by any two Directors or, if the Issuer or the Guarantor (as the case may be) is being wound up, its liquidator shall, unless the contrary is proved, be treated and accepted by the Issuer, the Guarantor, the Trustee and the Holders as correct and sufficient evidence thereof.

3. WINDING-UP

(a) Winding-up of the Issuer

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except in any such case a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed) of the Issuer, the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed)), there shall be payable by the Issuer in respect of each Preferred Security (in lieu of any other payment by the Issuer), such amount, if any, as would have been payable to the holder of such Preferred Security if, on the day prior to the commencement of the winding-up and thereafter, such Holder were the holder of one of a class of preference shares in the capital of the Issuer having an equal right to a return of assets in the winding-up of the Issuer to, and so ranking *pari passu* with, the holders of that class or classes of preference shares (if any) from time to time issued by the Issuer:

(i) which have a preferential right to a return of assets in the winding-up over and so rank ahead of the holders of all other classes of issued shares for the time being in the capital of the Issuer, but

(ii) which rank junior to the claims of its Senior Creditors and junior to any notional class of preference shares in the capital of the Issuer by reference to which the amount payable in respect of any subordinated debt of the Issuer in a winding-up of the Issuer is determined on the assumption that the amount that such Holder was entitled to receive in respect of such preference share on a return of assets in such winding-up, were an amount equal to the principal amount (or, if the Preferred Securities have become due and payable at the Redemption Price pursuant to any of Conditions 8(c), 8(d) or 9(d) prior to such winding-up, the Redemption Price) of the relevant Preferred Security and any other Outstanding Payments in respect of such Preferred Security together with, to the extent not otherwise included within the foregoing, the *pro rata* share of any Winding-Up Claims of the Issuer attributable to the Preferred Security.

(b) Winding-up of the Guarantor

If at any time an order is made, or an effective resolution is passed, for the winding-up of the Guarantor (except in any such case a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Guarantor of a successor in business of the Guarantor, the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution), there shall be payable by the Guarantor in respect of each Preferred Security (in lieu of any other payment by the Guarantor), such amount, if any, as would have been payable to the Holder of such Preferred Security under the Guarantee if, on the day prior to the commencement of the winding-up and thereafter, such Holder were the holder of one of a class of preference stock in the capital of the Guarantor having an equal right to a return of assets in the winding-up of the Guarantor to, and so ranking *pari passu* with, the holders of that class or classes of preference stock (if any) from time to time issued by the Guarantor;

(i) which have a preferential right to a return of assets in the winding-up over and so rank ahead of the holders of all other classes of issued stock for the time being in the capital of the Guarantor, but

(ii) which rank junior to the claims of its Senior Creditors and junior to any notional class of preference stock in the capital of the Guarantor by reference to which the amount payable in respect of any Undated Subordinated Debt of the Guarantor in a winding-up of the Guarantor is determined on the assumption that the amount that such Holder was entitled to receive in respect of such preference stock on a return of assets in such winding-up, were an amount equal to the principal amount (or, if the Preferred Securities have become due and payable at the Redemption Price pursuant to any of Conditions 8(c), 8(d) or 9(d) prior to such winding-up, the Redemption Price) of the relevant Preferred Security and any other Outstanding Payments in respect of such Preferred Security together with, to the extent not otherwise included within the foregoing, the *pro rata* share of any Winding-Up Claims of the Guarantor attributable to the Preferred Security.

4. DEFERRALS

The Issuer must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Terms and Conditions. However, the Issuer may or, in the case of (a) below, shall defer a Coupon Payment and any other Payment in the following circumstances:

(a) Exceptional Deferral of Payments

(i) If on the 20th Business Day preceding the date on which any Payment would, in the absence of deferral in accordance with this Condition 4, be due and payable (x) the Exceptional Deferral Condition is satisfied and (y) the consent of the Central Bank of Ireland for the making of such Payment has not been obtained, then such Payment shall be deferred by the Issuer giving notice to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to such date. Any Payment deferred by the Issuer under this Condition 4(a)(i) may be satisfied by the Issuer in accordance with Condition 4(a)(iv) (but not otherwise) at any time following the date on which that Payment would, but for such deferral, have been due and payable, provided that the Issuer has delivered a notice of its election to so satisfy such Payment to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Exceptionally Deferred Coupon Satisfaction Date and that, at the time of satisfying such Payment, the Exceptional Deferral Condition is not satisfied or, if the Exceptional Deferral Condition is so satisfied, the consent of the Central Bank of Ireland to the satisfaction of such payment has been obtained.

(ii) If, following the deferral of a Payment by the Issuer under Condition 4(a)(i) the Exceptional Deferral Condition is not satisfied on the 20th Business Day preceding a subsequent Coupon Payment Date, then (unless such Payment has previously been satisfied as contemplated in Condition 4(a)(i) or the Issuer then elects to defer it pursuant to Condition 4(b)):

(x) the Issuer shall give not less than 16 Business Days' prior notice to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent that it intends to satisfy such Payment on such subsequent Coupon Payment Date; and

(y) the Issuer shall satisfy such Payment on such subsequent Coupon Payment Date in accordance with Condition 4(a)(iv).

(iii) If any Payment is deferred pursuant to this Condition 4(a) then: (1) neither the Issuer nor the Guarantor may declare or pay a dividend or distribution (other than a dividend or distribution paid by the Issuer to the Guarantor, any holding company of the Guarantor or to another Wholly-Owned Subsidiary of the Guarantor), or, in the case of the Guarantor, make a payment under any applicable guarantee in respect of a dividend or distribution, on any of the ordinary share capital, preference share capital, ordinary stock, preference stock or other issued Tier 1 Capital of the Issuer or the Guarantor from the date on which notice is given pursuant to Condition 4(a)(i) until such time as that Exceptionally Deferred Coupon Payment is satisfied in accordance with these Conditions; and (2) no amount will be payable by way of interest on any such Exceptionally Deferred Coupon Payment, save as provided in Condition 6(e) and Condition 7(e).

(iv) An Exceptionally Deferred Coupon Payment may only be satisfied by the Issuer by means of an issue of Issuer Shares in accordance with Condition 6.

(b) Election to Defer Payment

(i) The Issuer may, in respect of any Payment which would otherwise be due and payable, defer such Payment by giving a notice to that effect to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders not less than 16 Business Days prior to the relevant due date.

(ii) If a Payment has been deferred in accordance with Condition 4(b)(i), then the Issuer may at any time elect (by giving to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders not less than 16 Business Days notice to that effect) to satisfy such Payment by means (and only by means) of an issue of Issuer Shares in accordance with the provisions of Condition 6.

(iii) If any Payment is deferred pursuant to this Condition 4(b), then: (1) neither the Issuer nor the Guarantor may declare or pay a dividend or distribution (other than a dividend or distribution paid by the Issuer to the Guarantor, any holding company of the Guarantor or to another Wholly-Owned Subsidiary of the

Guarantor), or, in the case of the Guarantor, make a payment under any applicable guarantee in respect of a dividend or distribution, on any of the ordinary share capital, preference share capital, ordinary stock, preference stock or other issued Tier 1 Capital of the Issuer or the Guarantor from the date on which notice is given pursuant to Condition 4(b)(i) until such time as that Deferred Coupon Payment (and any other Deferred Coupon Payment or Accrued Coupon Payment) is satisfied in accordance with these Conditions, and (2) each Payment which the Issuer defers pursuant to the giving of such a notice shall bear interest at a rate equal to the aggregate of the rate determined in accordance with Condition 5(b) and 2 per cent. per annum from (and including) the date on which (but for such deferral) the Deferred Coupon Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Coupon Satisfaction Date.

5. COUPON PAYMENTS

(a) Coupon Payment Dates

The Preferred Securities bear interest at the Coupon Rate from (and including) the Issue Date and such interest will (subject to Conditions 2(a)(ii)(1), 4(a), 4(b), 6(d), 6(e), 7(d), 7(e) and 9(d)) be payable on each Coupon Payment Date. Each Preferred Security will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest in accordance with this Condition (both before and after judgment) as provided in the Trust Deed.

(b) Coupon Rate

(i) The Coupon Rate in respect of any Coupon Period ending in the period from (and including) the Issue Date to (but excluding) the First Reset Date is 7.40 per cent. per annum.

(ii) The Coupon Rate in respect of each Coupon Period commencing after the First Reset Date shall be the aggregate of 3.26 per cent. per annum and:

(aa) the offered rate (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) for three-month euro deposits as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question as appears on the display designated as page "248" on the Bridge/Telerate Monitor (or such other page or service as may replace it for the purpose of displaying such information) as determined by the Calculation Agent;

(bb) if such offered rate does not appear, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of offered quotations to prime banks in the Euro-zone interbank market for three-month euro deposits as at 11.00 a.m. (Brussels time) on the Coupon Determination Date in question obtained by the Calculation Agent from the principal Euro-zone office of the Reference Banks, provided at least two of the Reference Banks provide the Calculation Agent with such offered quotations; and

(cc) if, on any Coupon Determination Date to which the provisions of sub-paragraph (bb) above apply, one only or none of the Reference Banks provides the Calculation Agent with such a quotation, the arithmetic mean (rounded, if necessary, up to the nearest one hundred thousandth of a percentage point (0.000005 per cent. being rounded upwards)) of the euro lending rates which major banks in the Euro-zone selected by the Calculation Agent are quoting at approximately 11.00 a.m. (Brussels time) on the relevant Coupon Determination Date to leading European banks for a period of three months,

except that, if the banks so selected by the Calculation Agent under sub-paragraph (cc) above are not quoting as mentioned above, the Coupon Rate shall be either (i) the Coupon Rate in effect for the last preceding Coupon Period to which one of the preceding sub-paragraphs of this paragraph shall have applied or (ii) if none, 8.40 per cent. per annum.

(c) Calculation and Publication of Coupon Rate and Coupon Amounts

The Calculation Agent will, upon the determination of each Coupon Rate pursuant to Condition 5(b)(ii), calculate the Coupon Amount in respect of each Authorised Denomination and cause the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified to the Trustee, the Issuer, the

Guarantor, the Principal Paying Agent and the Luxembourg Stock Exchange and to be notified to the Holders as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

The Coupon Amount in respect of any Coupon Period ending prior to the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of each Preferred Security and, in respect of any period of less than one year, such resulting amount shall be multiplied by the Day Count Fraction.

The Coupon Amount in respect of any Coupon Period commencing on or after the First Reset Date shall be calculated by applying the Coupon Rate to the principal amount of each Preferred Security and multiplying the result by the Day Count Fraction.

(d) Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason so determine the Coupon Rate or calculate each Coupon Amount in accordance with Conditions 5(b)(ii) and 5(c), the Trustee or an agent on its behalf shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee or such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it or such agent can do so, and in all other respects it or such agent shall do so in such manner as it shall deem fair and reasonable in all the circumstances. All determinations or calculations made or obtained for the purposes of the provisions of this Condition 5(d) by or on behalf of the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Calculation Agent, the Paying Agents and all Holders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor, the Holders or the Couponholders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(e) Reference Banks

The Issuer will (with the prior written approval of the Trustee) not later than 20 Business Days before the First Reset Date appoint four leading financial institutions engaged in the Euro-zone interbank market (each acting through its principal Euro-zone office) to act as Reference Banks (the "Reference Banks") and will procure that, so long as any Preferred Security is outstanding, there shall thereafter at all times be four Reference Banks. If any such institution (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, the Issuer shall (with the prior written approval of the Trustee) appoint some other leading financial institution engaged in the Euro-zone interbank market (acting through its principal Euro-zone office) to act as such in its place.

6. ALTERNATIVE COUPON SATISFACTION MECHANISM

(a) Alternative Coupon Satisfaction Mechanism

(i) The Issuer may only satisfy a Deferred Coupon Payment or an Exceptionally Deferred Coupon Payment through the issue of Issuer Shares to the Trustee in accordance with this Condition 6, and may elect to so satisfy any other Payment in full or in part (in which case any reference in this Condition 6 or, where applicable, Condition 7 to a "Payment" shall be construed accordingly).

(ii) The Issuer may only satisfy a Payment in accordance with this Condition 6 if both the Issuer and the Guarantor are Solvent at the time of satisfying such Payment and would be Solvent immediately thereafter.

(iii) If the Issuer intends to satisfy any Payment in accordance with this Condition 6, then it shall notify the Guarantor, the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Coupon Payment Date, Deferred Coupon Satisfaction Date or Exceptionally Deferred Coupon Satisfaction Date (as the case may be).

(b) Issue of shares

If any Payment is to be satisfied through the issue to the Trustee of Issuer Shares then, subject to Conditions 6(d), 6(e) and 9(d):

(i) by close of business on or before the seventh Business Day prior to the relevant Coupon Payment Date, Deferred Coupon Satisfaction Date or Exceptionally Deferred Coupon Satisfaction Date, the Issuer will issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) such number of Issuer Shares (the "**Payment Issuer Shares**") as, in the determination of the Guarantor, have a market value (converted, where necessary, into euro) of not less than the relevant Payment to be satisfied in accordance with this Condition 6 provided that the Issuer shall not be obliged to issue Issuer Shares if the Issuer is not Solvent at the time of such issue or would not be Solvent immediately thereafter;

(ii) the Trustee has agreed, by close of business on or before the sixth Business Day prior to the relevant Coupon Payment Date, Deferred Coupon Satisfaction Date or Exceptionally Deferred Coupon Satisfaction Date, to transfer or instruct its agent to transfer the Payment Issuer Shares to the Guarantor in consideration for which the Guarantor will issue to the Trustee (or, if so agreed between the Issuer and the Trustee, to an agent of the Trustee) within one Business Day of the Guarantor receiving the Payment Issuer Shares such number of units of stock (the "**Payment Ordinary Stock**") as, in the determination of the Calculation Agent, have a market value of not less than the relevant Payment to be satisfied in accordance with this Condition 6 provided that the Guarantor shall not be obliged to issue Payment Ordinary Stock if the Guarantor is not Solvent at the time of such issue or would not be Solvent immediately thereafter; and

(iii) the Trustee will use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Payment Ordinary Stock to or to the order of the Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the fourth Business Day prior to the date on which the relevant Payment is due and the Calculation Agent has agreed to use reasonable endeavours to procure purchasers for such Payment Ordinary Stock. The Calculation Agent has further agreed to deliver the proceeds of such sale to, or hold such proceeds to the order of, the Trustee who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant Payment on its due date to the Principal Paying Agent for application in accordance with Condition 6(c).

(c) Issue Satisfies Payment

Where the Issuer either elects or is required to satisfy a Payment hereunder by issuing Issuer Shares to the Trustee and in accordance with its obligations under the Trust Deed issues such Issuer Shares, such issue shall (subject to Condition 6(e)) satisfy the relevant Payment or, in the circumstances referred to in (d) below, the relevant part of such Payment if made in accordance with this Condition 6. The proceeds of sale of Payment Ordinary Stock resulting from the mandatory exchange of Payment Issuer Shares in accordance with this Condition 6 shall be paid by the Principal Paying Agent to the Holders in respect of the relevant Payment.

(d) Insufficiency

(i) If the Issuer is to satisfy a Payment in accordance with this Condition 6 and either the Issuer or the Guarantor does not, on the date when the number of Issuer Shares or units of Ordinary Stock (as the case may be) required to be issued is determined in accordance with this Condition 6, have sufficient number of, respectively, Issuer Shares or units of Ordinary Stock available for issue, then the Issuer or the Guarantor (as the case may be) shall notify the Guarantor or the Issuer (as the case may be) and the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to the circumstances described in this paragraph, in which case the same shall be satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Issuer or annual general court or extraordinary general court of stockholders of the Guarantor (as the case may be) at which a resolution is passed making a sufficient number of Issuer Shares or units of Ordinary Stock, as the case may be, available to satisfy all or such part of the relevant Payment, provided that if the number of Issuer Shares or units of Ordinary Stock authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Payment then those Issuer Shares or units of Ordinary Stock so issued shall (to the extent that the relevant number of Issuer Shares or units of Ordinary Stock (as the case may be) are also available) be applied by the Issuer in part satisfaction of all or such part of the relevant Payment. Following the passage of any such resolution, the Issuer or the Guarantor (as the case may be) shall notify the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders of the date upon which the relevant Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 Business Days' notice. The relevant Payment or, as the case may be, the part thereof which is not so satisfied shall, unless it is an Exceptionally Deferred

Coupon Payment, continue to accrue interest at a rate determined in accordance with Condition 4(b)(iii) from (and including) the date on which such Payment would otherwise have been due to (but excluding) the date on which such Payment or part thereof is satisfied or, in the event of a Market Disruption Event as described in Condition 6(e), the date on which such Payment or part thereof would, but for the occurrence of such Market Disruption Event, have been satisfied (from which date interest (if any) will accrue on such Payment as provided in Condition 6(e)). If, in the case of an insufficiency of Issuer Shares, the Issuer does not hold an annual or extraordinary general meeting at which a resolution to make a sufficient number of Issuer Shares so available is passed within six weeks of giving the above first-mentioned notice, the Trustee shall by notice require the Issuer to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within four weeks of such notice from the Trustee. If, in the case of an insufficiency of Ordinary Stock, the Guarantor does not hold an annual general court within six months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Stock so available is passed, the Trustee shall by notice require the Guarantor to convene an extraordinary general court at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee.

(ii) In the event that any such resolution proposed at any such annual general meeting, extraordinary general meeting, annual general court or extraordinary general court (as the case may be) is rejected, such resolution will then be proposed at the next following annual general meeting of the Issuer or annual general court of the Guarantor (as the case may be) and, if at such annual general meeting or annual general court such proposal is rejected again, from the date of such second rejection neither the Issuer nor the Guarantor may declare or pay a dividend or distribution (other than a dividend or distribution paid by the Issuer to the Guarantor, any holding company of the Guarantor or to another Wholly-Owned Subsidiary of the Guarantor) or, in the case of the Guarantor, make a payment under any applicable guarantee in respect of a dividend or distribution, on any of the ordinary share capital, preference share capital, ordinary stock, preference stock or other issued Tier 1 Capital of the Issuer or the Guarantor until such time as such resolution has been passed by the shareholders (or stockholders, as the case may be) of the relevant company or, if a similar restriction on payments is already in place pursuant to Condition 4(a)(iii) or Condition 4(b)(iii), until such time (if later) as such restriction ceases to apply.

(e) Market Disruption

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Issuer or the Guarantor (subject, where necessary, to determinations made by the Calculation Agent), a Market Disruption Event on or after the 15th Business Day preceding any date upon which a Payment or, in the case of an insufficiency as provided in paragraph (d) above, part thereof, is due to be satisfied in accordance with this Condition 6, then the Issuer or the Guarantor may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Payment or part thereof may be deferred until such time as (in the opinion of the Issuer or the Guarantor) the Market Disruption Event no longer exists.

Any such deferred Payment or part thereof will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred Payment or part thereof unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant Payment or part thereof for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred Payment or part thereof from (and including) the date on which the relevant Payment or part thereof was due to be made to (but excluding) the date on which such Payment or part thereof is made. Any such interest shall accrue at a rate determined in accordance with Condition 4(b)(iii) (in the case of a Deferred Coupon Payment) or Condition 5 (in any other case) and shall be satisfied only in accordance with this Condition 6 and as soon as reasonably practicable after the relevant deferred Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or any such agent, the Trustee or any such agent is unable to comply with the provisions of Condition 6(b).

7. ALTERNATIVE GUARANTEE SATISFACTION MECHANISM

(a) Alternative Guarantee Satisfaction Mechanism

(i) The Guarantor may only satisfy any Guarantee Coupon Payment in respect of either a Deferred Coupon Payment or an Exceptionally Deferred Coupon Payment through the issue of units of Ordinary Stock to the Trustee in accordance with this Condition 7, and may elect to so satisfy any other Guarantee Coupon Payment in full or in part (in which case any reference in this Condition 7 to a "Guarantee Coupon Payment" shall be construed accordingly).

(ii) The Guarantor may only satisfy a Guarantee Coupon Payment in accordance with this Condition 7 if it is Solvent at the time of satisfying such Guarantee Coupon Payment and would be Solvent immediately thereafter.

(iii) If the Guarantor elects to satisfy any Guarantee Coupon Payment in accordance with this Condition 7, then it shall notify the Issuer, the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Guarantee Coupon Payment Satisfaction Date.

(iv) The Guarantor has agreed in the Trust Deed that any obligation owed by the Issuer to the Guarantor in respect of payments made under the Guarantee will be satisfied only by the issue of Issuer Shares.

(b) Issue of Stock

If any Guarantee Coupon Payment is to be satisfied in full or in part through the issue to the Trustee of Ordinary Stock then, subject to Conditions 7(d), 7(e) and 9(d):

(i) by close of business on or before the seventh Business Day prior to the relevant Guarantee Coupon Payment Satisfaction Date, the Guarantor will issue to the Trustee (or, if so agreed between the Guarantor and the Trustee, to an agent of the Trustee) such number of units of Ordinary Stock (the "**Guarantee Payment Ordinary Stock**") as, in the determination of the Calculation Agent, have a market value of not less than the relevant Guarantee Coupon Payment to be satisfied in accordance with this Condition 7, provided that the Guarantor shall not be obliged to issue Ordinary Stock if it is not Solvent at the time of such issue or would not be Solvent immediately thereafter; and

(ii) the Trustee will use reasonable endeavours to effect the transfer or instruct its agent to effect the transfer of such Guarantee Payment Ordinary Stock to or to the order of the Calculation Agent (subject to any necessary consents being obtained) as soon as practicable and in any case not later than by close of business on the sixth Business Day prior to the date on which the relevant Guarantee Coupon Payment is due and the Calculation Agent has agreed to use reasonable endeavours to procure purchasers for such Guarantee Payment Ordinary Stock. The Calculation Agent has further agreed to deliver the proceeds of such sale to, or hold such proceeds to the order of, the Trustee who shall pay or procure that its agent pays such proceeds as it holds in respect of the relevant Guarantee Coupon Payment on its due date to the Principal Paying Agent for application in accordance with Condition 7(c).

(c) Issue Satisfies Guarantee Coupon Payment

Where the Guarantor elects to satisfy a Guarantee Coupon Payment hereunder by issuing Ordinary Stock to the Trustee and in accordance with its obligations under the Trust Deed issues such Ordinary Stock, such issue shall (subject to Condition 7(e)) satisfy the relevant Guarantee Coupon Payment or, in the circumstances referred to in (d) below, the relevant part of such Guarantee Coupon Payment if made in accordance with this Condition 7. The proceeds of sale of Ordinary Stock shall be paid by the Principal Paying Agent to the Holders in respect of the relevant Guarantee Coupon Payment.

(d) Insufficiency

(i) If the Guarantor is to satisfy a Guarantee Coupon Payment in accordance with this Condition 7 and it does not, on the date when the number of units of Ordinary Stock required to be issued is determined in accordance with this Condition 7, have a sufficient number of units of Ordinary Stock available for issue, then it shall notify the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders that all or part, as the case may be, of the relevant Guarantee Coupon Payment cannot be so satisfied due to the circumstances described in this paragraph, in which case the same shall be satisfied following the date of the next annual general court or extraordinary general court of stockholders of the Guarantor at which a resolution is passed making a sufficient number of units of Ordinary Stock available to satisfy all or such part of the relevant Guarantee Coupon Payment, provided that if the number of units of Ordinary Stock authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Guarantee Coupon Payment then those units of Ordinary Stock so issued shall be applied by it in part satisfaction of all or such part of the relevant Guarantee Coupon Payment.

Following the passage of any such resolution, the Guarantor shall notify the Issuer, the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders of the date upon which the relevant Guarantee Coupon Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 Business Days' notice. Unless such Payment is an Exceptionally Deferred Coupon Payment, in which case no interest shall accrue thereon, interest shall continue to accrue in accordance with these Conditions on all or the appropriate part, as the case may be, of the Payment corresponding to the Guarantee Coupon Payment, or part thereof, which is not so satisfied. Notwithstanding anything in these Conditions to the contrary, such interest shall accrue at the rate determined in accordance with Condition 4(b)(iii) from (and including) the date on which the applicable Guarantee Coupon Payment would otherwise have been due to (but excluding) the date on which such Guarantee Coupon Payment or part thereof is satisfied or, in the event of a Market Disruption Event as described in Condition 7(e), the date on which such Guarantee Coupon Payment or part thereof would, but for the occurrence of such Market Disruption Event, have been satisfied (from which date interest (if any) shall accrue on such payment as provided in Condition 7(e)). If the Guarantor does not hold an annual general court within six months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of units of Ordinary Stock so available is passed, the Trustee shall by notice require the Guarantor to convene an extraordinary general court at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee.

(ii) In the event that any such resolution proposed at any such annual general court or extraordinary general court is rejected, such resolution will then be proposed at the next following annual general court of the Guarantor and, if at such annual general court such proposal is rejected again, from the date of such second rejection neither the Issuer nor the Guarantor may declare or pay a dividend or distribution (other than a dividend or distribution paid by the Issuer to the Guarantor, any holding company of the Guarantor or to another Wholly-Owned Subsidiary of the Guarantor), or, in the case of the Guarantor, make a payment under any applicable guarantee in respect of a dividend or distribution on any of the ordinary share capital, preference share capital, ordinary stock, preference stock or other issued Tier 1 Capital of the Issuer or the Guarantor until such time as such resolution has been passed by the stockholders of the Guarantor or, if a similar restriction on payments is already in place pursuant to Condition 4(a)(iii) or Condition 4(b)(iii), until such time (if later) as such restriction ceases to apply.

