

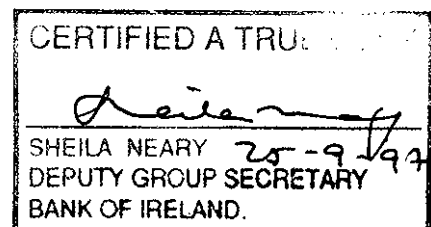
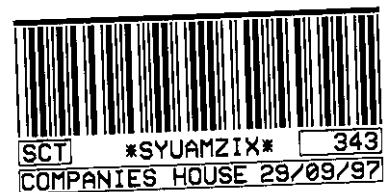
THE GOVERNOR & COMPANY
OF THE BANK OF IRELAND

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GROUP REPORT & ACCOUNTS 1997



BANK OF IRELAND

GOVERNOR'S STATEMENT

This report records a year of achievement during which Bank of Ireland consolidated its leadership position in the Irish financial services market-place and progressed important strategic initiatives to support continued earnings growth and enhanced Stockholder value.

Pre tax profit at IR£395.6 million was 8.8% ahead of last year on a like for like basis, a very good result in the circumstances which prevailed. The Group's businesses in Ireland and Great Britain and our internationally focused operations in the International Financial Services Centre delivered very good results with strong volume and profits growth.

Performance in Ireland

Bank of Ireland is the leading financial services provider in the Republic of Ireland with more outlets, a greater variety of delivery channels and more products than any competitor. The continuing strength of the Irish economy underpinned a strong performance in our home market. Throughout our Irish-based businesses, both wholesale and retail, we experienced good volume growth and increased non-interest income, more than compensating for some further margin erosion.

The Branch network remains a highly effective retail sales channel. The centralisation of many back office functions has enhanced the efficiency of the branches and greatly improved customer service standards. As a consequence, the Bank has achieved increasing success in the cross-selling of the wide range of financial services products which we now offer. The newer, direct channels are also showing considerable promise with usage levels above initial expectations.

The very good results from our core banking operations in Ireland were complemented by the performances of a range of other Group businesses which reported improved profits.

Developments in Britain

Since the year end, the Group's proposal to acquire the business of the Bristol & West Building Society has received the approval of the Members of Bristol & West and the Stockholders of Bank of Ireland. There are, of course, some further important procedures to be completed before the Society formally joins the Group but it is reasonable at this point to express our satisfaction at the manner in which this transaction has progressed.

During the period since our agreement with the Board of Bristol & West was first announced, we have had the opportunity to familiarise ourselves thoroughly with the operations of the Society and to establish good working relationships with its management and staff at many levels. We have been impressed by its performance and we are excited by its potential within an economy which is achieving steady recovery. We have no doubt that Bristol & West will integrate very successfully into the Group and that there will be a mutual sharing of skills and strengths.

We look forward in due course to welcoming the Chairman of Bristol & West, Lord Armstrong, and its Chief Executive, John Burke, to the Court. We are also very pleased that our Group Chief Executive, Pat Molloy, and Deputy Group Chief Executive, Maurice Keane, will join the Board of Bristol & West and that Mr. Molloy has agreed to assume the Chairmanship of Bristol & West following Lord Armstrong's retirement at year end. Both organisations are fortunate to be gaining access to such skills and experience.

BANK OF IRELAND

GOVERNOR'S STATEMENT

Growth in the United States

We have completed the first year of our association with Citizens Financial Group in New England and we are very satisfied with the progress of our investment in this successful and rapidly growing bank. Citizens is now numbered among the top 50 US Banks and has developed an excellent franchise in four New England States. Its acquisition record is impressive in terms of its ability to target suitable acquisitions and absorb them quickly and efficiently and we are optimistic about future trading prospects and profit flows.

Our other major interest in the United States, Bank of Ireland Asset Management, has achieved very strong growth and an outstanding track record in investment performance. We look forward to continuing growth as a consequence of that performance.

Impact of the Single Currency

The introduction of the Single Currency represents a challenge for the Group and will have an impact on many areas of the business. Substantial investment will be required to ensure that we are fully prepared for the earliest operative date - currently 1 January 1999. Assuming political agreement to proceed on that date, Bank of Ireland will be equipped to provide the full range of relevant products and services denominated in Euros.

The initial investment in systems conversion and product adjustment will be absorbed over a number of years. There will be revenue losses in our foreign exchange business but we believe that new activities and enterprises can be initiated to compensate. The greatest risk may emerge from inadequate preparation in the wider economy. Many businesses have yet to focus on the implications of EMU and to plan the necessary adjustments in their own enterprises. Smooth implementation of the change-over requires consistent standards of preparation and Bank of Ireland will offer a proactive programme to assist our customers in their preparations for Monetary Union.

Year 2000

Extensive work is also required to adjust all of the Group's Information Technology systems for the new millennium. Project teams are already fully operational and all necessary conversion is expected to be completed by December 1998 at the latest when the Group will be fully Year 2000 compliant.

The Court

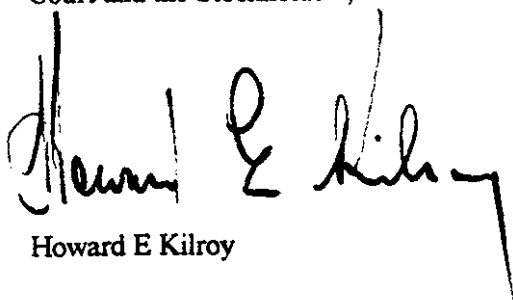
I am very pleased to acknowledge the support of my fellow Court members whose skills and experience have been applied assiduously in the interests of the Group and its Stockholders. Directors of Public Companies have onerous responsibilities under modern company law which require them to be thoroughly familiar with many aspects of the business. Members of the Court have been most diligent in meeting these responsibilities and in contributing fully to the deliberations of the Court and its sub-committees.

BANK OF IRELAND

GOVERNOR'S STATEMENT

Group Staff

Staff throughout the Group can take considerable satisfaction from the achievements of the business in recent years. They have shown a strong competitive spirit and a willingness to recognise the changes taking place in our various markets and to adapt to them. This flexibility has been vital to the Group's success and will remain the key factor in our ability to deliver ever improving service levels to our customers. The Group is most fortunate in the quality and dedication of its staff and, on behalf of the Court and the Stockholders, I offer them our sincere thanks.

A handwritten signature in dark ink, appearing to read 'Howard E Kilroy', with a long, sweeping horizontal stroke extending to the right.

Howard E Kilroy

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

COMMENTARY ON RESULTS

Bank of Ireland Group reports profit before tax for the year to 31 March 1997 of IR£395.6 million, an increase of 8.8% when last year's exceptional charge relating to the restructuring of the US businesses is excluded.

The result reflects strong performances in all Divisions of the Group, good volume growth and substantially increased non-interest income. Total income increased by almost 8% and cost growth was held to 4.4%. The Group cost/income ratio fell from 61% to 59%.

Profit after tax of IR£267.1 million is IR£5.1 million ahead when last year's exceptional charge is excluded and was impacted by a higher tax charge arising from the taxation of the Group's share of the profits of Citizens Financial Group. Earnings per share, at 52.0 pence, compared to 51.6 pence last year on a like for like basis.

Group total assets were IR£19.7 billion at 31 March 1997, an increase of 6.8% when the assets of First NH Banks are excluded. Retail and corporate lending, deposit volumes and credit balances were all substantially ahead of last year. Despite a fall of 0.2% in the Group net interest margin year on year, net interest income increased by 5.6%. High asset quality standards were maintained with loan losses at 18 basis points of average loans and balances under provision reducing by £23 million to £235 million.

DIVISIONAL PERFORMANCE

| | 1996/97 IR£M | 1995/96 IR£M |
|-----------------------------------------------|-----------------|-----------------|
| Retail | 204.4 | 182.9 |
| Corporate & Treasury | 73.9 | 75.0 |
| Other Group Activities | 90.3 | 66.2 |
| New Hampshire/Citizens | 35.3 | 48.8 |
| Grossing up | (8.3) | (9.2) |
| | <hr/> | <hr/> |
| Profit before Exceptional Item | 395.6 | 363.7 |
| Loss on US Restructuring | - | (48.1) |
| | <hr/> | <hr/> |
| Profit on Ordinary Activities before Taxation | 395.6 | 315.6 |
| | <hr/> | <hr/> |

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

RETAIL

Profit before tax in Retail Division increased by 11.8% to IR£204.4 million. All of the Division's principal businesses contributed to the improvement and enhanced profits were recorded in the Republic of Ireland, in Northern Ireland and in Great Britain.

Resources (deposits and credit balances) increased by 13% with strong growth in both Ireland and Britain. Lending increased by 12%, spread across the business units and the Group maintained its strong position in the Irish mortgage market with market share of new mortgages of approximately 20%.

Income in the Division increased by 6.2% despite margin contraction of 0.3%. The buoyancy of the Irish economy and the strength of consumer and business confidence contributed to very good volume growth.

Costs in the Division increased by 4.2% year on year. The bulk of the increase was driven by normal salary increments but growing business volumes and expansion of newer businesses were also factors. The centralisation initiatives of recent years helped to offset upward cost pressures in branch banking. Lending administration and back office processing have been centralised for all Dublin branches and the process is well advanced for the rest of Ireland.

Branch banking had a very satisfactory year and there was strong profit growth also in ICS Building Society, Bank of Ireland Finance (BIF), First Rate Bureau de Change and Credit Card Services. New mortgage completions in ICS grew by more than 70%; new business volumes in BIF were up by 28% with particularly strong growth in motor finance in which BIF achieved a market share of 20% of the personal market; and lending volumes and card usage in Credit Card Services were also well ahead. First Rate, the retail foreign exchange business which provides foreign exchange services in the domestic market and to Post Office Counters Ltd. in the UK, performed very well.

The development of Banking 365, a 24 hour, telephone based service channel, has proved very popular with customers in Ireland. Call rates are well ahead of expectations and customer satisfaction levels are exceptionally high.

While the branch network remains the key distribution channel, it is now complemented by alternative, direct channels, such as Banking 365, selling a growing range of Bank products. The progressive centralisation of back office processing and other administrative functions has resulted in improved customer service and the capacity to deal more effectively with complex customer requirements in branches. The substantial volume increases in both resources and lending achieved during the year, in spite of increased competition, reflect in part the growing effectiveness of the multiple sales channels which the Group now employs in the Irish market.

CORPORATE AND TREASURY

The Division had a very satisfactory year and profit was maintained at close to last year's record outcome despite a lower level of loan loss recoveries which were an important constituent in the 1995/96 result. Profit before tax of IR£73.9 million for 1996/97 compared to IR£75.0 million in the previous year. Asset quality remained very high.

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

Overall, Group Treasury had an excellent year with profits ahead of last year. The second half was particularly strong reflecting considerable movement in the exchange and interest rate markets. Foreign exchange trading was very buoyant with substantially increased volumes of customer transactions. Group Treasury positioned itself well to take advantage of market movements during the year.

Corporate Banking led or co-led most of the headline corporate transactions in Ireland during the year. Volumes increased very satisfactorily and there was a strong increase in business written in the latter half of the year. A substantial increase in resources reflected the current high level of liquidity in the Irish corporate sector. Fee based income was well ahead, partly because of a growing volume of structured transaction business in Ireland and overseas. There was a good increase in new business volumes in both Private Banking and New York Corporate.

After the year end, the Group announced the closure of its wholesale branch in New York and the transfer of its business there to the International Financial Services Centre in Dublin.

OTHER GROUP ACTIVITIES

The profit contribution from the businesses reported as Other Group Activities, which includes earnings on surplus capital, increased by 36% in the year under review to IR£90.3 million.

Bank of Ireland Asset Management achieved further significant growth in all its markets, particularly in the United States, and its investment performance during the year was very strong. Total assets under management increased to IR£13.6 billion and the US portfolio alone has now reached US\$8 billion.

Bank of Ireland Securities Services had a very good year during which it entered into a strategic alliance with State Street Bank and Trust Company.

Lifetime Assurance reported substantially increased profits. The company completed a fundamental re-design of its core products, eliminating front loading of charges and offering customers a high level of product transparency.

Davy Stockbrokers performed very well and reported strong profits growth. Its market share in Irish equities increased for the third successive year and there was a notable increase in activity by private investors.

In Great Britain, Bank of Ireland Mortgages experienced improved demand and lower levels of arrears as the economy - and especially the housing sector - continued its recovery. House prices increased steadily throughout the year and the market in the South of England, where BIM has substantial business, was particularly strong.

ASSOCIATED UNDERTAKINGS

Citizens Financial Group

The Group's share of the profits of Citizens Financial Group for the twelve months to 31 March 1997, which included profits in First NH Banks for the period 1 April to 25 April 1996, amounted to IR£35.3 million. During the year, Citizens realised a profit over carrying value of US\$45 million on the sale of its mortgage servicing business, of which the Group's share was US\$10.6 million. Most of this gain has been reflected in the accounts as a reserve movement and a reduction in goodwill.

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

The progress of Citizens in growing its business both organically and through acquisition is very encouraging. During the past year, Citizens has undertaken three further infill acquisitions in Massachusetts and Connecticut, bringing total assets to almost US\$16 billion.

Citizens is now among the top 50 US banks. In five years, it has grown its balance sheet from US\$4 billion to its current level through a series of acquisitions and has an impressive track record in achieving its cost reduction and revenue targets.

FINANCIAL REVIEW

Set out below is the Group Profit and Loss Account for the twelve months to 31 March 1997 and 31 March 1996. As the investment in Citizens is not consolidated but treated as an associated company, the impact of the New Hampshire businesses and Citizens is excluded from the principal line items and shown separately in the following table in order to provide a more meaningful comparison of Group performance.

Group Profit and Loss Account (Non Grossed Up)

| | 1996/97 IR£M | 1995/96 IR£M |
|-------------------------------------------------------|-----------------|-----------------|
| Net Interest Income | 608.1 | 575.7 |
| Other Income | 315.2 | 280.6 |
| | ----- | ----- |
| Total Income | 923.3 | 856.3 |
| Loan Loss Provisions | 20.0 | 21.4 |
| Operating Expenses | 543.0 | 520.0 |
| | ----- | ----- |
| | 360.3 | 314.9 |
| Citizens/FNH | 35.3 | 48.8 |
| | ----- | ----- |
| Profit on Ordinary Activities before Exceptional Item | 395.6 | 363.7 |
| Loss on US Restructuring | - | (48.1) |
| | ----- | ----- |
| Profit on Ordinary Activities before Taxation | 395.6 | 315.6 |
| | ===== | ===== |

Analysis of Results

| | |
|---------------------|------------------|
| Net Interest Income | IR£608.1 million |
|---------------------|------------------|

Net interest income increased by 5.6% to IR£608.1 million in the year to 31 March 1997. Although the Group net interest margin, excluding the New Hampshire businesses, declined from 3.9% to 3.7%, this was more than offset by increases in resources and advances across the Group. The margin decline was most pronounced in Branch Banking Ireland.

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

Higher earnings on surplus capital, including the capital generated by the merger agreement with Citizens Financial Group, also contributed to the growth in net interest income during the year.

Other Income

IR£315.2 million

The strong growth in Other Income, which was ahead by IR£34.6 million or 12.3% in the year under review, is largely due to the continued growth of Bank of Ireland Asset Management and substantially increased revenues from Lifetime and Davy Stockbrokers. The fee-based businesses in Retail Division - Credit Card Services and First Rate - also contributed to the increase.

Operating Expenses

IR£543.0 million

The cost performance in 1996/97 is seen as satisfactory, especially in view of the substantial volume increases experienced in many of the Group's businesses. Costs increased by 4.4%, within which staff costs increased by 4.4% due to normal salary increments, increased staff numbers in expanding businesses and the continued employment of temporary staff on re-engineering projects.

Other Costs also increased by 4.4%. Much of this increase is accounted for by a larger depreciation charge resulting from increased capital investment in the business.

The cost/income ratio fell from 61% to 59%.

Loan Losses

IR£20.0 million

Loan loss provisions remain at a very low level reflecting the relatively healthy state of the economies in which the Group operates and the quality of the credit management processes which have been applied in recent years. The provision for 1996/97, at £20.0million, is slightly lower than last year and represents 18 basis points of average loans. Balances under provision at year end were IR£235 million and total loan loss provision cover was 75%.

BALANCE SHEET AND CAPITAL ADEQUACY

Total Assets

IR£19.7 billion

Total Assets amounted to IR£19.7 billion at 31 March 1997, an increase of 6.8% year on year when the assets of First NH Banks of IR£2.5 billion are excluded. Group lending increased by 10%. There was also good growth in resources. Total customer deposits across the Group increased by 10%.

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

The Following Table shows the components and basis of calculation of the Group's Tier 1 and Total Capital ratios:

| | As at 31 March | |
|--------------------------|-------------------------------|--------|
| | 1997 | 1996 |
| | (in IR£M, except percentages) | |
| Adjusted Capital Base | | |
| Tier 1 Capital | 1,365 | 1,180 |
| Total Capital | 2,020 | 1,747 |
| Risk Weighted Assets | | |
| Banking Book | 11,799 | n/a |
| Trading Book | 622 | n/a |
| Total | 12,421 | 12,444 |
| Capital Ratios | | |
| Tier 1 Capital | 11.0% | 9.5% |
| Total Capital | 16.3% | 14.0% |

The Tier 1 Capital Ratio, at 11.0%, is very strong and sufficient capital is available to support the Bristol & West acquisition.

The Equity/Assets Ratio at 31 March 1997 was 6.4%.

RISK MANAGEMENT AND CONTROL

The Court of Directors approves policy and limits with respect to credit risk, market risk and liquidity risk and has delegated its monitoring and control responsibilities to the Group Credit Committee for credit matters and the Group Asset and Liability Committee for market risk and liquidity. Membership of these committees is comprised of senior management.

CREDIT RISK

Group Credit Control has specific responsibility for developing, and monitoring compliance with Group credit policy and standards, as approved by the Court.

The Group Credit Committee recommends credit policy to the Court, approves individual large credits, devises sectoral guidelines and sets credit approval limits which are delegated to appropriate levels of management. The Committee reviews trends in credit quality and the adequacy of provisions.

The Group also operates sophisticated and well proven credit grading and independent review systems.

MARKET RISK

Market risk is the potential adverse change in Group income or the value of Group net worth arising from movements in interest rates, exchange rates or other market prices. Market risk arises from the structure of the balance sheet, the execution of customer and interbank business and proprietary trading. The Group

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

recognises that the effective management of market risk is essential to the maintenance of stable earnings, the preservation of shareholder value and the achievement of the Group's corporate objectives.

Material exposure to market risk is permitted only in specifically designated business units, principally the Treasury areas. In other units market risk is eliminated by way of appropriate hedging arrangements with Group Treasury.

Market risk throughout the Group is subject to centralised and independent measurement, reporting and control. Compliance with risk limits and procedures is monitored by the Group Asset and Liability Committee.

The Group uses techniques to measure and control market risk which conform to generally accepted best practice. Interest rate exposure is measured in net present value terms and all Group businesses have limits for their exposure to a parallel shift in the relevant yield curves, supplemented by controls on yield curve mismatches.

In Group Treasury a Value at Risk (VaR) approach to the measurement and control of market risk is employed. VaR provides an estimate of the potential mark-to-market loss on a set of exposures over a specified time horizon at a defined level of statistical confidence. The time horizon is 1 day and the confidence level is 97.5%. This implies that, on any given day, the VaR figure provides an estimate of the potential loss over a 1-day period.

The VaR system has been developed in-house based on the variance-covariance matrix approach. Interest-rate risk positions are represented in terms of exposure to 14 key points on the relevant currency yield curve. A variance-covariance matrix is generated for 16 currencies at the start of each month using the most recent six months' data (drawn from proprietary data vendors and in-house sources). Simple un-weighted estimation is used.

VaR figures are generated for each end-of-day. In financial year 1996/97, the average VaR in Group Treasury was £0.9m, the peak VaR was £1.4m and the lowest VaR was £0.4m.

Aggregate VaR limits are in operation at the level of Group Treasury and the level of individual dealing rooms (Dublin, London and New York). In addition, each dealing room has individual-currency VaR limits.

Foreign exchange risk is predominantly concentrated in Treasury. It is controlled by way of limits on the aggregate open position and on open positions in defined currency pairs and currency blocs.

LIQUIDITY

It is Group policy to ensure that resources are at all times available to provide for the most disadvantageous projection of current and future net financial outflows throughout the Bank of Ireland Group. The term 'outflows' covers the withdrawal of customer demand or term deposits, non-renewal of interbank liabilities, the drawdown of committed and uncommitted loan agreements and other assets expansion, both organic and by way of acquisition.

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

The Group measures liquidity on an ongoing basis by reference to two measures, a flow approach which measures the maximum cumulative outflow of funds in any period, and a stock approach which measures the ratio of liquid assets to liabilities. Both measures are subject to predetermined limits and are regularly reviewed by the Group Asset and Liability Committee.

DERIVATIVES

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

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

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

The following table represents the underlying principal amounts and replacement cost of the Group's over the counter and other non exchange traded derivatives at 31 March 1997;

| | 1997 IR£m |
|--------------------------------|--------------|
| Exchange Rate Contracts | |
| Underlying principal amount | 14,002.7 |
| Replacement cost | 263.3 |
| Interest rate contracts | |
| Underlying principal amount | 15,471.3 |
| Replacement Cost | 87.7 |

GROUP FINANCIAL CONTROL, GROUP INTERNAL AUDIT AND GROUP COMPLIANCE

These are central control functions, independent of line management, whose roles include monitoring the Group's activities to ensure compliance with financial and operating controls.

The general scheme of risk, financial and operational controls is designed to safeguard the Group's assets while allowing sufficient operational freedom to earn a satisfactory return to Stockholders.

BANK OF IRELAND

GROUP CHIEF EXECUTIVE'S OPERATING AND FINANCIAL REVIEW

BRISTOL & WEST

Shortly after the year end, the Group's proposal to acquire the business of The Bristol and West Building Society was approved by the Members of Bristol & West at a Special General Meeting and by the Stockholders of Bank of Ireland at an Extraordinary General Court. Subject to regulatory approval and confirmation by the UK Building Societies Commission, the vesting date is expected to be 28 July 1997.

OUTLOOK

The Group continues to perform very well in all of its major businesses. It has taken full advantage of the buoyant economic conditions in the Republic of Ireland and is actively pursuing growth opportunities in its various markets. The re-positioning of the US businesses through the merger of First NH Banks and Citizens Financial Group has been successfully completed and significant progress has been made towards the completion of the Bristol & West transaction.

In the circumstances, a positive view of the Group's future performance is justified.

