



# Bank of Ireland Group

Interim Statement  
For the half year to 30 September 2003

## **HIGHLIGHTS**

### **A strong Group performance**

- Profit before tax and exceptional items	+ 7%
- Alternative EPS	+ 6%
- Underlying Alternative EPS	+ 11%
Alternative EPS	+6%
Irish Government Bank Levy	+3%
UK Financial Services profit (translation impact)	+3%
Change in accounting policy	<u>-1%</u>
	+11%

### **Strong cost management**

- Positive cost/income gap of 3%
- Total costs down by 2%
- Cost income ratio 53%, improved by 2%

### **Successful capital management strategies**

- Dividend growth of 12%
- Rolling share buy-back programme
- Strong capital ratios
  - Tier 1 7.6%
  - Total 10.5%

### **Positive portfolio management developments**

- Profitable sale of share in State Street Alliance
- Significant new joint venture announced with UK Post Office

*“ We have made encouraging progress in pursuit of each of our key strategic goals - by achieving good organic growth while maintaining excellent credit quality, delivering on our cost/income targets, optimising capital returns and completing a number of important strategic initiatives. The Group is in excellent shape with significant prospects for continuing profit growth.”*

**Michael D Soden**  
Group Chief Executive



# Bank of Ireland Group

Interim Statement  
For the half year to 30 September 2003

## *FINANCIAL SUMMARY*

<b>RESULTS</b>	<b>Half Year 30-9-2003</b>	<b>Half Year 30-9-2002</b>	<b>Change %</b>
	<b>€m</b>	<b>€m</b>	
Profit on ordinary activities before exceptional items	642	602	7%
Profit before taxation	670	580	16%
<b>PER UNIT OF €0.64 ORDINARY STOCK</b>			
Earnings per share	54.3c	46.8c	16%
Alternative earnings per share	52.7c	49.9c	6%
Dividend per share	14.8c	13.2c	12%
<b>BALANCE SHEET*</b>			
Total assets	98,703	89,631	10%
Total stockholders' funds	4,274	4,436	(4%)
<b>Capital Ratios</b>			
Tier 1 capital	7.6%	7.4%	
Total capital	10.5%	10.6%	
<b>Key Ratios</b>			
Net interest margin**	2.20%	2.31%	
Costs/total income	53%	55%	
Return on average stockholders' funds	24%	23%	
Equity/assets	4.0%	4.4%	

\*Restated for changes due to UITF Abstract 37, see page 18.

\*\*Restated to present trading revenue in accordance with international practice in treasury trading book operations, dealing profits now include profits and losses relating to treasury Trading Book – Mark to Market activities.



# Bank of Ireland Group

Interim Results  
For the six months to 30 September 2003

Bank of Ireland Group is pleased to report growth in profit before tax and exceptional items of 7% and alternative EPS growth of 6% for the six months to 30 September 2003. Underlying alternative EPS growth was 11% when the impact of the Irish Government levy on banks, adverse exchange rate movements, and the effect of an accounting policy change are excluded. The result reflects a robust performance by both the domestic and international businesses with good organic growth while maintaining excellent credit quality, and tight control of costs.

The recovery in world markets has had a positive influence in both the Asset Management and Life and Pensions businesses.

The domestic market remains buoyant and Bank of Ireland has proven its ability to maintain and increase its market share of the most hotly contested products, such as mortgages, deposits and credit balances, despite the entry of new competitors to the market and the emergence of large and well-resourced competitors as a result of consolidation.

The economic outlook in the Republic of Ireland remains good and consensus forecasts suggest steady growth in the 3% to 5% range, falling inflation, low unemployment and stable property values. The United Kingdom also presents very encouraging economic prospects and the Group's two principal markets are among the best performing in either the EU or the OECD.

Very encouraging progress has been made in the UK. The UKFS Division achieved a 16% increase in pre-tax profits (before goodwill amortisation and exceptional items) at constant currency in the six months; it was subject to a thorough review and analysis and it has embarked upon an ambitious cost reduction and revenue enhancement programme. In a parallel development, the Group announced that it is to enter into a joint venture with Post Office Ltd to distribute a range of financial services products through the UK post office network, the largest retail network in Europe. Both developments represent significant progress towards the Group's objectives for the UK market, which will play an important role in the generation of enhanced stockholder returns into the future.

The Group net interest margin has reduced from 2.31% in September 2002 to 2.20% for the current half year, a reduction of 11 basis points. This reduction mainly arises on the liability side of the Balance Sheet due to the lower interest rate environment and the cost of increased wholesale borrowings to fund the growth in lending, which is growing at a faster rate than customer resources. In addition, the faster growth in lower risk margin assets e.g. mortgages, has a negative effect on the overall net interest margin, and the interest foregone on the funding of the share buy-back programme, whilst positive in EPS and shareholder value terms, also impacts the margin.

Cost management has been a strategic priority in the Group. We have delivered on our cost/income targets and significant progress has been made in managing costs downwards and achieving better efficiency levels. Costs fell by 2% during the six months. A positive gap of 3% was achieved between cost and income growth and the Group cost/income ratio has fallen to 53% from 55%.