(e) Market Disruption

Notwithstanding the provisions of Condition 7(b), if there exists, in the opinion of the Guarantor (subject, where necessary, to determinations made by the Calculation Agent), a Market Disruption Event on or after the 15th Business Day preceding any date upon which a Guarantee Coupon Payment or, in the case of an insufficiency as provided in Condition 7(d), part thereof is due to be satisfied in accordance with this Condition 7, then the Guarantor may give a notice to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Guarantee Coupon Payment or part thereof may be deferred until such time as (in the opinion of the Guarantor) the Market Disruption Event no longer exists.

Any such deferred Guarantee Coupon Payment will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Notwithstanding anything in these Conditions to the contrary, interest shall not accrue on the Payment, or part thereof, corresponding to the Guarantee Coupon Payment or part thereof which is deferred unless, as a consequence of the existence of a Market Disruption Event, the Guarantor does not make the relevant Guarantee Coupon Payment or part thereof for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such Payment or part thereof from (and including) the date on which the relevant Guarantee Coupon Payment was due to be made to (but excluding) the date on which such Guarantee Coupon Payment or part thereof is made. Notwithstanding anything in these Conditions to the contrary, any such interest shall accrue at a rate determined in accordance with Condition 4(b)(iii) (where the Payment to which the Guarantee Coupon Payment relates is a Deferred Coupon Payment) or Condition 5 (in any other case) and shall be satisfied only in accordance with this Condition 7 and as soon as reasonably practicable after the relevant deferred Guarantee Coupon Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or any such agent, the Trustee or any such agent is unable to comply with the provisions of Condition 7(b). For the avoidance of doubt, interest accruing in respect of a Guarantee Coupon Payment pursuant to this Condition 7 shall not separately accrue on the Payment to which the Guarantee Coupon Payment relates.

8. EXCHANGE, VARIATION OR REDEMPTION

(a) No Fixed Redemption Date

The Preferred Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 13) only have the right to repay them in accordance with the following provisions of this Condition 8 or in the circumstances provided for in Condition 9(d).

Any redemption or purchase of the Preferred Securities is subject to the prior consent of the Central Bank of Ireland.

(b) Issuer's Call Option

(i) Subject to Condition 2(a)(ii)(1), the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 17 and to the Principal Paying Agent and the Trustee, which notice shall be irrevocable, elect, with the consent of the Guarantor, to redeem all, or some only, of the Preferred Securities on the First Reset Date or any Coupon Payment Date thereafter at their principal amount together with any Outstanding Payments.

(ii) In the case of a partial redemption of Preferred Securities, the Preferred Securities to be redeemed will be selected in such place as the Trustee may approve and in such manner as the Trustee shall deem appropriate and fair, not more than 45 days before the date fixed for redemption. Notice of any such redemption will be given not less than 15 days before the date fixed for redemption. Each notice will specify the date fixed for redemption and the aggregate principal amount of the Preferred Securities to be redeemed, the serial numbers of the Preferred Securities called for redemption, the serial numbers of the Preferred Securities previously called for redemption and not presented for payment and the aggregate principal amount of the Preferred Securities which will be outstanding after the partial redemption. Following each partial redemption of the Preferred Securities, the Issuer will notify the Luxembourg Stock Exchange of the outstanding principal amount of the Preferred Securities.

(c) Exchange, Variation or Redemption due to Taxation

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next due date for a Coupon Payment:

(i) either (1) the Issuer would be unable to make such payment without being required to pay additional amounts as provided in Condition 12 or (2) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making such payment itself would be required to pay any additional amounts as aforesaid in each case as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or Ireland or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 28 February 2001 and the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures (acting in good faith but not involving material cost or expense) available to it; or

(ii) in respect of the Issuer, payments of amounts in respect of interest on the Preferred Securities including, for the avoidance of doubt, the issue of Issuer Shares pursuant to Condition 6, may be treated as "distributions" within the meaning of Section 832(1) of the Income and Corporation Taxes Act 1988 (or such other Section and/or Act as may from time to time supersede or replace Section 832(1) of the Income and Corporation Taxes Act 1988 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith but not involving material cost or expense) deems appropriate; or

(iii) in respect of the Issuer, as a result of any change in or proposed change in, or amendment to or proposed amendment to, the laws of the United Kingdom or any political subdivision or authority thereof having power to tax, or any change in or proposed change in the application of official or generally published interpretation of such laws, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such law or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Preferred Securities, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by Act of Parliament or made by Statutory Instrument on or after 28 February 2001, there is more than an insubstantial risk that the Issuer will not obtain full or substantially full relief for the purposes of United Kingdom corporation tax for the next following payment of interest including, for the avoidance of doubt, where the payment of interest is to be satisfied by the issue of Issuer Shares and Ordinary Stock pursuant to Condition 6 or, as a result of the Preferred Securities being in issue, the Issuer may be unable to claim or surrender losses as group relief, and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith but not involving material cost or expense) deems appropriate,

then the Issuer may (subject to the prior consent of the Central Bank of Ireland and of the Guarantor but without any requirement for the consent or approval of the Holders or, save as specified below, the Trustee), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) either (xx) exchange the Preferred Securities for, or vary (together with, in the case of the Guarantor, the Guarantee) the terms of the Preferred Securities and the Guarantee so that they become, Upper Tier 2 Securities on terms which preserve any existing rights under these Terms and Conditions to Outstanding Payments or (yy) (subject to Condition 2(a)(ii)(1)) redeem, in accordance with these Terms and Conditions, all, but not some only, of the Preferred Securities at their principal amount or (in respect only of a redemption by reason of the circumstances referred to in paragraph (ii) above where the relevant requirement or circumstance does not result from a change or amendment to the laws or regulations of the United Kingdom or Ireland or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such rules and regulations) at the Redemption Price at any time on or prior to the First Reset Date or on any Coupon Payment Date thereafter, in each case together with any Outstanding Payments.

The Trustee shall use its reasonable endeavours to assist the Issuer in the exchange or variation of the Preferred Securities (and the Guarantee) for or into Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the Preferred Securities are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon the Trustee. If the Trustee does not so participate or assist as provided above, the Issuer may redeem the Preferred Securities in accordance with the foregoing provisions at their principal amount on any Coupon Payment Date together with any Outstanding Payments.

If, where the Issuer has elected to exchange or vary the Preferred Securities for or into Upper Tier 2 Securities in accordance with (xx) above, (a) the consent of the Central Bank of Ireland to such exchange or variation is not given or, (b) the Preferred Securities cannot be so exchanged or varied for or into Upper Tier 2 Securities (in which case the Issuer shall deliver to the Trustee an opinion of independent legal advisers of recognised standing stating that (in their opinion) the Preferred Securities cannot be exchanged for or varied into Upper Tier 2 Securities and the Trustee shall accept such opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders), or (c) any of the conditions listed in paragraphs (i) to (iii) above apply or continue to apply to Upper Tier 2 Securities for or into which the Preferred Securities have been exchanged or varied, or (d) the Issuer shows to the satisfaction of the Trustee that any of the conditions listed in paragraphs (i) to (iii) above would apply if such exchange or variation were to take place, the Issuer may, subject to Condition 2(a)(ii)(1) and, having given not less that 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem, in accordance with these Terms and Conditions, at any time on or prior to the First Reset Date or on any Coupon Payment Date thereafter, all, but not some only, of the Preferred Securities or any such Upper Tier 2 Securities for or into which they have been exchanged or varied at their principal amount together with any Outstanding Payments.

Prior to the publication of any notice of exchange, variation or redemption pursuant to this Condition 8(c), the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, if the Issuer is in the course of being wound up, by the liquidator stating that (in their or, as the case may be, its opinion) the relevant requirement or circumstance referred to in paragraph (i), (ii) or (iii) above either is satisfied or (as the context may require) would be satisfied were such exchange or variation to take place. The Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above in which event it shall be conclusive and binding on the Holders.

(d) Exchange, Variation or Redemption for Regulatory Purposes

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that the Central Bank of Ireland has determined that the Preferred Securities no longer qualify as Tier 1 Capital of the Guarantor, then the Issuer may (subject to the prior consent of the Central Bank of Ireland and of the Guarantor but without any requirement for the consent or approval of the Holders or, save as specified below, the Trustee), having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable) either (aa) exchange the Preferred Securities for, or vary (together with, in the case of the Guarantee, the Guarantor) the terms of the Preferred Securities and the Guarantee so that they become, Upper Tier 2 Securities on terms which preserve any existing rights under these Terms and Conditions to Outstanding Payments or (bb) (subject to Condition 2(a)(ii)(1)) redeem, in accordance with these Terms and Conditions, at any time on or prior to the First Reset Date or on any Coupon Payment Date thereafter, all, but not some only, of the Preferred Securities at the Redemption Price together with any Outstanding Payments.

The Trustee shall use its reasonable endeavours to assist the Issuer in the exchange or variation of the Preferred Securities for or into Upper Tier 2 Securities, provided that the Trustee shall not be obliged to participate or assist in any such exchange or variation if, in its opinion, the terms of the securities into which the Preferred Securities are to be exchanged or are to be varied impose, in the Trustee's opinion, more onerous obligations upon it. If the Trustee does not so participate or assist as provided above, the Issuer may, subject as provided above, redeem the Preferred Securities in accordance with the foregoing provisions at their principal amount at any time on or prior to the First Reset Date or on any Coupon Payment Date thereafter together with any Outstanding Payments.

If, where the Issuer has elected to exchange or vary the Preferred Securities for or into Upper Tier 2 Securities in accordance with (aa) above, (a) the consent of the Central Bank of Ireland to such exchange or variation is not given or, (b) the Preferred Securities cannot be so exchanged or varied for or into Upper Tier 2 Securities (in which case the Issuer shall deliver to the Trustee an opinion of independent legal advisers of recognised standing stating that (in their opinion) the Preferred Securities cannot be exchanged for or varied into Upper Tier 2 Securities and the Trustee shall accept such opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders), do not (or would not, if so exchanged or varied) qualify as Upper Tier 2 Capital, or (c) any of the conditions listed in paragraphs (i) to (iii) of Condition 8(c) above apply, or would apply, to such Upper Tier 2 Securities (in which case the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, if the Issuer is in the course of being wound up, by the liquidator stating that (in their or, as the case may be, its opinion) the relevant requirement or circumstance referred to in paragraph (i), (ii) or (iii) of Condition 8(c) either is satisfied or (as the context may require) would be satisfied were such exchange or variation to take place, and the Trustee shall accept such certificate as sufficient evidence thereof, in which event it shall be conclusive and binding on the Holders) the Issuer may, subject to Condition 2(a)(ii)(1) and having given not less than 30 nor more than 60 days' notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 17, the Holders (which notice shall be irrevocable), redeem, in accordance with these Terms and Conditions, at any time on or prior to the First Reset Date or on any Coupon Payment Date thereafter, all, but not some only, of the Preferred Securities or any such Upper Tier 2 Securities for or into which they have been exchanged or varied at their principal amount together with any Outstanding Payments.

(e) Purchases

The Issuer, the Guarantor or any other Subsidiary of the Guarantor may (subject to (i) the prior consent of the Central Bank of Ireland and, in the case of the Issuer or another Subsidiary of the Guarantor, the Guarantor and (ii) Conditions 2(a)(ii)(1) (in respect of the Issuer) and 2(b)(iii)(1) (in respect of the Guarantor or any other Subsidiary of the Guarantor)) at any time purchase Preferred Securities in any manner and at any price. In each case purchases will be made together with all unmatured Coupons and Talons (if any) appertaining thereto. The restrictions contained in this Condition shall not apply to any purchase of Preferred Securities where such purchase is made (i) in the ordinary course of a business of dealing in securities and (ii) for the account of a person other than the Issuer, the Guarantor or any other Subsidiary of the Guarantor.

(f) Cancellation

All Preferred Securities so redeemed by the Issuer and any unmatured Coupons and Talons (if any) appertaining thereto will be cancelled and may not be reissued or resold. Preferred Securities purchased by the Issuer, the Guarantor or any other Subsidiary of the Guarantor may be held, reissued or resold or, where purchased by the Issuer, at the option of the Issuer surrendered to any Paying Agent for cancellation.

9. PAYMENTS

(a) Method of Payment

(i) Payments of principal and Coupon Amounts will be made by or on behalf of the Issuer against presentation and surrender of Preferred Securities or the appropriate Coupons at the specified office of any of the Paying Agents except that payments of Coupon Amounts in respect of any period not ending on a Coupon Payment Date will only be made upon surrender of the relative Preferred Security. Such payments will be made, at the option of the payee by euro cheque drawn on, or by transfer to a euro account maintained by the payee with, a bank in the Euro-zone.

(ii) Upon the due date for redemption of any Preferred Security, any unexchanged Talon relating to such Preferred Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon and unmatured Coupons relating to such Preferred Security (whether or not attached) shall also become void and no payment shall be made in respect of them. If any Preferred Security is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(iii) On or after the Coupon Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Preferred Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Principal Paying Agent in exchange for a further Coupon sheet (and another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 13).

(iv) The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee, such approval not to be unreasonably withheld, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain (aa) a Paying Agent having a specified office outside Ireland and the United Kingdom, (bb) (where applicable) at least one Paying Agent located in a jurisdiction which has opted for exchange of information, rather than withholding or deduction, pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting on 26–27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive and (cc) for so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, a Paying Agent having a specified office in Luxembourg. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 17.

(b) Payments Subject to Fiscal Laws

Without prejudice to the terms of Condition 12, all payments made in accordance with these Terms and Conditions shall be made subject to any fiscal or other laws and regulations applicable in the place of payment. No commissions or expenses shall be charged to the Holders in respect of such payments.

(c) Payments on Payment Business Days

A Preferred Security or a Coupon may only be presented for payment on a day which is a Payment Business Day. No further interest or other payment will be made as a consequence of the day on which the relevant Preferred Security or Coupon may be presented for payment under this paragraph falling after the due date.

(d) Suspension

If, following any take-over offer made under the Irish Take-over Panel Act 1997 Takeover Rules 1997 or any reorganisation, restructuring or scheme of arrangement, the Guarantor or any subsequent New Owner ceases to be the ultimate holding company of the Governor and Company of the Bank of Ireland group of companies, then the Issuer or the Guarantor shall as soon as practicable give notice to the Trustee, the

Calculation Agent and the Holders, whereupon the Issuer's right or obligation to satisfy a Payment by the method contemplated by Condition 6 and the Guarantor's right or obligation to satisfy a Guarantee Coupon Payment by the method contemplated by Condition 7 shall each be suspended (such event being a "Suspension"). In such event an independent investment bank appointed by the Issuer (at the Issuer's (failing whom, the Guarantor's) expense) and approved by the Trustee shall determine, subject to the requirements that (i) neither the Issuer nor the Guarantor shall be obliged to reduce its net assets, (ii) no amendment may be proposed or made which would alter the regulatory capital treatment of the Preferred Securities for banking capital adequacy purposes without the prior consent of the Central Bank of Ireland, and (iii) no such amendment may be made which would, in the Trustee's opinion, impose more onerous obligations on the Trustee without its consent, what amendments (if any) to these Terms and Conditions, the Trust Deed and any other relevant documents are appropriate in order to preserve substantially the economic effect for the Holders, of a holding of the Preferred Securities prior to the Suspension. Upon any such determination being reached and notified to the Trustee, the Issuer and the Guarantor by such investment bank, the Trustee, the Issuer and the Guarantor shall, pursuant to the terms of the Trust Deed and without the consent of the Holders or Couponholders, effect any necessary consequential changes to these Terms and Conditions and the Trust Deed and any other relevant documents, whereupon the Issuer's right or obligation to satisfy a Payment by the method contemplated in Condition 6 and the Guarantor's right or obligation to satisfy a Guarantee Coupon Payment by the method contemplated by Condition 7 shall no longer be subject to the Suspension.

If, after using all reasonable endeavours, such investment bank is unable to formulate such amendments, it shall so notify the Issuer, the Guarantor, the New Owner, the Trustee, the Principal Paying Agent and the Calculation Agent and each Preferred Security shall (subject to the prior consent of the Central Bank of Ireland) be redeemed by the Issuer, following notice to the Holders by the Issuer of such redemption as soon as practicable after receipt of the consent of the Central Bank of Ireland, at the Redemption Price, together with any Outstanding Payments, not later than the 60th Business Day following the giving of such notice by the Issuer to the Holders. Such redemption will, unless otherwise agreed by the Issuer, the Guarantor and the Trustee, and with the consent of the Central Bank of Ireland, be effected through the issue of Issuer Shares, such Issuer Shares to be transferred to the New Owner in consideration for which the New Owner issues and transfers its ordinary shares (or share capital of an equivalent class) in accordance, *mutatis mutandis*, with Conditions 6(b), (c), (d) and (e) (with references to the Payment Ordinary Stock being construed as references to such ordinary shares or stock or equivalent share capital or stock of the New Owner as, when sold (and, if necessary, converted into euro by the Calculation Agent) provide a net cash amount of not less than the redemption amount so payable by the Issuer).

(e) Alternative Settlement

The Issuer may elect to satisfy any Payment (in full or in part) through the issue of Issuer Shares to the Trustee (with the subsequent issue by the Guarantor to the Trustee of units of Payment Ordinary Stock in exchange therefor) in accordance with the procedures set out in Condition 6.

10. PRE-EMPTION

The Issuer shall, from time to time, keep available for issue such number of Issuer Shares as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Issuer Shares in accordance with Condition 6 in connection with the next Coupon Payment or, following the First Reset Date, the next four Coupon Payments.

The Guarantor shall, from time to time, keep available for issue such units of Ordinary Stock as it reasonably considers would be required to be issued in order to satisfy the requirement to issue Payment Ordinary Stock in accordance with Condition 6 or Guarantee Payment Ordinary Stock in accordance with Condition 7 in connection with the next Coupon Payment or, following the First Reset Date, the next four Coupon Payments.

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer or the Guarantor of this Condition 10, the Trustee may require the Issuer or, as the case may be, the Guarantor to put before the next general meeting of the shareholders of the Issuer or, as the case may be, the stockholders of the Guarantor a resolution to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Issuer or the Guarantor with this Condition and shall be entitled to assume, unless it has actual knowledge to be contrary, that each of the Issuer and the Guarantor is complying with its obligations under this Condition.

11. NON-PAYMENT WHEN DUE

Notwithstanding any of the provisions below in this Condition 11, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(a)(iii)(1) and subject as provided in the next sentence no principal or Payment will be due by the Issuer if the Issuer is not Solvent. Pursuant to Condition 2(b)(iii)(1) no principal or Payment will be due by the Guarantor under the Guarantee if the Guarantor is not Solvent provided that payments of principal and/or Payments in respect of the Preferred Securities shall be deemed to be due and payable in full by the Issuer for the purpose of the obligations of the Guarantor under the Guarantee notwithstanding that, as a result of the operation of Conditions 2(a) and/or 3(a), they are not in fact due and payable by the Issuer. Also, in the case of any Payment, such Payment will not be due if the Issuer has been required or has elected (as the case may be) to defer that Payment pursuant to Condition 4(a) or 4(b) or if the circumstances referred to in any of Conditions 6(d), 6(e) or 9(d) then apply. For the purpose of the obligations of the Guarantor under the Guarantee, no Guarantee Coupon Payment shall be due and payable if the Guarantor is obliged or has elected to satisfy any Guarantee Coupon Payment through the issue of units of Ordinary Stock to the Trustee in accordance with Condition 7 and the circumstances referred to in Condition 7(d), 7(e) or 9(d) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer (failing whom the Guarantor), inter alia, *the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.*

(a) If the Issuer or the Guarantor shall not make payment in respect of the Preferred Securities (in the case of payment of principal) for a period of 14 days or more after the due date for the same or (in the case of any Coupon Amount, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment or Accrued Coupon Payment or any payment under Clause 2.6 of the Trust Deed in respect of a payment shortfall) shall not make payment for a period of 14 days or more after the date on which such payment is due, the Issuer or, as the case may be, the Guarantor shall be deemed to be in default under the Trust Deed, the Preferred Securities and the Coupons and the Trustee may, notwithstanding the provisions of paragraph (b) of this Condition 11, institute proceedings for the winding-up of the Issuer and/or the Guarantor (as the case may be).

(b) Subject as provided in this Condition 11, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer or the Guarantor (as the case may be) as it may think fit to enforce any term or condition binding on the Issuer or the Guarantor (as the case may be) under the Trust Deed, the Preferred Securities or the Coupons (other than for the payment of any principal or satisfaction of any Payments in respect of the Preferred Securities or the Coupons, including any payment under Clause 2.6 of the Trust Deed) provided that the Issuer or the Guarantor (as the case may be) shall not by virtue of the institution of any such proceedings be obliged (i) to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it or (ii) to pay any damages.

(c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer and/or the Guarantor (as the case may be) to enforce the terms of the Trust Deed, the Guarantee, the Preferred Securities or the Coupons unless (i) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least one-fifth in principal amount of the Preferred Securities then outstanding and (ii) it shall have been indemnified to its satisfaction.

(d) No Holder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor (as the case may be) pursuant to paragraph (b) above, or to institute proceedings for the winding-up of the Issuer or the Guarantor (as the case may be) under any of the provisions of this Condition 11 or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder or Couponholder shall have only such rights against the Issuer or the Guarantor (as the case may be) as those which the Trustee is entitled to exercise. No remedy against the Issuer or the Guarantor (as the case may be) shall be available to the Trustee or any Holder or Couponholder (i) for the recovery of amounts owing in respect of the Preferred Securities or the Coupons (including any payment under Clause 2.6 of the Trust Deed), other than the institution of proceedings for the winding-up of the Issuer or the Guarantor (as the case may be) and/or proving in such winding-up and (ii) for the breach of any other term under the Trust Deed, the Guarantee, the Preferred Securities or the Coupons, other than as provided in paragraph (b) above.

(e) Any proceedings for the winding-up of the Issuer or the Guarantor may be instituted (i) in the case of the Issuer, in Northern Ireland (ii) in the case of the Guarantor, in Ireland. No such proceedings may be instituted in any other jurisdiction.

12. TAXATION

All payments by the Issuer or the Guarantor of principal, Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments, Accrued Coupon Payments and Winding-Up Claims in respect of the Preferred Securities will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the United Kingdom or Ireland or in each case any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts receivable by Holders or Couponholders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Preferred Securities or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Preferred Security or Coupon presented for payment:

(a) by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Preferred Security or Coupon by reason of his having some connection with the United Kingdom (in the case of payments by the Issuer) or Ireland (in the case of payments by the Guarantor or the Issuer) other than the mere holding or ownership of such Preferred Security or Coupon; or

(b) unless it is proved to the satisfaction of the Paying Agent to whom the same is presented that the holder would not be able to avoid such withholding or deduction by satisfying any statutory requirements and/or by making a declaration of non-residence or other similar claim for exemption but, in either case, fails to do so; or

(c) in the United Kingdom (in the case of payments by the Issuer) or Ireland (in the case of payments by the Guarantor or the Issuer); or

(d) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(e) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Preferred Security or Coupon to another Paying Agent in a Member State of the European Union; or

(f) more than 30 days after the Relevant Date except to the extent that the holder thereof would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days.

References in these Terms and Conditions to principal, Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments and/or Accrued Coupon Payments shall be deemed to include any additional amounts which may become payable in respect of any such sums in accordance with these Terms and Conditions and the Trust Deed.

13. PRESCRIPTION

Preferred Securities and Coupons (which for this purpose shall not include Talons) will become void unless presented for payment within a period of 10 years in the case of Preferred Securities and five years in the case of Coupons from the Relevant Date relating thereto. There shall be no prescription period for Talons but there shall not be included in any Coupon sheet issued in exchange for a Talon any Coupon the claim in respect of which would be void pursuant to this Condition or Condition 9(a)(ii) or any Talon which would be void pursuant to Condition 9(a)(ii).

14. MEETINGS OF HOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests including the modification by Extraordinary Resolution (as defined in the Trust Deed) of these Terms and Conditions or other provisions of the Trust Deed.

The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Preferred Securities for the time being outstanding, or at any adjourned such meeting one or more persons being or representing Holders whatever the principal amount of the Preferred Securities so held or represented, except that at any adjourned meeting the business of which includes the modification of certain of these Terms and Conditions (including, *inter alia*, the provisions regarding subordination referred to in Conditions 2 and 3, the terms concerning currency and due dates for payment of principal or Coupon Payments in respect of the Preferred Securities and reducing or cancelling the principal amount of any Preferred Security or the Coupon Rate) and certain other provisions of the Trust Deed the quorum will be one or more persons holding or representing not less than one-third in principal amount of the Preferred Securities for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Holders will be binding on all Holders, whether or not they are present at the meeting, and on all Couponholders.