DIVIDEND

The Directors have recommended a final dividend of 11.65 pence (tax credit 2.7869 pence). Together with the Interim Dividend of 6.1 pence (tax credit 1.6395 pence) paid in January 1997, this results in a total of 17.75 pence for the year ended 31 March 1997, an increase of 16.4% on the previous year.

The final dividend will be paid on Friday 11 July 1997 to Stockholders who are registered as holding Ordinary Stock at the close of business on Monday 2 June 1997 and who have not previously elected to avail of the Stock Alternative Scheme. Invitations to participate in the Stock Alternative Scheme, under which new units of Ordinary Stock may be obtained in lieu of all or part of the cash dividend, will be posted on Monday 9 June 1997 to those Stockholders who have not already joined the scheme. Those wishing to avail of this offer must complete and return the appropriate form to the Bank's Registration Department by Monday 30 June 1997. The Annual Report and Accounts will be posted to Stockholders on Monday 9 June and the Annual General Court of Proprietors will be held on Wednesday 2 July 1997.

Detailed financial information for the year to 31 March 1997 is attached.

BANK OF IRELAND

REPORT OF THE DIRECTORS

The Directors present their report together with the audited accounts for the year ended 31 March 1997.

RESULTS AND DIVIDENDS

The Group profit attributable to the Ordinary Stockholders amounted to IR£251.9m, after Non-Cumulative Preference Stock dividends of IR£14.7m, as set out in the consolidated profit and loss account on pages * to *.

The Directors have recommended a final dividend of 11.65p (tax credit 2.7869p) per unit of IR£1 of Ordinary Stock in respect of the year ended 31 March 1997. This payment, together with the interim dividend of 6.1p (tax credit 1.6395p) per unit of IR£1 of Ordinary Stock paid in January 1997, results in a total of 17.75p (tax credit 4.4264p) for the year ended 31 March 1997 and compares with a total of 15.25p for the previous year.

If the recommended final dividend is approved by the Ordinary Stockholders at the Annual General Court, the retained profit for the year, after a transfer to capital reserves of IR£6.7m, will amount to IR£158.8m. Under the terms of the Stock Alternative Scheme, Stockholders will be offered the choice of taking new units of Ordinary Stock in lieu of the cash element of the final dividend.

GROUP ACTIVITIES

The Bank and its group undertakings provide an extensive range of banking and other financial services. The Governor's Statement and the Group Chief Executive's Operating and Financial Review on pages * to *, describe the operations and the development of the Group.

On 23 April 1997 the Stockholders approved the transfer of the whole of the business of The Bristol and West Building Society to a subsidiary of the Bank, to be renamed Bristol & West plc, for a total consideration of Stg£600m. This approval followed the approval of the transaction by certain investing and borrowing members of the Society at its Special General Meeting held on 15 April 1997. Subject to other conditions being satisfied the transfer is expected to take place on 28 July 1997. As at 31 December 1996 The Bristol and West Building Society had audited total assets in excess of Stg£9.4 bn and reported audited profits before tax from continuing operations, before exceptional items, of Stg£86.6 m for the year ended 31 December 1996.

CAPITAL STOCK AND SUBORDINATED LIABILITIES

During the year the total Ordinary Stock issued increased from 481,380,670 units of IR£1 to 486,512,754 units of IR£1. Details of the changes in the subordinated liabilities and capital stock of the Bank are shown in Note 28 on page * and Note 29 on pages * to * respectively. Within the year the Group redeemed the Yen 3bn Subordinated Loan Facility due in 2001 and raised Stg£200m Subordinated Floating Rate Notes 2009.

DIRECTORS

The names of the members of the Court of Directors together with a short biographical note on each Director appear on pages * to *.

Mr Michael J Meagher retired from the Court on 31 August 1996 on his retirement as an Executive of the Group.

Mr Anthony D Barry, Mr Niall W A FitzGerald, Dr E Patrick Galvin and Dr Mary Redmond retire by rotation at the Annual General Court and being eligible, offer themselves for re-election.

BANK OF IRELAND

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS

The interests of the Directors and Secretary, in office at 31 March 1997, and of their spouses and minor children, in the stocks issued by the Bank are shown in Note 37 on pages * to *.

SUBSTANTIAL STOCKHOLDINGS

There were 31,118 registered holders of the Ordinary Stock of the Bank at 31 March 1997. An analysis of these holdings is shown on page *.

As at 13 May 1997 the Bank had received notification of the following substantial interests in its Issued Ordinary Stock:-

| | % |
|--------------------------------------|------|
| IBI Nominees Limited * | 12.0 |
| Irish Life Assurance plc | 6.3 |
| AIB plc and subsidiaries * | 5.1 |
| Norwich Union Life Insurance Society | 3.4 |

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

As at 13 May 1997 the Bank had received notification that The Standard Life Assurance Company held between 3% and 5% of the Issued Ordinary Stock. So far as the Directors have been notified there were no other holdings of 3% or more of the Issued Ordinary Stock of the Bank.

CORPORATE GOVERNANCE

The Directors confirm that the Group complies with all of the provisions of the Code of Best Practice recommended by the Cadbury Committee on the Financial Aspects of Corporate Governance published in December 1992, (the "Code"), as it applies to Irish registered companies listed on the Irish Stock Exchange and that the Bank has fully adopted the Irish Stock Exchange's requirements in relation to the disclosure of Directors' remuneration and the information is contained in Note 37 on pages * to * of the accounts.

The Directors confirm that they are satisfied that the Bank and the Group have adequate resources to continue to operate for the foreseeable future and are financially sound. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The Audit Committee, on behalf of the Court, has reviewed the Group's systems in the context of the supplementary guidance on the effectiveness of the system of internal financial control arising from the Code and its report is contained on page *.

The auditors have reported to the Court that in their opinion the Directors' statements on internal financial control and on going concern have provided the disclosures required by the Listing Rules of the Irish Stock Exchange and are consistent with the information which came to their attention as a result of their audit work on the accounts; and that the Directors' other statements appropriately reflect the Group's compliance with the other paragraphs of the Code specified for their review.

BANK OF IRELAND

REPORT OF THE DIRECTORS

AUDIT COMMITTEE

The Audit Committee, comprising Anthony D Barry (Chairman), Laurence G Crowley, E Patrick Galvin and Raymond Mac Sharry all of whom are Non-Executive Directors of the Bank, is a committee of the Court. It meets regularly with the Group's senior management, the external auditors, the Group Chief Internal Auditor and the Group Compliance Officer to review the Group's internal accounting controls, the internal and external audit plans and subsequent findings, the selection of accounting policies, the audit report, financial reporting including annual audited accounts, statutory returns and other related matters. The external auditors, Group Chief Internal Auditor and the Group Compliance Officer all have full and unrestricted access to the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee, which comprises Howard E Kilroy (Chairman), Anthony D Barry, Laurence G Crowley, Margaret Downes and R Brian Williamson, all of whom are non-executive, is responsible for the formulation of the Group's policy on remuneration in relation to all Executive Directors and other Senior Executives who report to the Group Chief Executive (see also Note 37 on page *). The Remuneration Committee is also responsible for recommending to the Court the names of Directors for co-option to the Court.

SAFETY, HEALTH AND WELFARE AT WORK ACT, 1989

It is Group policy to attach a high priority and commitment to the safety, health and welfare of its employees and customers. The Group continues to review its compliance with the above Act and where inadequacies are identified programmes of rectification are initiated. The Group's Health and Safety Consultation Group meets to discuss matters of principle covering the safety, health and welfare of employees and customers and to identify the training needs to ensure a continuing awareness in this regard. A Safety, Health and Welfare Policy Statement has been issued to all premises in accordance with the requirements of the Act.

BRANCHES OUTSIDE THE STATE

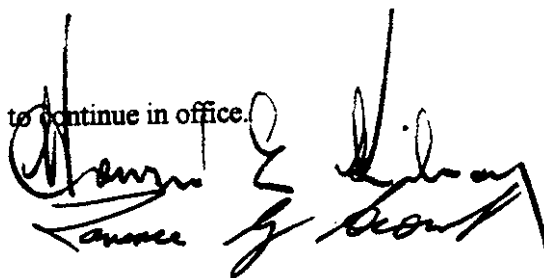
The Bank has established branches, within the meaning of Regulation 25 of the European Communities (Accounts) Regulations, 1993 (which gave effect to EU Council Directive 89/666/EEC), in the United Kingdom and in the United States.

AUDITORS

Price Waterhouse have indicated their willingness to continue in office.

Howard E Kilroy
Laurence G Crowley

Governor
Deputy Governor



Bank of Ireland,
Head Office,
Lower Baggot Street,
Dublin 2.

13 May 1997

BANK OF IRELAND

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

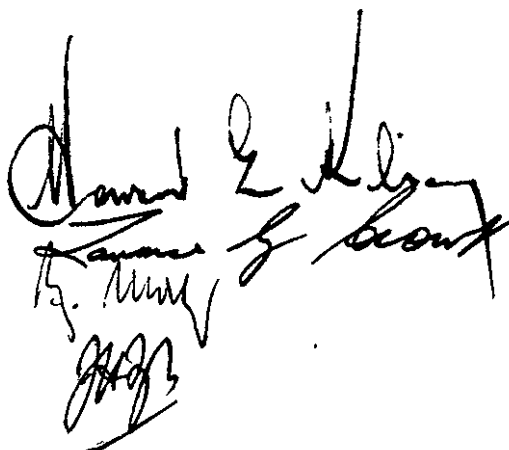
With regard to the accounts on pages * to *, the Directors have determined that it is appropriate that they continue to be prepared on a going concern basis and consider that in their preparation:-

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

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

Howard E Kilroy
Laurence G Crowley
Patrick J Molloy
Terence H Forsyth

Governor
Deputy Governor
Group Chief Executive
Secretary

The block contains four handwritten signatures in dark ink. The top signature is the largest and most legible, appearing to read 'Howard E Kilroy'. Below it are three smaller, more stylized signatures, likely corresponding to the other directors listed in the adjacent text block.

BANK OF IRELAND

INTERNAL FINANCIAL CONTROL

The Directors acknowledge their overall responsibility for the Group's systems of internal financial control. Such systems can provide only reasonable and not absolute assurance against material financial misstatement or fraud. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Group's overall control systems include:

- a clearly defined organisation structure with defined authority limits and reporting mechanisms to higher levels of management and to the Court which support the maintenance of a strong control environment.
- appropriate terms of reference for Court sub-committees with responsibility for core policy areas.
- an annual budgeting and monthly financial reporting system for all Group business units, which enables progress against longer-term objectives and annual plan to be monitored, trends to be evaluated and variances to be acted upon.
- a comprehensive set of policies and procedures relating to capital expenditure, asset and liability management (including interest, currency and liquidity risk) and credit risk management. Further details are given in the Operating and Financial Review on pages * to *.
- the Group Audit Committee, which on the Court's behalf, examines the effectiveness of the systems of control and whose membership and main activities are set out on page * of the Directors' Report. Separate Audit Committees are also established in certain business units.

Controls are reviewed systematically by Internal Audit, which has a Group-wide role. Emphasis is focused on areas of greatest risk as identified by risk analysis. In addition, the system of internal financial control is also subject to regulatory supervision by the Central Bank of Ireland and other regulators in Ireland and overseas.

The effectiveness of the Group's internal financial controls is reviewed periodically by the Group Audit Committee. This is achieved primarily by a review of the work of Internal Audit and of the reports, which include details of any material internal control issues, provided by the Group's external auditors.

On behalf of the Court, the Group Audit Committee confirms that it has reviewed the effectiveness of the systems of internal financial control in existence in the Group for the year ended 31 March 1997.

Price Waterhouse



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

We have audited the accounts on pages 7 to 82 which have been prepared under the historical cost convention, as modified by the revaluation of certain properties and investments, and the accounting policies on pages 14 to 17.

Respective responsibilities of Directors and Auditors

As described on page 4 the Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of 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 1997 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 1990 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 1 to 3 is consistent with the accounts.



In our opinion, the balance sheet of the Bank on pages 9 to 11 does not show a financial situation which, under the provisions of the Companies (Amendment) Act, 1983, requires the convening of an Extraordinary General Court.

Price Waterhouse
Price Waterhouse
Chartered Accountants and Registered Auditors
Dublin

13 May 1997

BANK OF IRELAND**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997**

| | | 1997 | | | 1996 | | |
|---------------------------------------------------------------------|-------|----------------------------------------|-------------------|------------------------|----------------------------------------|------------------|------------------------|
| | Notes | Group excluding BOIFH(1) IR£m | BOIFH (1) IR£m | Group Total IR£m | Group excluding BOIFH(1) IR£m | BOIFH(1) IR£m | Group Total IR£m |
| INTEREST RECEIVABLE | | | | | | | |
| Interest receivable and similar income arising from debt securities | | 179.2 | 2.7 | 181.9 | 157.9 | 43.4 | 201.3 |
| Other interest receivable and similar income | 2 | 1,069.5 | 9.1 | 1,078.6 | 1,068.8 | 135.6 | 1,204.4 |
| INTEREST PAYABLE | 3 | (640.6) | (5.1) | (645.7) | (651.0) | (78.1) | (729.1) |
| NET INTEREST INCOME | | 608.1 | 6.7 | 614.8 | 575.7 | 100.9 | 676.6 |
| Dividend income from equity shares | | 0.2 | - | 0.2 | 0.3 | - | 0.3 |
| Fees and commissions receivable | | 278.8 | 1.9 | 280.7 | 255.1 | 32.8 | 287.9 |
| Fees and commissions payable | | (20.1) | - | (20.1) | (20.5) | (0.3) | (20.8) |
| Dealing profits | | 21.3 | 0.1 | 21.4 | 15.5 | 1.3 | 16.8 |
| Other operating income | 4 | 35.6 | 0.1 | 35.7 | 30.5 | 3.8 | 34.3 |
| Income from associated undertakings | 5 | 31.7 | - | 31.7 | (0.3) | - | (0.3) |
| TOTAL OPERATING INCOME | | 955.6 | 8.8 | 964.4 | 856.3 | 138.5 | 994.8 |
| Administrative expenses | 6 | 497.9 | 5.5 | 503.4 | 481.8 | 86.2 | 568.0 |
| Depreciation and amortisation | 6,19 | 45.1 | 0.3 | 45.4 | 38.2 | 3.6 | 41.8 |
| OPERATING PROFIT BEFORE PROVISIONS | | 412.6 | 3.0 | 415.6 | 336.3 | 48.7 | 385.0 |
| Provision for bad and doubtful debts | 14 | 20.0 | - | 20.0 | 21.4 | (0.1) | 21.3 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS | | 392.6 | 3.0 | 395.6 | 314.9 | 48.8 | 363.7 |
| Loss on US restructuring | 7 | | | - | | | (48.1) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | | | 395.6 | | | 315.6 |
| Taxation on profit on ordinary activities | 8 | 128.5 | - | 128.5 | 101.7 | - | 101.7 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | | | 267.1 | | | 213.9 |
| Minority interests: equity | | | | 0.5 | | | 0.3 |
| Non-cumulative preference stock dividends | 9 | | | 14.7 | | | 14.7 |
| PROFIT ATTRIBUTABLE TO THE ORDINARY STOCKHOLDERS | | | | 251.9 | | | 198.9 |

BANK OF IRELAND**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997**

| | | | 1997 | | | 1996 | |
|-------------------------------------------------------------|-------|----------------------------------------|------------------|------------------------|----------------------------------------|------------------|------------------------|
| | Notes | Group excluding BOIFH(1) IR£m | BOIFH(1) IR£m | Group Total IR£m | Group excluding BOIFH(1) IR£m | BOIFH(1) IR£m | Group Total IR£m |
| PROFIT ATTRIBUTABLE TO THE ORDINARY STOCKHOLDERS | | | | 251.9 | | | 198.9 |
| Transfer to capital reserve | 30 | | | 6.7 | | | 1.2 |
| Ordinary dividends | 9 | | | 86.4 | | | 73.3 |
| | | | | <hr/> | | | <hr/> |
| PROFIT RETAINED FOR THE YEAR | | | | 158.8 | | | 124.4 |
| | | | | <hr/> | | | <hr/> |
| Earnings per unit of IR£1 Ordinary Stock | 10 | | | 52.0p | | | 41.5p |
| | | | | <hr/> | | | <hr/> |
| Alternative earnings per unit of IR£1 Ordinary Stock | 10 | | | | | | 51.6p |
| | | | | | | | <hr/> |

The movement in the reserves is shown in Note 30.

Operating profit is generated entirely from continuing operations.

The profit attributable to the Ordinary Stockholders of the Bank dealt with in the accounts of the Bank amounted to IR£99.0m (1996: IR£129.3m). 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.

- (1) In order to provide a more meaningful comparison, the profit and loss account has been presented by analysing separately the results of BOIFH from the rest of the Group (see Note 7).

The notes on pages to form part of the accounts.

| | |
|--------------------|-----------------------|
| Howard E Kilroy | Governor |
| Laurence G Crowley | Deputy Governor |
| Patrick J Molloy | Group Chief Executive |
| Terence H Forsyth | Secretary |

BANK OF IRELAND**BALANCE SHEETS****AT 31 MARCH 1997**

| | | The Group | | The Bank | |
|-----------------------------------------------------|-------|-----------|----------|----------|----------|
| | | 1997 | 1996 | 1997 | 1996 |
| | Notes | IR£m | IR£m | IR£m | IR£m |
| ASSETS | | | | | |
| Cash and balances at central banks | | 95.0 | 135.5 | 94.7 | 84.1 |
| Items in the course of collection | | 327.3 | 329.4 | 327.3 | 266.0 |
| Central government and other eligible bills | 11 | 66.3 | 94.4 | 19.0 | 61.2 |
| Loans and advances to banks | 12 | 2,157.2 | 2,802.8 | 3,137.9 | 4,069.0 |
| Loans and advances to customers | 13 | 11,801.1 | 11,631.9 | 10,757.9 | 9,706.5 |
| Securitisation and loan transfers | | 460.2 | 533.6 | - | - |
| Less: non returnable amounts | | 400.3 | 477.4 | - | - |
| | 13 | 59.9 | 56.2 | - | - |
| Debt securities | 15 | 2,837.0 | 3,712.7 | 1,713.9 | 1,859.8 |
| Equity shares | 16 | 3.5 | 7.4 | 0.2 | 0.2 |
| Interests in associated undertakings | 17 | 169.0 | 1.6 | 279.5 | - |
| Shares in group undertakings | 18 | - | - | 232.8 | 615.3 |
| Tangible fixed assets | 19 | 382.3 | 403.6 | 312.6 | 295.5 |
| Other assets | 20 | 747.1 | 926.2 | 369.0 | 362.8 |
| Deferred taxation | 21 | - | - | 23.3 | 18.5 |
| Prepayments and accrued income | | 289.3 | 274.9 | 228.6 | 199.2 |
| | | 18,935.0 | 20,376.6 | 17,496.7 | 17,538.1 |
| Life assurance assets attributable to policyholders | 22 | 734.6 | 582.2 | - | - |
| | | 19,669.6 | 20,958.8 | 17,496.7 | 17,538.1 |

BANK OF IRELAND**BALANCE SHEETS (continued)****AT 31 MARCH 1997**

| | | The Group | | The Bank | |
|----------------------------------------------------------|-------|-----------|----------|----------|----------|
| | | 1997 | 1996 | 1997 | 1996 |
| | Notes | IR£m | IR£m | IR£m | IR£m |
| LIABILITIES | | | | | |
| Deposits by banks | 23 | 1,624.1 | 2,490.2 | 3,738.8 | 5,047.7 |
| Customer accounts | 24 | 12,896.7 | 13,657.9 | 10,589.7 | 9,538.8 |
| Debt securities in issue | 25 | 411.4 | 660.2 | 226.5 | 466.7 |
| Items in the course of transmission | | 94.4 | 98.2 | 94.4 | 98.2 |
| Other liabilities | 26 | 1,417.4 | 1,445.0 | 916.0 | 763.6 |
| Accruals and deferred income | | 269.2 | 203.4 | 216.1 | 157.1 |
| Provisions for liabilities and charges | | | | | |
| - deferred taxation | 21 | 33.4 | 15.0 | - | - |
| - other | 27 | 56.5 | 60.5 | 50.8 | 46.5 |
| Subordinated liabilities | 28 | 718.3 | 517.7 | 718.3 | 517.7 |
| Minority interests - equity | | 2.3 | 2.0 | - | - |
| Called up capital stock | 29 | 502.2 | 496.7 | 502.2 | 496.7 |
| Stock premium account | 30 | 259.6 | 242.4 | 259.6 | 242.4 |
| Capital reserve | 30 | 53.1 | 43.9 | 12.4 | 11.7 |
| Profit and loss account | 30 | 804.5 | 626.4 | 177.1 | 156.4 |
| Goodwill reserve | 30 | (216.7) | (191.2) | (11.9) | (11.9) |
| Revaluation reserve | 30 | 8.6 | 8.3 | 6.7 | 6.5 |
| | | | | | |
| Stockholders' funds including non-equity interests | | 1,411.3 | 1,226.5 | 946.1 | 901.8 |
| | | | | | |
| Life assurance liabilities attributable to policyholders | 22 | 734.6 | 582.2 | - | - |
| | | | | | |
| | | 19,669.6 | 20,958.8 | 17,496.7 | 17,538.1 |

BANK OF IRELAND**BALANCE SHEETS (continued)****AT 31 MARCH 1997****MEMORANDUM ITEMS**

| MEMORANDUM ITEMS | | The Group | | The Bank | |
|------------------------------------------------------|-------|----------------|----------------|----------------|----------------|
| | Notes | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Contingent liabilities | | | | | |
| Acceptances and endorsements | | 60.5 | 7.2 | 60.5 | 7.2 |
| Guarantees and assets pledged as collateral security | | - | - | - | - |
| - assets pledged | | - | - | - | - |
| - guarantees and irrevocable letters of credit | | 443.5 | 386.0 | 1,134.2 | 789.9 |
| Other contingent liabilities | | 239.0 | 290.9 | 239.0 | 289.8 |
| | 33 | <u>743.0</u> | <u>684.1</u> | <u>1,433.7</u> | <u>1,086.9</u> |
| Commitments | | | | | |
| Sale and option to resell transactions | | - | - | - | - |
| Other commitments | | 5,440.7 | 4,690.6 | 4,424.7 | 3,919.9 |
| | 33 | <u>5,440.7</u> | <u>4,690.6</u> | <u>4,424.7</u> | <u>3,919.9</u> |

The notes on pages * to * form part of the accounts.