The loan loss charge is lower than at the same time last year after a reduction in general provisions, and asset quality remains very satisfactory. The increase in balances under provision reflects some additional specific provisions in the international book and in non-mortgage lending in Ireland. Loan loss provisions, at 15 basis points of total loans, reflect the prudent and consistent approach to underwriting and management of credit across the Group.

Capital ratios, including the equity/assets ratio of 4%, remain very strong, with Tier 1 Capital at 7.6% and Total Capital at 10.5%, both significantly ahead of statutory minima. The Group continued its rolling share buy-back programme, which began in February 2003 and to date has purchased 36.7 million units of stock at a total cost of €382 million.

The rolling share buy-back programme, our progressive dividend policy and positive portfolio management developments demonstrate that we are delivering on our strategic goal of optimising stockholder returns.

## ***Divisional Performance***

	Half Year to 30.9.2003 €m	Half Year to 30.9.2002 €m
Retail Republic of Ireland	194	189
Bank of Ireland Life	73	56
Wholesale Financial Services	199	195
UK Financial Services	180	166
Asset Management Services	58	56
Group and Central	(48)	(38)
Grossing up	<u>(14)</u>	<u>(22)</u>
Profit before taxation and exceptional items	<u>642</u>	<u>602</u>

## ***Operating and Financial Review***

### **Retail Republic of Ireland**

Pre-tax profits rose by 3% to €194 million compared with the corresponding period last year. When gains from property disposals are excluded for both periods the increase was 7%.

This was a very satisfactory performance with strong volume increases, gains in market share, sound asset quality and good cost control.

Mortgage demand remained very strong through the period. New business volumes increased by 32% resulting in balances growth of 29%. The Bank's share of new business was well ahead of last year and its share of the national mortgage book continues to increase.

Net interest income was up 5%, a good performance in a period of historically low interest rate levels.

Resources increased by 8% with solid growth in both credit balances and deposits.

Despite the economic environment, growth of 11% was achieved in the non-mortgage lending book. New lending to the business sector was exceptionally strong reflecting an increased focus by the branch network and the success of Retail's Specialist Business Bank; loan balances grew by over 14%.

Net interest margin showed some contraction reflecting the very low level of interest rates and the faster growth in lower margin assets, particularly mortgages.

Non-interest income saw marginal growth, but with gains from property disposals excluded there was growth of 6%. Branch fee and foreign exchange income were significant contributors to this increase.

The loan loss charge increased slightly but as a percentage of advances decreases by 4 basis points to 26 basis points.

Costs rose by 4% with key factors being salary increases under the national agreement and higher depreciation charges.

The momentum in business volumes is strong and given a continuation of this trend the outlook for the rest of the year is very positive.

### **Bank of Ireland Life**

Pre-tax profit was 30% higher than for the corresponding period last year, substantially driven by the recovery in world equity markets.

The Government sponsored savings scheme affected new business sales with overall volumes falling by 41%. While this impacted operating profits, which were down 21%, this is a good performance compared to our competitors and sales of other products were ahead with good momentum evident into the second half of the year.

The discount rate applied to the embedded value has been reduced from 10% to 8% to reflect the low interest rate environment. In addition, the business now discounts the solvency margin in accordance with the Association of British Insurers guidelines, and has also reduced the assumption in respect of future growth in unit-linked assets. These changes positively impact profitability by €19 million (September '02: +€31 million).

Bank of Ireland Life has a strong strategic position in both the bank and broker channels. The Company offers an exceptional investment track record and customer proposition and is well placed to benefit from an expected recovery in sales as confidence steadily returns to the market.

## **Wholesale Financial Services**

Profit before tax increased by 2% to €199 million compared to the same period last year. Net interest income was ahead by 10%, whilst other income (including share of joint venture) fell by 3% - the latter a factor of the number of large once-off transactions that took place in the comparable period of the prior year. Total income increased by 2% while costs fell by 2%.

The loan loss charge as a percentage of the loan book, at 27 basis points, was higher than the first half of last year by 7 basis points and the full year outturn by 6 basis points. The increase arises from some specific provisions, and higher general provisioning for the international book in the light of experience and international benchmarking. The loan book remains well diversified, with good asset quality and no undue risk concentrations.

Corporate Banking reported an increase in pre-tax profits of 8% with a very strong 15% increase in total income. Lending volumes were up 7% despite flat lending in the domestic market. Deposits have grown strongly.

Treasury and International Banking benefited from falling interest rates and a strong trading performance. Profits increased by 1% in the period under review, a good performance in the prevailing environment.

First Rate, the Group's specialist foreign exchange subsidiary, overcame the continuing difficulties in the international Travel and Tourism Industry and increased its profits by 2%. Its joint venture with Post Office Ltd, the UK Post Office network, was a significant contributor and is now the second largest provider of retail foreign exchange in the UK market. It will complement the new joint venture announced by the Group and the UK Post Office to distribute a wider range of financial services products.

Private Banking, Davy and IBI Corporate Finance each performed well and generated satisfactory profits for the half year.

## **UK Financial Services**

UK Financial Services (UKFS) achieved 16% profit growth (before goodwill amortisation) in constant currency compared to the same period last year. Costs were stable, assisted by the restructuring of the advice based businesses.