Notwithstanding any other provision of these Terms and Conditions, the Trustee may agree, without the consent of the Holders or Couponholders, to any modification (subject to certain exceptions) of, or to any waiver or authorisation of any breach or proposed breach of, any of these Terms and Conditions or any other provisions of the Trust Deed which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Holders or to any modification which is of a formal, minor or technical nature or to correct a manifest error or to comply with the mandatory provisions of the law of the jurisdiction in which the Issuer or the Guarantor is incorporated.

No modification to these Terms and Conditions or any other provisions of the Trust Deed shall become effective unless the prior consent thereto of the Central Bank of Ireland shall have been obtained.

Subject to the prior consent of the Central Bank of Ireland and as provided in the Trust Deed, the Trustee may agree with the Issuer and the Guarantor, without the consent of the Holders or Couponholders, to the substitution on a subordinated basis equivalent to that referred to in these Terms and Conditions in place of:

(a) the Issuer (or any previous Substituted Issuer under this Condition 14) as a new issuing party under the Trust Deed, the Preferred Securities and the Coupons, of the Guarantor, any other Subsidiary of the Guarantor, any successor in business of the Issuer or any Subsidiary of any successor in business of the Guarantor or any holding company of the Guarantor (the "Substituted Issuer"); or

(b) the Guarantor (or any previous Substituted Guarantor under this Condition 14) as the guarantor of the obligations of the Issuer under the Trust Deed of any successor in business of the Guarantor or any holding company of the Guarantor (the "Substituted Guarantor").

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder or Couponholder be entitled to claim, from the Issuer, the Substituted Issuer, the Guarantor, the Substituted Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders or Couponholders except to the extent already provided for in Condition 12 and/or any undertaking given in addition to, or in substitution for, Condition 12 pursuant to the Trust Deed.

Any such modification, waiver, authorisation or substitution shall be binding on all Holders and all Couponholders and, unless the Trustee agrees otherwise, any such modification or substitution shall be notified to the Holders in accordance with Condition 17 as soon as practicable thereafter.

15. REPLACEMENT OF THE PREFERRED SECURITIES, COUPONS AND TALONS

Should any Preferred Security, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent (or any other place of which notice shall have been given in accordance with Condition 17) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Preferred Securities, Coupons or Talons must be surrendered before any replacement Preferred Securities, Coupons or Talons will be issued.

16. THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor or any other Subsidiary of the Guarantor without accounting for any profit resulting therefrom. The Trustee is entitled under the Trust Deed to rely on reports and certificates addressed and/or delivered to it by any two Directors or the liquidator of the Issuer or the Guarantor (as the case may be) whether or not, in the case of a liquidator, the same are subject to any limitation on the liability of such liquidator and whether by reference to a monetary cap or otherwise.

17. NOTICES

Notices to Holders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*) and for so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, in Luxembourg (which is expected to be the *Luxemburger Wort*). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Holders in accordance with this Condition.

18. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Holders or the Couponholders to create and issue further Preferred Securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Preferred Securities) and so that the same shall be consolidated and form a single series with the outstanding Preferred Securities. Any such Preferred Securities shall be constituted by a deed supplemental to the Trust Deed.

19. AGENTS

The Issuer and the Guarantor will procure that there shall at all times be a Calculation Agent and a Principal Paying Agent so long as any Preferred Security is outstanding. If either the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Terms and Conditions or the Calculation Agency Agreement or the Agency Agreement, as appropriate, the Issuer and the Guarantor shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Principal Paying Agent nor the resignation of either will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent or the Principal Paying Agent in relation to the Preferred Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Guarantor, the Trustee, the Paying Agents, the Holders and the Couponholders.

None of the Issuer, the Guarantor, the Trustee and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation by the Calculation Agent.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

The Trust Deed, the Preferred Securities, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of England except that (i) the provisions relating to subordination and winding-up contained in Conditions 2(a) and 3(a) and, in relation to the Issuer, Condition 2(c) and the equivalent provisions of the Trust Deed are governed by, and shall be construed in accordance with, the laws of Northern Ireland, and (ii) the provisions relating to subordination and winding-up contained in Conditions 2(b) and 3(b) and, in relation to the Guarantor, Condition 2(c) and the equivalent provisions of the Trust Deed are governed by, and shall be construed in accordance with, the laws of Ireland.

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally agreed for the exclusive benefit of the Trustee, the Holders and the Couponholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Preferred Securities or the Coupons and that accordingly any suit, action or proceedings arising thereout or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally waived and agreed not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction. Nothing in this Condition shall limit any right to take Proceedings against the Issuer or the Guarantor in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

Each of the Issuer and the Guarantor has in the Trust Deed irrevocably and unconditionally appointed the person for the time being nominated by the Guarantor under Part XXIII of the Companies Act 1985 as its agent for service of process in England in respect of any Proceedings and has undertaken that in the event of the Guarantor ceasing to be registered under Part XXIII of the Companies Act 1985 it will appoint such other person as the Trustee may approve as its agent for that purpose. At 7 March 2001, the name and address of such person is Margaret O'Flanagan of 36 Queen Street, London EC4R 1BN.

Notwithstanding the foregoing, the institution of winding-up proceedings against the Issuer and the Guarantor is governed by Condition 11(e).

21. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Preferred Securities under the Contracts (Rights of Third Parties) Act 1999.

22. DEFINITIONS

In these Terms and Conditions:

"Accrued Coupon Payment" means, as at any time, where these Terms and Conditions provide that interest shall continue to accrue after a Coupon Payment Date in respect of a Preferred Security, the amount of interest accrued thereon in accordance with Conditions 4(b), 5, 6(d), 6(e), 7(d) and 7(e);

"Agency Agreement" means the agency agreement dated 7 March 2001 between the Issuer, the Guarantor, the Trustee and the Paying Agents relating to the Preferred Securities under which each Paying Agent agrees to perform the duties required of it under these Terms and Conditions, as amended, supplemented and/or restated from time to time;

"Assets" means, in respect of the Issuer or the Guarantor (as the case may be), its unconsolidated gross assets, all as shown in its latest published audited balance sheet, but adjusted for contingent assets and for subsequent events, all in such manner as the directors or the liquidator (as the case may be) may determine;

"Auditors" means the statutory auditors to the Issuer or the Guarantor (as the case may be) or such other auditors to the Issuer or the Guarantor (as the case may be) as may be appointed from time to time;

"Authorised Denominations" means €1,000, €10,000 and €100,000;

"Business Day" means a day, other than a Saturday or Sunday, which is (i) a TARGET Business Day and (ii) a day on which commercial banks and foreign exchange markets are open for general business in London;

"Calculation Agency Agreement" means the calculation agency agreement dated 7 March 2001 between the Issuer, the Guarantor, the Trustee and the Calculation Agent, relating to the Preferred Securities under which the Calculation Agent agrees to perform the duties required of it under these Terms and Conditions, as amended, supplemented and/or restated from time to time;

"Calculation Agent" means Cazenove & Co., as calculation agent in relation to the Preferred Securities, or its successor or successors for the time being appointed under the Calculation Agency Agreement;

"Capital Regulations" means at any time the regulations, requirements, guidelines and policies relating to capital adequacy then in effect of the Central Bank of Ireland or such other governmental authority in Ireland (or, if the Guarantor becomes domiciled in a jurisdiction other than Ireland, in such other jurisdiction) having primary bank supervisory authority with respect to the Guarantor;

"Coupon" means an interest coupon relating to a Preferred Security and includes, where the context so permits, a Talon;

"Coupon Amount" means (i) in respect of a Coupon, the amount of interest payable on the presentation and surrender of such Coupon for the relevant Coupon Period in accordance with Condition 5 and (ii) for the purposes of Conditions 8(c), 8(d) and 9(d), any interest accrued from and including the preceding Coupon Payment Date (or, if none, the Issue Date) to but excluding the due date for redemption if not a Coupon Payment Date;

"Coupon Determination Date" means, in relation to each Reset Date, the second Business Day prior to such Reset Date;

"Coupon Payment" means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

"Coupon Payment Date" means (i) in respect of the period from the Issue Date to (and including) the First Reset Date 7 March in each year, starting 7 March 2002, and (ii) after the First Reset Date, 7 March, 7 June, 7 September and 7 December in each year, starting 7 June 2011, provided that if any Coupon Payment Date after the First Reset Date would otherwise fall on a day which is not a TARGET Business Day, it shall be postponed to the next day which is a TARGET Business Day;

"Coupon Period" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period beginning on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date or, if applicable, the due date for redemption, if not a Coupon Payment Date;

"Couponholder" means the bearer of any Coupon;

"Coupon Rate" has the meaning given to it in Condition 5(b);

"Dated Subordinated Debt" means (i) the £100,000,000 9.75 per cent. Subordinated Bonds due 2005, (ii) the US$175,000,000 Subordinated Floating Rate Notes due 2007, (iii) the £200,000,000 Subordinated Floating Rate Notes due 2009, and (iv) the €750,000,000 6.45 per cent. Subordinated Notes due 2010, in each case issued by the Guarantor, and (v) any other obligations of the Guarantor which rank or are expressed to rank *pari passu* with the aforesaid obligations;

"Day Count Fraction" means (i) in respect of the period from (and including) the Issue Date to (but excluding) the First Reset Date, the actual number of days elapsed divided by the actual number of days in the relevant Coupon Period and (ii) in respect of each Coupon Period after the First Reset Date, the actual number of days elapsed divided by 360;

"dealing day" means a day, other than a Saturday or Sunday, on which the Frankfurt Stock Exchange (or such other stock exchange on which the Reference Bond (as the case may be) is at the relevant time listed) is ordinarily open for the trading of securities;

"Deferred Coupon Payment" means any Payment, or part thereof, which, pursuant to Condition 4(b), the Issuer has elected to defer and which has not been satisfied;

"Deferred Coupon Satisfaction Date" means the date on which the Issuer has resolved to satisfy a Deferred Coupon Payment, as notified by the Issuer to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(b);

"Director" has the meaning ascribed to it under the Trust Deed;

"distribution" means any cash payment other than in respect of principal made in respect of an innovative Tier 1 Capital instrument ranking *pari passu* with or junior to the Preferred Securities;

"Euro-zone" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty;

the "Exceptional Deferral Condition" will be satisfied if, in the determination of the Issuer, on the relevant date, the Guarantor is, or payment of the relevant Payment by the Issuer or by the Guarantor under the Guarantee will result in the Guarantor being, in non-compliance with the applicable Capital Regulations;

"Exceptionally Deferred Coupon Payment" means a Payment, or part thereof, which has been deferred in accordance with Condition 4(a) and has not subsequently been either (i) satisfied, or (ii) deferred in accordance with Condition 4(b);

"Exceptionally Deferred Coupon Satisfaction Date" means the date on which the Issuer has resolved to satisfy an Exceptionally Deferred Coupon Payment, as notified by the Issuer to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(a);

"First Reset Date" means 7 March 2011;

"Guarantee" has the meaning ascribed to it in Condition 2(b)(i);

"Guarantee Coupon Payment" means any payment due from the Guarantor pursuant to the Guarantee in respect of a Payment;

"Guarantee Coupon Payment Satisfaction Date" means any Coupon Payment Date, Deferred Coupon Satisfaction Date, Exceptionally Deferred Coupon Satisfaction Date or other date on which the Guarantor has resolved to make a Guarantee Coupon Payment pursuant to Condition 7;

"Guarantee Payment Ordinary Stock" has the meaning ascribed to it in Condition 7(b)(ii);

"Guarantor" means The Governor and Company of the Bank of Ireland;

"Holder" means the bearer of any Preferred Security;

"holding company" has the meaning ascribed to it under Section 155 of the Companies Act, 1963 of Ireland;

"interest" shall, where appropriate, include Coupon Amounts, Deferred Coupon Payments, Exceptionally Deferred Coupon Payments and Accrued Coupon Payments;

"Irish Stock Exchange" means The Irish Stock Exchange Limited;

"Issue Date" means 7 March 2001, being the date of initial issue of the Preferred Securities;

"Issuer" means Bank of Ireland UK Holdings plc;

"Issuer Shares" means ordinary shares of the Issuer (and includes any stock or other units of capital into which such shares may be converted);

"Liabilities" means, in respect of the Issuer or the Guarantor (as the case may be), its unconsolidated gross liabilities, all as shown in its latest published audited balance sheet, but adjusted for contingent liabilities and for subsequent events, all in such manner as the directors or the liquidator (as the case may be) may determine;

"London Stock Exchange" means the London Stock Exchange plc;

"Market Disruption Event" means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Irish Stock Exchange and the London Stock Exchange or otherwise) or on settlement procedures for transactions in the Ordinary Stock on both the Irish Stock Exchange and the London Stock Exchange if, in any such case, that suspension or limitation is, in the determination of the Calculation Agent, material in the context of the sale of the Ordinary Stock, or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Stock or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the relevant Payment Ordinary Stock or Guarantee Payment Ordinary Stock (as the case may be), or (iii) where, pursuant to these Terms and Conditions, moneys are required to be converted from one currency into another currency in respect of any Payment, the occurrence of any event that makes it impracticable to effect such conversion;

"New Owner" means any new ultimate holding company of The Governor and Company of the Bank of Ireland group of companies;

"Ordinary Stock" means the ordinary stock of the Guarantor and "units of Ordinary Stock" shall be construed accordingly (and includes any shares or other units of capital into which such stock may be converted);

"Outstanding", in relation to any Coupon Payment, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment, means that such payment (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the conditions referred to in Condition 2(a)(ii)(1) or the deferral, postponement or suspension of such payment in accordance with any of Condition 4(a), 4(b), 6(d), 6(e) or 9(d); and (b) in any such case has not been satisfied, and, in relation to any Accrued Coupon Payment, means any amount thereof which has not been satisfied whether or not payment has become due;

"Paying Agents" means the paying agents appointed pursuant to the Agency Agreement and such term shall, unless the context otherwise requires, include the Principal Paying Agent;

"Payment" means any Coupon Payment, Deferred Coupon Payment, Exceptionally Deferred Coupon Payment, Accrued Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment;

"Payment Business Day" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London and, in the case of the presentation or surrender of a Preferred Security in the place of the specified office of the relevant Paying Agent to whom the Preferred Security or Coupon is presented or surrendered and, in the case of a payment by transfer to a euro account, a day which is a TARGET Business Day;

"Payment Issuer Shares" has the meaning ascribed to it in Condition 6(b);

"Payment Ordinary Stock" has the meaning ascribed to it in Condition 6(b);

"Preferred Securities" means the €600,000,000 7.40 per cent. Guaranteed Step-up Callable Perpetual Preferred Securities, and such expression shall include, unless the context otherwise requires, any further instruments issued pursuant to Condition 18 and forming a single series with the Preferred Securities;

"Principal Paying Agent" means the principal paying agent appointed pursuant to the Agency Agreement;

"Redemption Price" means, in respect of each Preferred Security, (a) the Authorised Denomination of such Preferred Security or, if higher, (b) the price, expressed as a percentage (rounded to three decimal places, 0.0005 being rounded upwards), at which the gross redemption yield (as calculated by the Calculation Agent) on the Preferred Securities, if they were to be purchased at such price on the third dealing day prior to the date fixed for redemption, would be equal to the gross redemption yield on such dealing day of the Reference Bond plus 0.50 per cent., on the basis of the middle market price of the Reference Bond prevailing at 11.00 a.m. (Central European time) on such dealing day;

"Reference Banks" has the meaning ascribed to it in Condition 5(e);

"Reference Bond" means the 5.25 per cent. Bundesobligationen due January 2011, or if such bond is no longer in issue, such other European government bonds as the Calculation Agent may, with the advice of three brokers of, and/or market makers in, European government bonds selected by the Calculation Agent, determine to be appropriate for determining the Redemption Price;

"Relevant Date" means (i) in respect of any payment other than a Winding-Up Claim, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the "Relevant Date" means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 17, and (ii) in respect of a Winding-Up Claim, the date which is one day prior to the commencement of the winding up;

"Reset Date" means the First Reset Date and thereafter, each Coupon Payment Date;

"Senior Creditors" means:

(i) in respect of the Issuer, creditors of the Issuer (a) who are unsubordinated creditors of the Issuer or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise or (c) who are subordinated creditors of the Issuer, other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders; and

(ii) in respect of the Guarantor, creditors of the Guarantor (a) who are depositors or other unsubordinated creditors of the Guarantor, or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up of the Guarantor or otherwise) to the claims of depositors and other unsubordinated creditors of the Guarantor (including those whose claims are in respect of Dated Subordinated Debt and/or the receipts and coupons (if any) relating thereto) (but not further or otherwise) or (c) whose claims are or are expressed to be (whether only in the event of the winding-up of the Guarantor or otherwise) subordinated to the claims of other creditors of the Guarantor, whether subordinated or unsubordinated (including those whose claims are in respect of Undated Subordinated Debt and the coupons (if any) relating thereto) other than those whose claims rank or are expressed to rank (whether only in the event of the winding-up of the Guarantor or otherwise) *pari passu* with, or junior to, the claims of the Holders;

"Solvent" means, in relation to the Issuer or the Guarantor at any relevant time, that it meets both of the following Conditions:

(a) it is able to pay its debts to its Senior Creditors as they fall due; and

(b) its Assets exceed its Liabilities to its Senior Creditors (as determined in accordance with generally accepted accounting principles in its jurisdiction of incorporation);

"Subsidiary" has the meaning ascribed to it under Section 155 of the Companies Act, 1963 of Ireland;

"Substituted Guarantor" has the meaning ascribed to it in Condition 14;

"Substituted Issuer" has the meaning ascribed to it in Condition 14;

"Suspension" has the meaning ascribed to it in Condition 9(d);

"Talon" means a talon for further Coupons;

"TARGET Business Day" means a day on which the Trans European Real-Time Gross Settlement Express Transfer (TARGET) System is operating;

"Tier 1 Capital" has the meaning ascribed to it in the Central Bank of Ireland Implementation Notice dated 13th June, 2000 in respect of the Implementation of the EC Own Funds and Solvency Ratio Directives for Credit Institutions Incorporated in Ireland (BSD S 1/00) or any successor notification replacing such notice;

"Treaty" means the treaty establishing the European Community, as amended from time to time;

"Trust Deed" means the trust deed dated 7 March 2001 between the Issuer, the Guarantor and the Trustee, as amended, supplemented and/or restated from time to time;

"Trustee" means The Bank of New York as trustee for the Holders and includes its successor(s);

"Undated Subordinated Debt" means the US$150,000,000 Undated Floating Rate Primary Capital Notes issued by the Guarantor and any other obligations of the Guarantor which rank or are expressed to rank *pari passu* therewith;

"Upper Tier 2 Capital" has the meaning ascribed to it in the Central Bank of Ireland Implementation Notice dated 13th June, 2000 in respect of the Implementation of the EC Own Funds and Solvency Ratio Directives for Credit Institutions Incorporated in Ireland (BSD S 1/00) or any successor notification replacing such notice;

"Upper Tier 2 Securities" means securities of the Issuer that have substantially similar terms in the opinion of the Trustee as the Preferred Securities (including for the avoidance of doubt the benefit of the Guarantee) save that (1) they and the guarantee of the Guarantor shall each contain terms no less favourable to an investor than the then current minimum requirements of the Central Bank of Ireland in relation to Upper Tier 2 Capital, and (2) the Coupon Rate of such securities shall be determined in such manner as shall result in it being 0.40 per cent. per annum below the Coupon Rate from time to time (and whether before or after the First Reset Date) applying to the Preferred Securities;

"Wholly-Owned Subsidiary" means, in respect of any entity, a directly or indirectly wholly-owned Subsidiary of that entity;

"Winding-Up Claim" means, as the context may require, either a Winding-Up Claim of the Issuer or a Winding-Up Claim of the Guarantor and "Winding-Up Claims" shall be construed accordingly;

"Winding-Up Claim of the Guarantor" has the meaning ascribed to it in Condition 2(b)(iii)(2); and

"Winding-Up Claim of the Issuer" has the meaning ascribed to it in Condition 2(a)(ii)(2).

Summary of Provisions relating to the Preferred Securities while in Global Form

Exchange

The Preferred Securities will be represented initially by a Temporary Global Preferred Security in bearer form without Coupons or Talons which will be deposited outside the United States with a common depositary for Clearstream Banking, société anonyme ("Clearstream, Luxembourg") and Euroclear Bank S.A./N.V., as operator of the Euroclear System "Euroclear" on or about 7 March 2001. The Temporary Global Preferred Security will be exchangeable in whole or in part (free of charge to the holder) for interests in a Permanent Global Preferred Security in bearer form without Coupons or Talons on or after a date which is expected to be 16 April 2001 (the "Exchange Date") upon certification as to non-US beneficial ownership as required by US Treasury regulations and as described in the Temporary Global Preferred Security. Upon deposit of the Temporary Global Preferred Security or the Permanent Global Preferred Security (each a "Global Preferred Security") with a common depositary for Clearstream, Luxembourg and Euroclear, Clearstream, Luxembourg and Euroclear will credit each subscriber with a principal amount of Preferred Securities equal to the principal amount thereof for which it has subscribed and paid.

Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the holder of a Preferred Security represented by a Global Preferred Security must look solely to Clearstream, Luxembourg or Euroclear (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Preferred Security, subject to and in accordance with the respective rules and procedures of Clearstream, Luxembourg or Euroclear (as the case may be).

The Global Preferred Securities will contain provisions applicable to the Preferred Securities represented thereby, some of which modify the effect of the Terms and Conditions of the Preferred Securities. Certain of these are summarised in this section.

For so long as any of the Preferred Securities is represented by a Global Preferred Security, the bearer of the Global Preferred Security may, except as ordered by a court of competent jurisdiction or as required by law, be treated by the Issuer, the Guarantor, the Trustee and the Paying Agents as the owner thereof and of all rights thereunder free from all encumbrances (in accordance with and subject to its terms and the Trust Deed) and the expression "Holder" and related expressions shall be construed accordingly. Interests in Preferred Securities which are represented by a Global Preferred Security will only be transferable in accordance with the rules and procedures for the time being of Clearstream, Luxembourg and/or Euroclear, as the case may be.

If any date on which a payment is due on the Preferred Securities occurs prior to the Exchange Date, the relevant payment will be made on the Temporary Global Preferred Security only to the extent that certification as to non-US beneficial ownership as required by US Treasury regulations (in substantially the form referred to in the Temporary Global Preferred Security or in such other form as is customarily issued in such circumstances by the relevant clearing system or depositary) has been received by Clearstream, Luxembourg or Euroclear. Payment of amounts due in respect of the Permanent Global Preferred Security will be made through Clearstream, Luxembourg or Euroclear without any requirement for certification.

The Holder of the Temporary Global Preferred Security shall not (unless, upon due presentation of such Temporary Global Preferred Security for exchange (in whole or in part) for interests in the Permanent Global Preferred Security, such exchange is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment in respect of the Preferred Securities represented by such Temporary Global Preferred Security which falls due on or after the Exchange Date.

Interests in the Permanent Global Preferred Security will be exchangeable in whole but not in part (free of charge to the holder) for definitive bearer Preferred Securities (a) if the Permanent Global Preferred Security is held on behalf of Clearstream, Luxembourg or Euroclear or an Alternative Clearing System (as defined below) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of public holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (b) at any time at the option of the Issuer, by the Issuer giving notice to the Principal Paying Agent and the Holders of its intention to exchange interests in the Permanent Global

Preferred Security for definitive Preferred Securities on or after the Permanent Global Exchange Date (as defined below) specified in the notice.

On or after the Permanent Global Exchange Date the holder of the Permanent Global Preferred Security shall surrender the Permanent Global Preferred Security to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Preferred Security, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Preferred Securities having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Preferred Security and a Talon.

"Alternative Clearing System" means any such other clearing system as shall have been approved by the Trustee.

"Permanent Global Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (a) above, in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

Payments

Principal and interest in respect of the Permanent Global Preferred Security shall be paid to its holder against presentation and (if no further payment falls to be made on it) surrender of it to or to the order of any Paying Agent which shall endorse such payment or cause payment to be endorsed in the appropriate schedule to the Permanent Global Preferred Security. No person shall however be entitled to receive any payment on the Permanent Global Preferred Security falling due after the Permanent Global Exchange Date, unless exchange of the Permanent Global Preferred Security for definitive Preferred Securities is improperly withheld or refused by or on behalf of the Issuer.

Call Option

So long as the Permanent Global Preferred Security is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, no drawing of Preferred Securities will be required under Condition 8(b)(ii) in the event that the Issuer exercises its call option pursuant to Condition 8(b)(i) in respect of less than the aggregate principal amount of the Preferred Securities outstanding at such time. In such event, the standard procedures of Euroclear, Clearstream, Luxembourg and/or any Alternative Clearing System shall operate to determine which interests in the Permanent Global Preferred Security are to be subject to such option.

Notices

So long as the Permanent Global Preferred Security is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System, notices required to be given to Holders may be given by their being delivered to Euroclear and/or Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by publication as required by the Terms and Conditions of the Preferred Securities except that so long as the Preferred Securities are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*). Any notice delivered to Euroclear, Clearstream, Luxembourg and/or, as the case may be, the Alternative Clearing System shall be deemed to have been given to the Holders on the day on which such notice is so delivered.

Meetings

The holder of the Permanent Global Preferred Security shall be treated at any meeting of Holders as having one vote in respect of each €1,000 principal amount of Preferred Securities for which the Permanent Global Preferred Security may be exchanged.