Howard E Kilroy Governor
 Laurence G Crowley Deputy Governor
 Patrick J Molloy Group Chief Executive
 Terence H Forsyth Secretary

Handwritten signatures of the Bank of Ireland officials, including Howard E Kilroy, Laurence G Crowley, Patrick J Molloy, and Terence H Forsyth.

BANK OF IRELAND**BALANCE SHEETS (continued)****AT 31 MARCH 1997****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

| | Notes | The Group | | The Bank | |
|--------------------------------------------------|-------|--------------|--------------|--------------|--------------|
| | | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Profit attributable to the ordinary stockholders | | 251.9 | 198.9 | 99.0 | 129.3 |
| Exchange adjustments | 29,30 | 25.5 | (11.3) | 12.4 | (5.5) |
| Property revaluation | | - | (1.3) | - | 6.5 |
| Total recognised gains since last year | | <u>277.4</u> | <u>186.3</u> | <u>111.4</u> | <u>130.3</u> |

RECONCILIATION OF MOVEMENT IN STOCKHOLDERS' FUNDS

| | Notes | The Group | | The Bank | |
|--------------------------------------------------|-------|----------------|----------------|--------------|--------------|
| | | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Profit attributable to the ordinary stockholders | | 251.9 | 198.9 | 99.0 | 129.3 |
| Dividends | 9 | (86.4) | (73.3) | (86.4) | (73.3) |
| | | <u>165.5</u> | <u>125.6</u> | <u>12.6</u> | <u>56.0</u> |
| Other recognised gains / (losses) | | 25.5 | (12.6) | 12.4 | 1.0 |
| New capital stock subscribed | 29,30 | 19.3 | 18.5 | 19.3 | 18.5 |
| Goodwill arising on acquisition | | (159.3) | (0.4) | - | - |
| Goodwill transferred to profit and loss account | | - | 64.0 | - | - |
| Goodwill written back on disposal | 30 | 133.8 | - | - | - |
| | | <u>184.8</u> | <u>195.1</u> | <u>44.3</u> | <u>75.5</u> |
| At 1 April | | <u>1,226.5</u> | <u>1,031.4</u> | <u>901.8</u> | <u>826.3</u> |
| At 31 March | | <u>1,411.3</u> | <u>1,226.5</u> | <u>946.1</u> | <u>901.8</u> |
| Stockholders' funds: | | | | | |
| Equity | | 1,255.8 | 1,074.4 | 790.6 | 749.7 |
| Non-equity | | 155.5 | 152.1 | 155.5 | 152.1 |
| | | <u>1,411.3</u> | <u>1,226.5</u> | <u>946.1</u> | <u>901.8</u> |

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.

The notes on pages * to * form part of the accounts.

Howard E Kilroy Governor
 Laurence G Crowley Deputy Governor
 Patrick J Molloy Group Chief Executive
 Terence H Forsyth Secretary

BANK OF IRELAND**GROUP CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 MARCH 1997****RECONCILIATION OF OPERATING PROFIT TO
NET OPERATING CASH FLOWS**

| | Notes | 1997 IR£m | 1996 IR£m (Restated) |
|------------------------------------------------------------------------|-------|---------------|----------------------------|
| Operating Profit | | 395.6 | 363.7 |
| Increase in accrued income and prepayments | | (37.6) | (132.9) |
| Increase in accruals and deferred income | | 68.1 | 82.6 |
| Provisions for bad and doubtful debts | | 20.0 | 21.3 |
| Loans and advances written off net of recoveries | | (10.6) | (21.5) |
| Depreciation and amortisation | | 45.4 | 41.8 |
| Interest charged on subordinated liabilities | | 36.8 | 39.6 |
| Associated undertakings - profit included | | (31.7) | 0.3 |
| - dividend | | 0.2 | - |
| Other non-cash movements | | (18.9) | 15.6 |
| Net cash flow from trading activities | | 467.3 | 410.5 |
| Net (increase) in collections / transmissions | | (54.4) | (27.8) |
| Net decrease / (increase) in loans and advances to banks | | 677.3 | (415.7) |
| Net (increase) in loans and advances to customers | | (1,450.2) | (877.8) |
| Net (decrease) / increase in deposits by banks | | (755.2) | 396.9 |
| Net increase in customers accounts | | 1,293.4 | 1,694.0 |
| Net (decrease) / increase in debt securities in issue | | (256.2) | 29.9 |
| Net decrease / (increase) in non-investment debt and equity securities | | 320.3 | (442.8) |
| Net decrease in other assets | | 192.4 | 151.8 |
| Net (decrease) in other liabilities | | (90.4) | (55.8) |
| Exchange movements | | 9.0 | (22.9) |
| Net cash flow from operating activities | | 353.3 | 840.3 |
| Returns on investment and servicing of finance | 35 | (50.7) | (56.8) |
| Taxation | | (81.0) | (92.5) |
| Capital expenditure and financial investment | 35 | (388.2) | (549.7) |
| Acquisitions and disposals | 35 | 22.8 | (1.5) |
| Equity dividends paid | | (68.4) | (51.5) |
| Financing | 35 | 188.4 | (86.6) |
| (Decrease) / increase in cash | | (23.8) | 1.7 |

The notes on pages * to * form part of the accounts

Howard E Kilroy
Laurence G Crowley
Patrick J Molloy
Terence H Forsyth

Governor
Deputy Governor
Group Chief Executive
Secretary

BANK OF IRELAND

NOTES TO THE ACCOUNTS

1 - Basis of Accounting and Accounting Policies

Introduction

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

The presentation of financial information is consistent with that of 1996 except for the cashflow statement which has been restated as a result of the adoption of Financial Reporting Standard 1 (revised). The accounting policies are consistent with those of 1996 except that the treatment of mortgage interest discounts and cashbacks has been changed to a deferral approach as the Directors believe such an approach more fairly reflects the underlying transactions. The approach adopted is in line with the revised Statement of Recommended Practice on Advances which was issued during the year. The effect of this change in the current year is to increase profit before taxation by IR£3.8m. Prior year net income and balance sheet figures have not been restated as the amounts involved are not material.

The significant accounting policies are as follows:-

(a) Basis of Consolidation

Assets, liabilities and results of all group undertakings have been included in the Group's accounts on the basis of accounts made up to the end of the financial year. The Group's 23.5% shareholding in Citizens is accounted for as an associated undertaking and the Group's post acquisition share of Citizens' profits for the period 26 April 1996 to 31 March 1997 is based on the audited accounts for the year to 30 September 1996 and the unaudited management results for the six months to 31 March 1997.

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 under separate headings in the Group balance sheet.

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

(b) Foreign Currency Translation

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

(c) Income Recognition

Interest income is 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.

BANK OF IRELAND

NOTES TO THE ACCOUNTS

(d) Mortgage Interest Discounts and Cashbacks

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

(e) 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.

(f) Debt Securities and Equity Shares**Investment Securities**

Debt securities and equity shares held for use on a continuing basis in the Group's activities are classified as investment securities. Such securities and shares are stated at cost less provision for any permanent diminution in value. The cost of dated securities is adjusted for the 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. 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.

(g) Derivatives

Derivatives are used throughout the Group for trading and hedging purposes. Derivative transactions entered into for trading purposes together with any associated hedges are measured at fair value and the resultant profits and losses are included in dealing profits as they arise. Derivative transactions entered into for hedging purposes are taken to the profit and loss account in accordance with the accounting treatment of the underlying transactions, see further details in Note 32.

(h) Capital Instruments

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

(i) Pensions

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

BANK OF IRELAND

NOTES TO THE ACCOUNTS

(j) Depreciation and Amortisation

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 significant, accordingly this property is not depreciated. Computer and other equipment is depreciated by equal annual instalments over its estimated useful life subject to a maximum period of 10 years. Depreciation on adaptation works on freehold property is based on an estimated useful life subject to a maximum period of 15 years.

(k) Provision for Bad and Doubtful Debts

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

(l) Deferred Taxation

Deferred taxation is 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.

(m) Scrip Dividend

Stock issued in lieu of cash dividends, under the Stock Alternative Scheme, is issued at a value equivalent to the cash dividend foregone.

(n) US Purchase and Excess Mortgage Servicing Assets

Fees paid for the right to service mortgage loans are capitalised and amortised in proportion to, and over the period of, estimated net servicing income. Gains on mortgage loans sold on a servicing retained basis are adjusted to yield a normal servicing fee in subsequent years. The net present value of any excess servicing is capitalised and amortised over the period of estimated servicing income. The rate of amortisation is determined by the expected life of the mortgages and is reassessed periodically to reflect actual and anticipated prepayment experience.

(o) Other Real Estate Owned

Real estate acquired through foreclosure or other similar proceedings is stated at the lower of the loans' remaining principal or the estimated fair value of the assets acquired. The value is reviewed periodically by means of independent appraisals and management review.

(p) 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.

BANK OF IRELAND

NOTES TO THE ACCOUNTS

(q) 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.

(r) Goodwill

Goodwill arising on acquisition of shares in group and associated undertakings, being the excess of cost over the fair value of the Group's share of net tangible assets acquired, is charged against reserves in the year of acquisition. In the event of a subsequent disposal, any goodwill previously charged directly against reserves is written back and is reflected in the profit and loss account on disposal. Similarly, where an imminent disposal indicates a permanent diminution in the value of goodwill, a goodwill write down through the profit and loss account is recognised.

(s) 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 assets of the business and the Group's accrued interest in policies in force. The Group's accrued 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 incorporate planned margins over prudent best estimates of future lapse rates, mortality rates, renewal expenses and investment returns. The value has been computed in accordance with the Association of British Insurers' draft proposals on Accounting for Shareholders' Profits in Long Term Assurance Business. The statutory life company surplus attributable to the Group, together with the annual movement in the Group's accrued interest in policies in force is included in the Group profit and loss account, grossed up for taxation at the standard rate of corporation tax.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| 2 | OTHER INTEREST RECEIVABLE AND SIMILAR INCOME | 1997 IR£m | 1996 IR£m |
|-----------------------------------------------------------------------------------|----------------------------------------------------------|----------------------------|----------------------------|
| | The Group | | |
| | Loans and advances to banks | 148.9 | 176.4 |
| | Loans and advances to customers | 885.9 | 972.4 |
| | Finance leasing | 25.3 | 41.4 |
| | Instalment credit | 18.5 | 14.2 |
| | | <u>1,078.6</u> | <u>1,204.4</u> |
| 3 | INTEREST PAYABLE | 1997 IR£m | 1996 IR£m |
| | The Group | | |
| | Interest on subordinated liabilities | 36.8 | 39.6 |
| | Other interest payable | 608.9 | 689.5 |
| | | <u>645.7</u> | <u>729.1</u> |
| 4 | OTHER OPERATING INCOME | 1997 IR£m | 1996 IR£m |
| | The Group | | |
| | Profits less losses on disposal of investment securities | 1.1 | 0.5 |
| | Loss on disposal of tangible fixed assets | (1.0) | (0.7) |
| | Contribution of life assurance company | 19.1 | 13.8 |
| | Securitisation servicing fees | 5.0 | 7.5 |
| | Other income | 11.5 | 13.2 |
| | | <u>35.7</u> | <u>34.3</u> |
| The contribution of the life assurance company is after grossing up for taxation. | | | |
| 5 | INCOME FROM ASSOCIATED UNDERTAKINGS | 1997 IR£m | 1996 IR£m |
| | The Group | | |
| | Citizens Financial Group, Inc. | 32.3 | - |
| | Other associates | (0.6) | (0.3) |
| | | <u>31.7</u> | <u>(0.3)</u> |

The Group's post acquisition share of Citizens' profits has been arrived at after crediting IR£2.1m in respect of the sale of mortgage servicing rights and charging IR£6.6m in respect of reorganisation costs relating to the integration of acquired companies.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| 6 OPERATING EXPENSES | 1997 IR£m | 1996 IR£m |
|----------------------------------------|----------------------|----------------------|
| The Group | | |
| Staff Costs: | | |
| - wages and salaries | 275.7 | 298.7 |
| - social security costs | 23.4 | 25.4 |
| - pension costs | 21.9 | 26.1 |
| - staff stock issue | 4.2 | 6.0 |
| - severance packages | 3.6 | 5.9 |
| | <u>328.8</u> | <u>362.1</u> |
| Operating lease rentals: | | |
| - property | 5.3 | 8.4 |
| - equipment | 0.1 | 0.7 |
| Auditors' remuneration (including VAT) | | |
| - Audit work | 0.7 | 0.9 |
| - Non audit work | 3.6 | 4.0 |
| Other administrative expenses | 164.9 | 191.9 |
| Total administrative expenses | <u>503.4</u> | <u>568.0</u> |
| Depreciation and amortisation: | | |
| - freehold and leasehold property | 5.5 | 5.8 |
| - computer and other equipment | 39.9 | 36.0 |
| Total depreciation | <u>45.4</u> | <u>41.8</u> |
| Total operating expenses | <u><u>548.8</u></u> | <u><u>609.8</u></u> |

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 at the Annual General Court held in 1984.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

7 US RESTRUCTURING

On April 25 1996, the Group restructured its New England operations by amalgamating its wholly owned subsidiary, Bank of Ireland First Holdings Inc ("BOIFH") with Citizens Financial Group, Inc. ("Citizens"), a banking group operating primarily in the New England area which was at that time a wholly owned subsidiary of The Royal Bank of Scotland Group plc.

The terms of the merger valued the consideration at US\$709m, which included up to US\$22m contingent on the realisation of certain tax losses. Bank of Ireland received stock representing 23.5% of the merged entity valued at US\$435m together with loan notes of US\$20m and net cash of US\$215m which included US\$35m in respect of specified tax losses carried forward. In addition, Bank of Ireland retained ownership of net assets having a book value of US\$17m.

The transaction is being accounted for as a disposal of the Group's interest in BOIFH and an acquisition of a 23.5% interest in the enlarged entity. A profit or loss on disposal does not arise in the current period as the permanent diminution of IR£48.1m in the carrying value of BOIFH was fully provided for in the Group's 1996 year end accounts. This calculation was based on the terms of the transaction noted above, excluding the US\$22m contingent asset, together with related transaction costs and provisions for indemnities.

As analysed below, the acquisition of the Group's 23.5% interest gave rise to goodwill on consolidation of US\$249m, which, in accordance with the Group's policy for goodwill, has been charged against goodwill reserves.

| | Book Value US\$m | Adjustments US\$m | Fair Value US\$m |
|---------------------------------|---------------------|----------------------|---------------------|
| Net assets | 182 | 4 | 186 |
| Consideration | | | 435 |
| Goodwill arising on acquisition | | | <u>249</u> |

The principal fair value adjustment relates to the sale of Citizens' mortgage servicing rights subsequent to the merger, which resulted in a profit before tax of US\$45m for Citizens. It has been estimated that only US\$15m of this gain related to increases in market value after March 1996. Accordingly, to more appropriately allocate the gain between pre and post acquisition, only the Group's share of the US\$15m is reflected as part of this year's results. The balance has reduced the goodwill on acquisition. Other adjustments made, related to known asset write-offs required at the time of acquisition. No other significant adjustments were required to the book values of the net assets acquired.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| 8 TAXATION | 1997 IR£m | 1996 IR£m |
|--------------------------------------------------------------------|----------------------|----------------------|
| The Group | | |
| Corporation tax and special levy on banks in Ireland ("Bank Levy") | 91.2 | 84.0 |
| Tax credits applicable to distributions received | 1.5 | 1.7 |
| Duty on certain tax-based lending | 0.9 | 1.3 |
| Deferred taxation | 24.3 | 14.7 |
| Associated undertakings | 10.6 | - |
| | <u>128.5</u> | <u>101.7</u> |

The Bank Levy of IR£4.8m paid in 1996 will be fully set off against the Group's Irish corporation tax liability for the year ended 31 March 1997.

The tax charge for the year, at an effective rate of 32.5% is lower than the Irish corporation tax rate of 38% because of relief arising from tax based lending, the International Financial Services Centre 10% tax rate and lower rates of tax in subsidiaries overseas.

Included in the charge for corporation tax is IR£24.4m (1996: IR£23.2m) in respect of taxation on non Republic of Ireland business units.

The deferred taxation charge arises from:

| | | |
|-------------------------------|-------------|-------------|
| Leased assets | 25.4 | 26.3 |
| Own assets | 0.9 | 0.3 |
| Short term timing differences | (2.0) | (11.9) |
| | <u>24.3</u> | <u>14.7</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

9 DIVIDENDS

| | 1997 IR£m | 1996 IR£m |
|--------------------------------------------|--------------|--------------|
| The Bank | | |
| Equity Stock: | | |
| 1997 | | |
| On units of IR£1 Ordinary Stock in issue | | |
| Interim dividend 6.1p (Tax credit 1.6395p) | 29.7 | |
| Final dividend 11.65p (Tax credit 2.7869p) | 56.7 | |
| 1996 | | |
| On units of IR£1 Ordinary Stock in issue | | |
| Interim dividend 5.0p (Tax credit 1.195p) | | 24.0 |
| Final dividend 10.25p (Tax credit 2.7555p) | | 49.3 |
| | <u>86.4</u> | <u>73.3</u> |

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

| | 1997 IR£m | 1996 IR£m |
|-----------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Non Equity Stock: | | |
| 1997 | | |
| On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR£0.940092p (Tax credit IR£0.259908p) | 9.9 | |
| On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg£0.989054p (Tax credit Stg£0.273446p) | 4.8 | |
| 1996 | | |
| On 10.5m units of IR£1 of Non-Cumulative Preference Stock, Dividend IR£0.940092p (Tax credit IR£0.259908p) | | 9.9 |
| On 5.0m units of Stg£1 of Non-Cumulative Preference Stock, Dividend Stg£0.989054p (Tax credit Stg£0.273446p) | | 4.8 |
| | <u>14.7</u> | <u>14.7</u> |

Dividend payments on Non-Cumulative Preference Stock are accrued.

10 EARNINGS PER UNIT OF IR£1 ORDINARY STOCK

The calculation of earnings per unit of IR£1 Ordinary Stock is based on the profit attributable to Ordinary Stockholders of IR£251.9m (1996: IR£198.9m) and the weighted average Ordinary Stock in issue of 484.5m units of IR£1 (1996: 478.8m units of IR£1).

The alternative earnings per unit of IR£1 Ordinary Stock for 1996 is based on the profit attributable to Ordinary Stockholders before exceptional items of IR£247.0m.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

**11 CENTRAL GOVERNMENT BILLS AND
OTHER ELIGIBLE BILLS**

| | The Group | | The Bank | |
|-------------------------------------------|------------------|-------------|-----------------|-------------|
| | 1997 | 1996 | 1997 | 1996 |
| | IR£m | IR£m | IR£m | IR£m |
| Other securities | | | | |
| - government bills and similar securities | 66.3 | 94.4 | 19.0 | 61.2 |
| - other eligible bills | - | - | - | - |
| | <u>66.3</u> | <u>94.4</u> | <u>19.0</u> | <u>61.2</u> |

12 LOANS AND ADVANCES TO BANKS

| | The Group | | The Bank | |
|------------------------------------------------------------|------------------|----------------|-----------------|----------------|
| | 1997 | 1996 | 1997 | 1996 |
| | IR£m | IR£m | IR£m | IR£m |
| Funds placed with Central Bank of Ireland | 170.0 | 157.1 | 137.5 | 126.8 |
| Funds placed with other central banks | 230.8 | 186.4 | 230.5 | 186.2 |
| Funds placed with other banks | 1,756.4 | 2,459.3 | 2,769.9 | 3,756.0 |
| | <u>2,157.2</u> | <u>2,802.8</u> | <u>3,137.9</u> | <u>4,069.0</u> |
| Repayable on demand | 80.5 | 64.8 | 125.9 | 245.4 |
| Other loans and advances to banks by remaining maturity | | | | |
| - 3 months or less | 1,473.7 | 2,006.6 | 1,957.2 | 2,834.3 |
| - 1 year or less but over 3 months | 474.0 | 712.4 | 593.9 | 833.3 |
| - 5 years or less but over 1 year | 18.8 | 18.8 | 285.3 | 131.3 |
| - over 5 years | 110.2 | 0.2 | 175.6 | 24.7 |
| | <u>2,157.2</u> | <u>2,802.8</u> | <u>3,137.9</u> | <u>4,069.0</u> |

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

Amounts include:

Due from group undertakings
- subordinated
- unsubordinated

| | | |
|--|----------------|----------------|
| | - | - |
| | 1,020.2 | 1,451.1 |
| | <u>1,020.2</u> | <u>1,451.1</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| 13 | LOANS AND ADVANCES TO CUSTOMERS | The Group | | The Bank | |
|-----|-----------------------------------------------------------------|-----------------|-----------------|-----------------|----------------|
| | | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| (a) | Loans and advances to customers | | | | |
| | Loans and advances to customers | 11,276.4 | 11,137.1 | 10,849.9 | 9,797.3 |
| | Finance lease receivables and instalment credit | 701.0 | 678.8 | 47.1 | 32.0 |
| | General and specific bad and doubtful debt provisions | (176.3) | (184.0) | (139.1) | (122.8) |
| | | <u>11,801.1</u> | <u>11,631.9</u> | <u>10,757.9</u> | <u>9,706.5</u> |
| | Repayable on demand | 976.0 | 987.6 | 1,300.4 | 1,085.7 |
| | Other loans and advances to customers by remaining maturity | | | | |
| | - 3 months or less | 1,044.3 | 816.2 | 1,797.9 | 1,635.7 |
| | - 1 year or less but over 3 months | 968.1 | 1,020.4 | 907.3 | 1,147.8 |
| | - 5 years or less but over 1 year | 3,052.6 | 3,171.9 | 4,105.4 | 3,446.7 |
| | - over 5 years | 5,936.4 | 5,819.8 | 2,786.0 | 2,513.4 |
| | | <u>11,977.4</u> | <u>11,815.9</u> | <u>10,897.0</u> | <u>9,829.3</u> |
| | General and specific bad and doubtful debt provisions (note 14) | (176.3) | (184.0) | (139.1) | (122.8) |
| | | <u>11,801.1</u> | <u>11,631.9</u> | <u>10,757.9</u> | <u>9,706.5</u> |
| | Amounts include: | | | | |
| | Due from group undertakings | | | | |
| | - subordinated | | | - | - |
| | - unsubordinated | | | 4,003.8 | 3,633.3 |
| | | | | <u>4,003.8</u> | <u>3,633.3</u> |

Due from associated undertakings and joint ventures IR£0.4m as at 31 March 1997 of which IR£0.3m was at non-commercial.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

13 LOANS AND ADVANCES TO CUSTOMERS (continued)

(b) Securitisation and loan transfers

The Bank's UK mortgage subsidiary, Bank of Ireland Home Mortgages ("BIM") has entered into a number of securitisation and loan transfer agreements involving the sale of discrete portfolios of mortgage loans. Up to 31 March 1997 loans totalling Stg£1,445m had been transferred in this manner. Securitisation transactions representing Stg£1,200m were completed where the purchasing companies financed the transactions by the issue of Mortgage Backed Floating Rate Notes. The remaining Stg£245m of assets transferred were sold to major UK financial institutions by private placement. BIM receives payment from the securitisation companies in respect of fees for loan administration services.