The overall performance of the Division was strong, with excellent progress on the achievement of some important strategic objectives. The Personal Lending (which incorporates the mortgage business) and Business Banking businesses performed strongly with robust income performances and lower loan loss charges, while Consumer Banking – incorporating the Bristol & West branch network and our IFA business – continues to be impacted by low levels of

investor confidence. The Consumer Banking businesses have or are currently undergoing fundamental rationalisation and re-organisation.

The cost income ratio of the Division has fallen to 55% from 56% and the medium term target is a cost/income ratio of sub 50%.

There has been a marginal decrease in resources over the period whilst the loan book has increased by 13% over September 2002, with growth in all areas of the book and continuing strong growth in the non-standard residential mortgage books. Non-standard mortgages now represent 21% of the UKFS total loan book (29% of residential mortgages) and UKFS achieved its natural market share of gross lending. Asset quality remains very strong.

Net interest margin has contracted mainly due to lower returns from the resources book.

### **Asset Management Services**

Asset Management Services, which incorporates the Group's asset management and securities services businesses, achieved a 13% profit growth before goodwill amortisation (pre-tax profits increased by 4% to €58 million). On a like for like basis, when the impact of the sale of the Group's share of the alliance with State Street is taken into account, the profit increase was 16% pre goodwill amortisation (7% profit before taxation). The improvement was driven by the inclusion of a full six-month contribution from the Group's share of Iridian and good revenue and cost management in Bank of Ireland Asset Management despite a decline in average assets under management of 8% compared to the same period last year.

Point in time assets under management in Bank of Ireland Asset Management rose sharply to €50.6 billion at the end of the period compared to €42.7 billion at 31 March 2003 – a rise of 19%. Net inflows of €1.4 billion were recorded during the period, with significant new business in the UK.

Bank of Ireland Securities Services completed the sale of its share in the alliance with State Street during the period. The profit on this transaction is shown as an exceptional item and is excluded from alternative EPS.

Iridian has successfully implemented the agreed operating model and made a number of significant hirings, which have strengthened the team, and is now focused on developing a greater profile for its products.

## Group and Central

Group and Central which includes earnings on surplus capital and central unallocated costs together with some small business units had a net cost of €48 million in the current period compared to a net cost of €38 million in the period to September 2002. This is due to lower earnings on surplus capital as a result of lower interest rates, the interest cost of the Stg£350 million Tier 1 issue, and the funding cost of the rolling share buy-back programme which has a negative impact on net interest income and profit before taxation but is accretive in EPS and shareholder value terms.

## Financial Review

The Group Profit & Loss Account for the half years to 30 September 2003 and 30 September 2002 is set out below:

	Half Year to 30-9-2003	Half Year to 30- 9-2002
	€m	€m
Net Interest Income	852	849
Other Income	611	605
	-----	-----
Total Operating Income	1,463	1,454
Operating expenses	794	814
Provision for bad and doubtful debts	46	56
Income from associated undertakings and joint ventures	19	18
	-----	-----
Profit on ordinary activities before exceptional items	642	602
Exceptional items	28	(22)
	-----	-----
Profit before taxation	670	580
	=====	=====

## Income

Average Earning Assets			Net Interest Margin	
30.9.2003	30.9.2002 (restated)		30.9.2003	30.9.2002 (restated)
€bn	€bn		%	%
47.4	42.7	Domestic	2.38	2.52
31.1	31.8	Foreign	1.93	2.03
-----	-----		-----	-----
78.5	74.5	Group	2.20	2.31
=====	=====		=====	=====

Net interest income at €852 million for the half year is similar to the corresponding period last year, but ahead by 4% on a constant currency basis. Group average earning assets increased by 5% (10% on a constant currency basis), with average loans and average customer resources increasing by 9% and 2% respectively, on a constant currency basis. The Group net interest margin fell by 11 basis points to 2.20% from 2.31%, attributable to lower margins in Retail Republic of Ireland and UK Financial Services mainly resulting from reductions in ECB and UK interest rates, a higher proportion of mortgage assets, increased reliance on wholesale funding and the funding cost of the share buy-back programme.

Other income increased by €6 million, positive factors being increased transaction volumes in Retail Republic of Ireland, countered by the weakening of sterling against the euro and lower gains from property disposals. The recovery in world stock markets had a positive effect mainly on our Life business.

## Operating Expenses

Operating expenses, at €794 million, are 2% lower than September 2002; on a constant currency basis, costs increased by 1%. The staff cost increase was largely due to the national wage agreement in the Republic of Ireland. The increase in other expenses was due to a small increase in depreciation charges, and investment in the business.

Cost reduction programmes throughout the Group were very successful in containing total costs and resulted in a positive gap of 3% between income and cost growth. The cost/income ratio reduced from 55% to 53% in the half year.

## **Loan Losses**

Asset quality remains satisfactory. The charge for loan losses was €46 million or 15 basis points of average loans compared to €56 million (19 basis points) in the same period last year. Balances under provision were €376 million compared to €293 million and reflect the increase in specific provisions in the international book and in non-mortgage lending in Ireland.

## **Exceptional Items**

The results for the half year include, as an exceptional item, a profit of €28 million which is made up of:

- the net proceeds of €33 million on the sale of our share in the alliance between Bank of Ireland Securities Services and State Street Bank,
- implementation costs of €1 million associated with the UKFS Business Improvement Programme,
- additional costs of €4 million incurred in relation to restructuring undertaken in previous years.