Purchase and cancellation

Cancellation of any Preferred Security represented by the Permanent Global Preferred Security which is required by the Terms and Conditions of the Preferred Securities to be cancelled will be effected by reduction in the principal amount of the Permanent Global Preferred Security.

Trustee's powers

In considering the interests of Holders in circumstances where the Permanent Global Preferred Security is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg and an Alternative Clearing System, the Trustee may have regard to such information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Permanent Global Preferred Security and may consider such interests on the basis that such accountholders were the holder of the Permanent Global Preferred Security.

Use Of Proceeds

The net proceeds from the issue of the Preferred Securities, which are expected to amount to €593,172,000, will be used for the development and expansion of the business of the Group and to strengthen the capital base of the Group.

Bank of Ireland UK Holdings plc

Business

Bank of Ireland UK Holdings plc (the "Issuer") is a wholly-owned subsidiary of The Governor and Company of the Bank of Ireland (the "Bank"), a chartered corporation incorporated in Ireland.

The Issuer was registered as a private limited company in Northern Ireland (Number NI 6941) in 1967 and was re-registered as a public limited company under the Companies (Northern Ireland) Order 1986 on 31 January 2001. Its registered office is located at 54 Donegall Place, Belfast BT1 5BX.

The Issuer's principal activity is to act as a holding company for certain subsidiaries of the Bank of Ireland Group which engage in banking, credit, factoring, and mortgage services. The activities of the Issuer are anticipated to continue on a going concern basis for the foreseeable future.

CAPITALISATION AND INDEBTEDNESS OF THE ISSUER

	As at 31 December 2000 £000
Capital Stock	
Authorised:	
Ordinary Shares of £1 each	3,000[1]
Allotted, issued and fully paid up:	
Ordinary shares of £1 each	2,478
Long term Indebtedness[2,3]	394,623

(1) On 29 January 2001, the authorised share capital of the Issuer was increased to £100,000,000.

(2) Consisting of amounts due after one year to the Bank.

(3) Before adjustment to take into account the €600,000,000 7.40% Guaranteed Step-up Callable Perpetual Preferred Securities being issued.

(4) Except as set out above, there has been no material change in the capitalisation and indebtedness of the Issuer since 31 December 2000.

Board of Directors

The business address of the Board of Directors is Bank of Ireland UK Holdings plc, 54 Donegall Place, Belfast BT1 5BX, Northern Ireland. The Secretary of the Issuer is Richard A. Haynes.

Name	Function within the Issuer	Principal outside activities
Gerard McGinn	Chairman and Director	Officer of Bank of Ireland
Paul M. D'Alton	Director	Officer of Bank of Ireland
Peter F. Morris	Director	Officer of Bank of Ireland
Mary E. King	Director	Officer of Bank of Ireland
Brian A. Burke	Director	Officer of Bank of Ireland
Herbert W. Farrell	Director	Officer of Bank of Ireland
Peter T. Hammond	Director	Officer of Bank of Ireland

Financial Information relating to Bank of Ireland UK Holdings plc

Audited financial statements of Bank of Ireland UK Holdings plc for the years ended 31 March 2000 and 31 March 1999, together with the auditors' report thereon 42

Audited balance sheet of Bank of Ireland UK Holdings plc at 31 December 2000, together with the auditors' report thereon 47

These financial statements and auditors' reports have been extracted without material adjustment from the Issuer's March 2000 Annual Report and Accounts and December 2000 Report and Accounts (balance sheet only).

Cross references to page numbers are to the relevant pages as they appear in the March 2000 Annual Report and Accounts and the December 2000 Report and Accounts.

AUDITED FINANCIAL STATEMENTS OF BANK OF IRELAND UK HOLDINGS PLC
for the years ended 31 March 2000 and 31 March 1999

Auditors' Report to The Members of Bank of Ireland UK Holdings Ltd*

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 9, this includes responsibility for preparing the financial statements, in accordance with applicable Northern Ireland accounting standards. Our responsibilities as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
Bristol

28 April 2000

**Bank of Ireland UK Holdings Limited became Bank of Ireland UK Holdings plc on 31 January 2001.*

BANK OF IRELAND UK HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2000

	Notes	2000 £000	1999 £000
Other interest receivable and similar income		4,895	6,114
Interest payable		(25,781)	—
Net interest income		(20,886)	6,114
Operating expenses		—	—
(Loss)/Profit on ordinary activities before income from group undertakings and taxation	2	(20,886)	6,114
Income from shares in group undertakings		2,163	2,130
Taxation	3	6,265	(1,895)
(Loss)/Profit on ordinary activities after taxation and profit retained for the financial year	8	(12,458)	6,349

The Company has no gains or losses other than the profit declared for the year.

The results for the year related entirely to continuing operations.

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 March 2000

	2000 £000	1999 £000
Shareholders' funds at 1 April	87,885	81,536
(Loss)/Profit for the year	(12,458)	6,349
Shareholders' funds at 31 March	75,427	87,885

The notes on pages 6 to 8 form an integral part of these accounts.

BALANCE SHEET
at 31 March 2000

	Notes	2000 £000	1999 £000
Fixed assets			
Investments in subsidiary undertakings	4	735,374	763,674
Current assets			
Debtors – due within one year	5	31,676	19,052
Creditors – due within one year	6	(297,000)	(637,218)
Net current assets		(265,324)	(618,166)
Total assets less current liabilities		470,050	145,508
Creditors – due after one year			
Amounts owed to group undertakings		(394,623)	(57,623)
		75,427	87,885
Capital and reserves			
Share capital	7	2,478	2,478
Profit & loss account	8	72,949	85,407
Equity shareholders' funds		75,427	87,885

Approved by the Board on 28 April 2000

G L D Dribbell (Director)

The notes on pages 6 to 8 form an integral part of these accounts.

Notes to the accounts

1. Accounting policies

(a) Accounting convention
The accounts are prepared under the historical cost convention and are in accordance with applicable accounting standards.

(b) Investments
Investments in subsidiaries are stated at cost less provision for any permanent diminution in value. Investments in listed securities are stated at cost.

2. Profit on ordinary activities before taxation

The average number of employees during the year was Nil (1999: Nil).
No fees or emoluments were paid to directors during the year (1999: Nil).
Audit fees are borne by the ultimate parent company.
Fees paid to auditors for non audit services during the year were £Nil (1999: £Nil).

3. Taxation

Corporation Tax is charged at 30% based on the taxable (loss)/profit for the year.

4. Investment in subsidiary undertakings

	Shares at cost £000	Loans £000	Total £000
At 1 April 1999	648,574	115,100	763,674
Repayments during year	—	(28,300)	(28,300)
At 31 March 2000	648,574	86,800	735,374

The market value of the listed preference shares at 31 March 2000 was £25.6 million (£0.97 per share).

Loans at 31 March 2000 represent non-interest bearing loans of £6.8 million to N.I.I.B. Ltd, repayable on 5 years notice and a subordinated loan of £80.0 million to Bristol & West plc repayable in July 2007. During the year a £28.3 million loan to Bank of Ireland Home Mortgages Limited was repaid.

The statutory information concerning subsidiary undertakings appears in note 9.

5. Debtors – due within one year

	2000 £000	1999 £000
Amounts owed by parent company	23,616	17,355
Amounts owed by subsidiary undertakings	984	903
Prepayments and accrued income	811	794
Corporation tax	6,265	—
	31,676	19,052

6. Creditors – due within one year

	2000 £000	1999 £000
Amounts owed to parent company	297,000	634,000
Corporation tax	—	3,218
	297,000	637,218

Amounts owed to parent company represents advances, repayable on demand, made to the company to facilitate investment in Bristol & West plc. On 1 April 1999 £337 million was refinanced and is repayable on 31 March 2002.

7. Share capital

	2000 £000	1999 £000
Authorised:		
Ordinary shares of £1 each	3,000	3,000
Allotted, issued and fully paid up:		
Ordinary shares of £1 each	2,478	2,478

8. Profit and loss account

	2000 £000	1999 £000
At 1 April	85,407	79,058
Retained (loss)/profit for the year	(12,458)	6,349
At 31 March	72,949	85,407

9. Principal subsidiaries

The Company owns 100% of the ordinary share capital of the subsidiary undertakings listed below.

	Country of incorporation	Nature of business
N.I.I.B. Group Ltd	Northern Ireland	Instalment credit
Bank of Ireland Britain Holdings Limited	England	Holding company
International Factors (N.I.) Limited	Northern Ireland	Factoring
BOI Corporate & International (NI) Limited	Northern Ireland	Management services
B I Commercial Finance Limited	England	Factoring
B I Mortgage Services Limited	England	Mortgage servicing
Bristol & West plc	England	Banking

The Company also owned 33.6% of the preference shares of Bristol & West plc at 31 March 2000.

10. Commitments and contingencies

There was no capital expenditure or other financial commitments contracted for but not provided at the balance sheet date.

There are no contingent liabilities that require disclosure in the financial statements.

11. Ultimate parent company

The company's ultimate parent company and ultimate controlling party is The Governor and Company of the Bank of Ireland, a chartered corporation incorporated in Ireland.

The Company has taken advantage of the exemption under article 236 of the Companies (Northern Ireland) Order 1986 from the obligation to prepare and deliver group accounts, as the ultimate parent company prepares consolidated group accounts.

A cashflow statement has not been prepared, in accordance with the exemption provided in Financial Reporting Standard No. 1, as a consolidated cashflow statement has been prepared by the ultimate parent company.

A copy of the Bank of Ireland Group accounts may be obtained from Bank of Ireland, Lower Baggot Street, Dublin 2. These accounts represent both the smallest and largest group into which the results of the Company are consolidated.

12. Related party transactions

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption under Financial Reporting Standard No. 8 'Related Party Disclosures', as the consolidated financial statements of Bank of Ireland, in which the company is included are available at the address shown in note 11.

No other material transactions with related parties have been undertaken by the Company.

AUDITED BALANCE SHEET OF BANK OF IRELAND UK HOLDINGS PLC
at 31 December 2000

Auditors' Report to the Directors of Bank of Ireland UK Holdings Ltd

We have audited the Balance Sheet and related notes on pages 2 to 5 which have been prepared under the historical cost convention and the accounting policies set out on page 3.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Balance Sheet and related notes. As described on page 6, this includes responsibility for preparing the financial statements, in accordance with applicable Northern Ireland accounting standards. Our responsibilities as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the Balance Sheet and related notes give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Balance Sheet It also includes an assessment of the significant estimates and judgements made by directors in the preparation of the Balance Sheet and related notes, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Balance Sheet is free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Balance Sheet and related notes.

Opinion

In our opinion the Balance Sheet and related notes give a true and fair view of the state of the Company's affairs at 31 December 2000 and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
Bristol

23 January 2001

BANK OF IRELAND UK HOLDINGS LIMITED

Balance Sheet at 31 December 2000

	Notes	31 December 2000 £000	31 March 2000 £000
Fixed assets			
Investments in subsidiary undertakings	2	736,735	735,374
Current assets			
Debtors – due within one year	3	40,585	31,676
Creditors – due within one year	4	(316,423)	(297,000)
Net current assets		(275,838)	(265,324)
Total assets less current liabilities		460,897	470,050
Creditors – due after one year			
Amounts owed to group undertakings		(394,623)	(394,623)
		66,274	75,427
Capital and reserves			
Share capital	5	2,478	2,478
Profit & loss account		63,796	72,949
Equity shareholders' funds		66,274	75,427

Approved by the Board on 23 January 2001

P F Morris (Director)

The notes on pages 3 to 5 form an integral part of these accounts.

1. Accounting Policies

(a) Accounting convention

The accounts are prepared under the historical cost convention and are in accordance with applicable accounting standards.

(b) Investments

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value. Investments in listed securities are stated at cost.

2. Investment in subsidiary undertakings

	Shares at cost £000	Loans £000	Total £000
At 1 April 2000	648,574	86,800	735,374
Additions during the period	1,361	0	1,361
At 31 December 2000	649,935	86,800	736,735

The market value of the listed preference shares at 31 December 2000 was £29.5 million (£1.065 per share).

Loans at 31 December 2000 represent non-interest bearing loans of £6.8 million to N.I.I.B. Ltd, repayable on 5 years notice and a subordinated loan of £80.0 million to Bristol & West plc repayable in July 2007.

The statutory information concerning subsidiary undertakings appears in note 6.

3. Debtors – due within one year

	31 December 2000 £000	31 March 2000 £000
Amounts owed by parent company	28,403	23,616
Amounts owed by subsidiary undertakings	1,028	984
Prepayments and accrued income	276	811
Group relief receivable	10,878	6,265
	40,585	31,676

4. Creditors – due within one year

	31 December 2000 £000	31 March 2000 £000
Amounts owed to parent company	316,423	297,000
	316,423	297,000

Amounts owed to parent company represents advances, repayable on demand, made to the company to facilitate investment in Bristol & West plc.

5. Share capital

	31 December 2000 £000	31 March 2000 £000
Authorised:		
Ordinary shares of £1 each	3,000	3,000
Allotted, issued and fully paid up:		
Ordinary shares of £1 each	2,478	2,478

6. Principal subsidiaries

The company owns 100% (* indirectly) of the ordinary share capital of the subsidiary undertakings listed below

	Country of incorporation	Nature of business
N.I.I.B. Group Ltd	Northern Ireland	Instalment credit
Bank of Ireland Britain Holdings Limited	England	Holding company
International Factors (N.I.) Limited	Northern Ireland	Factoring
BOI Corporate & International (NI) Limited	Northern Ireland	Management services
B I Commercial Finance Limited	England	Factoring
B I Mortgage Services Limited	England	Mortgage servicing
Bristol & West plc	England	Banking
Chase de Vere Investment plc*	England	Investment broker
Moneyextra Limited*	England	Website intermediary

The company also owned 35.3% of the preference shares of Bristol & West plc at 31 December 2000.

7. Commitments and contingencies

There was no capital expenditure or other financial commitments contracted for but not provided at the balance sheet date.

There are no contingent liabilities that require disclosure in the financial statements.

8. Ultimate parent company

The company's ultimate parent company and ultimate controlling party is The Governor and Company of the Bank of Ireland, a chartered corporation incorporated in Ireland.

The Governor and Company of the Bank of Ireland

BUSINESS

The Governor and Company of the Bank of Ireland (the "Bank") is the parent of a group of subsidiary companies (together with the Bank, the "Group") operating in the financial services sector. The principal subsidiary companies are described below.

The Bank, incorporated by Royal Charter of King George III in 1783, is one of the largest commercial banking groups in Ireland. The Group had total Group assets of €68 billion at 31 March 2000.

The expansion of the Group was accelerated with the acquisition in 1958 of The Hibernian Bank Limited and the acquisition in 1966 of the Irish business of The National Bank Limited (then a London clearing bank). All the branches were integrated under the Bank of Ireland name.

In April 1996, the Bank merged its U.S. holding company, Bank of Ireland First Holdings, Inc. ("BOIFH"), (the primary asset of which was First NH Banks, Inc.) with Citizens Financial Group, Inc. ("Citizens"), formerly a wholly-owned subsidiary of The Royal Bank of Scotland Group plc ("RBSG"). The Bank had a 23.5 per cent. shareholding in the enlarged Citizens which was accounted for as an associated undertaking.

On 3 September 1998 the Bank sold its 23.5 per cent. shareholding and other interests in the enlarged Citizens to RBSG for an aggregate consideration of U.S.$763 million, in cash, comprised of U.S.$753 million in respect of its 23.5 per cent. shareholding and U.S.$10 million in respect of unrealised tax losses held by the enlarged Citizens.

The business of Bristol & West Building Society was acquired by a subsidiary of the Bank, Bristol & West plc (formerly Reading Mortgages plc) on 28 July 1997. The terms of the transfer valued the consideration at £600 million. In satisfaction of this consideration £522 million was paid in cash and preference shares in Bristol & West plc ("Bristol & West") were issued for a nominal value of £78 million. Subsequently, approximately 36 per cent. of the preference shares were purchased by the Bank at a premium. The remaining preference shares are reported as minority interest on the Group balance sheet.

The Bank has a network of 346 full-time retail bank branches, of which 277 are in Ireland, 47 in Northern Ireland and 22 in Great Britain.

In addition to its retail banking business, the Bank has a funds management business, Bank of Ireland Asset Management Limited, and a corporate finance company, IBI Corporate Finance Limited. The Bank also owns two life assurance companies in Ireland: Lifetime Assurance Company Limited and New Ireland Assurance Company plc. The latter was acquired in 1997 and gave the Bank access to new distribution channels for life assurance products and pensions. Other subsidiaries include home mortgage businesses in Ireland (ICS Building Society) and Great Britain (Bank of Ireland Home Mortgages Limited); together with a number of other subsidiaries in the financial services industry. The Group also holds 90.44 per cent. of the equity capital of J & E Davy Holdings Limited, the holding company for J & E Davy, a leading Irish stockbroking firm. The Group's international business is centred in Dublin. In addition, the Bank has representative offices in Frankfurt and wholly-owned subsidiaries in Jersey and the Isle of Man. It also provides fund management services through Bank of Ireland Asset Management (U.S.) Limited.

The Bank provides, by itself or through its wholly-owned subsidiaries, a full range of financial services in the personal, commercial, industrial and agricultural sectors in Ireland. These include current and deposit accounts, term deposits and certificates of deposit, overdrafts, term loans, mortgages, currency loans, leasing in Irish pounds and other currencies, instalment credit, hire purchase, debt factoring, foreign exchange facilities, executor and trustee and taxation services, investment management, advice on a range of financial matters, including mergers and acquisitions and underwriting services.

RECENT DEVELOPMENTS

EuroConex Technologies Ltd.

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

Deposit Interest Retention Tax (DIRT)

On 5 July 2000 the Bank announced that it had paid the Revenue Commissioners of Ireland the sum of €38.7 million (IR£30.5 million) in full and final settlement of Bank of Ireland Group's liability for arrears of DIRT — see Note 35 of the Annual Report and Accounts for the year ended 31 March 2000.

Securitisation

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

On 31 October 2000, the wholly-owned subsidiary of the Bank, Bristol & West, securitised £300,000,000 of its residential mortgages. The transaction involved the issue by a UK incorporated special purpose company, Shipshape Residential Mortgages No. 1 plc, of £285 million Class A Mortgage Backed Floating Rate Notes due 2027, £9 million of Class B Mortgage Backed Floating Rate Notes due 2027 and £6,000,000 Class C Mortgage Backed Floating Rate Notes due 2027.

Chase de Vere Investments plc

On 11 September 2000 the Bank of Ireland announced that Bristol & West had acquired MR Edge Holdings Limited, the holding company of Chase de Vere Investments plc ("Chase de Vere"), a leading UK Independent Financial Adviser ("IFA") business, for an initial consideration of £112 million and a maximum deferred consideration of £22.5 million, dependent on the performance of Chase de Vere over the three year period to 31 December 2002. The acquisition supports Bank of Ireland's strategy of building Bristol & West's presence in selected profitable market segments including specialist mortgage products and personal savings and investments, as well as expanding into independent advisory activities.

MoneyeXtra

On 10 November 2000 the Bank of Ireland announced that Bristol & West had acquired MoneyeXtra.com, a leading Business to Consumer Internet web site, for a cash consideration of £26 million. The acquisition includes the MoneyeXtra.com brand, the website and the services of some staff. It excludes the MoneyeXtra.com business to business trading platform. The acquisition supports Bank of Ireland's strategy of building Bristol & West's presence in selected profitable market segments, including specialist lending markets and personal savings and investments, as well as expanding into new profitable market segments to include advice.

CAPITALISATION AND INDEBTEDNESS OF THE GROUP[1]

Consolidated Capitalisation and Indebtedness of the Group	As at 30 September, 2000 (€ millions)
Capital Stock[3][4][5][6]	
Authorised:	
1,500 million units of €0.64 each of Ordinary Stock	960
8 million units of Non-Cumulative Preference Stock of U.S.$25 each	228
100 million units of Non-Cumulative Preference Stock of £1 each	168
100 million units of Non-Cumulative Preference Stock of IR£1 each	127
	1,483
Allotted and fully paid:	
Equity	
997.2 million units of €0.64 each of Ordinary Stock	638
46.9 million units of €0.64 of Treasury Stock	30
Non Equity	
5 million units of Non-Cumulative Preference Stock of £1 each	9
10.5 million units of Non-Cumulative Preference Stock of IR£1 each	13
	690
Minority Interests — non equity[6][7]	
Bristol & West plc	
£52.2 million 8⅛ per cent. Non-Cumulative Preference Shares of £1 each	87
Subordinated Liabilities[2][6][7]	
Undated Loan Capital	
Bank of Ireland	
U.S.$150 million Undated Floating Rate Primary Capital Notes	169
Bristol & West plc	
£75 million 13⅜ per cent. Perpetual Subordinated Bonds	208
	377
Dated Loan Capital	
Bank of Ireland	
£100 million 9.75 per cent. Subordinated Bonds 2005	167
U.S. $175 million Subordinated Floating Rate Notes 2007	199
£200 million Subordinated Floating Rate Notes 2009	335
€600 million 6.45 per cent. Subordinated Bonds 2010[8]	597
Bristol & West plc	
£60 million 10⅝ per cent. Subordinated Bonds 2000[9]	100
£75 million 10¾ per cent. Subordinated Bonds 2018	125
	1,523
	1,900
Debt Securities in Issue[6][7]	
Bonds and Medium Term Notes[10]	1,613
Other Debt Securities in Issue[11]	1,899
	3,512

(1) *For the purposes of this Offering Circular "Indebtedness" is defined as comprising Minority Interests (non-equity), Subordinated Liabilities and Debt Securities in issue and excludes customer accounts and deposits by banks.*

(2) *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).*

(3) *Options to subscribe for units of Ordinary Stock are granted under the terms of the Stock Option Scheme. The current Scheme was approved by the Stockholders at the Annual General Court held in July 1996. Key members of senior management may participate in the current Scheme at the discretion of the Remuneration Committee. Over any ten year period the aggregate exercise price payable for 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 the commencement of the financial year 1996/97 is conditional upon earnings per share achieving a cumulative growth of at least 2 per cent. per annum compound above the increase in the Consumer Price Index over either the three year period, or if not achieved, the six year period, commencing with the period in which the options are granted.*

Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant. At 31 March 2000, options were outstanding over 10,681,326 units of stock (1.08 per cent. of the Issued Ordinary Stock) at prices ranging from €0.97 to €8.93 per unit of stock. These options may be exercised at various dates up to 25 November 2006.

(4) *At the 1999 Annual General Court the Stockholders approved the establishment of a Group Savings-Related Stock Scheme ("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 or a subsidiary on the day that the invitation to participate is issued 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 per cent. of the Issued Ordinary Stock) were granted to participating employees at an option price of €5.40, which represented a 20 per cent. discount to the then market price. These options which were outstanding as at 31 March 2000 are exercisable, provided the participant's savings contracts are completed between May 2003 and May 2007.*

(5) *The Long Term Performance Stock Plan (the "Plan"), approved by the Stockholders in 1999 links the number of units of stock receivable by participants, to the Bank's Total Shareholding 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 per cent. of the executive's salary at the time of the award.) The proportion of these units which actually vest in the executive on the third 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 per cent., compounded over the three years from the date of the award.*
- *Provided this condition has been satisfied, the proportion of the award which vests after 3 years is based on the Bank's TSR relative to other companies both in a peer group of eight Irish and UK financial institutions and in relation to the FTSE-100 companies as follows:*
  - *100 per cent. vests if Bank of Ireland is ranked 1 or 2 in the peer group and in the top decile of the FTSE-100*
  - *from 100 per cent. to 50 per cent. vests if ranked between 3rd and 5th in the peer group and above the median in the FTSE-100*
  - *no stock vests if ranked below both the median of the peer group and the median of the FTSE-100.*
- *Additionally 50 per cent. of stock which vests in an executive must be held for a further two years following which, provided the executive is still employed by the Group, he will be awarded additional units of stock not exceeding 20 per cent. of the units which had vested and were held. If the original units continue to be held for a further 5 years (i.e. 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 per cent. of the units which originally vested and were held.*

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

(6) *The euro figures shown have been translated from U.S. dollars and pounds sterling using the closing rates of exchange prevailing on 30 September 2000, which were: €1=U.S.$0.8765, €1=£0.5967. The Irish Pound figures have been converted to euro at the Fixed Exchange rate of euro 1 = IR£0.787564.*

(7) *The Subordinated Liabilities and Indebtedness are not secured or guaranteed.*

(8) *Since 30 September 2000, an additional €150 million 6.45 per cent. Subordinated Bonds due 2010 were issued which are fungible with and form a single series with these Bonds.*

(9) *Since 30 September 2000, these Bonds have been redeemed.*

(10) *Since 30 September 2000, senior floating rate notes in principal amounts of €600 million and U.S.$350 million have been issued.*

(11) *Since 30 September 2000, an additional €500 million approximately of short-term commercial paper and certificates of deposit has been issued and remains outstanding.*

(12) *Save as described in footnotes 8, 9, 10 and 11 above, there has been no material change in the Group's capitalisation and indebtedness since 30 September 2000.*

Contingent Liabilities of the Group	**As at 30 September 2000 Contract Amount (€ millions)**
Acceptances and endorsements	149
Guarantees and assets pledged as collateral security	886
Other contingent liabilities	445
	1,480

Notes:

1. *The maximum exposure to credit loss under contingent liabilities 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.*
2. *There has been no material change in the Group's contingent liabilities including guarantees since 30 September 2000.*

Court of Directors

The business address of the Court of Directors is Bank of Ireland, Head Office, Lower Baggot Street, Dublin 2, Ireland.