BIM is not obliged to support any losses that may be suffered by the floating rate noteholders, nor does it intend to do so, with the exception of credit losses up to a specified amount. These amounts have been recorded on the balance sheet within the net amount of securitisation and loan transfers.

Under the terms of the sale agreements BIM has the option to repurchase the mortgages when the amount outstanding on the loan portfolio falls below an agreed percentage of the original sale proceeds. Other than these responsibilities BIM has no commitment to repurchase the mortgages other than in certain circumstances where BIM is in breach of warranty.

During 1996 BIM purchased the entire share capital of Residential Property Securities No.1 plc and Residential Property Securities No.2 plc. These companies held securitised mortgages amounting to IR£121.9m which were purchased from BIM in 1988. The sale proceeds were used to repay the mortgage backed floating rate noteholders in both companies.

The net amount of securitisation and loan transfers less non returnable proceeds, IR£59.9 m (1996: IR£56.2m) are shown in the accounts under linked presentation and have a remaining maturity of over 5 years. In addition loans and advances to customers at 31 March 1997 includes IR£104m (1996: IR£181.0m) of mortgage loans where linked presentation has not been used.

| Company | Date of Securitisation | Gross mortgage loans IR£m | Non- returnable finance IR£m | Repurchase option IR£m | First loss reserve IR£m |
|-----------------------------------------------|---------------------------|---------------------------------|------------------------------------|------------------------------|-------------------------------|
| Residential Property Securities No. 3 Plc. | 31 Aug 1993 | 132.4 | 103.6 | 25.9 | 2.9 |
| Residential Property Securities No. 4 Plc | 20 July 1994 | 327.8 | 296.7 | 25.9 | 5.2 |
| | | <u>460.2</u> | <u>400.3</u> | <u>51.8</u> | <u>8.1</u> |
| | | | | | <u>59.9</u> |

All the issued shares in these companies are held by a Trust and the Group does not own any of the share capital of these companies or their parent companies.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

13 LOANS AND ADVANCES TO CUSTOMERS (continued)

(c) Concentration of exposure to risk

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

The Group's residential mortgage portfolio is widely diversified both geographically and by individual borrower.

| (d) Leasing and hire purchase | The Group | | The Bank | |
|-----------------------------------------|------------------|--------------|-----------------|-------------|
| | 1997 | 1996 | 1997 | 1996 |
| | IR£m | IR£m | IR£m | IR£m |
| Loans and advances to customers | | | | |
| - finance leases | 488.8 | 520.6 | - | - |
| HP receivables | 212.2 | 158.4 | 47.1 | 32.0 |
| | <u>701.0</u> | <u>679.0</u> | <u>47.1</u> | <u>32.0</u> |
| Amount receivable by remaining maturity | | | | |
| - within 1 year | 149.1 | 181.2 | 18.5 | 12.7 |
| - 5 years or less but over 1 year | 227.8 | 284.1 | 28.3 | 19.3 |
| - over 5 years | 324.1 | 213.7 | 0.3 | - |
| | <u>701.0</u> | <u>679.0</u> | <u>47.1</u> | <u>32.0</u> |
| Tangible fixed assets - leased | <u>22.8</u> | <u>22.4</u> | <u>5.4</u> | <u>1.7</u> |

The cost of assets acquired for finance leases and hire purchase contracts, net of grants received or receivable, amounted to IR£289.3m (1996: IR£321.6m).

Aggregate amounts receivable including capital repayments during the year in respect of finance leases and hire purchase contracts amounted to IR£303.2m (1996 : IR£280.3m).

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| 14 PROVISIONS FOR BAD AND DOUBTFUL DEBTS | The Group | | The Bank | |
|---------------------------------------------------------|--------------|--------------|--------------|--------------|
| | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| At 1 April | 184.0 | 192.8 | 122.8 | 120.8 |
| Exchange adjustments | 3.8 | 0.6 | 2.2 | (0.6) |
| Charge against profits | 20.0 | 21.3 | 19.8 | 14.0 |
| Amounts written off | (17.9) | (28.1) | (13.0) | (18.0) |
| Recoveries | 7.3 | 6.6 | 7.3 | 6.6 |
| Disposal of group undertaking | (20.9) | - | - | - |
| Release of provisions re US restructuring | - | (9.2) | - | - |
| At 31 March | <u>176.3</u> | <u>184.0</u> | <u>139.1</u> | <u>122.8</u> |
| All of which relates to loans and advances to customers | | | | |
| Provisions at 31 March | | | | |
| - specific | 88.9 | 94.4 | 58.7 | 63.3 |
| - general | 87.4 | 89.6 | 80.4 | 59.5 |
| | <u>176.3</u> | <u>184.0</u> | <u>139.1</u> | <u>122.8</u> |

The Group's general provision, which provides for the latent loan losses in the portfolio of loans and advances, comprises an element relating to grade profiles of IR£45.4m (1996: IR£42.7m excluding an amount of IR£20.9m in respect of FNH) and a non designated element, for prudential purposes of IR£42.0m (1996: IR£26.0m). 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.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

15 DEBT SECURITIES

| | At 31 March 1997 | | | |
|-----------------------------------------------------|-----------------------|--------------------------------------|---------------------------------------|-----------------------|
| | Book Value IR£m | Gross Unrealised Gains IR£m | Gross Unrealised Losses IR£m | Fair Value IR£m |
| The Group | | | | |
| Issued by Public Bodies | | | | |
| Investment securities | | | | |
| - government securities | 568.9 | 2.6 | (1.3) | 570.2 |
| - other public sector securities | - | - | - | - |
| | <u>568.9</u> | <u>2.6</u> | <u>(1.3)</u> | <u>570.2</u> |
| Other securities | | | | |
| - government securities | 896.2 | - | - | 896.2 |
| - other public sector securities | 13.8 | - | - | 13.8 |
| | <u>910.0</u> | <u>-</u> | <u>-</u> | <u>910.0</u> |
| Issued by Other Issuers | | | | |
| Investment securities | | | | |
| - bank and building society certificates of deposit | 40.4 | 0.1 | (0.6) | 39.9 |
| - other debt securities | 1,196.6 | 37.0 | (7.0) | 1,226.6 |
| | <u>1,237.0</u> | <u>37.1</u> | <u>(7.6)</u> | <u>1,266.5</u> |
| Other securities | | | | |
| - bank and building society certificates of deposit | - | - | - | - |
| - other debt securities | 121.1 | - | - | 121.1 |
| | <u>121.1</u> | <u>-</u> | <u>-</u> | <u>121.1</u> |
| | <u>2,837.0</u> | <u>39.7</u> | <u>(8.9)</u> | <u>2,867.8</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

15 DEBT SECURITIES (continued)

| | At 31 March 1996 | | | |
|-----------------------------------------------------|------------------|-------------|---------------|----------------|
| | Book | Gross | Gross | Fair |
| | Value | Unrealised | Unrealised | Value |
| | IR£m | Gains | Losses | IR£m |
| | | IR£m | IR£m | |
| The Group | | | | |
| Issued by Public Bodies | | | | |
| Investment securities | | | | |
| - government securities | 1,057.4 | 7.4 | (5.2) | 1,059.6 |
| - other public sector securities | - | - | - | - |
| | <u>1,057.4</u> | <u>7.4</u> | <u>(5.2)</u> | <u>1,059.6</u> |
| Other securities | | | | |
| - government securities | 1,153.5 | - | - | 1,153.5 |
| - other public sector securities | 8.4 | - | - | 8.4 |
| | <u>1,161.9</u> | <u>-</u> | <u>-</u> | <u>1,161.9</u> |
| Issued by Other Issuers | | | | |
| Investment securities | | | | |
| - bank and building society certificates of deposit | 44.5 | - | - | 44.5 |
| - other debt securities | 1,176.7 | 30.6 | (5.5) | 1,201.8 |
| | <u>1,221.2</u> | <u>30.6</u> | <u>(5.5)</u> | <u>1,246.3</u> |
| Other securities | | | | |
| - bank and building society certificates of deposit | 34.5 | - | - | 34.5 |
| - other debt securities | 237.7 | - | - | 237.7 |
| | <u>272.2</u> | <u>-</u> | <u>-</u> | <u>272.2</u> |
| | <u>3,712.7</u> | <u>38.0</u> | <u>(10.7)</u> | <u>3,740.0</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| 15 DEBT SECURITIES (continued) | At 31 March 1997 | | | |
|---------------------------------------------------------|-----------------------|--------------------------------------|---------------------------------------|-----------------------|
| | Book Value IR£m | Gross Unrealised Gains IR£m | Gross Unrealised Losses IR£m | Fair Value IR£m |
| The Bank | | | | |
| Issued by Public Bodies | | | | |
| Investment securities | | | | |
| - government securities | 551.9 | 2.3 | (1.3) | 552.9 |
| - other public sector securities | - | - | - | - |
| | <u>551.9</u> | <u>2.3</u> | <u>(1.3)</u> | <u>552.9</u> |
| Other securities | | | | |
| - government securities | 745.8 | - | - | 745.8 |
| - other public sector securities | - | - | - | - |
| | <u>745.8</u> | <u>-</u> | <u>-</u> | <u>745.8</u> |
| Issued by Other Issuers | | | | |
| Investment securities | | | | |
| - bank and building society certificates of deposits | 15.9 | - | (0.6) | 15.3 |
| - other debt securities | 281.6 | 1.7 | (4.1) | 279.2 |
| | <u>297.5</u> | <u>1.7</u> | <u>(4.7)</u> | <u>294.5</u> |
| Other securities | | | | |
| - bank and building society certificates of deposits | - | - | - | - |
| - other debt securities | 118.7 | - | - | 118.7 |
| | <u>118.7</u> | <u>-</u> | <u>-</u> | <u>118.7</u> |
| | <u>1,713.9</u> | <u>4.0</u> | <u>(6.0)</u> | <u>1,711.9</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| | | At 31 March 1996 | | | |
|----|---------------------------------------------------------|-----------------------|--------------------------------------|---------------------------------------|-----------------------|
| 15 | DEBT SECURITIES (continued) | Book Value IR£m | Gross Unrealised Gains IR£m | Gross Unrealised Losses IR£m | Fair Value IR£m |
| | The Bank | | | | |
| | Issued by Public Bodies | | | | |
| | Investment securities | | | | |
| | - government securities | 368.4 | 5.3 | (0.4) | 373.3 |
| | - other public sector securities | - | - | - | - |
| | | <u>368.4</u> | <u>5.3</u> | <u>(0.4)</u> | <u>373.3</u> |
| | Other securities | | | | |
| | - government securities | 1,032.1 | - | - | 1,032.1 |
| | - other public sector securities | 5.0 | - | - | 5.0 |
| | | <u>1,037.1</u> | <u>-</u> | <u>-</u> | <u>1,037.1</u> |
| | Issued by Other Issuers | | | | |
| | Investment securities | | | | |
| | - bank and building society certificates of deposits | 15.9 | - | (0.1) | 15.8 |
| | - other debt securities | 175.1 | 1.4 | (2.4) | 174.1 |
| | | <u>191.0</u> | <u>1.4</u> | <u>(2.5)</u> | <u>189.9</u> |
| | Other securities | | | | |
| | - bank and building society certificates of deposits | 34.5 | - | - | 34.5 |
| | - other debt securities | 228.8 | - | - | 228.8 |
| | | <u>263.3</u> | <u>-</u> | <u>-</u> | <u>263.3</u> |
| | | <u>1,859.8</u> | <u>6.7</u> | <u>(2.9)</u> | <u>1,863.6</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

15 DEBT SECURITIES (continued)

| | The Group | | The Bank | |
|-------------------------------------------------------------|----------------|----------------|--------------|----------------|
| | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Investment securities | | | | |
| - listed | 1,466.9 | 1,997.5 | 724.4 | 482.4 |
| - unlisted | 339.0 | 281.1 | 125.0 | 77.0 |
| | <u>1,805.9</u> | <u>2,278.6</u> | <u>849.4</u> | <u>559.4</u> |
| Other securities | | | | |
| - listed | 912.0 | 1,153.6 | 752.2 | 1,032.1 |
| - unlisted | 119.1 | 280.5 | 112.3 | 268.3 |
| | <u>1,031.1</u> | <u>1,434.1</u> | <u>864.5</u> | <u>1,300.4</u> |
| Unamortised premiums and discounts on investment securities | <u>10.2</u> | <u>7.9</u> | <u>10.2</u> | <u>4.6</u> |

Income from listed and unlisted investments amounted to IR£182.2m (1996: IR£208.9m).

| Investment securities' movements | Cost IR£m | Discount/ (Premium) IR£m | Provisions/ Write offs IR£m | Carrying Value IR£m |
|----------------------------------------|----------------|--------------------------------|-----------------------------------|---------------------------|
| The Group | | | | |
| At 1 April 1996 | 2,280.8 | (2.2) | - | 2278.6 |
| Exchange adjustments | 16.2 | (4.7) | - | 11.5 |
| Acquisitions | 1,048.3 | - | - | 1,048.3 |
| Disposals and redemptions | (722.2) | (0.8) | - | (723.0) |
| Amortisation of premiums and discounts | - | (5.4) | - | (5.4) |
| Disposal of group undertaking | (805.2) | 1.1 | - | (804.1) |
| At 31 March 1997 | <u>1,817.9</u> | <u>(12.0)</u> | <u>-</u> | <u>1,805.9</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

15 DEBT SECURITIES (continued)

| Investment securities' movements | Cost IR£m | Discount/ (Premium) IR£m | Provisions/ Write offs IR£m | Carrying Value IR£m |
|----------------------------------------|--------------|--------------------------------|-----------------------------------|---------------------------|
| The Bank | | | | |
| At 1 April 1996 | 561.1 | (1.7) | - | 559.4 |
| Exchange adjustments | (3.1) | (4.6) | - | (7.7) |
| Acquisitions | 452.6 | - | - | 452.6 |
| Disposals and redemptions | (149.4) | - | - | (149.4) |
| Amortisation of premiums and discounts | - | (5.5) | - | (5.5) |
| At 31 March 1997 | <u>861.2</u> | <u>(11.8)</u> | <u>-</u> | <u>849.4</u> |

| | The Group | | The Bank | |
|---------------------------------|------------------|----------------|-----------------|----------------|
| | 1997 | 1996 | 1997 | 1996 |
| | IR£m | IR£m | IR£m | IR£m |
| Analysed by remaining maturity: | | | | |
| Due within one year | 517.7 | 1,258.2 | 307.5 | 806.2 |
| Due one year and over | 2,319.3 | 2,454.5 | 1,406.4 | 1,053.6 |
| | <u>2,837.0</u> | <u>3,712.7</u> | <u>1,713.9</u> | <u>1,859.8</u> |

The valuation of unlisted securities is based on the Directors' estimate. The cost of other securities is not disclosed as its determination is not practicable. Debt securities includes securities which are subject to sale and repurchase agreements of IR£nil (1996: IR£420.0m).

Debt securities with a market value of IR£1,142.2m were pledged as collateral to cover settlement risk for securities' transactions.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

16 EQUITY SHARES

| | At 31 March 1997 | | | Fair Value IR£m |
|-----------------------|-----------------------|--------------------------------------|-------------------------------------|-----------------------|
| | Book Value IR£m | Gross Unrealised Gains IR£m | Gross Unrealised Loss IR£m | |
| The Group | | | | |
| Investment securities | | | | |
| - listed | - | - | - | - |
| - unlisted | 2.3 | - | - | 2.3 |
| | <u>2.3</u> | <u>-</u> | <u>-</u> | <u>2.3</u> |
| Other securities | | | | |
| - listed | 1.2 | - | - | 1.2 |
| - unlisted | - | - | - | - |
| | <u>1.2</u> | <u>-</u> | <u>-</u> | <u>1.2</u> |
| | <u>3.5</u> | <u>-</u> | <u>-</u> | <u>3.5</u> |

| | At 31 March 1996 | | | Fair Value IR£m |
|-----------------------|-----------------------|--------------------------------------|-------------------------------------|-----------------------|
| | Book Value IR£m | Gross Unrealised Gains IR£m | Gross Unrealised Loss IR£m | |
| Investment securities | | | | |
| - listed | 2.3 | 0.1 | - | 2.4 |
| - unlisted | 3.3 | - | - | 3.3 |
| | <u>5.6</u> | <u>0.1</u> | <u>-</u> | <u>5.7</u> |
| Other securities | | | | |
| - listed | 1.8 | - | - | 1.8 |
| - unlisted | - | - | - | - |
| | <u>1.8</u> | <u>-</u> | <u>-</u> | <u>1.8</u> |
| | <u>7.4</u> | <u>0.1</u> | <u>-</u> | <u>7.5</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

16 EQUITY SHARES (continued)

| | At at 31 March 1997 | | | |
|-----------------------|---------------------|------------|------------|------------|
| | Book | Gross | Gross | Fair |
| | Value | Unrealised | Unrealised | Value |
| | IR£m | Gains | Loss | IR£m |
| | | IR£m | IR£m | |
| The Bank | | | | |
| Investment securities | | | | |
| - listed | - | - | - | - |
| - unlisted | 0.2 | - | - | 0.2 |
| | <u>0.2</u> | <u>-</u> | <u>-</u> | <u>0.2</u> |
| Other securities | | | | |
| - listed | - | - | - | - |
| - unlisted | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>0.2</u> | <u>-</u> | <u>-</u> | <u>0.2</u> |

| | At 31 March 1996 | | | |
|-----------------------|------------------|------------|------------|------------|
| | Book | Gross | Gross | Fair |
| | Value | Unrealised | Unrealised | Value |
| | IR£m | Gains | Loss | IR£m |
| | | IR£m | IR£m | |
| Investment securities | | | | |
| - listed | 0.1 | - | - | 0.1 |
| - unlisted | 0.1 | 0.1 | - | 0.2 |
| | <u>0.2</u> | <u>0.1</u> | <u>-</u> | <u>0.3</u> |
| Other securities | | | | |
| - listed | - | - | - | - |
| - unlisted | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | <u>0.2</u> | <u>0.1</u> | <u>-</u> | <u>0.3</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

16 EQUITY SHARES (continued)

| Investment securities' movements | Cost IR£m | Provisions/ Write offs IR£m | Carrying Value IR£m |
|----------------------------------|--------------|-----------------------------------|---------------------------|
| The Group | | | |
| At 1 April 1996 | 6.2 | (0.6) | 5.6 |
| Acquisitions | 0.1 | - | 0.1 |
| Disposals | (3.1) | (0.3) | (3.4) |
| | <u>3.2</u> | <u>(0.9)</u> | <u>2.3</u> |
| At 31 March 1997 | <u>3.2</u> | <u>(0.9)</u> | <u>2.3</u> |
| The Bank | | | |
| At 31 March 1997 | <u>0.9</u> | <u>(0.7)</u> | <u>0.2</u> |
| At 31 March 1996 | <u>0.8</u> | <u>(0.6)</u> | <u>0.2</u> |

The valuation of unlisted shares is based on the Directors' estimate.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| 17 INTERESTS IN ASSOCIATED UNDERTAKINGS | The Group IR£m | The Bank IR£m |
|------------------------------------------------|---------------------------|--------------------------|
| At 1 April 1996 | 1.6 | - |
| Acquisitions | 119.0 | 279.5 |
| Loan capital / investment in Citizens | 22.5 | - |
| Increase in investments | 3.4 | - |
| Retained profits | 22.5 | - |
| | <u>169.0</u> | <u>279.5</u> |
| At 31 March 1997 | <u>169.0</u> | <u>279.5</u> |

Bank of Ireland First Holdings Inc. merged on 25 April 1996 with Citizens Financial Group, Inc. ("Citizens"). Bank of Ireland owns 23.5% of Citizens, 76.5% being owned by The Royal Bank of Scotland Group plc.

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.

18 SHARES IN GROUP UNDERTAKINGS

| The Bank | IR£m |
|---------------------------|--------------|
| At 1 April 1996 | 615.3 |
| Exchange adjustments | (1.3) |
| Increase in investments | 60.2 |
| Disposals | (441.4) |
| | <u>232.8</u> |
| At 31 March 1997 | <u>232.8</u> |
| Group undertakings | |
| - Credit Institutions | 84.1 |
| - Others | 148.7 |
| | <u>232.8</u> |

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

BANK OF IRELAND
NOTES TO THE ACCOUNTS

18 SHARES IN GROUP UNDERTAKINGS (continued)

The principal group undertakings at 31 March 1997 were:

| Name | Principal Activity | Country of Incorporation | Statutory Year End |
|--------------------------------------------|---------------------------------------|--------------------------|--------------------|
| Bank of Ireland Finance Limited (1) | Instalment Finance | Ireland | 31 March |
| The Investment Bank of Ireland Limited (1) | Merchant Banking and Funds Management | Ireland | 31 March |
| ICS Building Society (1) | Building Society | Ireland | 31 December |
| J & E Davy Holdings Limited | Stockbroking | Ireland | 31 December |
| Lifetime Assurance Company Limited | Life Assurance | Ireland | 31 December |
| Reading Mortgages plc (2) | Mortgage Finance | England | 31 March |

(1) Direct subsidiary of The Governor and Company of the Bank of Ireland.

(2) Reading Mortgages plc is a subsidiary of The Governor and Company of the Bank of Ireland. In January 1997, Bank of Ireland Home Mortgages Limited, a mortgage finance company, became a wholly owned subsidiary of Reading Mortgages plc. Subject to the receipt of various regulatory approvals, the business of The Bristol and West Building Society will be transferred to Reading Mortgages plc. which will then be renamed Bristol & West plc.

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 to .