## **Capital & Reserves**

Stockholders' equity, at €4.3 billion for the half year to September 2003, is lower than the corresponding period reflecting the €382 million cost of the share buy-back programme. Capital ratios remain strong with a Tier 1 ratio of 7.6% and a total capital ratio of 10.5%. Return on equity was 24% for the six months to September 2003.

## **Interim Dividend**

In accordance with Group policy that the interim dividend, in normal course, shall be set at 40% of the total distribution per unit of stock for the prior year, the Directors have declared an interim dividend of 14.8 cent for each unit of Ordinary Stock. This compares with 13.2 cent at the interim stage last year, an increase of 12%, a continuation of our progressive dividend policy.

The interim dividend will be paid on 6 January 2004 to Stockholders who are registered as holding Ordinary Stock at the close of business on 5 December 2003.

## **Outlook**

We view the immediate future with optimism. The economic backdrop in our principal markets is positive, each of our businesses is performing well, we have strong asset quality, we are very comfortably capitalised and we are delivering against our key strategic objectives.

Consequently, we expect a satisfactory outcome for the full year.

Laurence Crowley  
Governor  
13 November 2003

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## **Forward Looking Statement**

This document contains certain forward-looking statements as defined in the US Private Securities Litigation Reform Act of 1995 with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition and performance and the markets in which it operates. Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include but are not limited to risks and uncertainties relating to profitability targets, prevailing interest rates, the performance of the Irish economy and the international capital markets, the Group's ability to expand certain of its activities, competition, the Group's ability to address information technology issues and the availability of funding sources. The Bank of Ireland Group does not undertake to release publicly any revision to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date hereof.

**GROUP PROFIT AND LOSS ACCOUNT (UNAUDITED)**

	<b>Half Year 30-9-2003</b>	<b>Half Year 30-9-2002 (restated)</b>	<b>Year 31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>INTEREST RECEIVABLE</b>			
Interest receivable and similar income arising from debt securities	154	175	344
Other interest receivable and similar income	1,584	1,700	3,347
<b>INTEREST PAYABLE</b>	886	1,026	1,962
<b>NET INTEREST INCOME</b>	852	849	1,729
Fees and commissions receivable	552	500	1,011
Fees and commissions payable	(94)	(50)	(140)
Dealing profits	43	33	85
Contribution from life assurance companies (Note 5)	87	71	116
Other operating income	23	51	116
<b>TOTAL OPERATING INCOME</b>	1,463	1,454	2,917
Administrative expenses (Note 3)	710	730	1,480
Depreciation and amortisation (Note 3)	84	84	182
<b>OPERATING PROFIT BEFORE PROVISIONS</b>	669	640	1,255
Provision for bad and doubtful debts (Note 10)	46	56	100
<b>OPERATING PROFIT</b>	623	584	1,155
Income from associated undertakings and joint ventures	19	18	22
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE EXCEPTIONAL ITEMS</b>	642	602	1,177
Exceptional items (Note 6)	28	(22)	(164)
<b>PROFIT BEFORE TAXATION</b>	670	580	1,013
Taxation (Note 7)	120	98	163
<b>PROFIT AFTER TAXATION</b>	550	482	850

**GROUP PROFIT AND LOSS ACCOUNT (UNAUDITED) (Continued)**

	<b>Half Year 30-9-2003</b>	<b>Half Year 30-9-2002 (restated)</b>	<b>Year 31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>PROFIT AFTER TAXATION</b>	550	482	850
Minority interests: equity	6	2	9
Minority interests: non equity	3	3	6
Non-cumulative preference stock dividends	4	5	9
	-----	-----	-----
<b>PROFIT ATTRIBUTABLE TO THE ORDINARY STOCKHOLDERS</b>	537	472	826
Transfer to capital reserve	53	53	44
Ordinary dividends	143	133	371
	-----	-----	-----
<b>PROFIT RETAINED FOR THE PERIOD</b>	341	286	411
	=====	=====	=====
Earnings per unit of €0.64 ordinary stock (Note 8)	54.3c	46.8c	82.0c
	=====	=====	=====
Diluted earnings per unit of €0.64 ordinary stock (Note 8)	54.0c	46.3c	81.2c
	=====	=====	=====
Alternative earnings per unit of €0.64 ordinary stock (Note 8)	52.7c	49.9c	99.2c
	=====	=====	=====

**CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>(restated)</b>	<b>(restated)</b>
<b>ASSETS</b>		<b>€m</b>	<b>€m</b>
Cash and balances at central banks	323	349	679
Items in the course of collection from other banks	566	476	508
Central Government and other eligible bills	165	134	175
Loans and advances to banks	9,437	7,492	7,480
Loans and advances to customers (Note 9)	61,409	57,440	56,887
Securitisation and loan transfers	656	950	794
Less: non returnable amounts	571	812	667
	-----	-----	-----
	85	138	127
Debt securities	14,626	12,649	12,337
Equity shares	56	41	38
Interests in associated undertakings	13	17	13
Interest in joint ventures	39	18	25
Intangible fixed assets	252	429	266
Tangible fixed assets	1,217	1,245	1,209
Other assets	3,531	3,179	3,841
Prepayments and accrued income	668	747	543
	-----	-----	-----
	92,387	84,354	84,128
Life assurance assets attributable to policyholders	6,316	5,277	5,342
	-----	-----	-----
	98,703	89,631	89,470
	=====	=====	=====