Name	Function within the Group	Principal Outside Activities
Laurence G. Crowley	Governor	Chairman of PJ Carroll and Co. Ltd., a Director of Elan Corporation plc and a number of other companies
Mary P. Redmond	Deputy Governor	A Partner in Arthur Cox, Solicitors, a Director of Jefferson Smurfit Group plc and Campbell Bewley Group Ltd.
Maurice A. Keane	Group Chief Executive	—
Lord Armstrong of Ilminster, GCB CVO	Non-Executive Director	Chairman of 3i Bioscience Investment Trust plc and a director of a number of other companies
Roy E. Bailie, OBE	Non-Executive Director	Chairman of W&G Baird Holdings Ltd and of the Northern Ireland Tourist Board. A Director of the Bank of England and UTV plc
Anthony D. Barry	Non-Executive Director	Chairman of Greencore Group plc and a Director of DCC plc and Ivernia West plc
Richard Burrows	Non-Executive Director	Chairman of Irish Distillers Group Ltd and Joint Managing Director of Pernod Ricard S.A.
Paul M D'Alton	Group Chief Financial Officer	—
Margaret Downes	Non-Executive Director	Chairman of BUPA Ireland Ltd. and Gallaher (Dublin) Ltd., a Director of Ardagh plc, BUPA in the UK and a number of other companies
E. Patrick Galvin	Non-Executive Director	A Director of Gallaher (Dublin) Ltd., Greencore Group plc and Irish Shell Ltd. Chairman of the Board of Governors of the National College of Ireland
Donal J Geaney	Non-Executive Director	Chairman and Chief Executive of Elan Corporation plc. Chairman of The Irish Aviation Authority and a Member of the Board of Directors of The Ireland-United States Council and The Trinity Foundation
Brian J. Goggin	Chief Executive Corporate & Treasury	—
Raymond MacSharry	Non-Executive Director	A Director of Jefferson Smurfit Group plc and Ryanair Holdings plc. Chairman of eircom plc, Green Property plc, London City Airport Ltd. and Coillte Teoranta
Patrick J. A. Molloy	Non-Executive Director and Chairman of Bristol & West plc	Chairman of CRH plc and Enterprise Ireland. A Director of eircom plc
Denis O'Brien	Non-Executive Director	A Director of Oakhill plc and a number of other companies

FIVE YEAR FINANCIAL SUMMARY

The profit and loss accounts, balance sheets and ratios set out below have been extracted without material adjustment from the Report and Accounts of the Group for the year ended 31 March 2000 which are set out on pages 59 to 112.

	Year to 31 March				
	1996 €m	1997 €m	1998 €m	1999 €m	2000 €m
Profit and loss accounts					
Profit on ordinary activities before exceptional items	462	503	673	836	920
Profit on ordinary activities before taxation	401	503	673	1,054	920
Profit on ordinary activities after taxation	271	339	476	801	724
Earnings per unit of €0.64 Ordinary Stock[1]	26.3c	33.0c	45.0c	74.5c	68.0c
Alternative Earnings per unit of €0.64 Ordinary Stock[1][2]	32.8c	—	—	54.3c	—
Dividends per unit of €0.64 Ordinary Stock (net)[1]	9.68c	11.27c	14.6c	18.41c	23.5c
Balance Sheets					
Minority interests — equity	3	3	4	3	5
— non equity	—	—	81	79	87
Subordinated liabilities	658	912	1,455	1,389	1,866
Total stockholders' funds	1,558	1,792	2,007	2,854	3,279
Assets	26,612	24,976	50,322	54,314	68,017
	%	%	%	%	%
Operating ratios					
Net interest margin (grossed-up)[4]	3.9	3.7	3.0	2.6	2.6
Other income/average earning assets[4]	1.9	1.9	1.8	1.8	1.8
Costs/total income (grossed-up)[4]	61	59	58	55	54
Return on average total assets[3]	1.3	1.3	1.2	1.1	1.2
Return on average stockholders' funds[3]	24.9	21.7	27.5	23.8	24.5
Asset quality					
Loan loss provisions/loans[4]	1.4	1.5	1.1	1.0	0.9
Annual provisions/average loans[4]	0.2	0.2	0.2	0.2	0.1
Capital adequacy ratios					
Tier 1 capital	9.5	11.0	7.2	9.0	7.4
Total capital	14.0	16.3	11.3	13.0	11.8

Notes:

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

(2) *Based on profit attributable to Ordinary Stockholders before exceptional items.*

(3) *Ratios for 1999 and 1996 are based on the profit attributable to Ordinary Stockholders before exceptional items.*

(4) *Ratios for 1996 and 1997 have been restated to exclude the effect of First NH Banks.*

FINANCIAL SUMMARY
for the six months ended 30 September 2000

	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	+/-%
Results			
Profit on ordinary activities before exceptional items	567	508	+12%
Profit before taxation	500	508	-2%
Per unit of €0.64 ordinary stock (EPS)			
Earnings	34.6¢	35.7¢	-3%
Alternative Earnings	43.3¢		+21%
Dividend	9.4¢	7.36¢	+28%
Balance sheet			
Total assets	75,501	59,819	+26%
Total stockholders' funds	3,575	2,821	+27%
Capital ratios			
Tier 1 capital	6.8%	7.7%	
Total capital	10.7%	10.6%	
Equity/assets	4.2%	4.4%	
Key ratios			
Net interest margin	2.36%	2.77%	
Costs/total income	52%	51%	
Return on average stockholders' funds	27%	27%	

Financial Information relating to the Governor and Company of the Bank of Ireland

Audited consolidated financial statements of the Bank of Ireland Group for the years ended 31 March 2000 and 31 March 1999, together with the auditors' report thereon 59

Unaudited interim consolidated financial statements of the Bank of Ireland Group for the six months ended 30 September 2000, together with the auditors' interim review report thereon 113

These financial statements and auditors' reports have been extracted without material adjustment from the Annual Report and Accounts of the Group for the year ended 31 March 2000 and from the interim report of the Group for the six months ended 30 September 2000.

Cross references to page numbers are to the pages as they appear in the March 2000 Annual Report and Accounts and the September 2000 interim report of the Group.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK OF IRELAND GROUP for the years ended 31 March 2000 and 31 March 1999

Auditors' Report to the Members of the Governor and Company of the Bank of Ireland

We have audited the accounts on pages 44 to 104. We have also audited the information on risk management and control on pages 19 to 24 and the Remuneration Report on pages 36 to 40.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Report and Accounts. As described on page 41, this includes responsibility for preparing the accounts in accordance with Accounting Standards generally accepted in Ireland. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board, the Listing Rules of the Irish Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 1999 and the European Communities (Credit Institutions: Accounts) Regulations 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the balance sheet of the Bank is in agreement with the books of account. We also report to you our opinion as to:

- whether the Bank has kept proper books of account,
- whether proper returns adequate for the purposes of our audit have been received from branches of the Bank not visited by us,
- whether the Director's report is consistent with the accounts, and
- whether at the balance sheet date there existed a financial situation which may require the Bank to convene an Extraordinary General Court.

We also report to you if, in our opinion, information specified by law or the Irish Listing Rules regarding Directors' remuneration and Directors' transactions is not disclosed.

We read the other information contained in the Report and Accounts and consider the implications for our report to members if we become aware of any apparent misstatements or material inconsistencies with the accounts.

We review whether the statement on page 33 reflects the Bank's compliance with the seven provisions of the Combined Code specified for our review by the Irish Stock Exchange, and we report if it does not. We are not required to report whether the board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Bank and the Group as at 31 March 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 1999 and the European Communities (Credit Institutions: Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the Bank and proper returns adequate for the purpose of our audit have been received from branches not visited by us. The balance sheet of the Bank is in agreement with the books of account.

In our opinion, the information given in the Report of the Directors on pages 29 to 32 is consistent with the accounts.

In our opinion, the balance sheet of the Bank on page 47 does not show a financial situation which, under the provisions of the Companies (Amendment) Act, 1983, requires the convening of an Extraordinary General Court.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Dublin

10 May 2000

Group Profit and Loss Account for the year ended 31 March 2000

	Note	The Group 2000 €m	1999 €m
Interest receivable			
Interest receivable and similar income arising from debt securities		321	284
Other interest receivable and similar income	2	2,681	2,841
Interest payable	3	1,760	2,009
Net interest income		1,242	1,116
Fees and commissions receivable		729	603
Fees and commissions payable		(112)	(50)
Dealing profits	32	44	71
Contribution from life assurance companies		127	107
Other operating income	4	112	71
Total operating income		2,142	1,918
Administrative expenses	5	1,048	962
Depreciation and amortisation	5,17	119	98
Operating profit before provisions		975	858
Provision for bad and doubtful debts	13	56	56
Operating profit		919	802
Income from associated undertakings	6	1	34
Profit on ordinary activities before exceptional item		920	836
Profit on disposal of associated undertaking		—	218
Profit before taxation		920	1,054
Taxation on profit on ordinary activities	7	196	223
Effect of reductions in Irish corporation tax standard rate on deferred tax balances	7	—	30
Profit after taxation		724	801
Minority interests : equity		3	1
: non equity		6	6
Non-cumulative preference stock dividends	8	25	23
Profit attributable to the ordinary stockholders		690	771
Transfer to capital reserve	30	70	36
Ordinary dividends	8	233	192
Profit retained for the year		387	543
Earnings per unit of €0.64 Ordinary Stock	9	68.0c	74.5c
Alternative Earnings per unit of €0.64 Ordinary Stock	9	—	54.3c
Diluted Earnings per unit of €0.64 Ordinary Stock	9	67.6c	73.9c

The movement in the reserves is shown in Note 30.

The profit attributable to the Ordinary Stockholders of the Bank dealt with in the accounts of the Bank amounted to €322 million (1999: €403 million). The Bank has taken advantage of Regulation 5, paragraph 2 of the European Communities (Credit Institutions: Accounts) Regulations, 1992, and accordingly the profit and loss account of the Bank has not been presented separately.

The notes on pages 51 to 104 form part of the accounts.

Howard E Kilroy *Governor*	Laurence G Crowley *Director*
Maurice A Keane *Group Chief Executive*	Terence H Forsyth *Secretary*

Group Balance Sheet at 31 March 2000

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

Balance Sheet at 31 March 2000

	Notes	The Bank 2000 €m	1999 €m
Assets			
Cash and balances at central banks		201	1,067
Items in the course of collection		617	575
Central government and other eligible bills	10	213	193
Loans and advances to banks	11	14,912	9,330
Loans and advances to customers	12	22,888	16,856
Debt securities	14	4,595	3,245
Equity shares		4	—
Own Shares		33	—
Shares in group undertakings	16	1,779	1,689
Tangible fixed assets	17	606	469
Other assets	19	739	1,146
Deferred taxation	25	3	11
Prepayments and accrued income		380	356
		46,970	34,937
Liabilities			
Deposits by banks	21	13,074	9,192
Customer accounts	22	25,743	19,869
Debt securities in issue	23	2,451	273
Items in the course of transmission		219	251
Other liabilities	24	1,815	2,153
Accruals and deferred income		350	270
Provisions for liabilities and charges – other	26	63	65
Subordinated liabilities	27	1,435	1,001
Called up capital stock	29	690	681
Stock premium account	30	679	633
Capital reserve	30	19	18
Profit and loss account	30	309	522
Revaluation reserve	30	123	9
Stockholders' funds including non equity interests		1,820	1,863
		46,970	34,937

Balance Sheets at 31 March 2000

Memorandum Items	Notes	The Group 2000 €m	1999 €m
Contingent liabilities			
Acceptances and endorsements		106	73
Guarantees and assets pledged as collateral security		897	621
Other contingent liabilities		343	343
	35	1,346	1,037
Commitments	35	11,553	9,075

	Notes	The Bank 2000 €m	1999 €m
Contingent liabilities			
Acceptances and endorsements		106	73
Guarantees and assets pledged as collateral security		3,422	2,665
Other contingent liabilities		343	343
	35	3,871	3,081
Commitments	35	8,662	7,502

The notes on pages 51 to 104 form part of the accounts.

Howard E Kilroy
Governor

Laurence G Crowley
Director

Maurice A Keane
Group Chief Executive

Terence H Forsyth
Secretary

Other Primary Statements for the year ended 31 March 2000

Statement of Total Recognised Gains and Losses	Notes	The Group 2000 €m	1999 €m
Profit attributable to the ordinary stockholders		690	771
Exchange adjustments	29,30	183	(23)
Revaluation of property	30	152	4
Total recognised gains since last year		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	The Group 2000 €m	1999 €m
Profit attributable to the ordinary stockholders		690	771
Dividends	8	(233)	(192)
		457	579
Other recognised gains/(losses)		335	(19)
New capital stock subscribed	29,30	42	56
Goodwill written back on disposal of Citizens	30	—	230
Goodwill written back on other disposal	30	—	1
Stock buyback	30	(409)	—
		425	847
At 1 April		2,854	2,007
At 31 March		3,279	2,854
Stockholders' funds:			
Equity		3,064	2,647
Non equity		215	207
		3,279	2,854

The notes on pages 51 to 104 form part of the accounts.

Howard E Kilroy
Governor

Laurence G Crowley
Director

Maurice A Keane
Group Chief Executive

Terence H Forsyth
Secretary

Group Cash Flow Statement for the year ended 31 March 2000

Reconciliation of operating profit to net operating cash flows	**Note**	**The Group 2000 €m**	**The Group 1999 €m**
Operating profit		919	802
(Increase)/decrease in accrued income and prepayments		(24)	63
(Decrease) in accruals and deferred income		(98)	(19)
Provisions for bad and doubtful debts		56	56
Loans and advances written off net of recoveries		(39)	(47)
Depreciation and amortisation		119	98
Interest charged on subordinated liabilities		92	104
Other non-cash movements		(49)	(18)
Net cash flow from trading activities		976	1,039
Net (increase) in collections/transmissions		(63)	(93)
Net (increase)/decrease in loans and advances to banks		(2,836)	1,959
Net (increase) in loans and advances to customers		(6,055)	(5,061)
Net increase in deposits by banks		3,037	1,669
Net increase in customers accounts		4,468	2,164
Net increase/(decrease) in debt securities in issue		2,084	(538)
Net (increase)/decrease in non investment debt and equity securities		(914)	124
Net decrease/(increase) in other assets		209	(524)
Net (decrease)/increase in other liabilities		(210)	287
Exchange movements		(150)	(216)
Net cash flow from operating activities		548	810
Dividend received from associated undertaking		–	1
Returns on investment and servicing of finance	37	(122)	(141)
Taxation		(192)	(138)
Capital expenditure and financial investment	37	(310)	(903)
Acquisitions and disposals	37	(10)	715
Equity dividends paid		(176)	(127)
Financing	37	(92)	(9)
(Decrease)/increase in cash		(354)	208

The notes on pages 51 to 104 form part of the accounts.

Howard E Kilroy
Governor

Laurence G Crowley
Director

Maurice A Keane
Group Chief Executive

Terence H Forsyth
Secretary

NOTES TO THE ACCOUNTS

1. Basis of accounting and accounting policies

1.1 *Accounting Convention*

The accounts on pages 44 to 104 have been prepared under the historical cost convention as modified by the revaluation of certain properties and investments, in accordance with the Companies Acts, 1963 to 1999 and the European Communities (Credit Institutions: Accounts) Regulations, 1992 and with applicable accounting standards. The accounts are drawn up in euro (€) and except where otherwise indicated are expressed in millions and the 1999 amounts have been restated in euro at the fixed translation rate of €1 = IR£0.787564. Costs, assets and liabilities are inclusive of irrecoverable value added taxes, where appropriate. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

During the year, the Group implemented the requirements of FRS15, Tangible Fixed Assets arising from which an interim valuation of the Group's properties was undertaken, see note 17. FRS16, Current Tax was also implemented.

1.2 *Basis of Consolidation*

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

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

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

1.3 *Foreign Currency Translation*

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

1.5 *Mortgage Incentives*

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

1.6 *Leasing and Instalment Finance*

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

1.7 *Debt Securities and Equity Shares*

Investment Securities

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

Other Securities

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

1.8 *Derivatives*

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

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

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

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

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

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

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

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

1.9 *Capital Instruments*

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

1.10 *Pensions*

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

1.11 Tangible Fixed Assets

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

1.12 Provision for Bad and Doubtful Debts

Specific provisions are made on a case by case basis for loans and advances which are recognised to be bad or doubtful as a result of the continuous appraisal of the loans and advances portfolio. A general provision is also made against loans and advances to cover latent loan losses which are known from experience to be present in any portfolio of loans and advances but have yet to be specifically identified. Provisions made during the year are charged against profits, less amounts released and net of recoveries previously written off.

1.13 Deferred Taxation

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

1.14 Scrip Dividend

Stock issued in lieu of cash dividends, under the Stock Alternative Scheme, is issued at a value equivalent to the cash element, net of Dividend Withholding 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 31 March 1998 are capitalised as assets on the balance sheet and amortised over their estimated useful economic lives.

1.18 Life Assurance Business

The assets attributable to the Group from the life assurance business are consolidated in the Group balance sheet and consist of the Group's share of the net tangible and financial assets of the business and the Group's interest in policies in force. The Group's interest in policies 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. Other Interest Receivable and Similar Income

	2000 €m	1999 €m
The Group		
Loans and advances to banks	164	289
Loans and advances to customers	2,371	2,427
Finance leasing	89	75
Instalment credit	57	50
	2,681	2,841

3. Interest Payable

	2000 €m	1999 €m
The Group		
Interest on subordinated liabilities	92	104
Other interest payable	1,668	1,905
	1,760	2,009

4. Other Operating Income

	2000 €m	1999 €m
The Group		
Profit on disposal of investment securities	39	15
Profit on disposal of tangible fixed assets	23	2
Securitisation servicing fees	8	13
Other income	42	41
	112	71

5. Operating Expenses

	2000 €m	1999 €m
The Group		
Staff costs:		
– wages and salaries	584	519
– social security costs	47	41
– pension costs	11	11
– staff stock issue	14	9
– severance packages	2	2
	658	582
Operating lease rentals:		
– property	10	17
– equipment	1	1
Other administrative expenses	379	362
Total administrative expenses	1,048	962
Depreciation and amortisation:		
– freehold and leasehold property	14	13
– computer and other equipment	105	85
Total depreciation	119	98
Total operating expenses	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 2000 the charge represents 3.5% of eligible employees' basic salary (1999: 2.5%).

	2000 €m	1999 €m
Auditors' remuneration (including VAT)		
– Audit work	1.6	1.5
– Non audit work	3.8	3.8

6. Income from Associated Undertakings

	2000 €m	1999 €m
The Group		
Citizens Financial Group, Inc.	—	32
Other associates	1	2
	1	34

7. Taxation

	2000 €m	1999 €m
The Group		
Corporation tax	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	23
Associated undertakings	—	10
	196	253

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

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

	2000 €m	1999 €m
The deferred taxation charge arises from:		
Leased assets	38	18
Own assets	—	(9)
Short term timing differences	2	44
	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%.*

The standard rate is to be:

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

8. Dividends

	2000 €m	1999 €m
The Bank		
Equity Stock:		
2000		
On units of €0.64 Ordinary Stock in issue		
Interim dividend 7.36c (Tax credit nil)	73	
Proposed final dividend 16.14c (Tax credit nil)	160	
1999		
On units of €0.64 Ordinary Stock in issue		
Interim dividend 5.84c (Tax credit 1.4438c)		61
Final dividend 12.57c (Tax credit nil)		131
	233	192

	2000 €m	1999 €m
Non Equity Stock:		
2000		
On 10.5 million units of IR£1 of Non-Cumulative Preference Stock, Dividend IR1.2p (Tax credit nil)	16	
On 5.0 million units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg1.2625p (Tax credit nil)	9	
1999		
On 10.5 million units of IR£1 of Non-Cumulative Preference Stock, Dividend IR1.068000p (Tax credit IR0.132000p)		14
On 5.0 million units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg1.123625p (Tax credit Stg0.138875p)		9
	25	23

9. Earnings Per Unit of €0.64 Ordinary Stock

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

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

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

10. Central Government bills and other eligible bills

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Investment securities				
– government bills and similar securities	5	—	—	—
– other eligible bills	636	587	213	192
Other securities				
– government bills and similar securities	105	75	—	1
	746	662	213	193

11. Loans and advances to banks

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Funds placed with Central Bank of Ireland	74	72	37	31
Funds placed with other central banks	582	25	558	4
Funds placed with other banks	6,316	3,360	14,317	9,295
	6,972	3,457	14,912	9,330
Repayment on demand	1,189	594	1,718	1,109
Other loans and advances to banks by remaining maturity				
– 3 months or less	4,630	1,811	10,581	4,388
– 1 year or less but over 3 months	1,107	995	2,031	3,518
– 5 years or less but over 1 year	22	43	559	291
– over 5 years	24	14	23	24
	6,972	3,457	14,912	9,330

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

Amounts include:				
Due from group undertakings				
– unsubordinated			8,199	6,372

12. Loans and advances to customers

(a) Loans and advances to customers

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Loans and advances to customers	42,109	34,329	22,854	16,895
Loans and advances to customers – finance leases	2,323	1,640	161	103
Hire purchase receivables	810	573	146	98
	45,242	36,542	23,161	17,096
General and specific bad and doubtful debt provisions	(398)	(359)	(273)	(240)
	44,844	36,183	22,888	16,856

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Repayable on demand	1,953	1,616	2,692	2,203
Other loans and advances to customers by remaining maturity				
– 3 months or less	2,148	1,469	2,854	3,456
– 1 year or less but over 3 months	2,662	2,408	2,175	2,457
– 5 years or less but over 1 year	8,649	7,043	8,478	3,610
– over 5 years	29,830	24,006	6,962	5,370
	45,242	36,542	23,161	17,096

Amounts include:				
Due from group undertakings				
– unsubordinated			6,884	4,469

The loans accounted for on a non-accrual basis as at 31 March 2000 amounted to €355 million (1999: €444 million).

(b) Securitisation and loan transfer

The Group has sold the following pools of mortgages.

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

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

Under the terms of separate agreements, the Group continues to administer the mortgages, for which it receives fees and income. In addition, the Group is required to cover credit losses arising subject to specified limits as set out below. Specific provisions are maintained by the Group on a case by case basis for all loans where there is a likelihood of a loss arising and general provisions are maintained as a percentage of all remaining loans.

Notes

(i) These companies issued Mortgage Backed Floating Rate Notes ("Notes") to finance the purchase of the mortgage pools. Loan facilities have been made available by the Group to finance certain issue related expenses and loan losses arising on the pools of mortgages sold. The loans are repayable when all Notes have been redeemed subject to the issuer having sufficient funds available.

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

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

(ii) Under the terms of the mortgage sale agreements, the Group has an option to repurchase the mortgages at par when the aggregate balances of the mortgages fall below 10% of the original sale proceeds.

(iii) Under the terms of the mortgage sale agreements, the Group has an option to repurchase the mortgages at par when the aggregate balances of the mortgages fall below 5% of the original sale proceeds.

(iv) The company funded this purchase by the issue of floating rate mortgage backed securities, the lowest ranking of which have been purchased by the Group. Under the terms of this issue, the Group is not obliged to repurchase any of the assets, or to transfer in any additional assets. The issue terms of the notes include provisions that neither the company nor the noteholders have recourse to the Group and no Group company is obliged or intends to support any losses of the company. The proceeds generated by the mortgage assets will be used to pay the interest and capital on the notes and any other administrative expenses and taxation. Any residue is payable to the Group as deferred consideration.

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

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

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

	2000 €m	1999 €m
Interest receivable	55	87
Interest payable	(50)	(80)
Fee income	4	3
Deposit income	3	4
Operating expenses	(4)	(1)
Profit for the financial period	8	13

(c) Concentration of exposure to credit risk

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

The Group's residential mortgage portfolio is widely diversified by individual borrower and amounts to 56% of the total loans and advances to customers, 25% of the loans and advances in Ireland (including Northern Ireland) and 86% in Great Britain.