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 which will not file group accounts for the year ended 31 March 1997.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

19 TANGIBLE FIXED ASSETS

The Group

| Cost or valuation | Freehold land and buildings IR£m | Leases of 50 years or more unexpired IR£m | Leases of less than 50 years unexpired IR£m | Computer and other equipment IR£m | Finance lease assets IR£m | Total IR£m |
|----------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|-----------------------|
| At 1 April 1996 | 203.8 | 37.7 | 21.1 | 383.1 | 3.6 | 649.3 |
| Exchange adjustments | 2.2 | - | 0.4 | 3.3 | - | 5.9 |
| Additions | 6.0 | - | 1.4 | 56.0 | 1.5 | 64.9 |
| Disposals | (1.0) | - | - | (23.6) | - | (24.6) |
| Disposal of group undertaking | (44.1) | (0.8) | (2.8) | (19.2) | - | (66.9) |
| At 31 March 1997 | <u>166.9</u> | <u>36.9</u> | <u>20.1</u> | <u>399.6</u> | <u>5.1</u> | <u>628.6</u> |
| Accumulated depreciation and amortisation | | | | | | |
| At 1 April 1996 | 14.4 | 0.1 | 1.5 | 226.7 | 3.0 | 245.7 |
| Exchange adjustments | 0.4 | - | - | 1.9 | - | 2.3 |
| Disposals | (0.1) | - | - | (17.9) | (0.9) | (18.9) |
| Charge for year | 3.4 | 0.3 | 1.1 | 39.9 | 0.7 | 45.4 |
| Disposal of group undertaking | (14.7) | (0.1) | (1.2) | (12.2) | - | (28.2) |
| At 31 March 1997 | <u>3.4</u> | <u>0.3</u> | <u>1.4</u> | <u>238.4</u> | <u>2.8</u> | <u>246.3</u> |
| Net book value | | | | | | |
| At 31 March 1997 | <u>163.5</u> | <u>36.6</u> | <u>18.7</u> | <u>161.2</u> | <u>2.3</u> | <u>382.3</u> |
| At 31 March 1996 | <u>189.4</u> | <u>37.6</u> | <u>19.6</u> | <u>156.4</u> | <u>0.6</u> | <u>403.6</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

19 TANGIBLE FIXED ASSETS (continued)

The Bank

| Cost or valuation | Freehold land and buildings IR£m | Leases of 50 years or more unexpired IR£m | Leases of less than 50 years unexpired IR£m | Computer and other equipment IR£m | Finance lease assets IR£m | Total IR£m |
|----------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------|-----------------------|
| At 1 April 1996 | 146.3 | 13.8 | 15.3 | 291.3 | 2.7 | 469.4 |
| Exchange adjustments | 1.5 | - | 0.3 | 2.0 | - | 3.8 |
| Additions | 6.1 | - | 1.4 | 43.9 | 2.0 | 53.4 |
| Disposals | (0.7) | - | - | (16.1) | - | (16.8) |
| At 31 March 1997 | <u>153.2</u> | <u>13.8</u> | <u>17.0</u> | <u>321.1</u> | <u>4.7</u> | <u>509.8</u> |
| Accumulated depreciation and amortisation | | | | | | |
| At 1 April 1996 | - | - | - | 171.8 | 2.1 | 173.9 |
| Exchange adjustments | - | - | - | 1.4 | - | 1.4 |
| Disposals | - | - | - | (13.1) | - | (13.1) |
| Charge for year | 3.3 | 0.2 | 0.9 | 30.0 | 0.6 | 35.0 |
| At 31 March 1997 | <u>3.3</u> | <u>0.2</u> | <u>0.9</u> | <u>190.1</u> | <u>2.7</u> | <u>197.2</u> |
| Net book value | | | | | | |
| At 31 March 1997 | <u>149.9</u> | <u>13.6</u> | <u>16.1</u> | <u>131.0</u> | <u>2.0</u> | <u>312.6</u> |
| At 31 March 1996 | <u>146.3</u> | <u>13.8</u> | <u>15.3</u> | <u>119.5</u> | <u>0.6</u> | <u>295.5</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

19 TANGIBLE FIXED ASSETS (continued)

Property and Equipment

A revaluation of all Group property, with the exception of property in BOIFH, 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.

As at 31 March 1997 on a historical cost basis the net book value of group property would have been included at IR£138.1m (1996: IR£177.0m) less accumulated depreciation IR£2.2m (1996: IR£13.8m). The Group occupies properties with a net book value of IR£195.2m (IR£220.7m) in the course of carrying out its own activities.

In the year to 31 March 1997 salary and overhead costs of IR£6.2m (1996: IR£6.6m) 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.

| Future capital expenditure | The Group | | The Bank | |
|--------------------------------------------------|--------------|--------------|--------------|--------------|
| | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| - contracted but not provided in the accounts | 12.1 | 11.6 | 12.0 | 9.9 |
| - authorised by the Directors but not contracted | 9.6 | 9.9 | 9.3 | 9.4 |

Rentals payable in 1997 under non-cancellable operating leases amounted to IR£14.0m (1996: IR£17.0m). Of this amount IR£1.2m (1996: IR£0.9m) relates to leases expiring within one year, IR£2.0m (1996: IR£3.2m) relates to leases expiring in two to five years and IR£10.8m (1996: IR£12.9m) relates to leases expiring after five years, split between property IR£13.7m and equipment IR£0.3m.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

19 TANGIBLE FIXED ASSETS (continued)

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

| Year ended 31 March | Payable IR£m | Receivable IR£m |
|---------------------|-----------------|--------------------|
| 1998 | 13.7 | 1.9 |
| 1999 | 12.7 | 1.0 |
| 2000 | 12.5 | 0.9 |
| 2001 | 11.0 | 0.9 |
| 2002 | 10.9 | 0.7 |
| thereafter | 241.4 | 3.2 |

The obligations under finance leases amount to IR£1.9m (1996: IR£3.4m) of which IR£0.8m (1996: IR£0.3m) is due within one year, IR£1.1m (1996: IR£1.0m) is due after more than one year but within five years and IR£nil (1996: IR£2.1m) is due after five years.

20 OTHER ASSETS

| | The Group | | The Bank | |
|----------------------------------------------|--------------|--------------|--------------|--------------|
| | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Sundry debtors | 409.6 | 677.8 | 83.5 | 178.2 |
| Foreign exchange and interest rate contracts | 277.4 | 179.3 | 275.9 | 178.7 |
| Value of shareholders' accrued interest | 39.3 | 32.6 | - | - |
| Other | 20.8 | 36.5 | 9.6 | 5.9 |
| | <u>747.1</u> | <u>926.2</u> | <u>369.0</u> | <u>362.8</u> |

21 DEFERRED TAXATION

| | The Group | | The Bank | |
|-------------------------------------------|--------------|--------------|---------------|---------------|
| | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Taxation treatment of capital allowances: | | | | |
| - finance leases | 57.2 | 55.4 | (0.5) | (0.6) |
| - equipment used by group | 11.7 | 10.6 | 11.3 | 11.6 |
| Other short term timing differences | (35.5) | (51.0) | (34.1) | (29.5) |
| | <u>33.4</u> | <u>15.0</u> | <u>(23.3)</u> | <u>(18.5)</u> |
| At 1 April | 15.0 | 0.3 | (18.5) | (8.2) |
| Exchange adjustments | 0.1 | - | - | - |
| Provision made/ (utilised) | 24.3 | 14.7 | (2.6) | (10.3) |
| Disposal of group undertaking | 15.6 | - | - | - |
| Other movements | (21.6) | - | (2.2) | - |
| At 31 March | <u>33.4</u> | <u>15.0</u> | <u>(23.3)</u> | <u>(18.5)</u> |

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.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

22 LIFE ASSURANCE BUSINESS

The assets and liabilities attributable to stockholders from the life assurance business are consolidated under the headings below in the Group balance sheet.

| | 1997 IR£m | 1996 IR£m |
|----------------------------------------------------|--------------|--------------|
| Assets | | |
| Central government and other eligible bills | 46.2 | 32.9 |
| Shareholders accrued interest | 39.3 | 32.6 |
| Other assets | 14.0 | 19.8 |
| | <u>99.5</u> | <u>85.3</u> |
| Liabilities | | |
| Other liabilities | (21.2) | (18.9) |
| | <u>78.3</u> | <u>66.4</u> |
| Life assurance assets attributable to stockholders | <u>78.3</u> | <u>66.4</u> |

The life assurance assets attributable to policyholders consist of:

| | 1997 IR£m | 1996 IR£m |
|---------------------------|--------------|--------------|
| Investments | | |
| Property | 33.4 | 29.6 |
| Fixed interest securities | 223.9 | 130.9 |
| Other securities | 447.8 | 404.1 |
| Bank balances and cash | 26.5 | 14.5 |
| Income receivable | 3.0 | 3.1 |
| | <u>734.6</u> | <u>582.2</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

23 DEPOSITS BY BANKS

| | The Group | | The Bank | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Federal funds purchased | - | 102.8 | - | 102.1 |
| Other borrowings from banks | 1,624.1 | 2,387.4 | 3,738.8 | 4,945.6 |
| | <u>1,624.1</u> | <u>2,490.2</u> | <u>3,738.8</u> | <u>5,047.7</u> |
| Repayable on demand | 310.2 | 168.5 | 427.0 | 345.8 |
| Other deposits by remaining maturity | | | | |
| - 3 months or less | 787.7 | 1,863.7 | 2,288.0 | 3,845.5 |
| - 1 year or less but over 3 months | 375.5 | 405.8 | 769.8 | 746.2 |
| - 5 years or less but over 1 year | 126.7 | 24.4 | 209.7 | 82.9 |
| - over 5 years | 24.0 | 27.8 | 44.3 | 27.3 |
| | <u>1,624.1</u> | <u>2,490.2</u> | <u>3,738.8</u> | <u>5,047.7</u> |
| Amounts include: | | | | |
| Due to group undertakings | | | 2,221.2 | 2,534.3 |

24 CUSTOMER ACCOUNTS

| | The Group | | The Bank | |
|---------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|----------------|
| | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Current accounts | 2,353.1 | 2,701.5 | 2,746.6 | 2,411.1 |
| Demand deposits | 4,630.1 | 4,921.1 | 4,234.3 | 4,039.2 |
| Time deposits | 5,602.5 | 5,603.1 | 3,571.4 | 3,086.3 |
| Other short-term borrowings | 311.0 | 432.2 | 37.4 | 2.2 |
| | <u>12,896.7</u> | <u>13,657.9</u> | <u>10,589.7</u> | <u>9,538.8</u> |
| Repayable on demand | 6,768.4 | 7,736.1 | 6,381.2 | 5,838.4 |
| Other deposits with agreed maturity dates or periods of notice, by remaining maturity | | | | |
| - 3 months or less | 4,232.0 | 3,669.4 | 2,619.5 | 2,236.9 |
| - 1 year or less but over 3 months | 947.0 | 1,295.7 | 670.9 | 764.8 |
| - 5 years or less but over 1 year | 771.7 | 780.8 | 790.7 | 562.0 |
| - over 5 years | 177.6 | 175.9 | 127.4 | 136.7 |
| | <u>12,896.7</u> | <u>13,657.9</u> | <u>10,589.7</u> | <u>9,538.8</u> |
| Amounts include: | | | | |
| Due to group undertakings | | | 465.7 | 434.1 |

Due to associated undertakings IR£nil (1996: IR£nil)

BANK OF IRELAND
NOTES TO THE ACCOUNTS

25 DEBT SECURITIES IN ISSUE

| | The Group | | The Bank | |
|------------------------------------------------------|------------------|--------------|-----------------|--------------|
| | 1997 | 1996 | 1997 | 1996 |
| | IR£m | IR£m | IR£m | IR£m |
| Bonds and medium term notes | | | | |
| - 5 years or less but over 1 year | 54.7 | 37.5 | 54.7 | 37.5 |
| Other debt securities in issue by remaining maturity | | | | |
| - 3 months or less | 295.9 | 383.3 | 111.0 | 249.9 |
| - 1 year or less but over 3 months | 60.8 | 174.5 | 60.8 | 174.5 |
| - 5 years or less but over 1 year | - | 4.8 | - | 4.8 |
| - over 5 years | - | 60.1 | - | - |
| | <u>411.4</u> | <u>660.2</u> | <u>226.5</u> | <u>466.7</u> |

26 OTHER LIABILITIES

| | The Group | | The Bank | |
|----------------------------------------------|------------------|----------------|-----------------|--------------|
| | 1997 | 1996 | 1997 | 1996 |
| | IR£m | IR£m | IR£m | IR£m |
| Current taxation | 92.5 | 83.4 | 69.0 | 59.8 |
| Notes in circulation | 216.9 | 181.6 | 216.9 | 181.6 |
| Foreign exchange and interest rate contracts | 310.0 | 173.7 | 311.8 | 173.2 |
| Sundry creditors | 334.5 | 730.2 | 186.4 | 238.0 |
| Other | 406.8 | 226.8 | 75.2 | 61.7 |
| Dividends | 56.7 | 49.3 | 56.7 | 49.3 |
| | <u>1,417.4</u> | <u>1,445.0</u> | <u>916.0</u> | <u>763.6</u> |

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 in Section 11 Bankers (NI) Act 1928.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

**27 OTHER PROVISIONS FOR
LIABILITIES AND CHARGES**

| | Pensions obligations IR£m | Provisions for contingent liabilities and commitments IR£m | Other IR£m | Total IR£m |
|-------------------------------|---------------------------------|------------------------------------------------------------------------|---------------|---------------|
| The Group | | | | |
| At 1 April 1996 | 32.2 | 0.4 | 27.9 | 60.5 |
| Exchange adjustments | 0.4 | - | 0.2 | 0.6 |
| Provisions made | 21.9 | - | 4.1 | 26.0 |
| Provisions utilised | (12.1) | - | (12.2) | (24.3) |
| Provisions released | - | - | (3.6) | (3.6) |
| Disposal of group undertaking | (2.7) | - | - | (2.7) |
| At 31 March 1997 | <u>39.7</u> | <u>0.4</u> | <u>16.4</u> | <u>56.5</u> |
| The Bank | | | | |
| At 1 April 1996 | 27.6 | - | 18.9 | 46.5 |
| Exchange adjustments | 0.4 | - | - | 0.4 |
| Provisions made | 17.7 | - | 3.4 | 21.1 |
| Provisions utilised | (7.9) | - | (5.8) | (13.7) |
| Provisions released | - | - | (3.5) | (3.5) |
| At 31 March 1997 | <u>37.8</u> | <u>-</u> | <u>13.0</u> | <u>50.8</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

28 SUBORDINATED LIABILITIES

| | The Group | | The Bank | |
|------------------------------------------------------|--------------|--------------|--------------|--------------|
| | 1997 | 1996 | 1997 | 1996 |
| | IR£m | IR£m | IR£m | IR£m |
| Undated Loan Capital | | | | |
| US\$150m Undated Floating Rate Primary Capital Notes | 94.2 | 93.9 | 94.2 | 93.9 |
| US\$300m Undated Variable Rate Notes | 190.2 | 189.5 | 190.2 | 189.5 |
| US\$100m Undated Variable Rate Notes | 63.4 | 63.2 | 63.4 | 63.2 |
| | <u>347.8</u> | <u>346.6</u> | <u>347.8</u> | <u>346.6</u> |
| Dated Loan Capital | | | | |
| Yen 3Bn Subordinated Loan Facility 2001 | - | 14.1 | - | 14.1 |
| US\$95m Floating Rate Capital Notes 2002 | 60.3 | 60.1 | 60.3 | 60.1 |
| Stg£100m 9.75% Subordinated Bonds 2005 | 103.7 | 96.9 | 103.7 | 96.9 |
| Stg £200m Subordinated Floating Rate Notes 2009 | 206.5 | - | 206.5 | - |
| | <u>370.5</u> | <u>171.1</u> | <u>370.5</u> | <u>171.1</u> |
| | <u>718.3</u> | <u>517.7</u> | <u>718.3</u> | <u>517.7</u> |

The US\$95m Floating Rate Capital Notes 2002 may be redeemed at par at the option of the Bank in or after 7 December 1997. All other loan capital has a maturity of more than 5 years.

In December 1996 the Yen 3bn Subordinated Loan Facility 2001 was redeemed.

The US\$150m Undated Floating Rate Primary Capital Notes which were issued at par on 5 December 1985 and the US\$95m Floating Rate Capital Notes 2002 issued on 3 December 1987 are subordinated in right of payment to the claims of depositors and other creditors of the Bank.

On 5 September 1989 and 23 October 1989 respectively the Bank issued US\$300m and US\$100m Undated Variable Rate Notes. These Notes constitute unsecured subordinated and conditional obligations of the Bank ranking pari passu with one another and with the US\$150m Undated Floating Rate Primary Capital Notes.

On 21 March 1995 the Bank issued Stg£100m Subordinated Bonds 2005. The Bonds constitute unsecured obligations of the Bank subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

On 11 February 1997 the Bank issued Stg200m Subordinated Floating Rate Notes 2009. The Notes constitute unsecured obligations of the Bank subordinated in right of payment to the claims of depositors and other unsubordinated creditors of the Bank and rank pari passu without any preference among themselves.

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).

BANK OF IRELAND
NOTES TO THE ACCOUNTS

29 CALLED UP CAPITAL STOCK

| The Group | 1997 IR£m | 1996 IR£m |
|-------------------------------------------------------------|----------------------|----------------------|
| Authorised | | |
| 750m units of IR£1 of Ordinary Stock | 750.0 | 750.0 |
| 8m units of Non-Cumulative Preference Stock of US\$25 each | 127.5 | 127.1 |
| 100m units of Non-Cumulative Preference Stock of Stg£1 each | 103.8 | 96.9 |
| 100m units of Non-Cumulative Preference Stock of IR£1 each | 100.0 | 100.0 |
| | <u>1,081.3</u> | <u>1,074.0</u> |
| Allotted and fully paid | | |
| Equity | | |
| 486.5 m units of IR£1 of Ordinary Stock | 486.5 | 481.4 |
| Non-equity | | |
| 5m units of Non-Cumulative Preference Stock of Stg£1 each | 5.2 | 4.8 |
| 10.5m units of Non-Cumulative Preference Stock of IR£1 each | 10.5 | 10.5 |
| | <u>502.2</u> | <u>496.7</u> |

During the year the total Ordinary Stock issued was increased from 481,380,670 units of IR£1 to 486,512,754 units of IR£1 as follows:

In July 1996, 1,432,205 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 443p per unit, instead of all or part of the cash element of their 1995/96 Final Dividend. Additionally in that month, 1,175,713 units of Ordinary Stock of the Bank were allotted to the Trustees of the Employee Ordinary Stock Issue Scheme (Irish) and the Trustees of the Employee Ordinary Stock Issue Scheme (UK), at the price of IR446p per unit and Stg457p per unit.

In January 1997, 857,721 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 513p per unit, instead of all or part of the cash element of their 1996/97 Interim Dividend.

During the year 1,666,445 units of Ordinary Stock were issued to option holders on the exercise of options under the terms of the Senior Executive Stock Option Scheme at prices ranging between 100p and 332.5p.

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

29 CALLED UP CAPITAL STOCK (continued)**Stock Alternative Scheme**

At the 1993 Annual General Court the Directors were given authority to offer stockholders the right to elect to receive new units of Ordinary Stock in lieu of part or all of the cash element of their dividends. The price at which such new units are offered is the average of the closing quotation of Bank of Ireland Ordinary Stock derived from the Daily Official List of the Irish Stock Exchange for the five dealing days starting on the date on which the stock is first quoted 'ex-dividend'. The authority to operate this Scheme, the Stock Alternative Scheme, will expire with the payment of the interim dividend for 1997/98. The Directors are seeking stockholder approval at the Annual General Court to be held in July 1997, to renew their authority to operate this scheme.

Employee Ordinary Stock Issue Schemes (Irish) and (UK)

These Schemes were approved by the stockholders at the 1984 Annual General Court and are approved by the relevant revenue authorities in both jurisdictions. Under the Schemes all permanent employees including Executive Directors, of the Bank and certain subsidiaries, are eligible to participate, subject to a minimum of one year's continuous service as at 1 May in each year. Each year the Court of Directors may set aside an element of Group profit before taxation for allocation to the Trustees of the Schemes. The amount set aside is related to the overall Group performance assessed both in terms of profit before tax and growth in earnings per share. To date, annual distributions under the Schemes have ranged between nil and 3% of each participant's salary.

Employees may elect to take their share of the allocation to the Trustees either in cash, which is fully taxable, or in units of Ordinary Stock. The total market value of stock which may be allocated to an employee may not exceed IR£10,000 under the Irish Scheme (Stg£8,500 under the UK Scheme) in any year. Units of stock allocated must be held by the Trustees for a minimum period of two years and are required to be held for a total of five years, (three years under the UK scheme), for the employee to obtain the maximum tax benefit. At 31 March 1997, the Trustees held 5,080,653 units of stock (1.04% of the Issued Ordinary Stock). The authority to operate these Schemes expires in July 1998. The Directors are seeking stockholder approval at the Annual General Court to be held in July to introduce a new employee Stock Issue Scheme.

Senior Executive Stock Option Scheme

Options to subscribe for units of Ordinary Stock are granted under the terms of the Senior Executive Stock Option Scheme. The original scheme was approved by the stockholders at the Annual General Court in July 1986 and a replacement scheme, "Bank of Ireland Group Stock Option Scheme - 1996", was approved by the stockholders at the Annual General Court held in July 1996. Key executives may participate in the current Scheme at the discretion of the Remuneration Committee. 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 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.

29 CALLED UP CAPITAL STOCK (continued)

Options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant. At 31 March 1997, options were outstanding over 6,835,444 units of stock (1.4% of the Issued Ordinary Stock) at prices ranging from 135.8p to 510.5p per unit of stock. These options may be exercised at various dates up to 28 November 2006.