**CONSOLIDATED BALANCE SHEET (UNAUDITED)**

	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>(restated)</b>	<b>(restated)</b>
		<b>€m</b>	<b>€m</b>
<b>LIABILITIES</b>			
Deposits by banks	16,876	14,218	12,617
Customer accounts (Note 11)	50,251	49,409	48,496
Debt securities in issue	11,346	8,044	9,652
Items in the course of transmission to other banks	125	94	136
Other liabilities and provisions	5,926	4,847	5,642
Accruals and deferred income	733	773	541
Deferred taxation	53	84	54
Subordinated liabilities	2,679	2,283	2,703
Minority interests			
- equity	52	86	54
- non equity	72	80	73
Called up capital stock (Note 12)	679	679	679
Stock premium account (Note 13)	764	771	765
Capital reserve (Note 13)	489	448	436
Profit and loss account (Note 13)	2,162	2,331	2,099
Revaluation reserve (Note 13)	180	207	181
	-----	-----	-----
Stockholders' funds including non equity interests	4,274	4,436	4,160
	-----	-----	-----
Life assurance liabilities attributable to policyholders	6,316	5,277	5,342
	-----	-----	-----
	<u>98,703</u>	<u>89,631</u>	<u>89,470</u>

**MEMORANDUM ITEMS**

	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Contingent liabilities</b>			
Acceptances and endorsements	31	66	81
Guarantees and assets pledged as collateral security	1,293	1,157	1,172
Other contingent liabilities	501	421	508
	-----	-----	-----
	<u>1,825</u>	<u>1,644</u>	<u>1,761</u>
	-----	-----	-----
<b>Commitments</b>	<u>20,797</u>	<u>18,394</u>	<u>19,050</u>

## NOTE OF HISTORICAL COST PROFIT AND LOSS (UNAUDITED)

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

## RECONCILIATION OF MOVEMENT IN STOCKHOLDERS' FUNDS (UNAUDITED)

	Half Year 30-9-2003	Half Year 30-9-2002 (restated)	Year 31-3-2003 (restated)
	€m	€m	€m
Opening Stockholders Funds	4,160	4,200	4,200
Prior year adjustments	-	(27)	(27)
	-----	-----	-----
	4,160	4,173	4,173
Profit attributable to ordinary stockholders	537	472	826
Dividends	(143)	(133)	(371)
	-----	-----	-----
	4,554	4,512	4,628
Other recognised losses	(50)	(84)	(346)
Ordinary stock issued under employee stock scheme	23	4	6
Ordinary stock buy-back	(249)	-	(133)
Purchase of stock by subsidiary	(4)	-	-
Goodwill written back on disposal of subsidiary	-	4	5
	-----	-----	-----
Closing Stockholders Funds	4,274	4,436	4,160
	=====	=====	=====
Stockholders' funds:			
Equity	4,209	4,369	4,095
Non equity	65	67	65
	-----	-----	-----
	4,274	4,436	4,160
	=====	=====	=====

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (UNAUDITED)

	Half Year 30-9-2003	Half Year 30-9-2002	Year 31-3-2003
	€m	€m	€m
Profit attributable to ordinary stockholders	537	472	826
Exchange adjustments	(50)	(84)	(346)
	-----	-----	-----
Total gains recognised in the period	487	388	480
	=====	=====	=====

**GROUP CASH FLOW STATEMENT (UNAUDITED)**

	<b>Half Year 30-9-2003</b>	<b>Half Year 30-9-2002</b>	<b>Year 31-3-2003</b>
<b>OPERATING CASH FLOWS</b>	<b>€m</b>	<b>€m</b>	<b>€m</b>
<b>Net cash flow from operating activities</b>	763	852	1,109
Returns on investment and servicing of finance	(39)	(79)	(181)
Taxation	(66)	(91)	(180)
Capital expenditure and financial investment	(788)	(1,575)	(1,367)
Acquisitions and disposals	24	(176)	(172)
Equity dividends paid	(236)	(216)	(349)
Financing	(226)	(174)	205
<b>Decrease in cash</b>	<b>(568)</b>	<b>(1,459)</b>	<b>(935)</b>

## NOTES TO THE ACCOUNTS

### 1 ACCOUNTING POLICIES

The accounting policies as set out on pages 50 to 53 of the Report and Accounts for the year ended 31 March 2003 are unchanged, other than a change to the capitalisation of procurement fees and amortisation of these costs in line with actual product experience, which is being adopted on a prospective basis for sales from 1 April 2003; the effect in the Group profit and loss account is a gain of €12.5m in the half year.

UITF Abstract 37 “Purchases and Sales of Own Shares” was issued on 28 October 2003 and is effective for accounting periods ending on or after 23 December 2003. “Own Shares”, previously shown as assets are now included as a deduction from equity in arriving at Stockholders Funds. As a consequence the financial statements at 30 September 2002 and 31 March 2003 have been restated leading to a decrease in the opening balance of stockholders’ funds of €27m.