(d) Leasing and hire purchase

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Amount receivable by remaining maturity				
– within 1 year	670	395	58	39
– 5 years or less but over 1 year	1,035	898	88	59
– over 5 years	1,428	920	161	103
	3,133	2,213	307	201

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

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

13. Provisions for bad and doubtful debts

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
At 1 April	359	357	240	225
Exchange adjustments	22	(7)	11	(3)
Charge against profits	56	56	36	48
Amounts written off	(57)	(62)	(25)	(43)
Recoveries	18	15	11	13
At 31 March	398	359	273	240
All of which relates to loans and advances to customers				
Provisions at 31 March				
– specific	115	123	72	65
– general	283	236	201	175
	398	359	273	240

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

14. Debt Securities

The Group

	At 31 March 2000 Book Value €m	Gross Unrealised Gains €m	Gross Unrealised Losses €m	Fair Value €m
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

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

14. Debt securities (continued)

The Bank

	At 31 March 2000			
	Book Value €m	Gross Unrealised Gains €m	Gross Unrealised Losses €m	Fair Value €m
Issued by Public Bodies				
Investment securities				
– government securities	415	11	—	426
Other securities				
– government securities	1,767			1,767
Issued by Other Issuers				
Investment securities				
– bank and building society certificates of deposits	42	—	—	42
– other debt securities	1,700	7	(7)	1,700
	1,742	7	(7)	1,742
Other securities				
– bank and building society certificates of deposits	—			—
– other debt securities	671			671
	671			671
	4,595	18	(7)	4,606

	At 31 March 1999			
	Book Value €m	Gross Unrealised Gains €m	Gross Unrealised Losses €m	Fair Value €m
Issued by Public Bodies				
Investment securities				
– government securities	577	27	—	604
Other securities				
– government securities	1,034			1,034
Issued by Other Issuers				
Investment securities				
– bank and building society certificates of deposits	11	—	—	11
– other debt securities	1,332	15	(1)	1,346
	1,343	15	(1)	1,357
Other securities				
– bank and building society certificates of deposits	—			—
– other debt securities	291			291
	291			291
	3,245	42	(1)	3,286

14. Debt securities (continued)

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Investment securities				
– listed	3,189	2,542	1,703	1,580
– unlisted	1,049	1,047	454	340
	4,238	3,589	2,157	1,920
Other securities				
– listed	2,160	1,294	1,954	1,082
– unlisted	270	263	484	243
	2,430	1,557	2,438	1,325
Unamortised premiums and discounts on investment securities	5	18	5	18

Income from listed and unlisted investments amounted to €337 million (1999: €298 million).

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

	Cost €m	Discount/ (Premium) €m	Carrying Value €m
The Bank			
At 1 April 1999	1,957	(37)	1,920
Exchange adjustments	167	(1)	166
Acquisitions	680	—	680
Disposals and redemptions	(602)	—	(602)
Amortisation of premiums and discounts	—	(7)	(7)
At 31 March 2000	2,202	(45)	2,157

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Analysed by remaining maturity:				
Due within one year	1,883	871	1,734	489
Due one year and over	4,785	4,275	2,861	2,756
	6,668	5,146	4,595	3,245
Amounts include:				
Due from Group undertakings			214	—

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 €1,295 million.

Debt securities with a market value of €1,708 million were pledged as collateral to cover settlement risk for securities' transactions.

15. Interests in Associated Undertakings

The Group

	€m
At 1 April 1999	13
Net increase in investments	1
Retained profits	—
At 31 March 2000	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.

16. Shares in Group Undertakings

The Bank

	€m
At 1 April 1999	1,689
Exchange adjustments	94
Acquisitions	7
Net decrease in investments	(11)
At 31 March 2000	1,779
Group undertakings	
– Credit Institutions	139
– Others	1,640
	1,779

Shares in group undertakings are stated at acquisition cost increased by the nominal value of scrip issues.

The principal group undertakings at 31 March 2000 were:

Name	Principal Activity	Country of Incorporation	Statutory Year End
Bank of Ireland Asset Management Limited	Asset Management	Ireland	31 March
Bank of Ireland Finance Limited*	Instalment Finance	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.

The registered offices of the above undertakings are given on pages 112 to 116.

In presenting details of the principal subsidiary undertakings, 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 group undertakings.

Advantage is being taken of Regulation 8.(1) of the European Communities (Credit Institutions: Accounts) Regulations, 1992 in respect of Bank of Ireland Finance Limited and The Investment Bank of Ireland Limited which will not file group accounts for the year ended 31 March 2000.

17. Tangible fixed assets

The Group

Cost or valuation	Freehold land and buildings €m	Leases of 50 years or more unexpired €m	Leases of less than 50 years unexpired €m	Computer and other equipment €m	Finance lease assets €m	Total €m
At 1 April 1999	427	73	46	708	8	1,262
Exchange adjustments	23	1	3	22	—	49
Additions	72	—	7	128	—	207
Disposals	(121)	(1)	(2)	(27)	(1)	(152)
Revaluation	80	41	(11)	—	—	110
At 31 March 2000	481	114	43	831	7	1,476
Accumulated depreciation and amortisation						
At 1 April 1999	18	3	9	392	5	427
Exchange adjustments	—	—	1	16	—	17
Disposals	—	(1)	(1)	(18)	—	(20)
Charge for year	8	—	5	105	1	119
Revaluation	(26)	(2)	(14)	—	—	(42)
At 31 March 2000	—	—	—	495	6	501
Net book value						
At 31 March 2000	481	114	43	336	1	975
At 31 March 1999	409	70	37	316	3	835

The Bank

Cost or valuation	Freehold land and buildings €m	Leases of 50 years or more unexpired €m	Leases of less than 50 years unexpired €m	Computer and other equipment €m	Finance lease assets €m	Total €m
At 1 April 1999	214	18	28	526	6	792
Exchange adjustments	5	—	1	7	1	14
Additions	17	—	4	83	—	104
Disposals	(5)	(1)	—	(9)	—	(15)
Revaluation	80	10	(3)	—	—	87
At 31 March 2000	311	27	30	607	7	982
Accumulated depreciation and amortisation						
At 1 April 1999	13	1	4	300	5	323
Exchange adjustments	1	—	1	5	—	7
Disposals	—	—	—	(6)	—	(6)
Charge for year	6	—	1	71	1	79
Revaluation	(20)	(1)	(6)	—	—	(27)
At 31 March 2000	—	—	—	370	6	376
Net book value						
At 31 March 2000	311	27	30	237	1	606
At 31 March 1999	201	17	24	226	1	469

Property and Equipment

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

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

17. Tangible fixed assets (continued)

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

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

In the year to 31 March 2000 salary and other costs of €15 million (1999: €19 million) incurred on computer software development and other projects have been capitalised and included in computer and other equipment. This expenditure is depreciated in equal annual instalments over its estimated useful life subject generally to a maximum period of five years.

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Tangible fixed assets leased	99	157	10	6
Future capital expenditure				
– contracted but not provided in the accounts	22	43	1	1
– authorised by the Directors but not contracted	1	9	—	9

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

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

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

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

18. Intangible fixed assets

	2000 €m	1999 €m
Goodwill on acquisition of minority interest in subsidiary	9	—
	9	—

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

19. Other assets

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Sundry debtors	1,060	914	151	137
Foreign exchange and interest rate contracts	566	999	573	1,008
Value of life assurance business in force	282	221	—	—
Other	136	89	15	1
	2,044	2,223	739	1,146

20. Life assurance business

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

	2000 €m	1999 €m
Long term assurance business		
Net tangible assets of life companies including surplus	270	235
Value of life assurance business in force	282	221
	552	456
Increase in net tangible assets of life companies including surplus	34	26
Increase in value of life assurance business in force	62	49
Profit after tax	96	75

(includes a movement in revaluation reserve of €3 million in 2000)

The life assurance assets attributable to policyholders consist of:

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

Value of in-force business

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

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

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

Achieved Profits:

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

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

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

Investment earnings on the net assets attributable to shareholders.

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

Premium Income Analysis

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

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

21. Deposits by banks

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Deposits by Banks	10,306	7,039	13,074	9,192
Repayable on demand	3,799	2,146	3,967	2,495
Other deposits by remaining maturity				
– 3 months or less	4,982	3,621	7,579	5,499
– 1 year or less but over 3 months	1,094	388	1,376	1,017
– 5 years or less but over 1 year	139	843	96	140
– over 5 years	292	41	56	41
	10,306	7,039	13,074	9,192
Amounts include:				
Due to group undertakings			3,733	3,715

22. Customer accounts

	The Group 2000 €m	The Group 1999 €m	The Bank 2000 €m	The Bank 1999 €m
Current accounts	6,114	4,834	7,825	5,793
Demand deposits	16,763	13,575	9,308	7,603
Term deposits and other products	17,979	15,715	8,388	6,286
Other short-term borrowings	134	173	222	187
	40,990	34,297	25,743	19,869
Repayable on demand	23,561	19,149	15,717	12,604
Other deposits with agreed maturity dates or periods of notice, by remaining maturity				
– 3 months or less	10,347	9,579	7,139	4,928
– 1 year or less but over 3 months	3,383	2,988	1,711	1,319
– 5 years or less but over 1 year	2,947	2,099	904	838
– over 5 years	752	482	272	180
	40,990	34,297	25,743	19,869
Amounts include:				
Due to group undertakings			1,758	978

23. Debt securities in issue

	The Group 2000 €m	The Group 1999 €m	The Bank 2000 €m	The Bank 1999 €m
Bonds and medium-term notes by remaining maturity:				
– 3 months or less	8	26	—	15
– 1 year or less but over 3 months	14	15	14	15
– 5 years or less but over 1 year	1,037	236	786	13
Other debt securities in issue by remaining maturity:				
– 3 months or less	642	161	593	127
– 1 year or less but over 3 months	924	103	858	103
– 5 years or less but over 1 year	200	—	200	—
	2,825	541	2,451	273

24. Other liabilities

	The Group 2000 €m	The Group 1999 €m	The Bank 2000 €m	The Bank 1999 €m
Current taxation	136	189	79	80
Notes in circulation	522	401	522	401
Foreign exchange and interest rate contracts	519	989	543	1,027
Sundry creditors	1,485	1,137	410	386
Other	576	630	101	128
Dividends	160	131	160	131
	3,398	3,477	1,815	2,153

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

25. Deferred taxation

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Taxation treatment of capital allowances:				
– finance leases	90	57	16	10
– equipment used by Group	10	10	8	9
Other short-term timing differences	(14)	(2)	(27)	(30)
	86	65	(3)	(11)
At 1 April	65	93	(11)	(38)
Provision made/(utilised)	40	53	8	27
Other movements	(19)	(81)	—	—
At 31 March	86	65	(3)	(11)

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

26. Other provisions for liabilities and charges

	Pension obligations €m	Other €m	Total €m
The Group			
At 1 April 1999	70	44	114
Exchange adjustments	2	4	6
Provisions made	10	2	12
Provisions utilised	(11)	(10)	(21)
Provisions released	—	(4)	(4)
At 31 March 2000	71	36	107
The Bank			
At 1 April 1999	60	5	65
Exchange adjustments	1	—	1
Provisions made	—	—	—
Provisions utilised	(1)	(2)	(3)
Provisions released	—	—	—
At 31 March 2000	60	3	63

27. Subordinated liabilities

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Undated Loan Capital				
Bank of Ireland				
US$150 million Undated Floating Rate Primary Capital Notes	155	138	155	138
US$270.3 million Undated Variable Rate Notes	—	252	—	252
Bristol & West				
Stg£75 million 13⅜% Perpetual Subordinated Bonds	207	185	—	—
	362	575	155	390
Dated Loan Capital				
Bank of Ireland				
Stg£100 million 9.75% Subordinated Bonds 2005	166	149	166	149
US$175 million Subordinated Floating Rate Notes 2007	183	162	183	162
Stg£200 million Subordinated Floating Rate Notes 2009	334	300	334	300
€600 million 6.45% Subordinated Bonds 2010	597	—	597	—
Bristol & West				
Stg£60 million 10⅜% Subordinated Bonds 2000	100	90	—	—
Stg£75 million 10¾% Subordinated Bonds 2018	124	113	—	—
	1,504	814	1,280	611
	1,866	1,389	1,435	1,001
Repayable				
in 1 year or less	100	—	—	—
between 1 and not more than 2 years	—	90	—	—
between 2 and not more than 5 years	166	—	166	—
5 years or more	1,238	724	1,114	611
	1,504	814	1,280	611

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

On 5 September 1989 the Bank issued US$300 million Undated Variable Rate Notes. These Notes constitute unsecured subordinated and conditional obligations of the Bank ranking *pari passu* with the US$150 million Undated Floating Rate Primary Capital Notes. On 22 September 1998, 29 September 1998 and 2 October 1998 notes to the value of US$8.7 million, US$5.0 million and US$16.0 million respectively were redeemed. On 10 June 1999, the remaining US$270.3 million of the US$300 million Undated Variable Rate Notes was redeemed.

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

Interest rates on the floating rate and fixed rate (accommodated through swaps) subordinated liabilities are determined by reference to the London Inter-Bank Offered Rate (LIBOR).

The subordinated liabilities in Bristol & West are redeemable in whole, at the option of Bristol & West plc, in the event of certain tax changes affecting the treatment of payments of interest on capital securities in the United Kingdom, and provided prior relevant supervisory consent has been obtained and adequate notice has been given, at their principal amount plus accrued interest to the date of redemption.

The Bristol & West $13\frac{5}{8}\%$ Perpetual Subordinated Bonds have a nominal value of Stg£75 million and were revalued as part of the fair value adjustments on acquisitions.

28. Minority interest – non-equity

	2000 €m	1999 €m
Bristol & West		
Stg£52.2 million $8\frac{5}{8}\%$ Non-Cumulative Preference Shares of Stg£1 each	87	79
	87	79

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

Holders of the Preference Shares are entitled to receive, in priority to the holders of any other class of shares in Bristol & West plc, a non-cumulative preference dividend at a fixed rate per annum payable in equal half yearly instalments in arrears on 15 May and 15 November each year. Bank of Ireland holds 33.6% of these shares.

The preference dividend on the Preference Shares will only be payable to the extent that payment can be made out of profits available for distribution as at each dividend payment date in accordance with the provisions of the UK Companies Acts.

29. Called up capital stock

The Group	2000 €m	1999 €m
Authorised		
1,500 million units of €0.64 of Ordinary Stock*	960	952
8 million units of Non-Cumulative Preference Stock of US$25 each	209	187
100 million units of Non-Cumulative Preference Stock of Stg£1 each	167	150
100 million units of Non-Cumulative Preference Stock of IR£1 each	127	127
	1,463	1,416

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

	2000 €m	1999 €m
Allotted and fully paid		
Equity		
992.3 million units of €0.64 of Ordinary Stock	635	660
51.7 million units of €0.64 of Treasury Stock	33	—
Non equity		
5 million units of Non-Cumulative Preference Stock of Stg£1 each	9	8
10.5 million units of Non-Cumulative Preference Stock of IR£1 each	13	13
	690	681

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

The weighted average Ordinary Stock in issue at 31 March 2000, used in the earnings per unit of Ordinary Stock calculation, excludes the Treasury Stock from the date of buyback, (See Note 9). This Treasury Stock does not rank for dividend.

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

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

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

In July 1999, 2,045,456 units of Ordinary Stock were issued to those holders of Ordinary Stock who elected, under the Stock Alternative Scheme, to receive additional units of Ordinary Stock at a price of €9.18 per unit, instead of all or part of the cash element of their 1998/1999 Final Dividend. Additionally in that month, 1,338,171 units of Ordinary Stock were allocated to the Trustees of the Employee Ordinary Stock Issue Scheme (Irish) and the Trustees of the Employee Ordinary Stock Issue Scheme (UK) at the price of €8.27 per unit.

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

In January 2000,1,046,802 units of Ordinary Stock were issued to those holders of Ordinary Stock who elected, under the Stock Alternative Scheme, to receive additional units of Ordinary Stock at a price of €8.44 per unit instead of all or part of the cash element of their 1999/2000 Interim Dividend.

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

All units of Ordinary Stock in issue carry the same voting rights.

Stock Alternative Scheme
At the 1997 Annual General Court the Stockholders renewed the Directors' authority to offer Stockholders the right to elect to receive new units of Ordinary Stock in lieu of part or all of the cash element of their dividends. Following the introduction of Dividend Withholding Tax ("DWT") in April 1999, it is the residual amount of the cash dividend (ie after DWT, where applicable) which may be taken in the form of new units of stock. The price at which such new units are offered is the average of the closing quotation of Bank of Ireland Ordinary Stock derived from the Daily Official List of the Irish Stock Exchange for the five dealing days starting on the date on which the stock is first quoted 'ex-dividend'.

Employee Stock Issue Scheme
At the 1997 Annual General Court the Stockholders approved the establishment of a new Employee Stock Issue Scheme to replace the Scheme originally approved by the Stockholders in 1984. Under the new Scheme, which has an Irish and a UK version in order to conform with the relevant revenue legislation in both jurisdictions, all employees of the Bank and certain subsidiaries, are eligible to participate, provided they had an existing contract of employment with a participating company on the last day of the Group's financial year, and their employment contract existed for a period of at least 12 months as at that date and is still in existence on the date on which a Stock Issue announcement is made. Each year the Court of Directors may set aside an element of Group profit before taxation for allocation to the Trustees of the Schemes. The amount set aside is related to overall Group performance assessed both in terms of real growth in earnings per share ("EPS") and how that real growth in EPS compares with that experienced by a peer group of Irish and UK financial institutions. In addition, as is permitted by Irish taxation rules, Irish participants may, subject to certain constraints, forego up to an equivalent amount of their salary towards the acquisition by the Trustees on their behalf of up to an amount equal to their free Scheme Stock. The maximum distribution under the Schemes is 4% of a participant's salary. To-date, annual distributions under the Schemes have ranged between nil and 3.5% of each participant's salary.

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

Stock Option Scheme
Options to subscribe for units of Ordinary Stock are granted under the terms of the Stock Option Scheme. The original scheme was approved by the Stockholders at the Annual General Court in July 1986 and a replacement scheme, "Bank of Ireland Group Stock Option Scheme – 1996", was approved by the Stockholders at the Annual General Court held in July 1996. Key executives may participate in the current Scheme at the discretion of the Remuneration Committee. The total value of options granted may not exceed four times an executive's remuneration. The subscription price per unit of stock shall not be less than the market value of the stock at the date of grant. The exercise of options granted since 1996 are conditional upon EPS achieving a cumulative growth of at least 2% per annum compound above the increase in the Consumer Price Index over either the three year period, or if not achieved, the six year period, commencing with the period in which the options are granted. The performance condition for options granted in 1996 and 1997 has been satisfied. Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant. At 31 March 2000, options were outstanding over 10,681,326 units of stock (1.08% of the Issued Ordinary Stock) at prices ranging from €0.97 to €8.93 per unit of stock. These options may be exercised at various dates up to 25 November 2010.

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

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

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

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

Limitations on Employee Stock Issue and Stock Option Schemes
All of the above stock issue and stock option schemes are subject to a range of flow rate controls approved by the Stockholders and which conform to current institutional investor guidelines.

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

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

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

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

30. Reserves

	The Group €m	The Bank €m
Stock premium account		
Opening balance	633	633
Premium on issue of capital stock	13	13
Premium on stock alternative scheme issue	26	26
Exchange adjustments	7	7
Closing balance	679	679
Capital reserve		
Opening balance	159	18
Transfer to/from revenue reserves	70	—
Exchange adjustments	3	1
Closing balance	232	19
Profit and loss account		
Opening balance	1,365	522
Profit retained	387	89
Exchange adjustments	172	112
Stock buyback (Note 29)	(409)	(409)
Capitalisation of reserves[1]	(5)	(5)
Closing balance	1,510	309
Revaluation reserve		
Opening balance	16	9
Revaluation of property	152	114
Closing balance	168	123

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

31. Pension costs

The Group operates a number of defined benefit pension schemes in Ireland and overseas. The schemes are funded and the assets of the schemes are held in separate Trustee administered funds.

An independent actuarial valuation of the Bank of Ireland Staff Pensions Fund (the main scheme) was carried out by R Watson & Sons, consulting actuaries as at 31 March 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% 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 31 March 1998 was £2,315.7 million and the actuarial value of the net assets, after allowing for expected future increases in earnings and pensions, represented 138% of the benefits that had accrued to members. The surplus is being corrected by the Bank ceasing its contributions to the scheme until at least the next actuarial valuation, which is anticipated to be at 31 March 2001. The accounting treatment that has been adopted in accordance with SSAP 24 is as follows:

- the actuarial surplus is being spread over the average remaining service lives of current employees.
- a provision of €54.0 million (1999: €55.1 million) in regard to the main scheme is included in the accounts being the excess of the accumulated pension charge over the amount funded.
- the amortisation of the surplus gives rise to a net credit of €2.0 million in relation to the main scheme, (1999: €2.5 million).

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

32. Derivatives and other financial instruments

The Group is party to various types of financial instruments in the normal course of business to generate incremental income, to meet the financing need of its customers and to reduce its own exposure to fluctuations in interest and exchange rates. These financial instruments involve to varying degrees, exposure to loss in the event of a default by a counterparty ("credit risk") and exposure to future changes in interest and exchange rates ("market risk").

Details of the objectives, policies and strategies arising from the Group's use of financial instruments, including derivative financial instruments are presented on pages 19 and 20 of the Operating and Financial Review. Details of the market risk exposures are presented on pages 21 and 22 of the Operating and Financial Review.

In respect of interest rate and exchange rate contracts, underlying principal amounts are used to express the volume of these transactions, but the amounts potentially subject to credit risk are much smaller. Replacement cost provides a better indication of the credit risk exposures facing a bank. Replacement cost is the gross cost of replacing all contracts that have a positive fair value, without giving effect to offsetting positions with the same counterparty.

32. Derivatives and other financial instruments (continued)

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

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

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

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

32. Derivatives and other financial instruments (continued)

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 31 March 2000 and 1999:

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

(1) *The underlying principal amount represents the notional amount upon which the instruments are based and does not generally represent the amounts exchanged by the parties to the instruments.*

32. Derivatives and other financial instruments (continued)

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

(1) *The underlying principal amount represents the notional amount upon which the instruments are based and does not generally represent the amounts exchanged by the parties to the instruments.*

	2000 €m	1999 €m
Dealing profits		
Securities and interest rate contracts	18	34
Foreign exchange contracts	25	37
Equity contracts	1	—
Total	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.

32. Derivatives and other financial instruments (continued)

Non Trading Derivatives

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

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

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

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

The following tables represent the underlying principal amounts, average maturities and fair values by class of instrument utilised for non trading activities for the Group at 31 March 2000 and 1999.

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

32. Derivatives and other financial instruments (continued)

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

32. Derivatives and other financial instruments (continued)

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

32. Derivatives and other financial instruments (continued)

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

Unrecognised Gains and Losses on Derivative Hedges

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

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

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

32. Derivatives and other financial instruments (continued)

Non Trading Derivative Deferred Balances

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

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

Anticipatory Hedges

The Group has entered into forward foreign exchange contracts to hedge partly the exchange risk on the translation of the net profit from certain non-IR£ operations. The fair value of these amounted to an unrealised loss of €4.1 million at 31 March 2000 and an unrealised loss of €7.6 million in 1999.

33. Interest Rate Repricing Gap – Non Trading Book

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

The tables show actual on-balance sheet volumes and net off-balance sheet amounts. In the case of undrawn fixed rate lending where the Group is effectively committed in price terms and there is a high degree of predictability in relation to the expected drawdown – notably in relation to the mortgage pipeline – the expected drawn volumes have been included in the table.

	31 March 2000						
Non trading interest rate repricing – total	Not more than three months €m	Over three months but not more than six months €m	Over six months but not more than one year €m	Over one year but not more than five years €m	Over five years €m	Non interest bearing €m	Total €m
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	8003	930	149	128	253	163	9,626
Customer accounts	31,629	1,224	1,809	1,730	592	4,006	40,990
Debt securities in issue	1,613	311	613	170	5	113	2,825
Other liabilities	307	—	—	—	181	2,567	3,055
Loan capital	1,423	100	—	—	343	—	1,866
Minority interests and shareholders' funds	—	—	—	—	—	3,371	3,371
Total liabilities	(42,975)	(2,565)	(2,571)	(2,028)	(1,374)	(10,220)	(61,733)
Net amounts due from / to Group units	3,837	(915)	(1,093)	(4,354)	617	5,235	3,327
Off balance sheet items	(957)	(880)	(338)	1,483	(185)	—	(877)
Interest rate repricing gap	(2,103)	(1,474)	(362)	4,885	1,666	(1,150)	—
Cumulative interest rate repricing gap	(2,103)	(3,577)	(3,939)	946	2,612	1,462	—
Euro							
Cumulative interest rate repricing gap 31 March 2000	709	1,077	1,373	3,476	4,623	990	—
Sterling							
Cumulative interest rate repricing gap 31 March 2000	817	(1,713)	(2,375)	266	739	1,390	—

33. Interest Rate Repricing Gap – Non Trading Book (continued)

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

33. Interest Rate Repricing Gap – Non Trading Book (continued)

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

34. Fair values of financial instruments

The Group has estimated fair value wherever possible using market prices or data available for instruments with characteristics either identical or similar to those of the instruments held by Group. In certain cases, however, including some advances to customers, there are no ready markets. Accordingly, various techniques have been developed to estimate what the approximate fair value of such instruments might be. These estimation techniques are necessarily extremely subjective in nature and involve assumptions which are based upon management's view of market conditions at 31 March 2000 which may not necessarily be indicative of any subsequent fair value. Furthermore, minor changes in the assumptions used could have a significant impact on the resulting estimated fair values, and, as a result, readers of these financial statements are advised to use caution when using this data to evaluate the Group's financial position.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in many cases, particularly in respect of lending to customers, the Group intends to realise assets through collection over time. As such the fair values calculated do not represent the value of the Group as a going concern at 31 March 2000.