Limitations on Employee Stock Issue and Stock Option Schemes

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

Preference Stock

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

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

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

The Bank has an obligation to increase or, as the case may be, decrease 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.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

30 RESERVES

| | The Group IR£m | The Bank IR£m |
|--------------------------------------------------|---------------------------|--------------------------|
| Stock premium account | 259.6 | 259.6 |
| Capital reserve | 53.1 | 12.4 |
| Profit and loss account | 804.5 | 177.1 |
| Goodwill reserve | (216.7) | (11.9) |
| Revaluation reserve | 8.6 | 6.7 |
| | <u>909.1</u> | <u>443.9</u> |
| At 31 March 1997 | | |
| Stock premium account | | |
| At 1 April 1996 | 242.4 | 242.4 |
| Premium on issue of capital stock | 5.9 | 5.9 |
| Premium on stock alternative scheme issue | 8.5 | 8.5 |
| Stock issue expenses | (0.2) | (0.2) |
| Exchange adjustments | 3.0 | 3.0 |
| | <u>259.6</u> | <u>259.6</u> |
| At 31 March 1997 | | |
| Capital reserve | | |
| At 1 April 1996 | 43.9 | 11.7 |
| Share of unrealised profits of group undertaking | 6.7 | - |
| Exchange adjustments | 2.5 | 0.7 |
| | <u>53.1</u> | <u>12.4</u> |
| At 31 March 1997 | | |
| Profit and loss account | | |
| At 1 April 1996 | 626.4 | 156.4 |
| Profit for period | 158.8 | 12.6 |
| Exchange adjustments | 19.3 | 8.1 |
| | <u>804.5</u> | <u>177.1</u> |
| At 31 March 1997 | | |
| Goodwill reserve | | |
| At 1 April 1996 | (191.2) | (11.9) |
| Goodwill written off on acquisition | (159.3) | - |
| Goodwill written back on disposal | 133.8 | - |
| | <u>(216.7)</u> | <u>(11.9)</u> |
| At 31 March 1997 | | |
| Revaluation reserve | | |
| At 1 April 1996 | 8.3 | 6.5 |
| Exchange adjustments | 0.3 | 0.2 |
| | <u>8.6</u> | <u>6.7</u> |
| At 31 March 1997 | | |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

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 1995 using the projected unit credit method of funding. The principal assumption in the review was that the annual rate of return on new investments would be 4.0 per cent higher than the annual rate of increase in pensionable remuneration and pensions in course of payment.

The market value of the assets of the main scheme at 31 March 1995 was IR£899.0 m and the actuarial value of the net assets, after allowing for expected future increases in earnings and pensions, represented 108 per cent of the benefits that had accrued to members. On actuarial advice, the pension charge has been reduced for the effects of the surplus and this variation from the regular cost has been calculated by amortising the surplus over the employees' expected working lives. The surplus is being corrected by a reduction in the Bank's contribution rate to the average rate of normal contributions paid by the members to the scheme. A provision of IR£33.6 (1996: IR£23.5m) in regard to the main scheme is included in the accounts being the excess of the accumulated pension charge over the amount funded.

The total pension charge for the Group in respect of the year ended 31 March 1997 was IR£21.9m (1996: IR£26.1m), of which IR£16.9m (1996: IR£16.0m) related to the main scheme.

32 DERIVATIVE TRANSACTIONS**Introduction**

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").

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

The Court of Directors approves the policy and limits with respect to credit risk, market risk and liquidity risk and has delegated its monitoring and control responsibilities to the Group Credit Committee for credit matters and the Group Asset and Liability Committee for market risk and liquidity.

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.

BANK OF IRELAND

NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS**Foreign Exchange and Interest Rate Derivatives****Accounting for derivatives**

Derivatives entered into for trading purposes, which includes all customers and proprietary transactions together with any associated hedges are measured at fair value and the resultant profits and losses are included in dealing profits. Where the market price may not be achievable, because of the size of positions or the illiquidity of markets, adjustments are made in determining fair value.

Derivatives entered into for specifically designated hedging purposes against assets, liabilities, other positions and cash flows accounted for on an accruals basis are taken to profit in accordance with the accounting treatment of the underlying transaction.

Profits and losses related to qualifying hedges of firm commitments and probable 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) 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.
- (ii) adequate evidence of the intention to hedge must be established at the outset of the transaction.

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 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.

BANK OF IRELAND

NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS (continued)

The underlying principal amounts and replacement cost, by residual maturity of the Group's over the counter and other non-exchange traded derivatives were as follows at 31 March 1997:

| | Within one year IR£m | One to five years IR£m | Over five years IR£m | Total IR£m |
|-------------------------------------|----------------------------|---------------------------------|-------------------------------|---------------|
| Underlying Principal Amount: | | | | |
| Exchange Rate Contracts | 12,447.0 | 1,477.2 | 78.5 | 14,002.7 |
| Interest Rate Contracts | 8,431.7 | 6,208.7 | 830.9 | 15,471.3 |
| Replacement Cost | | | | |
| Exchange Rate Contracts | 184.5 | 75.2 | 3.6 | 263.3 |
| Interest Rate Contracts | 11.4 | 58.9 | 17.4 | 87.7 |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS (continued)

The replacement cost of the Group's over the counter and other non-exchange traded derivatives as at 31 March 1997 analysed into financial and non-financial counterparties for exchange rate and interest rate contracts were as follows:

| | Financial IR£m | Non-Financial IR£m |
|-------------------------|---------------------|-----------------------|
| Exchange Rate Contracts | 214.3 | 49.0 |
| Interest Rate Contracts | 82.0 | 5.7 |
| | <u>296.3</u> | <u>54.7</u> |
| | <u><u>296.3</u></u> | <u><u>54.7</u></u> |

The risk weighted amounts of the Group's total derivatives were as follows:

| | 1997 IR£m | 1996 IR£m |
|-------------------------|--------------|--------------|
| Exchange Rate Contracts | <u>128.7</u> | <u>97.5</u> |
| Interest Rate Contracts | <u>29.8</u> | <u>30.1</u> |

The risk weightings which are in line with Basle Committee and the Central Bank of Ireland Capital Adequacy requirements entail two steps:

- (a) The positive replacement cost for all derivatives is calculated and a factor added for future credit risk.
- (b) The amount resulting from (a) above is then weighted by an appropriate counterparty rating.

BANK OF IRELAND

NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS (continued)

Nature and Terms of 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 1997 and 1996:-

| | 1997 | | | 1996 | | |
|--------------------------------------|-----------------------------------------------|-----------------------|--------------------------------------|-----------------------------------------------|-----------------------|--------------------------------------|
| | Underlying Principal Amount (1) IR£m | Fair Value IR£m | Average Fair Value (2) IR£m | Underlying Principal Amount (1) IR£m | Fair Value IR£m | Average Fair Value (2) IR£m |
| Interest rate contracts: | | | | | | |
| Interest rate swaps | 8,337.5 | | | 7,362.1 | | |
| in a favourable position | | 104.4 | 107.6 | | 116.3 | 107.2 |
| in an unfavourable position | | (70.2) | (71.1) | | (95.3) | (99.2) |
| Interest rate caps, floors & options | | | | | | |
| Held | 634.1 | | | 1,609.2 | | |
| in a favourable position | | 1.2 | 0.7 | | 0.2 | 0.3 |
| in an unfavourable position | | - | - | | - | - |
| Written | 497.9 | | | 276.5 | | |
| in a favourable position | | - | - | | - | 0.1 |
| in an unfavourable position | | (0.4) | (0.2) | | - | (0.1) |
| Forward rate agreements | 4,843.3 | | | 4,706.4 | | |
| in a favourable position | | 3.4 | 5.1 | | 7.0 | 5.3 |
| in an unfavourable position | | (3.4) | (5.2) | | (6.8) | (6.2) |
| Financial futures | 570.3 | | | 535.9 | | |
| in a favourable position | | - | 0.1 | | 0.1 | 0.1 |
| in an unfavourable position | | (0.1) | (0.2) | | (0.4) | (0.3) |
| | <u>14,883.1</u> | | | <u>14,490.1</u> | | |
| Foreign exchange contracts: | | | | | | |
| Forward foreign exchange | 12,558.9 | | | 11,130.2 | | |
| in a favourable position | | 203.8 | 162.8 | | 99.4 | 149.5 |
| in an unfavourable position | | (180.0) | (148.7) | | (121.3) | (156.4) |
| Currency futures | 43.3 | | | 161.7 | | |
| in a favourable position | | 0.3 | 0.1 | | - | 0.1 |
| in an unfavourable position | | - | (0.1) | | (0.2) | (0.3) |
| Currency swaps | - | | | 965.1 | | |
| in a favourable position | | - | - | | 60.7 | 62.9 |
| in an unfavourable position | | - | - | | (25.6) | (29.5) |
| | <u>12,602.2</u> | | | <u>12,257.0</u> | | |
| | <u>27,485.3</u> | | | <u>26,747.1</u> | | |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS (continued)

- (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.
- (2) Quoted market prices are used as the fair values of financial instruments held or issued for trading purposes. If quoted market prices are not available fair values are estimated on the basis of dealer quotes, pricing models or quoted prices for financial instruments with similar characteristics.

Risk Management Activities

The Group has significant business activities in a range of currencies. Foreign exchange risk arises as the value of these transactions can fluctuate with exchange rate movements.

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.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS (continued)

The following tables represent the underlying principal amounts, average maturities and fair values by class of instrument utilised for risk management activities for the Group at 31 March 1997 and 1996.

| | | 1997 | | | |
|--------------------------------------|-------------------------------------------|---------------------------------------------|---------------------------------------------|-----------------------------------------|-----------------------|
| | Underlying Principal Amount IR£m | Weighted Average Maturity in Years | Weighted Average Receive Rate % | Weighted Average Pay Rate % | Fair Value IR£m |
| Interest Rate Contracts: | | | | | |
| Interest Rate Swaps | | | | | |
| - receive fixed | | | | | |
| 1 year or less | 605.9 | 0.3 | 5.8 | 5.8 | 17.1 |
| 1-5 years | 215.6 | 2.8 | 6.9 | 4.7 | 11.5 |
| 5-10 years | 10.7 | 5.3 | 7.4 | 6.7 | 0.2 |
| over 10 years | 2.9 | 10.3 | 6.8 | - | - |
| Interest Rate Swaps | | | | | |
| - pay fixed | | | | | |
| 1 year or less | 365.9 | 0.3 | 5.8 | 7.0 | (10.3) |
| 1-5 years | 444.3 | 2.5 | 5.5 | 7.0 | (18.2) |
| 5-10 years | 84.7 | 6.0 | 4.8 | 7.8 | (7.0) |
| Over 10 years | 9.0 | 11.3 | 4.1 | 5.5 | 1.4 |
| Interest Rate Swaps | | | | | |
| - pay and receive floating | | | | | |
| 1 year or less | 30.4 | 0.1 | 4.7 | 4.8 | (2.0) |
| 1-5 years | 69.3 | 2.4 | 7.1 | 7.2 | (0.1) |
| Forward Rate Agreements | | | | | |
| 1 year or less | 271.5 | 0.2 | 6.8 | 5.2 | 0.1 |
| Other Interest Rate Contracts | | | | | |
| 1-5 years | 71.2 | 4.1 | 3.3 | 3.0 | (4.4) |
| 5-10 years | 23.1 | 6.1 | 1.1 | - | (1.0) |
| | <u>2,204.5</u> | | | | |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS (continued)

| | Underlying Principal Amount IR£m | 1997 Weighted Average Maturity in Years | Fair Value IR£m |
|----------------------------------------|-------------------------------------------|-----------------------------------------------------|-----------------------|
| Exchange Rate Contracts: | | | |
| Forward Foreign Exchange | | | |
| 1 year or less | 152.5 | 0.4 | (0.4) |
| 1-5 years | 96.9 | 1.3 | (1.0) |
| Currency Swaps | | | |
| 1 year or less | 218.2 | 0.4 | (11.1) |
| 1-5 years | 777.4 | 3.0 | 3.6 |
| 5-10 years | 198.8 | 3.8 | 11.0 |
| | <u>1,443.8</u> | | |
| Equity and Commodity Contracts: | | | |
| Equity Options Held | | | |
| 1 year or less | 3.1 | 0.1 | 1.1 |
| 1-5 years | 85.5 | 3.8 | 17.0 |
| 5-10 years | 32.1 | 5.5 | 1.3 |
| Equity Options Written | | | |
| 1-5 years | 42.0 | 3.5 | (9.2) |
| 5-10 years | 22.0 | 5.6 | (0.3) |
| | <u>184.7</u> | | |
| | <u>3,833.0</u> | | |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS (continued)

| | Underlying Principal Amount IR£m | Weighted Average Maturity in Years | 1996 Weighted Average Receive Rate % | Weighted Average Pay Rate % | Fair Value IR£m |
|---------------------------------|-------------------------------------------|---------------------------------------------|-----------------------------------------------------|--------------------------------------|-----------------------|
| Interest Rate Contracts: | | | | | |
| Interest Rate Swaps | | | | | |
| - receive fixed | | | | | |
| 1 year or less | 505.4 | 0.57 | 5.58 | 5.14 | 7.8 |
| 1-5 years | 54.4 | 1.58 | 6.13 | 5.76 | 0.2 |
| Interest Rate Swaps | | | | | |
| - pay fixed | | | | | |
| 1 year or less | 57.9 | 0.55 | 5.85 | 7.95 | (0.8) |
| 1-5 years | 354.6 | 2.71 | 5.92 | 7.68 | (14.9) |
| 5-10 years | 57.1 | 6.36 | 6.95 | 8.74 | (1.1) |
| over 10 years | 6.5 | 12.76 | 5.81 | 4.89 | 1.3 |
| Interest Rate Swaps | | | | | |
| - pay and receive floating | | | | | |
| 1-5 years | 6.4 | 4.49 | 13.70 | 13.70 | - |
| Forward Rate Agreements | | | | | |
| 1 year or less | 193.5 | 0.35 | 5.64 | 4.81 | - |
| Other Interest Rate Contracts | 99.8 | 1.21 | 6.60 | 1.40 | 1.8 |
| | <u>1,335.6</u> | | | | |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

32 DERIVATIVE TRANSACTIONS (continued)

| | Underlying Principal Amount IR£m | 1996 Weighted Average Maturity in Years | Fair Value IR£m |
|--------------------------------------------|-------------------------------------------|-----------------------------------------------------|-----------------------|
| Exchange Rate Contracts: | | | |
| Forward Foreign Exchange 1 year or less | 17.1 | 0.13 | 0.3 |
| Currency Swaps 1 year or less | 0.9 | 0.54 | 0.1 |
| 1-5 years | 173.3 | 3.36 | 12.9 |
| Currency Options 1 year or less | 16.2 | 0.25 | (0.1) |
| | <u>207.5</u> | | |
| Equity Contracts: | | | |
| Equity Options Held 1 year or less | 35.0 | 0.57 | 7.4 |
| 1-5 years | 46.3 | 3.84 | 6.8 |
| 5-10 years | 6.9 | 5.93 | 0.7 |
| Equity Options Written 1-5 years | 36.7 | 4.09 | (5.0) |
| 5-10 years | 6.9 | 5.93 | (0.7) |
| | <u>131.8</u> | | |
| | <u>1,674.9</u> | | |

Non Trading Derivative Deferred Balances

Deferred balances relating to settled derivative transactions will be released to the profit and loss account in the same periods as the income and expense flows from the underlying transactions.

At the year end the Group had deferred income of IR£7.3m (1996: IR£0.1m) and deferred expense of IR£9.4m (1996: IR£0.5m). IR£2.4m of deferred income and IR£4.4m of deferred expense is expected to be released to the profit and loss account during the year.

Anticipatory Hedges

The Group has entered into forward foreign exchange contracts to hedge the exchange risk on the translation of the net profit from certain non-IR£ operations and the anticipated cost of certain future transactions. The fair value of these amounted to IR£9.2m (1996: IR£nil) at the year end.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

33 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).

| | 1997 | | 1996 | |
|-----------------------------------------------------------------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
| | Contract Amount IR£m | Risk Weighted Amount IR£m | Contract Amount IR£m | Risk Weighted Amount IR£m |
| The Group - Contingent Liabilities | | | | |
| Acceptances and endorsements | 60.5 | 59.3 | 7.2 | 6.6 |
| Guarantees and assets pledged as collateral security | - | - | - | - |
| - Assets pledged | - | - | - | - |
| - Guarantees and irrevocable letters of credit | 443.5 | 380.4 | 386.0 | 330.4 |
| Other contingent liabilities | 239.0 | 115.7 | 290.9 | 143.6 |
| | <u>743.0</u> | <u>555.4</u> | <u>684.1</u> | <u>480.6</u> |
| The Group - Commitments | | | | |
| Sale and option to resell transactions | - | - | - | - |
| Other commitments | | | | |
| - Documentary credits and short-term trade-related transactions | 26.9 | 8.8 | 19.9 | 7.7 |
| - Forward asset purchases, forward deposits placed and forward sale and repurchase agreements | 703.2 | - | - | - |
| - Undrawn note issuance and revolving underwriting facilities | 186.5 | 8.7 | 195.4 | 8.7 |
| - Undrawn formal standby facilities, credit lines and other commitments to lend | | | | |
| - irrevocable with original maturity of over 1 year | 813.7 | 388.4 | 631.7 | 291.9 |
| - revocable or irrevocable with original maturity of 1 year or less (ii) | 3,710.4 | - | 3,843.6 | - |
| | <u>5,440.7</u> | <u>405.9</u> | <u>4,690.6</u> | <u>308.3</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

33 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

| | 1997 | | 1996 | |
|--------------------------------------------------------------------------------------------------------|----------------------------|------------------------------------|----------------------------|------------------------------------|
| | Contract Amount IR£m | Risk Weighted Amount IR£m | Contract Amount IR£m | Risk Weighted Amount IR£m |
| The Bank - Contingent Liabilities | | | | |
| Acceptances and endorsements | 60.5 | 59.3 | 7.2 | 6.6 |
| Guarantees and assets pledged as collateral security | | | | |
| - Assets pledged | - | - | - | - |
| - Guarantees and irrevocable letters of credit | 1,134.2 | 334.7 | 789.9 | 268.0 |
| Other contingent liabilities | 239.0 | 115.7 | 289.8 | 143.0 |
| | <u>1,433.7</u> | <u>509.7</u> | <u>1,086.9</u> | <u>417.6</u> |
| The Bank - Commitments | | | | |
| Sale and option to resell transactions | - | - | - | - |
| Other commitments | | | | |
| - Documentary credits and short-term trade-related transactions | 26.9 | 8.8 | 19.0 | 7.3 |
| - Forward asset purchases, forward deposits placed and forward sale and repurchase agreements | - | - | - | - |
| - Undrawn note issuance and revolving underwriting facilities | 186.5 | 8.7 | 195.4 | 8.7 |
| - Undrawn formal standby facilities, credit lines and other commitments to lend: | | | | |
| - irrevocable with original maturity of over 1 year | 659.8 | 311.4 | 536.0 | 245.9 |
| - revocable or irrevocable with original maturity of 1 year or less (ii) | 3,551.5 | - | 3,169.5 | - |
| | <u>4,424.7</u> | <u>328.9</u> | <u>3,919.9</u> | <u>261.9</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

33 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

| | 1997 Contract Amount | 1996 Contract Amount |
|------------------------------------------|----------------------------|----------------------------|
| | IR£m | IR£m |
| Incurred on behalf of group undertakings | | |
| - contingent liabilities | 40.4 | 54.2 |
| - commitments | 31.9 | - |
| | <u>72.3</u> | <u>54.2</u> |

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.

34 GENERAL

- (a) The Bank has given guarantees in respect of liabilities of certain of its subsidiaries and has also given guarantees for the satisfaction of the relevant regulatory authorities for the protection of the depositors of certain of its banking subsidiaries in the various jurisdictions in which such subsidiaries operate.
- (b) The Bank has provided a guarantee under Section 17 of the Companies (Amendment) Act 1986 for the following companies; Addano Limited, Bank of Ireland Asset Management (US) Limited, Bank of Ireland Asset Management Limited, Bank of Ireland Car Loans Limited, Bank of Ireland Commercial Finance Limited, Bank of Ireland Unit Trust Managers Limited, Davy Corporate Finance Limited, Davy Holdings (International) Limited, Davy International, First Rate Enterprises Limited, IBI Corporate Finance Limited, IBI Interfunding Company, Ibidem Limited, Illios Limited, J & E Davy, J & E Davy Holdings Limited, Lansdowne Leasing 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.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

35 NOTES TO THE CASH FLOW STATEMENT

| | The Group | |
|-------------------------------------------------------------------|------------------|-----------------|
| | 1997 | 1996 |
| | IR£m | IR£m |
| | | Restated |
| (i) Gross Cashflows | | |
| Returns on investment and servicing of finance | | |
| Interest paid on subordinated liabilities | (34.8) | (41.9) |
| Preference dividends paid | (14.7) | (14.7) |
| Issue expenses on subordinated liabilities | (1.0) | - |
| Dividends paid to minority shareholders in subsidiary undertaking | (0.2) | (0.2) |
| | <u>(50.7)</u> | <u>(56.8)</u> |
| Capital expenditure and financial investment | | |
| Net purchases of investment debt and equity securities | (328.0) | (480.2) |
| Purchase of tangible fixed assets | (64.9) | (73.6) |
| Sale of tangible fixed assets | 4.7 | 4.1 |
| | <u>(388.2)</u> | <u>(549.7)</u> |
| Acquisitions and disposals | | |
| Investments in associated undertakings | (25.9) | (1.5) |
| US restructuring | 138.2 | - |
| Cash balances in BOIFH | (89.5) | - |
| | <u>22.8</u> | <u>(1.5)</u> |
| Financing | | |
| Issue of capital stock (net of issue expenses) | 8.6 | 6.7 |
| Repayment of subordinated liabilities | (16.5) | (93.3) |
| Issue of subordinated liabilities | 196.3 | - |
| | <u>188.4</u> | <u>(86.6)</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

35 NOTES TO THE CASH FLOW STATEMENT (continued)

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

| | Cash and Balances at Central Banks IR£m | Loans and Advances to Banks Repayable on Demand IR£m | Total Cash IR£m |
|---------------------------|--------------------------------------------------|---------------------------------------------------------------------|--------------------|
| 1997 | | | |
| At 1 April 1996 | 135.5 | 64.8 | 200.3 |
| Cash flow | (38.4) | 14.6 | (23.8) |
| Foreign exchange movement | (2.1) | 1.1 | (1.0) |
| | <u>95.0</u> | <u>80.5</u> | <u>175.5</u> |
| At 31 March 1997 | | | |
| 1996 | | | |
| At 1 April 1995 | 103.9 | 94.4 | 198.3 |
| Cash flow | 30.6 | (28.9) | 1.7 |
| Foreign exchange movement | 1.0 | (0.7) | 0.3 |
| | <u>135.5</u> | <u>64.8</u> | <u>200.3</u> |
| At 31 March 1996 | | | |

(iii) Analysis of changes in financing during the year ended 31 March 1997

| | Capital Stock (including stock premium) | Subordinated Liabilities |
|----------------------------------------|-----------------------------------------------|-----------------------------|
| At 1 April 1996 | 739.1 | 517.7 |
| Effect of foreign exchange differences | 3.4 | 21.8 |
| Cash flow | 8.6 | 178.8 |
| Stock alternative scheme issue | 10.7 | - |
| | <u>761.8</u> | <u>718.3</u> |
| At 31 March 1997 | | |

Analysis of changes in financing during the year ended 31 March 1996

| | | |
|----------------------------------------|--------------|--------------|
| At 1 April 1995 | 722.1 | 601.7 |
| Effect of foreign exchange differences | (1.5) | 9.3 |
| Cash flow | 6.7 | (93.3) |
| Stock alternative scheme issue | 11.8 | - |
| | <u>739.1</u> | <u>517.7</u> |
| At 31 March 1996 | | |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