### 2 SEGMENTAL ANALYSIS

The segmental analysis of the Group’s results and financial position is set out below by geographic segment and by business class. For the geographic analysis Republic of Ireland includes profits generated in the International Financial Services Centre. Turnover is defined as interest income, non interest income and income from associates and joint ventures. Turnover by business class is not shown. The Group has six business classes. The analysis of results by business class is based on management accounts information. Net assets are included below in order to comply with SSAP 25. The segmental allocation of liabilities necessitates the allocation of capital on a risk related basis which is in some cases necessarily subjective. The basis of capital allocation to segments is based on an economic capital basis which incorporates a broader range of business risks. The Directors believe that it is more meaningful to analyse total assets and the result of this analysis is therefore also included in the tables.

NOTES TO THE ACCOUNTS

2 SEGMENTAL ANALYSIS (continued)

(a) Geographical Segment

	Half Year 30-9-2003			Total €m
	Republic of Ireland €m	United Kingdom €m	Rest of World €m	
Turnover	1,346	1,043	73	2,462
Profit before exceptional items	463	174	19	656
Exceptional Items				28
Grossing up (1)				(14)
Profit before taxation				670
Net assets	2,317	1,516	441	4,274
Total assets (2)	81,345	42,866	2,354	126,565

	Half Year 30-9-2002 (restated)			Total €m
	Republic of Ireland €m	United Kingdom €m	Rest of World €m	
Turnover	1,319	1,169	60	2,548
Profit before exceptional items	445	162	17	624
Exceptional Items				(22)
Grossing up (1)				(22)
Profit before taxation				580
Net assets	2,593	1,677	166	4,436
Total assets (2)	68,832	40,421	2,276	111,529

NOTES TO THE ACCOUNTS

2 SEGMENTAL ANALYSIS (continued)

(a) Geographical Segment

	Year 31-3-2003 (Restated)			
	Republic of Ireland	United Kingdom	Rest of World	Total
	€m	€m	€m	€m
Turnover	2,621	2,272	148	5,041
Profit before exceptional item	869	319	43	1,231
Exceptional items Grossing up <sup>(1)</sup>				(164) (54)
Profit before taxation				1,013
Net assets	2,338	1,448	374	4,160
Total assets (2)	71,202	38,941	2,224	112,367

(b) Business Segments

	Half Year 30-9-2003						
	Retail Republic of Ireland	BOI Life	Wholesale Financial Services	UK Financial Services	Asset Management Services	Group and Central	Total
	€m	€m	€m	€m	€m	€m	€m
Net interest income	434	-	149	294	2	(15)	864
Other income	126	73	169	115	125	5	613
Total operating income	560	73	318	409	127	(10)	1,477
Administrative expenses	338	-	121	228	69	38	794
Provisions for bad and doubtful debts	27	-	18	1	-	-	46
Operating Profit	195	73	179	180	58	(48)	637
Income from associated undertakings & joint ventures	(1)	-	20	-	-	-	19
Profit before Exceptional Items	194	73	199	180	58	(48)	656
Exceptional Items Grossing up (1)							28 (14)
Profit before taxation							670
Net assets	1,129	95	785	1,561	378	326	4,274
Total assets (2)	31,797	6,734	58,631	33,426	1,759	8,423	140,770
Total Risk Weighted Assets	16,057	-	21,020	20,826	147	500	58,550

NOTES TO THE ACCOUNTS

2 SEGMENTAL ANALYSIS (continued)

Half Year 30-9-2002 (restated)

(b) Business Segments	Retail Republic of Ireland	BOI Life	Wholesale Financial Services	UK Financial Services	Asset Management Services	Group and Central	Total
	€m	€m	€m	€m	€m	€m	€m
Net interest income	415	-	135	312	2	(2)	862
Other income	124	56	177	126	108	23	614
	-----	-----	-----	-----	-----	-----	-----
Total operating income	539	56	312	438	110	21	1,476
Administrative expenses	324	-	123	255	54	58	814
Provisions for bad and doubtful debts	26	-	13	17	-	-	56
	-----	-----	-----	-----	-----	-----	-----
Operating Profit	189	56	176	166	56	(37)	606
Income from associated undertakings & joint ventures	-	-	19	-	-	(1)	18
	-----	-----	-----	-----	-----	-----	-----
Profit before Exceptional Items	189	56	195	166	56	(38)	624
	=====	=====	=====	=====	=====	=====	=====
Exceptional Items							(22)
Grossing up (1)							(22)
							-----
Profit before taxation							580
							=====
Net assets	1,017	88	642	1,688	144	857	4,436
	=====	=====	=====	=====	=====	=====	=====
Total assets (2)	26,689	5,650	46,930	31,985	1,254	6,996	119,504
	=====	=====	=====	=====	=====	=====	=====
Total Risk Weighted Assets	14,827	-	19,555	20,127	384	325	55,218
	=====	=====	=====	=====	=====	=====	=====

Year 31-3-2003 (restated)