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

	2000		1999	
	Carrying Amount €m	Fair Values €m	Carrying Amount €m	Fair Values €m
Financial instruments held for trading				
Debt securities	2,418	2,418	1,557	1,557
Equity Shares	9	9	16	16
Interest rate contracts	139	139	(33)	(33)
Foreign exchange contracts	23	23	(15)	(15)
Non trading financial instruments				
Assets				
Cash and balances at central banks[1]	210	210	1,083	1,083
Items in course of collection[1]	617	617	575	575
Central government bills and other eligible bills[1]	641	641	587	587
Loans and advances to banks	6,770	6,768	3,457	3,457
Loans and advances to customers	44,844	44,766	36,183	36,384
Securitisation and loan transfers[1]	130	130	117	117
Debt securities	4,237	4,249	3,590	3,652
Equity shares	4	4	1	1
Own shares	33	382	—	—
Liabilities				
Deposits by banks	10,306	10,409	7,039	7,062
Customer accounts	40,990	41,616	34,297	34,999
Debt securities in issue	2,825	2,824	541	542
Items in course of transmission[1]	219	219	251	251
Subordinated liabilities	1,866	1,923	1,389	1,469
Minority interests: non-equity	87	91	79	130
Derivative financial instruments utilised for non trading activities				
Interest rate contracts		82		(10)
Exchange rate contracts		(34)		—
Equity and commodity contracts		823		810

(1) The fair value of these financial instruments is equal to the carrying value. These instruments are either carried at market value, or have minimal credit losses and are either short term in nature or reprice frequently.

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

34. Fair values of financial instruments (continued)

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 non-performing categories.

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

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

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

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

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

5. *Deposits by Banks*
The fair value of other borrowings is based on the discounted cash flows using market rates applicable for similar types of borrowing arrangements.

6. *Customer Accounts*
The fair value of current accounts, short-term borrowings, deposit accounts payable on demand and variable rate deposits are equal to their carrying value. The fair value of all other deposits, which are not repriced frequently is estimated based on the discounted value of the contractual cash flows. The discount rate is estimated using market rates for deposits with similar remaining maturities.

7. *Debt Securities in issue*
The carrying value of short-term debt securities in issue approximate to their fair values. Fair values of other debt securities in issue are based on quoted market prices where available, otherwise by discounting anticipated cash flows.

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

9. *Financial Instruments with Off Balance Sheet Risk*
Financial instruments with off balance sheet risk are detailed in Note 32 of the Notes to the Consolidated Financial Statements and include the fair value of these instruments.

10. *Life Assurance Assets and Liabilities*
Life assurance assets and liabilities have not been included in this note in accordance with accounting standards.

35. Contingent liabilities and commitments

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

	31 March 2000		31 March 1999	
	Contract amount €m	Risk weighted amount €m	Contract amount €m	Risk weighted amount €m
The Group – Contingent Liabilities				
Acceptances and endorsements	106	101	73	71
Guarantees and assets pledged as collateral security				
– Assets pledged	—	—	—	—
– Guarantees and irrevocable letters of credit	897	736	621	505
Other contingent liabilities	343	168	343	168
	1,346	1,005	1,037	744
The Group – Commitments				
Sale and option to resell transactions	—	—	—	—
Other commitments				
– Documentary credits and short-term trade-related transactions	67	20	58	18
– Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	—	—	—	—
– Undrawn note issuance and revolving underwriting facilities	505	—	191	—
– Undrawn formal standby facilities, credit lines and other commitments to lend:				
– irrevocable with original maturity of over one year	2,709	1,350	1,849	917
– revocable or irrevocable with original maturity of one year or less (ii)	8,272	—	6,977	—
	11,553	1,370	9,075	935
The Bank – Contingent Liabilities				
Acceptances and endorsements	106	101	73	71
Guarantees and assets pledged as collateral security				
– Assets pledged	—	—	—	—
– Guarantees and irrevocable letters of credit	3,422	696	2,665	434
Other contingent liabilities	343	168	343	168
	3,871	965	3,081	673
The Bank – Commitments				
Sale and option to resell transactions	—	—	—	—
Other commitments				
– Documentary credits and short-term trade-related transactions	67	20	58	18
– Forward asset purchases, forward deposits placed and forward sale and repurchase agreements	—	—	—	—
– Undrawn note issuance and revolving underwriting facilities	505	—	192	—
– Undrawn formal standby facilities, credit lines and other commitments to lend:				
– irrevocable with original maturity of over one year	1,123	557	1,197	590
– revocable or irrevocable with original maturity of one year or less (ii)	6,967	—	6,055	—
	8,662	577	7,502	608

Notes:

(i) *Under the Basle agreement, a credit conversion factor is applied to the contract amount to obtain the credit equivalent amount, which is then risk weighted according to counterparty.*

(ii) *Undrawn loan commitments which are unconditionally cancellable at any time or which have a maturity of less than one year have a risk weighting of zero.*

Deposit Interest Retention Tax

Financial institutions in Ireland are required to deduct Deposit Interest Retention Tax (DIRT) from interest paid on certain deposits with Irish branches and to remit the DIRT withheld to the Revenue Commissioners on a biannual basis, together with a statutory return of the interest paid in that period and of the applicable DIRT. These obligations were imposed by the Finance Act 1986. Certain deposits, however, are excluded from the imposition of DIRT. Deposits held by non-residents, companies, charities and pension funds are excluded from DIRT provided the appropriate declaration in the required form has been made to the financial institution.

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

36. General

(a) The Bank has given guarantees in respect of liabilties 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 (US) Limited, Bank of Ireland Asset Management Limited, Bank of Ireland Car Loans Limited, Bank of Ireland Commercial Finance Limited, Bank of Ireland Unit Trust Managers Limited, BIAM Holdings, Davy Corporate Finance Limited, Davy Holdings (International) Limited, Davy International, First Rate Enterprises Limited, Florenville Limited, IBI Corporate Finance Limited, IBI Interfunding Company, Ibidem Limited, Ilios Limited, J & E Davy, J & E Davy Holdings Limited, Lansdowne Leasing Limited, Laverhill Limited, Liscuil Limited, Louncil Limited and Merrion Leasing Limited.

(c) There exists a contingent liability to repay in whole or in part grants received on finance leases if certain events set out in the relevant agreements occur.

37. Notes to the cash flow statement

(i) Gross Cashflows

	The Group	
	2000 €m	1999 €m
Returns on investment and servicing of finance		
Interest paid on subordinated liabilities	(87)	(110)
Preference dividends paid	(25)	(23)
Issue expenses on subordinated liabilities	(3)	—
Dividends paid to minority shareholders in subsidiary undertakings	(7)	(8)
	(122)	(141)
Capital expenditure and financial investment		
Net (purchases)/sales of investment debt and equity securities	(258)	(785)
Purchase of tangible fixed assets	(207)	(173)
Sale of tangible fixed assets	155	55
	(310)	(903)
Acquisitions and disposals		
Investments in associated undertakings	(1)	(4)
Sale of Citizens Financial Group	—	686
Sale of Associated undertaking	—	33
Purchase of minority interest in subsidiary	(9)	—
	(10)	715
Financing		
Issue of capital stock (net of issue expenses)	14	18
Repayment of subordinated liabilities	(264)	(27)
Issue of subordinated liabilities	600	—
Stock buyback	(442)	—
	(92)	(9)

(ii) Analysis of the balances of cash as shown in the Balance Sheet

	Cash and Balances at Central Banks €m	Loans and Advances to Banks Repayable on Demand €m	Total Cash €m
2000			
At 1 April 1999	1,083	594	1,677
Cash flow	(876)	522	(354)
Foreign exchange movement	3	73	76
At 31 March 2000	210	1,189	1,399
1999			
At 1 April 1998	150	1,327	1,477
Cash flow	934	(726)	208
Foreign exchange movement	(1)	(7)	(8)
At 31 March 1999	1,083	594	1,677

37. Notes to the cash flow statement (continued)

(iii) Analysis of changes in financing

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

38. Segmental Analysis

Net assets are included below in order to comply with SSAP 25. The segmental allocation of liabilities necessitates the allocation of capital on a risk related basis which is in some cases necessarily subjective. The net assets of the Life Assurance business segment are based on allocation of capital while previously it was based on the actual capital as there was no allocation of capital to this segment. The Directors believe that it is more meaningful to analyse total assets and the result of this analysis is therefore also included in the tables. The analysis shown is based on management accounts information. Ireland includes Northern Ireland. Turnover is defined as interest income and non interest income. Turnover by business class is not shown. The Group has six business classes.

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

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

(a) Geographical Segment

	2000				
	Ireland €m	Britain €m	Citizens €m	Rest of World €m	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

	1999				
	Ireland €m	Britain €m	Citizens €m	Rest of World €m	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

38. Segmental Analysis (continued)

(b) Business Class

2000

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

1999

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

(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 €19,080 million (1999: €15,167 million) in business class and €16,711 million (1999: €8,645 million) in geographic segments.*

(3) *Other income includes income from associates.*

(4) *The life assurance profits reported in the segmental analysis are based on the management accounts.*

39. Related Party Transactions

(a) Subsidiary and Associated Undertakings

Details of the principal subsidiary undertakings are shown in Note 16 on page 66. 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 31 March 2000 of €0.7 million for processing transactions on behalf of Cashback Limited.

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

(b) Pension Funds

The Group provides a number of normal banking and financial services for various pension funds operated by the Group for the benefits of its employees (principally for the Bank Staff Pension Fund), which are conducted on similar terms to third party transactions and are not material to the Group.

Further details on pensions are set out in Note 31.

(c) Directors

Directors' emoluments and details of transactions between Directors and the Group are set out in the Remuneration Report on pages 36 to 40. Additionally, Dr M Redmond, Director, in her professional capacity as a solicitor, earned fees from the Group totalling €57,138 in the year to 31 March 2000, (1999: €104,119).

(d) Securitisation

RPS3, RPS4, RPS5 and CLIPS are considered to be related parties of the Group and the Group has entered into both an interest exchange agreement and a subordinated loan agreement with RPS3, RPS4, RPS5 and CLIPS. The Group has purchased the lowest ranking floating rate mortgage backed securities issued by CLIPS. In addition, the Group administers the loans on behalf of RPS3, RPS4, RPS5 and CLIPS. As at 31 March 2000 the net amount owed from RPS3 was €0.2 million (1999: €0.2 million), RPS4 was €0.8 million (1999: €1.4 million), and CLIPS was nil. The net amount owed to RPS5 was €0.1 million while in 1999 €0.2 million was owed from RPS5.

40. Assets and Liabilities denominated in Foreign Currency

	The Group		The Bank	
	2000 €m	1999 €m	2000 €m	1999 €m
Denominated in euros	29,421	23,462	23,320	20,288
Denominated in currencies other than euros	38,596	30,852	23,650	14,649
Total Assets	68,017	54,314	46,970	34,937
Denominated in euros	28,820	23,429	22,851	17,392
Denominated in currencies other than euros	39,197	30,885	24,119	17,545
Total Liabilities	68,017	54,314	46,970	34,937

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

41. Employee information

In the year ended 31 March 2000 the average full time equivalents was 16,366 (1999: 15,618) and categorised as follows in line with the business classes as stated in Note 38 on page 96.

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

Bristol & West includes the average full time equivalents for Bristol & West and also for the Group's mortgage business in Britain, Bank of Ireland Home Mortgages. The staff costs in Note 5 is exclusive of staff costs relating to the life assurance business. The contribution from life assurance companies shown in the Group Profit & Loss account on page 61 is net of these staff costs.

42. Group financial information for US investors

Not shown

43. Rate of exchange

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

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

44. The Accounts were approved by The Court of Directors on 10 May 2000

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE BANK OF IRELAND GROUP for the six months ended 30 September 2000

Independent Review Report to the Governor and Company of the Bank of Ireland

Introduction

We have been instructed by the Bank to review the financial information set out on pages 9 to 26 and we have read the other information contained in the interim statement for any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim statement, including the financial information contained therein, is the responsibility of, and has been approved by the Court of Directors. The Listing Rules of the Irish Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and, therefore, provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented, for the six months ended 30 September 2000.

PricewaterhouseCoopers
Chartered Accountants
Dublin

15 November 2000

Interim Group Profit and Loss Account (unaudited)

	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	Year 31 March 2000 €m
Interest receivable			
Interest receivable and similar income arising from debt securities	196	135	321
Other interest receivable and similar income	1,749	1,260	2,681
Interest payable	(1,252)	(765)	(1,760)
Net interest income	693	630	1,242
Fees and commissions receivable	420	366	729
Fees and commissions payable	(25)	(26)	(112)
Dealing profits	37	(2)	44
Contribution from life assurance companies (Note 3)	74	68	127
Other operating income	36	52	112
Total operating income	1,235	1,088	2,142
Administrative expenses	576	500	1,048
Depreciation and amortisation	62	54	119
Operating profit before provisions	597	534	975
Provision for bad and doubtful debts (Note 9)	36	27	56
Operating profit	561	507	919
Income from associated undertakings and joint ventures	6	1	1
Profit on ordinary activities before exceptional items	567	508	920
Group Transformation Programme (Note 4)	67	—	—
Profit before taxation	500	508	920
Deposit Interest Retention Tax (Note 5)	35	—	—
Taxation (Note 6)	104	121	196
Profit after taxation	361	387	724

	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	Year 31 March 2000 €m
Profit after taxation	361	387	724
Minority interests: equity	1	1	3
Minority interests: non equity	3	3	6
Non-cumulative preference stock dividends	13	13	25
Profit attributable to the ordinary stockholders	344	370	690
Transfer to capital reserve	48	46	70
Ordinary dividends	94	73	233
Profit retained for the period	202	251	387
Earnings per unit of €0.64 ordinary stock (Note 7)	34.6c	35.7c	68.0c
Alternative earnings per unit of €0.64 ordinary stock (Note 7)	43.3c	—	—
Diluted earnings per unit of €0.64 ordinary stock (Note 7)	34.3c	35.5c	67.6c

Interim Consolidated Balance Sheet (unaudited)

	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Assets			
Cash and balances at central banks	1,900	878	210
Items in the course of collection from other banks	554	682	617
Central Government and other eligible bills	229	751	746
Loans and advances to banks	7,114	4,742	6,972
Loans and advances to customers (Note 8)	48,864	39,789	44,844
Securitisation and loan transfers	1,061	755	708
Less: non returnable amounts	931	635	578
	130	120	130
Debt securities	7,734	5,783	6,668
Equity shares	13	7	15
Own shares	30	33	33
Interests in associated undertakings and joint ventures	23	14	14
Tangible fixed assets	1,002	772	975
Intangible fixed assets	194	—	9
Other assets	2,249	1,943	2,044
Prepayments and accrued income	637	509	502
	70,673	56,023	63,779
Life assurance assets attributable to policyholders	4,828	3,796	4,238
	75,501	59,819	68,017

	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Liabilities			
Deposits by banks	13,722	10,824	10,306
Customer accounts (Note 10)	43,216	35,557	40,990
Debt securities in issue	3,512	1,206	2,825
Items in the course of transmission to other banks	212	366	219
Other liabilities and provisions	3,477	3,274	3,505
Accruals and deferred income	876	653	611
Deferred taxation	92	73	86
Subordinated liabilities	1,900	1,164	1,866
Minority interests – equity	4	4	5
Minority interests – non equity	87	81	87
Called up capital stock (Note 11)	690	688	690
Stock premium account (Note 12)	703	665	679
Capital reserve (Note 12)	283	205	232
Profit and loss account (Note 12)	1,731	1,247	1,510
Revaluation reserve (Note 12)	168	16	168
Stockholders' funds including non equity interests	3,575	2,821	3,279
Life assurance liabilities attributable to policyholders	4,828	3,796	4,238
	75,501	59,819	68,017

Memorandum items

	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Contingent liabilities			
Acceptances and endorsements	149	109	106
Guarantees and assets pledged as collateral security	886	734	897
Other contingent liabilities	445	344	343
	1,480	1,187	1,346
Commitments	13,967	10,343	11,553

Statement of total recognised gains and losses (unaudited)

	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	Year 31 March 2000 €m
Profit attributable to ordinary stockholders	344	370	690
Exchange adjustments	22	47	183
Revaluation of property	—	—	152
Total gains recognised in period	366	417	1,025

Note of Historical Cost Profit and Loss (unaudited)

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 (unaudited)

	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	Year 31 March 2000 €m
Profit attributable to ordinary stockholders	344	370	690
Dividends	(94)	(73)	(233)
	250	297	457
Other recognised gains/(losses)	22	47	335
New capital stock subscribed	24	32	42
Stock buyback	—	(409)	(409)
	296	(33)	425
Opening stockholders' funds	3,279	2,854	2,854
Closing stockholders' funds	3,575	2,821	3,279
Stockholders' funds:			
Equity	3,360	2,612	3,064
Non equity	215	209	215
	3,575	2,821	3,279

Group cash flow statement (unaudited)

Reconciliation of operating profit to net operating cash flows	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	Year 31 March 2000 €m
Operating Profit	561	507	919
(Increase) in prepayments and accrued income	(134)	(39)	(24)
Increase/(Decrease) in accruals and deferred income	221	(26)	(98)
Provisions for bad and doubtful debts	36	27	56
Loans and advances written off net of recoveries	(16)	(24)	(39)
Depreciation and amortisation	62	54	119
Interest charged on subordinated liabilities	68	47	92
Other non-cash movements	(72)	6	(49)
Net cash flow from trading activities	726	552	976
Net decrease/(increase) in collections transmissions	56	11	(61)
Net (increase)/decrease in loans and advances to banks	(300)	262	(2,836)
Net (increase) in loans and advances to customers	(3,925)	(2,938)	(6,055)
Net increase in deposits by banks	3,421	3,702	3,037
Net increase in customer accounts	2,140	707	4,468
Net increase in debt securities in issue	683	618	2,084
Net decrease/(increase) in non-investment debt and equity securities	211	(269)	(914)
Net (increase)/decrease in other assets	(211)	284	209
Net (decrease) in other liabilities	(11)	(334)	(210)
Exchange movements	(185)	(11)	(150)
Net cash flow from operating activities	2,605	2,584	548
Returns on investment and servicing of finance	(55)	(63)	(122)
Taxation	(71)	(60)	(192)
Deposit Interest Retention Tax	(39)	—	—
Capital expenditure and financial investment	(639)	(387)	(310)
Acquisitions and disposals	(172)	(1)	(10)
Equity dividends paid	(138)	(112)	(176)
Financing	4	(684)	(92)
Increase/(decrease) in cash	1,495	1,277	(354)

NOTES TO THE ACCOUNTS

1. Accounting policies

The accounting policies as set out on pages 51 to 53 of the Report and Accounts for the year ended 31 March 2000 are unchanged.

2. Chase de Vere Investments plc

On 11 September 2000 Bank of Ireland announced that its wholly-owned subsidiary, Bristol & West plc ("Bristol & West") had acquired MR Edge Holdings Limited, the holding company of Chase de Vere Investments plc, a leading UK Independent Financial Adviser business. The present value of the expected total cost of the acquisition is Stg£121 million (€198 million). This comprises initial consideration of Stg£112 million (€183 million) including incidental expenses, and deferred consideration of Stg£9 million (€15 million). The deferred consideration can range from nil to Stg£22.5 million (€37 million) dependent on the performance of Chase de Vere Investments plc over the three year period to 31 December 2002.

Net assets of Stg£10 million (€16 million) were acquired creating goodwill on acquisition of Stg£111 million (€182 million), subject to fair value adjustment. The assessment of fair values will be concluded in the second half of the financial year.

3. Life assurance

The table below provides an analysis of profits before tax.

	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	Year 31 March 2000 €m
New business	24	13	30
Existing business	30	25	56
Return on shareholder's funds	7	4	8
Operating profit before tax	61	42	94
Change in discount rate	—	14	14
Change in tax rate	—	—	8
Exceptional items	13	12	11
Contribution from life assurance companies	74	68	127
Less: income adjustment for certain services, overheads and capital allocations provided by Group companies	(21)	(12)	(28)
Life assurance segment, profit before tax	53	56	99

4. Group transformation programme

Implementation of the Group's cost reduction programme is now underway and a provision of €67 million before tax (€52 million after tax) mainly for staff severance packages has been recognised in the half year accounts. This expenditure is expected to be incurred prior to 31 March 2003.

5. Deposit interest retention tax

On 5 July 2000 the Bank announced that it had paid the Revenue Commissioners of Ireland the sum of €38.7 million (IR£30.5 million) in full and final settlement of Bank of Ireland Group's liability for arrears of DIRT (Deposit Interest Retention Tax) including interest and penalties. €3.6 million was provided in the year to 31 March 1999.

6. Taxation on profit on ordinary activities

	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	Year 31 March 2000 €m
Based on profit for the period:			
Corporation tax	87	102	156
Deferred taxation	16	19	40
Associated undertakings	1	—	—
	104	121	196

7. 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 €344 million (September 1999: €370 million and March 2000: €689.5 million) and the weighted average Ordinary Stock in issue of 994.6 million units (September 1999: 1,035.6 million units and March 2000: 1,013.6 million units).

The calculation of the alternative earnings per share for the half year ended 30 September 2000 is based on the profit attributable to Ordinary Stockholders before exceptional items (the charge for the Group Transformation Programme after tax of €52 million and the DIRT settlement of €35 million) of €431 million and the weighted average Ordinary Stock of 994.6 million units.

The diluted earnings per share is based on the profit attributable to Ordinary Stockholders of €344 million (September 1999: €370 million and March 2000: €689.5 million) and the weighted average Ordinary Stock in issue adjusted for the effect of all dilutive potential Ordinary Stock of 7.6 million units (September 1999: 6.1 million units and March 2000: 5.9 million units)

8. Loans and advances to customers

	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Loans and advances to customers	45,898	37,560	42,109
Finance lease receivables	2,472	1,900	2,323
Hire purchase receivables	913	696	810
	49,283	40,156	45,242
Less: provisions (Note 9)	(419)	(367)	(398)
	48,864	39,789	44,844

9. Provision for bad and doubtful debts

	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Opening balance	398	359	359
Exchange adjustments	1	5	22
Charge against profits	36	27	56
Amounts written off	(27)	(32)	(57)
Recoveries	11	8	18
Closing balance	419	367	398
All of which relates to loans and advances to customers			
Provisions at end of period:			
– specific	116	113	115
– general	303	254	283
	419	367	398

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 €147 million (Sept 1999: €127 million, March 2000: €141 million) and a non designated element, for prudential purposes of €156 million (Sept 1999: €127 million, March 2000: €142 million). The non designated element, against which a deferred tax asset has been recognised, will be offset, in certain pre-defined circumstances, against specific loan losses as they crystallise in future years.

10. Customer accounts

	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Current accounts	6,839	5,341	6,114
Term deposits	18,813	16,040	17,979
Demand deposits	16,913	14,012	16,763
Other short term borrowings	651	164	134
	43,216	35,557	40,990

11. Called up capital stock

	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Allotted and fully paid			
Equity			
997.2 million units of €0.64 of Ordinary Stock	638	634	635
46.9 million units of €0.64 of Treasury Stock	30	33	33
Non equity			
5 million units of Non-Cumulative Preference Stock of Stg£1 each	9	8	9
10.5 million units of Non-Cumulative Preference Stock of IR£1 each	13	13	13
	690	688	690

The weighted average Ordinary Stock in issue at 30 September 2000, 31 March 2000 and 30 September 1999 used in the earnings per unit of Ordinary Stock calculation, excludes the Treasury Stock from the date of buyback, (See Note 7). The amount of Treasury Stock has been reduced during the period by the re-issue of such units as new units of Ordinary Stock under the Executive Stock Option Scheme on the exercise of Options and under the Stock Alternative Scheme instead of cash dividends.

12. Reserves

	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Stock premium account			
Opening balance	679	633	633
Premium on issue of capital stock	3	13	13
Premium on stock alternative scheme issue	21	17	26
Exchange adjustments	—	2	7
Closing balance	703	665	679
Capital reserve			
Opening balance	232	159	159
Transfer to/from revenue reserves	48	46	70
Exchange adjustments	3	—	3
Closing balance	283	205	232
Profit and loss account			
Opening balance	1,510	1,365	1,365
Profit retained	202	251	387
Exchange adjustments	19	45	172
Stock buyback	—	(409)	(409)
Capitalisation of reserves(i)	—	(5)	(5)
Closing balance	1,731	1,247	1,510
Revaluation reserve			
Opening balance	168	16	16
Revaluation of property	—	—	152
Closing balance	168	16	168

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

13. 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. In addition since 31 March 2000 the basis of capital allocation to segments has been amended from a primarily risk weighted assets basis to an economic capital one which incorporates a broader range of business risks. The net assets of the Life and Pensions business segment are based on allocation of capital while previously it was based on the actual capital as there was no allocation of capital to this segment. The Directors believe that it is more meaningful to analyse total assets and the result of this analysis is therefore also included in the tables. The analysis of profits shown below is based on management accounts information. Ireland includes Northern Ireland and the profits generated in the International Financial Services Centre. Turnover is defined as interest income and non interest income. Turnover by business class is not shown. The Group has six business classes.