35 NOTES TO THE CASH FLOW STATEMENT (continued)

| (iv) US Restructuring | IR£m |
|------------------------------------------------------------|-------------|
| Net assets disposed of: | |
| Tangible fixed assets | 38.7 |
| Loans and advances | 1,455.7 |
| Debt securities | 882.5 |
| Cash | 89.5 |
| Other assets | 92.4 |
| | <hr/> |
| Total Assets | 2,558.8 |
| Deposits by banks, customer accounts and other liabilities | 2,251.2 |
| | <hr/> |
| Net Assets | 307.6 |
| Goodwill | 133.8 |
| | <hr/> |
| | 441.4 |
| | <hr/> |
| Satisfied by: | |
| Cash | 138.2 |
| Loan notes | 12.8 |
| Share of merged entity (23.5%) | 279.5 |
| Net assets retained | 10.9 |
| | <hr/> |
| | 441.4 |
| | <hr/> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

36 SEGMENTAL ANALYSIS

Net assets are included below in order to comply with SSAP 25. The segmental allocation of liabilities necessitates the allocation of capital on a risk related basis which is in some cases necessarily subjective. The Directors believe that it is more meaningful to analyse total assets and the result of this analysis is therefore also included in the tables. Ireland includes Northern Ireland. Turnover is defined as interest income and non interest income. Turnover by business class is not shown.

| (a) Geographical Segments | 1997 IR£m | 1996 IR£m |
|----------------------------------------|----------------------|----------------------|
| Turnover | | |
| Ireland | 1,187.2 | 1,097.8 |
| Britain | 282.0 | 317.4 |
| New Hampshire (1) | 13.9 | 216.6 |
| Rest of World | 114.8 | 112.9 |
| | <u>1,597.9</u> | <u>1,744.7</u> |
| Interest receivable | | |
| Ireland | 884.1 | 831.6 |
| Britain | 255.3 | 289.7 |
| New Hampshire (1) | 11.8 | 179.0 |
| Rest of World | 109.3 | 105.4 |
| | <u>1,260.5</u> | <u>1,405.7</u> |
| Dividend income | | |
| Ireland | 0.2 | 0.3 |
| Britain | - | - |
| New Hampshire (1) | - | - |
| Rest of World | - | - |
| | <u>0.2</u> | <u>0.3</u> |
| Fees and commissions receivable | | |
| Ireland | 254.9 | 231.6 |
| Britain | 22.2 | 20.1 |
| New Hampshire (1) | 1.9 | 32.8 |
| Rest of World | 1.7 | 3.4 |
| | <u>280.7</u> | <u>287.9</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

| 36 | SEGMENTAL ANALYSIS (continued) | 1997 IR£m | 1996 IR£m |
|----|--------------------------------------------------------|-----------------|-----------------|
| | Dealing profits | | |
| | Ireland | 19.8 | 12.4 |
| | Britain | 0.6 | 0.8 |
| | New Hampshire (1) | 0.1 | 1.3 |
| | Rest of World | 0.9 | 2.3 |
| | | <u>21.4</u> | <u>16.8</u> |
| | Other operating income | | |
| | Ireland | 28.1 | 21.6 |
| | Britain | 4.0 | 6.8 |
| | New Hampshire (1) | 0.1 | 3.8 |
| | Rest of World | 2.9 | 1.8 |
| | | <u>35.1</u> | <u>34.0</u> |
| | Profit on ordinary activities before taxation | | |
| | Ireland | 328.0 | 286.4 |
| | Britain | 26.8 | 21.8 |
| | Citizens | 32.3 | - |
| | New Hampshire (1) | 3.0 | 48.8 |
| | Rest of World | 13.8 | 15.9 |
| | | <u>403.9</u> | <u>372.9</u> |
| | Grossing up (2) | (8.3) | (9.2) |
| | | <u>395.6</u> | <u>363.7</u> |
| | Profit on ordinary activities before exceptional items | - | (48.1) |
| | Loss on US restructuring | | |
| | | <u>395.6</u> | <u>315.6</u> |
| | Total assets | | |
| | Ireland | 13,481.1 | 12,584.5 |
| | Britain | 4,086.3 | 4,046.1 |
| | Citizens | 142.2 | - |
| | New Hampshire (1) | - | 2,543.8 |
| | Rest of World | 1,960.0 | 1,784.4 |
| | | <u>19,669.6</u> | <u>20,958.8</u> |

BANK OF IRELAND
NOTES TO THE ACCOUNTS

36 SEGMENTAL ANALYSIS (continued)

| | 1997 | 1996 |
|-------------------|----------------|----------------|
| | IR£m | IR£m |
| Net assets | | |
| Ireland | 1,149.2 | 858.2 |
| Britain | 60.7 | 49.3 |
| Citizens | 142.2 | - |
| New Hampshire | - | 280.4 |
| Rest of World | 59.2 | 38.6 |
| | <u>1,411.3</u> | <u>1,226.5</u> |

(b) Business Class

Profit on ordinary activities before taxation

| | | |
|--------------------------------------------------------|--------------|--------------|
| Retail | 204.4 | 182.9 |
| Corporate & Treasury | 73.9 | 75.0 |
| Citizens | 32.3 | - |
| New Hampshire (1) | 3.0 | 48.8 |
| Other Group Activities | 90.3 | 66.2 |
| | <u>403.9</u> | <u>372.9</u> |
| Grossing up (2) | (8.3) | (9.2) |
| | <u>395.6</u> | <u>363.7</u> |
| Profit on ordinary activities before exceptional items | - | (48.1) |
| Loss on US restructuring | - | - |
| | <u>395.6</u> | <u>315.6</u> |

Total assets

| | | |
|------------------------|-----------------|-----------------|
| Retail | 10,930.4 | 9,548.8 |
| Corporate & Treasury | 4,405.1 | 5,514.8 |
| Citizens | 142.2 | - |
| New Hampshire | - | 2,543.8 |
| Other Group Activities | 4,191.9 | 3,351.4 |
| | <u>19,669.6</u> | <u>20,958.8</u> |

Net assets

| | | |
|------------------------|----------------|----------------|
| Retail | 258.0 | 221.1 |
| Corporate & Treasury | 146.2 | 121.4 |
| Citizens | 142.2 | - |
| New Hampshire | - | 280.4 |
| Other Group Activities | 864.9 | 603.6 |
| | <u>1,411.3</u> | <u>1,226.5</u> |

- (1) New Hampshire in 1997 represents the profits of BOIFH for 25 days up to the date of merger, 25 April 1996.
(2) The Group undertakes tax based lending at rates which are substantially less than normal market rates in return for tax relief arising from incentives for industrial development. To assist in making valid comparison of pre-tax performance, the analysis of business unit performance is grossed up.

37 DIRECTORS' INFORMATION

Remuneration Committee

The remuneration of the Executive Directors of the Bank is determined by the Court of Directors on the recommendation of the Remuneration Committee. The membership of the Remuneration Committee is as follows:- Howard E Kilroy (Chairman), Anthony D Barry, Laurence G Crowley, Margaret Downes and R Brian Williamson, all of whom are non-executive.

The Terms of Reference of the Remuneration Committee include the formulation of the Group's policy on remuneration in relation to all Executive Directors and other Senior Executives who report to the Group Chief Executive. In its mode of operation and in framing remuneration policy the Remuneration Committee has complied throughout the year with the Best Practice Provisions set out in Sections A and B of the Irish Stock Exchange's requirements annexed to the Listing Rules. The recommendations of the Remuneration Committee are considered by the Court, however Directors do not participate in any decisions relating to their own remuneration.

Remuneration Policy

The remuneration policy adopted by the Bank is to reward its Executive Directors competitively having regard to comparable public companies and the need to ensure they are properly rewarded and motivated to perform in the best interests of the Stockholders. The Group Chief Executive is fully consulted about remuneration proposals and from time to time the Remuneration Committee commissions job-matched salary surveys from comparator organisations. The key elements of the remuneration package for Executive Directors are basic salary, a performance related cash bonus, the ability to participate in a Senior Executive Stock Option Scheme and participation in a defined benefit pension scheme in which pension is based only on basic salary.

Performance Bonus - The level of cash bonus earned under the Performance Bonus Scheme would normally range for each individual, in any year, between nil and 40% of basic salary. The level earned under this scheme in any year depends on the Remuneration Committee's assessment of each Executive Director's performance against individual pre-determined goals for that year and also an assessment of the overall performance of the Group against budget.

Stock Options - It is also policy to grant stock options under the terms of the Senior Executive Stock Option Scheme to key Senior Executives across the Group to encourage identification with Stockholders' interests in general. Non-Executive Directors do not participate in the Stock Option Scheme. The exercise of all options granted since the commencement of the financial year 1996/97 is conditional upon earnings per share achieving a cumulative growth of at least 2% per annum compound above the increase in the Consumer Price Index over either the three year period, or if not achieved, the six year period, commencing with the period in which the options are granted. (See also Note 29 on page *).

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NOTES TO THE ACCOUNTS

37 DIRECTORS' INFORMATION (continued)

Employee Stock Issues - Additionally the Bank operates an Employee Stock Issue Scheme under which Group employees may be granted free allocations of Ordinary Stock depending on Group performance. Executive Directors may participate in any such allocations on the same basis as staff generally (See also Note 29 on page *).

Service Contracts - No service contracts exist for any Director which require disclosure under the Companies Acts or under Irish Stock Exchange Listing Rules.

External Directorships - It is policy to permit Executive Directors to accept one external directorship.

Directors' Remuneration

The remuneration of the Directors of the Bank for 1996/97, analysed in accordance with the Best Practice Provisions proposed by the Irish Stock Exchange is as set out below.

| | | Executive Directors IR£'000s | | Non Executive Officers IR£'000s | | | | Directors IR£'000s | | Total IR£'000s | |
|----------------------------------------------------------------|-----|---------------------------------------------|-------|------------------------------------------------|------|------|------|-------------------------------|-------|---------------------------|-------|
| | | 1997 | 1996 | 1997 | 1996 | 1997 | 1996 | 1997 | 1996 | 1997 | 1996 |
| | | | | | | | | | | | |
| Salaries | (1) | 704 | 755 | 167 | 161 | - | - | - | - | 871 | 916 |
| Court Fees | (2) | - | - | - | - | 151 | 152 | 151 | 152 | 151 | 152 |
| Other Board Fees | (3) | - | - | 7 | 6 | - | - | - | - | 7 | 6 |
| Performance bonuses | (4) | 301 | 308 | - | - | - | - | - | - | 301 | 308 |
| Other remuneration | (5) | 24 | 56 | - | - | - | - | - | - | 24 | 56 |
| Benefits | (6) | 33 | 38 | - | - | - | - | - | - | 33 | 38 |
| Pension contributions | (7) | 72 | 77 | 8 | 8 | 5 | 6 | 5 | 6 | 85 | 91 |
| Total Remuneration | | 1,134 | 1,234 | 182 | 175 | 156 | 158 | 1,472 | 1,567 | 1,472 | 1,567 |
| Retired Directors: Payments to former Directors | (8) | 146 | 141 | 132 | 128 | 94 | 91 | 372 | 360 | 372 | 360 |
| | (9) | 1,280 | 1,375 | 314 | 303 | 250 | 249 | 1,844 | 1,927 | 1,844 | 1,927 |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

37 DIRECTORS' INFORMATION (continued)

Changes in Directorate during the period

| | Executive Directors | Non-Executive Directors and Non-Executive Officers |
|--------------------------------------------|--------------------------------------|---------------------------------------------------------------|
| Number at 31 March 1996 | 4 | 9 |
| Change during year | - Mr MJ Meagher (retired 31.8.96) | no change |
| Number at 31 March 1997 | 3 | 9 |
| Average Number during 1996/97 (1995/96) | 3.42 (4) | 9 (9.26) |

- Notes**
- (1) The Non-Executive Officers of the Bank, the Governor and Deputy Governor, are not paid fees but remunerated by way of salary.
 - (2) Court Fees are paid only to Non-Executive Directors and are subject to review annually at June each year.
 - (3) Fees paid by Group Boards other than the Court.
 - (4) All cash performance bonus payments
 - (5) Includes the cash value of Ordinary Stock receivable under the Employee Stock Issue Scheme.
 - (6) Benefits include the use of company car and interest on any loans at staff rates.
 - (7) Contribution to defined benefit pension schemes. The fees paid to Non-Executive Directors appointed post April 1991 are not pensionable.
 - (8) Represents ex-gratia payments paid to former directors or their dependants.
 - (9) The display of Other Board Fees this year has resulted in a reclassification and restatement of some of last year's figures on an equivalent basis.

Stock Options granted to Directors

Options to subscribe for units of Ordinary Stock in the Bank granted to and exercised by Directors during the year to 31 March 1997 are included in the table below.

| Name | Options at 1.4.96 | Options Granted Since 1 April 1996 No. | Price | Options Exercised Since 1 April 1996 No. | Price | Market Price at Exercise Date | Options at 31.3.97 | Weighted Average Exercise Price |
|---------------|----------------------|----------------------------------------------|--------|------------------------------------------------|------------------|-------------------------------------|-----------------------|------------------------------------------|
| MA Keane | 326,407 | 50,000 | 444.0p | 68,934 | 135.8p | 445p | 307,473 | 246p |
| PMcDowell | 361,036 | - | - | 32,500 | 152.9p | 445p | 328,536 | 201p |
| MJ Meagher(1) | 161,606 | - | - | n/a | n/a | n/a | n/a | 240p |
| PJ Molloy | 598,082 | - | - | 20,592 50,000 | 100.0p 152.9p | 445p 445p | 527,490 | 207p |

- (1) Mr Meagher retired as a Director on 31 August 1996. No options were granted to Mr. Meagher, neither did he exercise any options in the year to that date.

No options lapsed during the year. The market price of the Bank's Ordinary Stock at 31 March 1997 was 630p (1996 : 418p) and the range during the year to 31 March 1997 was 402p to 652p. Outstanding options under the Senior Executive Stock Option Scheme are exercisable at various dates between now and November 2006. At 31 March 1997, options were outstanding in respect of 6,835,444 units, 1.4% of the stock in issue (1996: 7,001,889 units).

BANK OF IRELAND

NOTES TO THE ACCOUNTS

37 DIRECTORS' INFORMATION (continued)

Directors' Interests in Stock

The interests of the Directors and Secretary in office at 31 March 1997, and of their spouses and minor children, in the stocks issued by the Bank are set out below:

| DIRECTORS | UNITS OF IR£1 OF ORDINARY STOCK | | | |
|----------------------|---------------------------------|---------|--------------------|---------|
| | As at 31 March 1997 | | As at 1 April 1996 | |
| | BENEFICIAL | OPTIONS | BENEFICIAL | OPTIONS |
| Anthony D Barry | 9,046 | - | 9,040 | - |
| Laurence G Crowley* | 13,335 | - | 12,880 | - |
| Margaret Downes | 36,165 | - | 34,932 | - |
| Niall W A FitzGerald | 13,979 | - | 13,502 | - |
| E Patrick Galvin | 5,073 | - | 5,036 | - |
| Maurice A Keane* | 308,891 | 307,473 | 238,611 | 326,407 |
| Howard E Kilroy | 238,958 | - | 230,809 | - |
| Raymond Mac Sharry | 565 | - | 546 | - |
| Patrick W McDowell | 39,299 | 328,536 | 4,891 | 361,036 |
| Patrick J Molloy | 252,999 | 527,490 | 180,694 | 598,082 |
| Mary Redmond* | 506 | - | 500 | - |
| R Brian Williamson | 13,187 | - | 12,737 | - |
| SECRETARY | | | | |
| Terence H Forsyth* | 18,214 | 35,977 | 12,573 | 48,150 |

* Additionally these persons, as Trustees of the Bank Staff Pension Fund, had a non-beneficial interest in a total of 8,130,983 units of Ordinary Stock and also in a total of 424,700 units of Sterling Preference Stock at 31 March 1997, (at 1 April 1996, 11,625,983 units of Ordinary Stock, 449,700 units of Sterling Preference Stock).

There have been no changes in the Directors' and Secretary's beneficial stockholdings between 31 March 1997 and 13 May 1997.

The Directors and Secretary and their spouses and minor children have no other interests in the stocks of the Bank or its group undertakings at 31 March 1997.

Transactions with Directors

The aggregate amounts outstanding and the number of persons concerned, as at 31 March 1997 in respect of all loans, quasi-loans and credit transactions made by the Bank to its Directors, together with loans, other than in the ordinary course of business, to three connected persons, all staff members, are shown below:

| | Aggregate Amount Outstanding | | Number of Persons | |
|--------------------------------------------------------------|------------------------------|------------------|-------------------|------|
| | 1997 IR£ | 1996 IR£ | 1997 | 1996 |
| Directors: | | | | |
| Loans to Executive Directors on terms similar to staff loans | 106,118 | 186,884 | 3 | 4 |
| Other loans to Directors on normal commercial terms | 355,515 | 4,124,951 | 10 | 11 |
| Quasi-loans and credit transactions | - | - | None | None |
| | <u>461,633</u> | <u>4,311,835</u> | | |
| Connected Persons | | | | |
| Loans to staff members | 112,338 | 102,811 | 3 | 2 |
| Quasi-loans and credit transactions | - | - | None | None |
| | <u>112,338</u> | <u>102,811</u> | | |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

38 RELATED PARTY TRANSACTIONS**(a) Subsidiary and associated undertakings**

Details of the principal subsidiary undertakings are shown in Note 18 on page *. In accordance with FRS8, transactions or balances between Group entities that have been eliminated on consolidation are not reported.

One of the Group's subsidiaries Cashback Limited is 49% owned by Fexco who received during the year IR£0.3m for processing transactions on behalf of Cashback Limited.

The Group provides and receives from its associated undertakings certain banking and financial services. Further details on associated undertakings and joint ventures are set out in Note 13 and Note 17.

(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. Group pension funds' current and deposit account balances held by the Bank or a subsidiary, as at 31 March 1997 was IR£8.7m and the total interest paid on the balances that prevailed during the year was IR£1.0m. The Group also provided a range of services, including custodial and investment services for the various Group pension funds which were valued at IR£1.9m.

In the year to 31 March 1997 the Group paid IR£2.9m by way of rental to various Group pension funds in respect of property owned by the funds and occupied by 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 Note 37. Additionally, Dr M Redmond, Director, in her professional capacity as a solicitor, earned fees from the Group totalling £56,000 in the year to 31 March 1997.

(d) Securitisation

RPS3 and RPS4 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 and RPS4. In addition, the Group administers the loan on behalf of RPS3 and RPS4. As at 31 March 1997 the net amount owed from RPS3 was Stg£0.2m and RPS4 was Stg£0.8m. Further details on Securitisation are set out in Note 13.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

39 ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

| | The Group | | The Bank | |
|---------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 1997 IR£m | 1996 IR£m | 1997 IR£m | 1996 IR£m |
| Denominated in Irish Pounds | 10,824.3 | 9,329.1 | 9,036.2 | 8,375.2 |
| Denominated in currencies other than Irish Pounds | 8,845.3 | 11,629.7 | 8,460.5 | 9,162.9 |
| Total Assets | <u>19,669.6</u> | <u>20,958.8</u> | <u>17,496.7</u> | <u>17,538.1</u> |
| Denominated in Irish Pounds | 11,254.0 | 9,657.3 | 9,386.8 | 8,686.4 |
| Denominated in currencies other than Irish Pounds | 8,415.6 | 11,301.5 | 8,109.9 | 8,851.7 |
| Total Liabilities | <u>19,669.6</u> | <u>20,958.8</u> | <u>17,496.7</u> | <u>17,538.1</u> |

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

40 EMPLOYEE INFORMATION

In the year ended 31 March 1997 the average full time equivalents was 10,755 (1996: 12,630) and categorised as follows:-

| | 1997 | 1996 |
|------------------------|---------------|---------------|
| Retail | 9,022 | 8,920 |
| Corporate & Treasury | 455 | 458 |
| New Hampshire | - | 1,931 |
| Other Group Activities | 1,278 | 1,321 |
| | <u>10,755</u> | <u>12,630</u> |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

41 GROUP FINANCIAL INFORMATION FOR US INVESTORS**Summary of Significant Differences between Irish and US Accounting Policies**

The financial statements presented in this report have been prepared in accordance with generally accepted accounting principles in Ireland (Irish GAAP). Such principles vary in certain significant respects from those generally accepted accounting principles in the US (US GAAP). The significant differences applicable to Bank of Ireland Group's accounts are summarised below:

Irish GAAP**US GAAP*****Debt Issue Expenses***

Debt issue expenses were previously written off immediately either to share premium account if permissible or the profit and loss account.

The difference between the net proceeds for the issue of debt and the amount repayable on redemption should be amortised over the period during which the debt is outstanding. In the Group's case the period of 10 years has been used.

Property Depreciation

Since 1991 depreciation has not been charged by the Group on freehold and long leasehold properties. These properties are maintained in a state of good repair and it is considered that residual values are such that depreciation is not significant.

Freehold and long leasehold property is depreciated over 50 years.

Revaluation of Property

Property is carried either at original cost or at subsequent valuation less depreciation calculated on the revalued amount where applicable. Revaluation surpluses and deficits are taken directly to stockholders' equity.

Revaluation of property is not permitted in financial statements.

Software Development Costs

The Group capitalises costs incurred internally in developing computer software for internal use. This expenditure is amortised over a period of 5 years.

Costs incurred internally in developing computer software for internal use must be charged to the profit and loss account when incurred.

BANK OF IRELAND

NOTES TO THE ACCOUNTS

41 GROUP FINANCIAL INFORMATION FOR US INVESTORS (continued)**Summary of Significant Differences between Irish and US Accounting Policies****Irish GAAP****US GAAP***Goodwill*

Goodwill arising on acquisition of shares in group and associated undertakings, being the excess of cost over fair value of the Group's share of net tangible assets acquired, is charged against reserves in the year of acquisition. In the event of a subsequent disposal, any goodwill previously charged directly against reserves is written back and is reflected in the profit and loss account on disposal. Similarly, where an imminent disposal indicated a permanent diminution in the value of goodwill, a goodwill write down through the profit and loss account is recognised.

Goodwill is capitalised and amortised through income over the period estimated to benefit. In the Group's case a period of 15 years has been used. Goodwill is written off when judged to be irrecoverable.

Core deposit intangible assets arising in Bank of Ireland First Holdings Inc are amortised over their estimated useful lives ranging from 6 to 12 years.