	Retail Republic of Ireland	BOI Life	Wholesale Financial Services	UK Financial Services	Asset Management Services	Group and Central	Total
	€m	€m	€m	€m	€m	€m	€m
Net interest income	841	-	294	615	5	1	1,756
Other income	242	87	351	271	233	31	1,215
	-----	-----	-----	-----	-----	-----	-----
Total operating income	1,083	87	645	886	238	32	2,971
Administrative expenses	655	-	255	513	125	114	1,662
Provisions for bad and doubtful debts	51	-	28	21	-	-	100
	-----	-----	-----	-----	-----	-----	-----
Operating Profit	377	87	362	352	113	(82)	1,209
Income from associated undertakings & joint ventures	(2)	-	27	-	-	(3)	22
	-----	-----	-----	-----	-----	-----	-----
Profit before exceptional item	375	87	389	352	113	(85)	1,231
	=====	=====	=====	=====	=====	=====	=====
Exceptional items							(164)
Grossing up (1)							(54)
							-----
Profit before taxation							1,013
							=====
Net assets	1,016	88	652	1,467	344	593	4,160
	=====	=====	=====	=====	=====	=====	=====
Total assets (2)	28,269	5,728	51,241	31,222	1,611	7,583	125,654
	=====	=====	=====	=====	=====	=====	=====
Total Risk Weighted Assets	14,881	-	19,669	19,512	143	387	54,592
	=====	=====	=====	=====	=====	=====	=====

## NOTES TO THE ACCOUNTS

### 2 SEGMENTAL ANALYSIS (continued)

- (1) The Group undertakes tax based transactions at rates which are less than normal market rates in return for tax relief arising from incentives for industrial development and other reliefs. To assist in making valid comparison of pre-tax performance, the analysis of business unit performance is grossed up.
- (2) Total assets include intra-group items of €42,067m (September 2002: €29,873m, March 2003: €36,184m) in business class and €27,862m (September 2002: €21,898m, March 2003: €22,897m) in geographic segments.

### 3 OPERATING EXPENSES

<b>The Group</b>	<b>Half year 30-9-2003</b>	<b>Half Year 30-9-2002</b>	<b>Year 31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Staff Costs:			
- wages and salaries	405	411	821
- social security costs	35	35	67
- pension costs	29	26	57
- staff stock issue	4	4	9
- severance packages	1	-	1
	-----	-----	-----
	474	476	955
Operating lease rentals:			
- property	19	15	34
- equipment	1	-	1
Other administrative expenses	216	239	490
	-----	-----	-----
Total administrative expenses	710	730	1,480
	-----	-----	-----
Depreciation and amortisation:			
- freehold and leasehold property	8	7	18
- computer and other equipment	67	68	141
- amortisation of goodwill	9	9	23
	-----	-----	-----
Total depreciation and amortisation	84	84	182
	-----	-----	-----
Total operating expenses	794	814	1,662
	=====	=====	=====

### 4 EMPLOYEE INFORMATION

The average full time equivalents categorised in line with the business classes, are as follows:

	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
Retail Republic of Ireland	7,572	7,560	7,501
BOI Life	1,070	1,132	1,111
Wholesale Financial Services	1,709	1,612	1,606
UK Financial Services	5,381	5,540	5,566
Asset Management Services	668	655	673
Group & Central	1,385	2,024	1,757
	-----	-----	-----
	17,785	18,523	18,214
	=====	=====	=====

## NOTES TO THE ACCOUNTS

### 5 LIFE ASSURANCE

The table below provides an analysis of profits before tax.

	<b>Half Year 30-9-2003 €m</b>	<b>Half Year 30-9-2002 €m</b>	<b>Year 31-3-2003 €m</b>
New business contribution	19	30	55
Profit from existing business			
- expected return	26	27	56
- experience variance	6	5	11
- operating assumption changes	3	5	(2)
Return on shareholder funds	3	5	10
	-----	-----	-----
Operating profit before tax	57	72	130
Investment variance	11	(32)	(49)
Effect of economic assumption changes	19	31	35
	-----	-----	-----
Contribution from life assurance companies	87	71	116
Less: income adjustment for certain services, overheads and capital allocations provided by Group companies	(14)	(15)	(29)
	-----	-----	-----
Life assurance segment, profit before tax	<u>73</u>	<u>56</u>	<u>87</u>

### 6 EXCEPTIONAL ITEMS

In the half year to 30 September 2003, the exceptional items represent 1) The Group completed the sale of its share in the alliance it operated with State Street Bank which resulted in a profit of €33m 2) Implementation of a business improvement programme in UKFS has commenced (€1m) and 3) Additional costs were incurred in relation to prior year exceptional items (€4m).

In the half year to 30 September 2002, the exceptional items represent the loss on the disposal of Active Business Services and the termination of the joint venture with Perot Systems. In the year to 31 March 2003, the exceptional items represent the loss on disposal of Active Business Services €12.4m, the termination of the joint venture with Perot Systems €8.6m and the costs associated with the rationalisation of the UK advice-based businesses €143m.

### 7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<b>Half Year 30-9-2003 €m</b>	<b>Half Year 30-9-2002 €m</b>	<b>Year 31-3-2003 €m</b>
Irish Corporation tax	62	53	118
Double taxation relief	(10)	(9)	(16)
Foreign taxation	44	47	56
Deferred taxation	4	1	(11)
Share of associated undertakings and joint ventures	6	6	9
Levy on certain financial institutions	14	-	7
	-----	-----	-----
	<u>120</u>	<u>98</u>	<u>163</u>

## NOTES TO THE ACCOUNTS

### 8 EARNINGS PER UNIT OF €0.64 ORDINARY STOCK

The calculation of basic earnings per unit of €0.64 Ordinary Stock is based on the profit attributable to Ordinary Stockholders divided by the weighted average Ordinary Stock in issue.