Following a reorganisation announced in November 1999, Retail has become Retail Banking Republic, Corporate and Treasury now includes Banking GB, International Banking and Northern Ireland, Corporate Finance and Davy. Asset and Wealth Management Services, includes Asset Management, Securities Services, Private Banking and Trust Services. The Life and Pensions segment was previously called Life Assurance. The analysis below for September 1999 has been restated accordingly.

(a) Geographical Segment

	Half Year 30 September 2000			
	Ireland €m	Britain €m	Rest of World €m	Total €m
Turnover	1,262	1,169	81	2,512
Profit before exceptional items	459	115	16	590
Group Transformation Programme				67
Grossing up[1]				(23)
Profit before taxation				500
Net assets	2,242	1,192	141	3,575
Total assets[2]	56,756	33,786	2,302	92,844

	Half Year 30 September 1999			
	Ireland €m	Britain €m	Rest of World €m	Total €m
Turnover	1,044	775	60	1,879
Profit before taxation	398	117	12	527
Grossing up[1]				(19)
Profit before taxation				508
Net assets	1,769	938	114	2,821
Total assets[2]	42,156	27,265	2,324	71,745

(a) Geographical Segment

	Year 31 March 2000			
	Ireland €m	Britain €m	Rest of World €m	Total €m
Turnover	2,150	1,733	131	4,014
Profit before taxation	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

(b) Business Class

	Half Year 30 September 2000						
	Retail Banking Republic €m	Life and Pensions[4] €m	Corporate & Treasury €m	Bristol & West €m	Asset and Wealth Management Services €m	Group and Central €m	Total €m
Net interest income	340	—	196	166	10	(1)	711
Other income[3]	113	53	168	67	120	32	553
Total operating income	453	53	364	233	130	31	1,264
Administrative expenses	247	—	156	102	50	21	576
Depreciation and amortisation	30	—	11	12	3	6	62
Provisions for bad and doubtful debts	17	—	15	3	1	—	36
Profit before Exceptional Items	159	53	182	116	76	4	590
Group Transformation Programme							67
Grossing up[1]							(23)
Profit before taxation							500
Net assets	733	71	696	1,030	162	883	3,575
Total assets[2]	19,496	5,141	40,744	23,460	2,254	4,119	95,214

	Half Year 30 September 1999						
	Retail Banking Republic €m	Life and Pensions[4] €m	Corporate & Treasury €m	Bristol & West €m	Asset and Wealth Management Services €m	Group and Central €m	Total €m
Net interest income	297	—	190	144	8	10	649
Other income[3]	108	56	98	68	94	35	459
Total operating income	405	56	288	212	102	45	1,108
Administrative expenses	235	—	132	81	38	14	500
Depreciation and amortisation	30	—	9	10	2	3	54
Provisions for bad and doubtful debts	16	—	10	1	—	—	27
Profit before exceptional item	124	56	137	120	62	28	527
Grossing up[1]							(19)
Profit before taxation							508
Net assets	611	68	639	799	116	588	2,821
Total assets[2]	17,614	4,061	30,866	20,317	1,661	1,852	76,371

(b) Business Class (continued)

	Year 31 March 2000						
	Retail Banking Republic €m	Life and Pensions[4] €m	Corporate & Treasury €m	Bristol & West €m	Asset and Wealth Management Services €m	Group and Central €m	Total €m
Net interest income	602	—	371	296	18	1	1,288
Other income[3]	216	99	234	114	199	52	914
Total operating income	818	99	605	410	217	53	2,202
Administrative expenses	485	—	283	170	82	28	1,048
Depreciation and amortisation	70	—	19	18	4	8	119
Provisions for bad and doubtful debts	26	—	23	6	2	(1)	56
Profit before taxation	237	99	280	216	129	18	979
Grossing up[1]							(59)
Profit before taxation							920
Net assets	611	68	707	941	128	824	3,279
Total assets[2]	19,076	4,520	36,038	22,346	2,339	2,778	87,097

(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 €19,713 million (September 1999: €16,552 million, March 2000: €19,080 million) in business class and €17,343 million (September 1999: €11,926 million, March 2000: €16,733 million) in geographic segments.*

(3) *Other income includes income from associates.*

(4) *The Life and Pensions profits reported in the segmental analysis are based on the management accounts.*

14. Group financial information for US investors

Consolidated Net Income	Half Year 30 September 2000 €m	Half Year 30 September 1999 €m	Year 31 March 2000 €m
Profit under Irish GAAP	344	370	690
Group Transformation Programme[i]	67	—	—
Depreciation	(3)	(1)	(7)
Software development costs	4	5	10
Goodwill	(17)	(16)	(33)
Deferred taxation	(6)	3	6
Pension costs	15	3	11
Long-term assurance policies	(49)	(44)	(72)
Other	9	13	(1)
Deferred tax effect on these adjustments	(3)	15	24
Profit under US GAAP	361	348	628
Earnings per unit of €0.64 Ordinary Stock under US GAAP			
– basic	36.3¢	33.6¢	62.0¢
– diluted	36.0¢	33.4¢	61.6¢

Consolidated Total Stockholders' Funds	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Total stockholders' funds including non equity interests under Irish GAAP	3,575	2,821	3,279
Property less related depreciation	(275)	(113)	(272)
Software development costs	(19)	(28)	(23)
Goodwill	521	523	537
Deferred taxation	13	15	19
Debt securities – available for sale	6	(6)	20
Pension costs	166	144	151
Long-term assurance policies	(231)	(164)	(172)
Dividends	94	73	160
Group Transformation Programme[1]	67	—	—
Other	40	37	32
Deferred taxation on these adjustments	(15)	7	(4)
Consolidated stockholders' funds including non equity interests under US GAAP	3,942	3,309	3,727

Consolidated Total Assets	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Total assets under Irish GAAP	75,501	59,819	68,017
Property less related depreciation	(275)	(113)	(272)
Goodwill	561	560	578
Software development costs	(19)	(28)	(23)
Debt securities – available for sale	6	(6)	20
Pension costs	171	149	155
Acceptances	149	109	106
Long term assurance policies	(231)	(164)	(172)
Other	(59)	(57)	(60)
Securitised assets	237	287	317
Deferred taxation on these adjustments	34	36	33
Total assets under US GAAP	76,075	60,592	68,699

Consolidated Total Liabilities and Stockholders' Funds	30 September 2000 €m	30 September 1999 €m	31 March 2000 €m
Total liabilities and stockholders' funds including non equity interests under Irish GAAP	75,501	59,819	68,017
Stockholders' funds (US GAAP adjustment)	367	488	448
Dividends	(94)	(73)	(160)
Deferred taxation	(26)	(28)	(32)
Borrowings related to securitised assets	237	287	317
Acceptances	149	109	106
Group Transformation Programme[1]	(67)	—	—
Other	(17)	(18)	(9)
Deferred taxation on these adjustments	25	8	12
Total liabilities and stockholders' funds including non equity interests under US GAAP	76,075	60,592	68,699

(1) *The Group Transformation Programme, as outlined in Note 4, has recognised a provision of €67 million under Irish GAAP which does not yet qualify for recognition under US GAAP criteria.*

15. 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 half years ended 30 September 2000 and 1999 and the year ended 31 March 2000. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group and would not be materially different if daily averages were consistently used throughout. Rates for the half years are annualised.

	Half Year 30 September 2000			Half Year 30 September 1999			Year 31 March 2000		
Assets	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
Loans to banks									
Domestic offices	4,898	119	4.9	2,724	51	3.7	3,635	146	4.0
Foreign offices	1,412	30	4.3	276	6	4.4	363	18	5.0
Loans to customers[1]									
Domestic offices	18,427	601	6.5	14,482	458	6.3	15,522	926	6.0
Foreign offices	25,296	882	7.0	21,122	659	6.2	22,075	1,414	6.4
Central government and other eligible bills									
Domestic offices	70	1	3.5	27	—	2.0	6	—	0.5
Foreign offices	396	12	5.8	575	15	5.1	596	31	5.2
Debt Securities									
Domestic offices	5,816	175	6.0	4,505	112	5.0	4,999	279	5.6
Foreign offices	761	21	5.6	798	23	5.8	754	42	5.6
Instalment credit									
Domestic offices	332	12	7.4	222	8	7.4	243	18	7.4
Foreign offices	532	25	9.4	402	18	9.1	428	39	9.1
Finance lease receivables									
Domestic offices	2,369	66	5.6	1,641	44	5.4	1,829	88	4.8
Foreign offices	33	1	6.1	54	1	4.8	39	1	3.7
Total interest earning assets									
Domestic offices	31,912	974	6.1	23,601	673	5.7	26,234	1,457	5.6
Foreign offices	28,430	971	6.8	23,227	722	6.2	24,255	1,545	6.4
	60,342	1,945	6.4	46,828	1,395	6.0	50,489	3,002	5.9
Allowance for loan losses	(407)			(357)			(367)		
Non interest earning assets[2]	10,657			8,268			8,698		
Total Assets	70,592	1,945	5.5	54,739	1,395	5.1	58,820	3,002	5.1

Liabilities and Stockholders' Equity	Half Year 30 September 2000 Average Balance €m	Interest €m	Rate %	Half Year 30 September 1999 Average Balance €m	Interest €m	Rate %	Year 31 March 2000 Average Balance €m	Interest €m	Rate %
Deposits and Customer Accounts									
Domestic offices	24,448	462	3.8	18,904	244	2.6	21,046	618	2.9
Foreign offices	23,052	624	5.4	18,987	460	4.9	19,675	979	5.0
Debt securities in issue									
Domestic offices	1,408	42	6.0	103	3	4.9	238	13	5.5
Foreign offices	1,732	56	6.4	547	15	5.5	982	58	5.9
Subordinated liabilities									
Domestic offices	1,437	50	7.0	821	27	6.6	885	59	6.7
Foreign offices	420	18	8.6	377	16	8.4	385	33	8.6
Total interest bearing liabilities									
Domestic offices	27,293	554	4.1	19,828	274	2.8	22,169	690	3.1
Foreign offices	25,204	698	5.5	19,911	491	4.9	21,042	1,070	5.1
	52,497	1,252	4.8	39,739	765	3.9	43,211	1,760	4.1
Non interest bearing liabilities									
Current accounts	4,425			3,411			3,685		
Other non interest bearing liabilities⁽²⁾	10,240			8,601			8,905		
Stockholders' equity including non equity interest	3,430			2,988			3,019		
Total liabilities and stockholders' equity	70,592	1,252	3.5	54,739	765	2.8	58,820	1,760	3.0

(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.

16. Rates of exchange

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

	30 September 2000 Closing	Average	Hedge	30 September 1999 Closing	Average	Hedge	31 March 2000 Closing	Average	Hedge
€/US$	0.8765	0.9143	—	1.1749	1.1202	1.1183	0.9553	1.0247	—
€/Stg£	0.5967	0.6104	0.6134	0.6919	0.6742	0.6773	0.5985	0.6368	0.7273

17. The accounts were approved by the Court of Directors on 15 November 2000.

Taxation

The following is a summary of the current United Kingdom and Irish taxation treatment of the Preferred Securities. It is not exhaustive. It relates only to the position of persons who are the absolute beneficial owners of the Preferred Securities and Coupons and may not apply to certain classes of Holders, such as dealers in securities. Holders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom or Ireland should consult their professional advisers.

1. THE UNITED KINGDOM

Withholding tax

The Preferred Securities will constitute "quoted Eurobonds" within the meaning of section 349 of the Income and Corporation Taxes Act 1988 ("ICTA") (as amended by the Finance Act 2000) provided they continue to be listed on a "recognised exchange" within the meaning of section 841 of ICTA (the Luxembourg Stock Exchange is so recognised). Accordingly, provided that the Preferred Securities remain listed on the Luxembourg Stock Exchange or another "recognised exchange", on or after 1 April 2001 payments of interest on the Preferred Securities may be made by the Issuer and/or any paying agent, and payment may be obtained by any collecting agent, without withholding or deduction for or on account of United Kingdom income tax.

Direct Assessment of Income Tax

The interest on the Preferred Securities will have a United Kingdom source and, accordingly, subject as set out below, may be chargeable to United Kingdom income tax by direct assessment although paid without withholding or deduction. The profit realised on any disposal (which includes redemption) of any Preferred Securities issued at an issue price of less than the amount payable on redemption is similarly chargeable. However, neither such profit nor interest is chargeable to United Kingdom tax in the hands of a Holder who is not resident for tax purposes in the United Kingdom unless the Holder carries on a trade, profession or vocation in the United Kingdom through a branch or agency in the United Kingdom in connection with which the interest or profit is received or to which the Preferred Securities are attributable. There are certain exceptions for income received by specified categories of agent (such as some brokers and investment managers).

The provisions relating to additional payments referred to in Condition 12 of "Terms and Conditions of the Preferred Securities" would not apply if the Inland Revenue sought to assess the person entitled to the relevant interest or (where applicable) profit on any Preferred Securities directly to United Kingdom income tax. However, exemption from such United Kingdom tax liability might be available under an applicable double taxation treaty.

Holders within the Charge to United Kingdom Corporation Tax

The Preferred Securities may be "qualifying assets" for the purposes of the United Kingdom's provisions relating to the taxation of foreign exchange gains and losses (the "FOREX provisions"). A corporate Holder which is within the charge to United Kingdom corporation tax and is subject to the FOREX provisions may, depending on the movement of the euro, the currency in which the Preferred Securities are denominated, against the "local currency" of the Holder, realise an income gain or loss taxable on an accruals basis for United Kingdom tax purposes for each accounting period during which the Preferred Securities are held, notwithstanding that there has been no disposal of the Preferred Securities.

For corporate Holders within the charge to United Kingdom corporation tax, Preferred Securities will normally constitute "qualifying corporate bonds" within section 117 of the Taxation of Chargeable Gains Act 1992. Such corporate Holders will normally recognise any gain or loss for corporation tax purposes under the "loan relationship" rules in the Finance Act 1996. Under these rules, all interest, profits, gains and losses, measured and recognised in accordance with an authorised accruals or mark to market basis of accounting method, are taxed or relieved as income.

Holders not within the Charge to United Kingdom Corporation Tax

On a disposal or redemption of the Preferred Securities, a Holder who is not within the charge to United Kingdom corporation tax and who is a UK taxpayer may realise a chargeable gain or an allowable loss for United Kingdom capital gains tax purposes. In calculating any gain or loss on a disposal of Preferred Securities, the sterling value of the Preferred Securities at the date of disposal is compared with their sterling value at the date of acquisition. Accordingly, a taxable gain could arise even where the euro amount received on the disposal is the same as or less than the amount paid for the Preferred Securities.

Holders who are within the charge to United Kingdom income tax on the interest payable on the Preferred Securities will generally be liable to tax on this interest when it is paid to them in cash or in the form of Shares (see "Payment of Interest in Shares" below).

A transfer of Preferred Securities by a Holder which is not a company within the charge to United Kingdom corporation tax and which is resident or ordinarily resident in the United Kingdom or which carries on a trade in the United Kingdom through a branch or agency to which the Preferred Securities are attributable may give rise to a charge to United Kingdom income tax in respect of an amount representing interest on the Preferred Securities which has accrued since the preceding Coupon Payment Date under the provisions of the "accrued income scheme" (the "Scheme"). The Preferred Securities will be variable rate securities within the meaning of section 717 of ICTA. Accordingly, on a transfer of an Preferred Securities, an amount of interest which is just and reasonable will be treated as accrued income under the Scheme. However, the transferee will not be entitled to any relief for that amount under the Scheme.

Payment of Interest in Shares

In certain cases the Issuer's obligation to make an interest payment on the Preferred Securities may be discharged by the issue by the Issuer to the Trustee of ordinary shares (as described in the Summary under "Alternative coupon satisfaction mechanism" and as set out in more detail in Condition 6 of the Terms and Conditions). The ordinary shares of the Issuer, which are denominated in sterling, will be issued to the Trustee acting on behalf of the Couponholders. They will then be mandatorily exchanged for units of stock in the Bank (which are denominated in euro) that have a market value equal to the payment(s) in question, which will then be sold by the Trustee in the market. The Trustee will then make a cash payment to Couponholders which will be equal to the interest payment(s) in question.

It is intended that the ordinary shares issued by the Issuer will have a market value (expressed in euro) equal to the outstanding interest payment(s). Provided that this is the case, a Couponholder should not realise a capital gain as a result of the mandatory exchange of those shares for units of ordinary stock in the Bank.

For Couponholders not within the charge to United Kingdom corporation tax in respect of the Preferred Securities, the issue of ordinary shares by the Issuer is likely to be treated as payment of the interest payment(s) in question.

Stamp Duty/Stamp Duty Reserve Tax ("SDRT")

Unless and until interest payable on the Preferred Securities is deferred (see Condition 4 of the Terms and Conditions) and the Alternative Coupon Satisfaction Mechanism referred to in Condition 6 applies, no liability to United Kingdom stamp duty or SDRT will arise on an agreement to transfer or an actual transfer of the Preferred Securities; they will constitute "loan capital" qualifying for exemption from stamp duty and SDRT. After such a deferral the "loan capital" exemption may not be available and accordingly an agreement to transfer or an actual transfer of the Preferred Securities may be subject to stamp duty/SDRT at the rate, currently, of 0.5 per cent. of the consideration given or agreed for the transfer.

2. IRELAND

This section constitutes a brief summary of relevant current Irish tax law and practice with regard to holders of the Preferred Securities. The comments are not exhaustive and relate only to the position of persons who are the absolute beneficial owners of Preferred Securities and interest and may not apply to certain classes of persons such as Dealers. Prospective investors in the Preferred Securities who are in any doubt as to their tax position should consult their professional advisers.

Encashment Tax

Preferred Securities issued in bearer form and which are quoted on a recognised stock exchange constitute "quoted Eurobonds" under Section 64 of the Irish Taxes Consolidation Act, 1997. Encashment tax may arise in respect of preferred securities issued in bearer form which constitute the quoted Eurobonds. Where interest payments are made in respect of such Notes, by an Irish collection agent acting on behalf of a holder of Preferred Security, encashment tax will arise and so withholding tax will be deducted from such payments at the standard rate of tax (which is currently 22 per cent.), unless the person owning the Preferred Securities and entitled to the interest is not resident in Ireland and has provided the appropriate declaration to the relevant person. It is also necessary to avoid withholding that such interest is not deemed under the provisions of Irish tax legislation to be income of another person that is resident in Ireland. Holders of the Preferred Securities should note that in the case of the Preferred Securities issued in bearer form being quoted Eurobonds, the appointment of an Irish collection agent on their behalf will (subject to the above) bring them within the charge to encashment tax.

In the case of interest payments made by or through a paying agent outside Ireland, no encashment tax arises.

Capital Gains Tax

A holder of a Preferred Security will be subject to Irish taxes on capital gains on a disposal of the Preferred Security unless such holder is a person neither resident nor ordinarily resident in Ireland who does not have an enterprise or an interest in an enterprise, which carries on business in Ireland through a branch or agency or a permanent representative to which or to whom the Preferred Securities are attributable.

Capital Acquisitions Tax

A gift or inheritance consisting of Preferred Securities will generally be within the charge to Irish capital acquisitions tax if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Preferred Securities are Irish situated property. Preferred Securities which are in bearer form and are physically located outside Ireland are generally not regarded as Irish property.

3. PROPOSED EU DIRECTIVE ON THE TAXATION OF SAVINGS INCOME

In June 2000 the European Council agreed to amend earlier proposals published in May 1998 by the European Commission regarding the taxation of income of non-residents and relating, in particular, to the introduction of withholding tax on payments of interest. The Council no longer intends to require member states to implement a withholding tax regime in relation to payments of interest. Instead, subject to the entitlement of certain member states (not including the United Kingdom) to impose withholding for a transitional period of not greater than seven years after the implementation of these proposals and subject to a number of other conditions, the Council intends to require member states to introduce an exchange of information system in relation to interest and similar income by 31 December 2002. It is understood that Ireland will favour the exchange of information system rather than the transitional withholding tax regime.

Subscription and Sale

Under a subscription agreement entered into with the Issuer and the Bank on 28 February 2001 (the "Subscription Agreement"), UBS AG, acting through its business group UBS Warburg, Cazenove & Co. and J&E Davy trading as Davy Stockbrokers (together the "Managers") have agreed to subscribe for the Preferred Securities at the issue price of 99.862 per cent. of their principal amount. The Issuer has agreed to pay to the Managers a combined management and underwriting commission of 0.50 per cent. and a selling concession of 0.50 per cent. of the principal amount of the Preferred Securities. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

SELLING RESTRICTIONS

United States

The Preferred Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Preferred Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Preferred Securities (i) as part of their distribution at any time, or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Subscription Agreement), within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of Preferred Securities within the United States or to, or for the account or benefit of, US persons.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preferred Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

(1) it has not offered or sold and prior to the date six months after the date of issue of the Preferred Securities will not offer or sell any Preferred Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(2) it has complied and will comply with all applicable provisions of the Financial Services Act 1986 with respect to anything done by it in relation to the Preferred Securities in, from or otherwise involving the United Kingdom; and

(3) it has only issued or passed on, and will only issue or pass on, in the United Kingdom any document received by it in connection with the issue of the Preferred Securities, to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom the document may otherwise lawfully be issued or passed on.

Ireland

Each Manager has represented and agreed that:

(a) other than in circumstances which do not constitute an offer to the public within the meaning of the Companies Acts, 1963 to 1999 of Ireland (i) it has not offered or sold and will not offer or sell, in

Ireland or elsewhere, by means of any document, any of the Preferred Securities and (ii) it has not issued and will not issue at any time, in Ireland or elsewhere, any application form for any of the Preferred Securities unless the application form is accompanied by this Offering Circular or the application form indicates where this Offering Circular can be obtained or inspected;

(b) it has not offered or sold and will not offer or sell any Preferred Securities to persons in Ireland except where an offer or sale is to persons in the context of their trades, professions or occupations and it has not made and will not make at any time any offer of the Preferred Securities in Ireland to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 would apply;

(c) it will not sell any Preferred Securities pursuant to this Offering Circular and it will not take any proceedings pursuant to this Offering Circular and it will not take any proceedings on applications made pursuant to this Offering Circular until the fourth Business Day in Ireland after the date of this Offering Circular; and

(d) it will not underwrite the issue of, or place the Preferred Securities otherwise than in conformity with the provisions of the Investment Intermediaries Act, 1995 of Ireland, including, without limitation, Sections 9, 23 (including any advertising restrictions made thereunder) and 50 and any codes of conduct made under Section 37.

General

Each Manager has undertaken that it will comply with all applicable securities laws and regulations in each jurisdiction in which it purchases, offers, sells or delivers Preferred Securities or possesses or distributes this Offering Circular or any other offering material and will obtain any consent, approval or permission which is required by it for the purchase, offer or sale by it of Preferred Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales.

General Information

(1) In connection with the application to list the Preferred Securities on the Luxembourg Stock Exchange a legal notice relating to the issue of the Preferred Securities and copies of the Memorandum and Articles of Association of the Issuer and the Charter and Bye-Laws of the Bank will be deposited with the Chief Registrar of the District Court in Luxembourg ("Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg") where such documents may be examined and copies obtained.

(2) The Preferred Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg with a Common Code of 012561148. The ISIN code for the Preferred Securities is XS0125611482.

(3) All Preferred Securities and Coupons will carry a legend to the following effect "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code". The sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss, and will not be entitled to capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of a Preferred Security or Coupon.

(4) On 28 June 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 & 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. If the Commission confirms the infringement, following its consideration of the defence 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 Objection on 19 October 2000.

Save as disclosed in the preceding paragraph, there are not, nor have there been any, legal or arbitration proceedings involving the Issuer, the Bank or any subsidiary of the Bank other than the Issuer which may have or have had during the 12 months prior to the date hereof a significant effect on the financial position of the Group taken as a whole, nor, so far as the Bank is aware, are any such proceedings pending or threatened involving the Bank or any of its subsidiaries.

(5) Save as disclosed in this Offering Circular, there has been no material adverse change in the financial position of the Issuer, the Bank or the Group since 31 March 2000.

(6) No redemption or purchase (other than a purchase in the ordinary course of a business dealing in securities and/or for the account of a third party) by the Bank, the Issuer or any of the Bank's other subsidiaries of the Preferred Securities will be made without the prior consent of the Central Bank of Ireland.

(7) Copies of the latest annual report and accounts of Issuer, the latest annual report and consolidated accounts of the Bank and the latest unaudited interim accounts of the Issuer and the latest unaudited interim consolidated accounts of the Bank may be obtained, and copies of the Trust Deed will be available for inspection, at the specified office of each of the Paying Agents during normal business hours, so long as any of the Preferred Securities is outstanding. The interim accounts of the Bank are currently produced on a semi-annual basis. The Bank does not publish non-consolidated profit and loss accounts.

(8) The auditors of the Issuer, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, Bristol who up to 1 July 1998 practised in the name of Price Waterhouse have audited the accounts of the Issuer in accordance with the laws of Northern Ireland and issued an unqualified audit opinion for each of the three financial years ending 31 March 2000.

The auditors of the Bank, PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, Dublin who up to 1 July 1998 practised in the name of Price Waterhouse have audited the accounts of the Bank in accordance with the laws of Ireland and issued an unqualified audit opinion for each of the three financial years ending 31 March 2000.

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