On a disposal, the unamortised cost of goodwill and core deposits are included in determining the overall gain or loss on the transaction.

Deferred Taxation

Deferred taxation is provided at the estimated rates at which future tax will become payable on timing differences where it is expected that a tax liability will crystallise.

Provision for deferred tax under liability method is required in full for all temporary differences. A valuation allowance is raised against a deferred tax asset where it is more likely than not that some portion of the deferred tax asset will not be realised.

BANK OF IRELAND

NOTES TO THE ACCOUNTS

41 GROUP FINANCIAL INFORMATION FOR US INVESTORS (continued)**Summary of Significant Differences between Irish and US Accounting Policies****Irish GAAP*****Investments***

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

Securities may be classified as (i) investment carried at cost, adjusted for the amortisation of premiums or discounts over the period to maturity, less provision for any diminution in value and (ii) other securities, which are stated at market 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 market value of securities marked to market are recognised in the profit and loss account as they arise.

Pensions

Pension fund assets are assessed actuarially at the present value of the expected future investment income, which is consistent with Statement of Standard Accounting Practice No. 24. Liabilities are discounted at a long term interest cost. Variations from regular cost are expressed as a percentage of payroll and spread over the average remaining service lives of current employees.

US GAAP

Profits and losses on the sale of investments are included in operating income in the year in which they arise.

Securities may be classified as (i) trading, which are carried at fair value with unrealised gains and losses included in earnings, (ii) held for sale, which are carried at fair value with unrealised gains and losses reported in a separate component of shareholders' equity or (iii) held for investment, which are carried at amortised cost.

Trading securities are those securities held to earn a profit by trading or selling such securities.

Securities held for sale are those securities which are intended for use as part of an asset / liability strategy, or that may be sold in response to changes in interest rates, changes in prepayment risks, the need to increase regulatory capital or other similar factors.

Securities held for investment are only those securities for which management has both the intent and ability to hold until maturity.

Under SFAS No.87 the same basis actuarial method is used as under Irish GAAP, but certain assumptions differ, assets are assessed at fair value and liabilities are assessed at current settlement rates. Certain variations for regular cost are allocated in equal amounts over the average remaining service lives of current employees.

BANK OF IRELAND

NOTES TO THE ACCOUNTS

41 GROUP FINANCIAL INFORMATION FOR US INVESTORS (continued)**Summary of Significant Differences between Irish and US Accounting Policies****Irish GAAP****US GAAP***Leasing*

Finance lease income is recognised in proportion to the funds invested in the lease using a method which results in a level rate of return on the net cash investment.

Application of SFAS No.13 typically gives rise to a level rate of return on the investment in the lease but without taking into account tax payments and receipts. This results in income being recognised in different periods than under Irish GAAP.

Long-term Assurance Policies

Income from long term assurance business consists of surpluses transferred to shareholders from the long term fund which arise in the year plus increases in the present value of anticipated surplus transfers which are projected to arise from the long term fund in future years, and which are attributable to the business in force at the year end on a going concern basis.

Unearned revenues and acquisition costs related to unit linked products are deferred and amortised in proportion to total estimated gross profits over the expected life of policyholders contracts. Unearned revenues are amounts assessed from policyholders that represent compensation for services to be provided in future periods. Acquisition costs consist of commissions and other costs which vary with and are primarily related to the production of revenues.

Acceptances

Acceptances are not recorded on the balance sheet.

Acceptances and related customer liabilities are recorded on the balance sheet.

Dividends Payable

Dividends declared after the period end are recorded in the period to which they relate.

Dividends are recorded in the period in which they are declared.

Securitised Transactions

Depending on specified qualifying criteria there are three methods of accounting for securitised and loan transfer transactions: continued recognition, linked presentation and derecognition.

Securitised transactions not qualifying for derecognition are presented as gross amounts on the balance sheet.

The linked presentation method is adopted where there is no significant change in the Group's rights to benefits and the Group's exposure is limited to a fixed monetary ceiling. Under this method, only the net amount is consolidated, however on the face of the Group balance sheet, the related gross amounts are disclosed.

BANK OF IRELAND
NOTES TO THE ACCOUNTS

41 GROUP FINANCIAL INFORMATION FOR US INVESTORS (continued)

Summary of Significant Differences between Irish and US Accounting Policies

Irish GAAP

US GAAP

Hedges

Gains or losses arising on hedges of anticipated transactions are deferred until the underlying transaction is recorded.

Gains or losses arising from hedges of anticipated transactions, unless firmly committed are reflected in the income statement.

US Restructuring

The gain / loss arising is determined having regard to the carrying value and goodwill previously written off directly to reserves.

The gain / loss is determined having regard to the carrying value which includes unamortised goodwill.

Loan Origination Fees

Certain loan fees are recognised when received.

All loan fees are deferred and recognised as an adjustment to the yield on the related loan or facility.

Consolidated Net Income

| | 1997 IR£m | 1996 IR£m |
|----------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Profit under Irish GAAP | 251.9 | 198.9 |
| US restructuring | 39.6 | 64.0 |
| Debt issue expenses | (0.1) | (0.2) |
| Depreciation | 0.7 | 1.7 |
| Software development costs | (0.8) | (1.4) |
| Loan origination fees | (0.5) | - |
| Goodwill | (11.8) | (12.5) |
| BOIFH core deposits | (0.3) | (4.6) |
| Deferred taxation | 1.3 | 0.7 |
| Debt securities - available for sale | 3.4 | 2.0 |
| Pension costs | (3.7) | (2.6) |
| Leasing | (0.1) | (0.3) |
| Hedges of anticipated transaction | 5.5 | - |
| Long term assurance policies | 5.6 | 2.3 |
| Profit in accordance with generally accepted accounting principles in the US | <u>290.7</u> | <u>248.0</u> |
| Earnings per unit of IR£1 Ordinary Stock in accordance with generally accepted accounting principles in the US | <u>60.0p</u> | <u>51.8p</u> |

The reconciling items above are stated net of tax

BANK OF IRELAND
NOTES TO THE ACCOUNTS

41 GROUP FINANCIAL INFORMATION FOR US INVESTORS (continued)

Summary of Significant Differences between Irish and US Accounting Policies

Consolidated Total Stockholders' Equity

| | 1997 IR£m | 1996 IR£m |
|---------------------------------------------------------------------------------------------------------|----------------|----------------|
| Total stockholders' equity as in the Consolidated Balance Sheet | 1,411.3 | 1,226.5 |
| Debt issue expenses | 0.3 | 0.5 |
| Property less related depreciation | (82.8) | (83.5) |
| Software development costs | (10.0) | (9.2) |
| Loan origination fees | (0.5) | - |
| Goodwill | 99.4 | 112.1 |
| BOIFH core deposits | - | 8.4 |
| Deferred taxation | 20.7 | 19.4 |
| Debt securities - available for sale | 1.1 | 3.9 |
| Pension costs | 25.2 | 28.9 |
| Leasing | 1.9 | 2.0 |
| Long-term assurance policies | (33.0) | (27.5) |
| Dividends | 56.7 | 49.3 |
| Consolidated stockholders' equity in accordance with generally accepted accounting principles in the US | <u>1,490.3</u> | <u>1,330.8</u> |

Consolidated Total Assets

| | 1997 IR£m | 1996 IR£m |
|------------------------------------------------------------------------------------|-----------------|-----------------|
| Total assets as in the Consolidated Balance Sheet | 19,669.6 | 20,958.8 |
| Debt issue expenses | 0.3 | 0.5 |
| Property less related depreciation | (82.8) | (83.5) |
| Goodwill | 99.4 | 112.1 |
| BOIFH core deposits | - | 8.4 |
| Software development costs | (10.0) | (9.2) |
| Debt securities - available for sale | 1.1 | 3.9 |
| Pension costs | 25.2 | 28.9 |
| Leasing | 1.9 | 2.0 |
| Lease receivables / non-recourse debt | 38.8 | 39.4 |
| Acceptances | 60.5 | 7.2 |
| Long-term assurance policies | (33.0) | (27.5) |
| Securitized assets | 400.3 | 477.4 |
| Total assets in accordance with generally accepted accounting principles in the US | <u>20,171.3</u> | <u>21,518.4</u> |

Consolidated Total Liabilities and Stockholders' Equity

| | 1997 IR£m | 1996 IR£m |
|-----------------------------------------------------------------------------------------|-----------------|-----------------|
| Total liabilities and stockholders' equity as in the Consolidated Balance Sheet | 19,669.6 | 20,958.8 |
| Stockholders' equity (US GAAP adjustment) | 79.0 | 104.3 |
| Dividends | (56.7) | (49.3) |
| Deferred taxation | (20.7) | (19.4) |
| Loan origination fees | 0.5 | - |
| Lease receivables / non-recourse debt | 38.8 | 39.4 |
| Borrowings related to securitized assets | 400.3 | 477.4 |
| Acceptances | 60.5 | 7.2 |
| Total liabilities in accordance with generally accepted accounting principles in the US | <u>20,171.3</u> | <u>21,518.4</u> |

BANK OF IRELAND

NOTES TO THE ACCOUNTS

42 RATES OF EXCHANGE

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

| | 31 March 1997 | | 31 March 1996 | |
|----------|---------------|---------|---------------|---------|
| | Closing | Average | Closing | Average |
| IR£/US\$ | 1.5684 | 1.6089 | 1.5737 | 1.6072 |
| IR£/Stg£ | 0.9638 | 1.0092 | 1.0316 | 1.0275 |

Certain Sterling and US Dollar profits were hedged during the year and translated at the following rates IR£ / US\$ 1.6664 and IR£ / Stg£ 1.036.

**43 THE ACCOUNTS WERE APPROVED BY THE COURT OF DIRECTORS
ON 13 MAY 1997**

APPENDIX 1

BANK OF IRELAND**CITIZENS FINANCIAL GROUP INC****SUMMARY FINANCIAL STATEMENTS**

The following table summarises the published profit and loss account and balance sheet of Citizens Financial Group Inc. to provide additional information for stockholders. The accounts from which the information below is derived were prepared in accordance with generally accepted accounting principles in the US (US GAAP).

| | 6 months to 31 March 1997 (unaudited) US\$m | 12 months to 30 September 1996 (audited) US\$m |
|----------------------------|---------------------------------------------------------|------------------------------------------------------------|
| Net interest income | 275.6 | 432.2 |
| Other income | 126.2 | 140.5 |
| | <hr/> | <hr/> |
| | 401.8 | 572.7 |
| Total non interest expense | 241.0 | 359.0 |
| | <hr/> | <hr/> |
| Profit before taxation | 160.8 | 213.7 |
| Taxation | 63.7 | 85.5 |
| | <hr/> | <hr/> |
| Profit after taxation | 97.1 | 128.2 |
| | <hr/> | <hr/> |

| | 31 March | |
|---------------------------------------------|------------------------------|----------------------------|
| | 1997 (unaudited) US\$m | 1996 (audited) US\$m |
| Assets | | |
| Cash and balances due from banks | 456.6 | 488.0 |
| Securities | 4,804.4 | 4,526.9 |
| Loans and advances to customers | 8,936.5 | 8,122.6 |
| | <hr/> | <hr/> |
| Tangible fixed assets | 205.2 | 199.6 |
| Other assets | 1,126.2 | 1,112.9 |
| | <hr/> | <hr/> |
| | 15,528.9 | 14,450.0 |
| | <hr/> | <hr/> |
| Liabilities and stockholder's equity | | |
| Deposits | 12,804.5 | 11,563.4 |
| Other liabilities | 1,311.7 | 1,551.4 |
| | <hr/> | <hr/> |
| Total liabilities | 14,116.2 | 13,114.8 |
| | <hr/> | <hr/> |
| Stockholder's equity: | | |
| Stock | 996.4 | 996.4 |
| Retained earnings | 416.3 | 338.8 |
| | <hr/> | <hr/> |
| Total stockholder's equity | 1,412.7 | 1,335.2 |
| | <hr/> | <hr/> |
| | 15,528.9 | 14,450.0 |
| | <hr/> | <hr/> |

BANK OF IRELAND**GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997****(IR£, US\$, STG£ & YEN)**

| | 1997 IR£m | 1997 US\$m(1) | 1997 Stg£m(1) | 1997 YenBn(1) |
|---------------------------------------------------------------------|--------------|------------------|------------------|------------------|
| INTEREST RECEIVABLE | | | | |
| Interest receivable and similar income arising from debt securities | 182 | 285 | 175 | 35 |
| Other interest receivable and similar income | 1,079 | 1,692 | 1,040 | 209 |
| INTEREST PAYABLE | (646) | (1,012) | (622) | (125) |
| NET INTEREST INCOME | 615 | 965 | 593 | 119 |
| Fees and commissions receivable | 281 | 440 | 271 | 54 |
| Fees and commissions payable | (20) | (31) | (19) | (4) |
| Dealing profits | 21 | 33 | 20 | 4 |
| Other operating income | 35 | 55 | 34 | 7 |
| Income from associated undertakings | 32 | 50 | 30 | 6 |
| TOTAL OPERATING INCOME | 964 | 1,512 | 929 | 186 |
| Administrative expenses | 503 | 789 | 484 | 97 |
| Depreciation and amortisation | 45 | 71 | 44 | 9 |
| OPERATING PROFIT BEFORE PROVISIONS | 416 | 652 | 401 | 80 |
| Provision for bad and doubtful debts | 20 | 31 | 19 | 4 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 396 | 621 | 382 | 76 |
| Taxation on profit on ordinary activities | 129 | 202 | 125 | 25 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 267 | 419 | 257 | 51 |
| Minority interests: equity | 1 | 1 | 1 | - |
| Non-cumulative preference stock dividends | 14 | 23 | 13 | 3 |
| PROFIT ATTRIBUTABLE TO THE ORDINARY STOCKHOLDERS | 252 | 395 | 243 | 48 |
| Transfer to capital reserve | 7 | 11 | 7 | 1 |
| Ordinary dividends | 86 | 135 | 83 | 17 |
| PROFIT RETAINED FOR THE YEAR | 159 | 249 | 153 | 30 |
| Earnings per unit IR£1 Ordinary Stock | 52p | 82c | 50p | 101y |

(1) Converted at closing exchange rates.

BANK OF IRELAND
GROUP BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 1997

(IR£, US\$, STG£ & YEN)

| | 1997 IR£m | 1997 US\$m(1) | 1997 Stg£m(1) | 1997 YenBn(1) |
|-----------------------------------------------------|---------------|------------------|------------------|------------------|
| ASSETS | | | | |
| Cash and balances at central banks | 95 | 149 | 92 | 18 |
| Items in the course of collection | 327 | 513 | 315 | 63 |
| Central government and other eligible bills | 66 | 104 | 64 | 13 |
| Loans and advances to banks | 2,157 | 3,383 | 2,079 | 418 |
| Loans and advances to customers | 11,861 | 18,603 | 11,432 | 2,299 |
| Debt securities | 2,837 | 4,450 | 2,734 | 550 |
| Equity shares | 4 | 6 | 4 | 1 |
| Interest in associated undertakings | 169 | 265 | 163 | 33 |
| Tangible fixed assets | 382 | 600 | 368 | 74 |
| Other assets | 747 | 1,171 | 720 | 145 |
| Prepayments and accrued income | 290 | 453 | 279 | 57 |
| | <u>18,935</u> | <u>29,697</u> | <u>18,250</u> | <u>3,671</u> |
| Life assurance assets attributable to policyholders | 735 | 1,153 | 708 | 142 |
| | <u>19,670</u> | <u>30,850</u> | <u>18,958</u> | <u>3,813</u> |
| LIABILITIES | | | | |
| Deposits by banks | 1,624 | 2,547 | 1,565 | 315 |
| Customer accounts | 12,897 | 20,228 | 12,430 | 2,500 |
| Debt securities in issue | 411 | 645 | 396 | 80 |
| Items in the course of transmission | 94 | 147 | 90 | 18 |
| Other liabilities | 1,417 | 2,222 | 1,366 | 276 |
| Accruals and deferred income | 270 | 423 | 260 | 52 |
| Provision for liabilities and charges | | | | |
| - deferred taxation | 33 | 52 | 32 | 6 |
| - other | 57 | 89 | 55 | 11 |
| Subordinated liabilities | 718 | 1,126 | 692 | 139 |
| Minority interest - equity | 2 | 3 | 2 | - |
| Called up capital stock | 502 | 787 | 484 | 97 |
| Stock premium account | 260 | 408 | 251 | 50 |
| Capital reserve | 53 | 83 | 51 | 10 |
| Profit and loss account | 805 | 1,263 | 776 | 157 |
| Goodwill reserve | (217) | (340) | (209) | (42) |
| Revaluation reserve | 9 | 14 | 9 | 2 |
| | <u>1,412</u> | <u>2,215</u> | <u>1,362</u> | <u>274</u> |
| Stockholders' funds including non equity interests | 735 | 1,153 | 708 | 142 |
| | <u>19,670</u> | <u>30,850</u> | <u>18,958</u> | <u>3,813</u> |

(1) Converted at closing exchange rates

BANK OF IRELAND

STOCKHOLDER INFORMATION

Geographical Spread of Stockholdings

| | Number | % |
|---------------------|---------------|--------------|
| Republic of Ireland | 25,794 | 82.9 |
| Northern Ireland | 1,286 | 4.1 |
| Great Britain | 3,595 | 11.6 |
| Others | 443 | 1.4 |
| | <u>31,118</u> | <u>100.0</u> |

Analysis of Stockholdings

| Stockholding Range - Units of Stock | Number of Stockholdings | % of Total Holders | Stock Held IR£m | % of Total Stock |
|----------------------------------------|----------------------------|-----------------------|--------------------|---------------------|
| Up to 500 | 8,509 | 27.4 | 1.6 | 0.3 |
| 500 to 1,000 | 4,468 | 14.4 | 3.3 | 0.7 |
| 1,000 to 5,000 | 12,441 | 40.0 | 28.9 | 5.9 |
| 5,000 to 10,000 | 2,958 | 9.5 | 20.8 | 4.3 |
| 10,000 to 50,000 | 2,341 | 7.5 | 45.1 | 9.3 |
| 50,000 to 100,000 | 194 | 0.6 | 13.3 | 2.7 |
| 100,000 to 500,000 | 134 | 0.4 | 28.7 | 5.9 |
| over 500,000 | 73 | 0.2 | 344.8 | 70.9 |
| | <u>31,118</u> | <u>100.0</u> | <u>486.5</u> | <u>100.0</u> |

Financial Calendar

Results:

Year to 31 March 1997
- announced 14 May 1997.

Half year to 30 September 1997
- to be announced November 1997.

Annual General Court of Proprietors

2 July 1997

Dividends - Ordinary Stock

1996/97 Final dividend
- announced 14 May 1997
- payable 11 July 1997

1997/98 Interim dividend
- to be announced November 1997
- payable January 1998

Dividends - Preference Stocks

Paid in equal semi-annual instalments:
- 20 August 1997
- 20 February 1998

BANK OF IRELAND

STOCKHOLDER INFORMATION

Listings

The Governor and Company of the Bank of Ireland ("Bank of Ireland") is a corporation established in Ireland in 1783 under Royal Charter. Its Ordinary Stock, of nominal value IR£1 per unit, has a primary listing on both the Dublin and London Stock Exchanges. In the United States of America the Bank's Ordinary Stock (symbol IRE) is traded on the New York Stock Exchange in the form of American Depositary Shares (ADSs), each ADS representing the right to receive four units of Ordinary Stock and evidenced by American Depositary Receipts (ADRs).

Dividend Payments 1996/97

An interim dividend of IR6.1 pence, (tax credit 1.6395p) with a stock alternative, was paid in respect of each unit of Ordinary Stock on 13 January 1997.

A final dividend of IR11.65pence (tax credit 2.7869 pence) will be paid in respect of each unit of Ordinary Stock on 11 July 1997. A stock alternative will be offered to stockholders.

Stockholders who wish to have their dividends paid direct to a bank account, by electronic funds transfer, should contact the Bank's Registration Department to obtain the appropriate mandate form. Tax vouchers will be sent to the stockholder's registered address under this arrangement.

In order to avoid costs to stockholders, arrangements have been made for stockholders resident in the United Kingdom to receive payment of their dividend in the equivalent amounts of Sterling if they so require. Please contact the Registration Department if you wish to avail of this service.

Dividends in respect of the Non-Cumulative Irish Pound and Sterling Preference Stocks are paid half-yearly on 20 February and 20 August.

Stock Alternative

At the 1993 Annual General Court the Directors were given authority to offer stockholders the right to elect to receive new units of Ordinary Stock in lieu of all or part of their cash dividends, for a five year period, commencing with the interim dividend in respect of the year ended 31 March 1994. Renewal of this authority is being sought at this year's Annual General Court.

Information on this Stock Alternative Scheme is issued to all holders of Ordinary Stock in advance of each dividend payment. Copies of the booklet describing the Scheme may be obtained from the Bank's Registration Department phone (00-353-1) 660-5666.

BANK OF IRELAND

STOCKHOLDER INFORMATION

Holders of American Depository Shares

American Depository Shares provide US residents wishing to invest in overseas securities with a share certificate and dividend payment in a form familiar and convenient to them. The Bank's ADR programme is administered by the Bank of New York and enquiries regarding ADRs should be addressed to: Mr Mahmoud Salem, Administrator, The Bank of New York, American Depository Receipts, 101 Barclay Street, New York, NY 10286, USA. (Phone 00-1-212-815-2248)

The current Double Taxation Convention between Ireland the USA (the "Tax Treaty") provides that, subject to certain limitations, the recipient of a dividend paid by a corporation which is a resident of Ireland shall be deemed to have paid the Irish income tax appropriate to such dividend if such recipient elects to claim the benefit of the Tax Treaty, elects to credit all foreign income taxes as a foreign tax credit and includes an amount equal to the tax credit in its gross income for US Federal income tax purposes. Such recipients will then be entitled to claim the tax credit as a foreign tax credit against US Federal income tax liability. ADS holders who are unsure of their tax position should consult their tax advisors.

Form 20-F

The Form 20-F will be filed with the Securities and Exchange Commission, Washington DC and when filed, copies will be available on application to the Group Secretary.

CREST

Transfer of the Bank's Ordinary Stock through the CREST settlement system commenced on 21 October 1996. Stockholders now have the choice of holding their units of Ordinary Stock in electronic form or continuing to hold their stock certificates.

Stockholder Enquiries

All enquiries concerning stockholdings should be addressed to
Bank of Ireland
Registration Department,
PO Box 4044,
4th Floor, Hume House,
Ballsbridge,
Dublin 4.
(Phone 00-353-1-660-5666)