	<b>Half Year 30-9-2003</b>	<b>Half Year 30-9-2002</b>	<b>Year 31-3-2003</b>
<b>Basic</b>			
Profit attributable to Ordinary Stockholders	€536.8m	€472.0m	€825.9m
Weighted average number of shares in issue	988.4m	1,008.3m	1,007.5m
Basic earnings per share	54.3c	46.8c	82.0c

The diluted earnings per share is based on the profit attributable to Ordinary Stockholders divided by the weighted average Ordinary Stock in issue adjusted for the effect of all dilutive potential Ordinary Stock.

	<b>Half Year 30-9-2003</b>	<b>Half Year 30-9-2002</b>	<b>Year 31-3-2003</b>
<b>Diluted</b>			
Profit attributable to Ordinary Stockholders	€536.8m	€472.0m	€825.9m
Average number of shares in issue	988.4m	1,008.3m	1,007.5m
Effect of all dilutive potential Ordinary Stock	6.5m	10.4m	9.6m
	-----	-----	-----
	994.9m	1,018.7m	1,017.1m
	=====	=====	=====
Diluted earnings per share	54.0c	46.3c	81.2c

The calculation of alternative earnings per unit of €0.64 Ordinary Stock is based on the profit attributable to Ordinary Stockholders before goodwill amortisation and exceptional items divided by the weighted average Ordinary Stock in issue.

	<b>Half Year 30-9-2003</b>	<b>Half Year 30-9-2002</b>	<b>Year 31-3-2003</b>
<b>Alternative</b>			
Basic	54.3c	46.8c	82.0c
Goodwill amortisation	0.7c	0.9c	2.0c
Exceptional items	(2.3c)	2.2c	15.2c
	-----	-----	-----
Alternative earnings per share	52.7c	49.9c	99.2c
	=====	=====	=====

### 9 LOANS AND ADVANCES TO CUSTOMERS

	<b>30-9-2003 €m</b>	<b>30-9-2002 €m</b>	<b>31-3-2003 €m</b>
Loans and advances to customers	58,303	54,410	53,946
Loans and advances – finance leases	2,205	2,355	2,226
Hire purchase receivables	1,368	1,176	1,195
	-----	-----	-----
	61,876	57,941	57,367
Provision for bad and doubtful debts (note 10)	(467)	(501)	(480)
	-----	-----	-----
	61,409	57,440	56,887
	=====	=====	=====

**NOTES TO THE ACCOUNTS**

**10 PROVISION FOR BAD AND DOUBTFUL DEBTS**

	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Opening balance	480	500	500
Exchange adjustments	(3)	(8)	(30)
Charge against profits	46	56	100
Amounts written off	(60)	(53)	(96)
Recoveries	4	6	6
	-----	-----	-----
Closing balance	467	501	480
	=====	=====	=====
All of which relates to loans and advances to customers			
Provisions at end of period:			
- specific	176	150	170
- general	291	351	310
	-----	-----	-----
	467	501	480
	=====	=====	=====

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 €178m (Sept 2002: €172m, March 2003: €175m) and a non designated element, for prudential purposes of €113m (Sept 2002: €179m, March 2003: €135m). The non designated element will be offset, in certain pre-defined circumstances, against specific loan losses as they crystallise in future years.

**11 CUSTOMER ACCOUNTS**

	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Current accounts	10,672	9,494	9,646
Demand deposits	19,827	20,663	20,072
Term deposits and other products	19,116	18,768	18,331
Other short-term borrowings	636	484	447
	-----	-----	-----
	50,251	49,409	48,496
	=====	=====	=====

**12 CAPITAL STOCK**

	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Allotted and fully paid			
Equity			
977.1m units of €0.64 of Ordinary Stock	625	646	637
73.0m units of €0.64 of Treasury Stock	47	26	35
Non equity			
1.9m units of Non-Cumulative Preference Stock of Stg£1 each	3	3	3
3.0m units of Non-Cumulative Preference Stock of €1.27 each	4	4	4
	-----	-----	-----
	679	679	679
	=====	=====	=====

NOTES TO THE ACCOUNTS

13 RESERVES

	30-9-2003	30-9-2002	31-3-2003
	€m	(restated) €m	(restated) €m
<b>Stock premium account</b>			
Opening balance	765	773	773
Exchange adjustments	(1)	(2)	(8)
	-----	-----	-----
Closing balance	764	771	765
	=====	=====	=====
<b>Capital reserve</b>			
Opening balance	436	397	397
Transfer from revenue reserves	53	53	44
Exchange adjustments	-	(2)	(5)
	-----	-----	-----
Closing balance	489	448	436
	=====	=====	=====
<b>Profit and loss account</b>			
Opening balance	2,099	2,116	2,116
Profit retained	341	286	411
Exchange adjustments	(49)	(79)	(328)
Ordinary stock issued under employee stock scheme	23	4	6
Ordinary stock buy-back	(249)	-	(133)
Transfer from revaluation reserve	1	-	22
Purchase of stock by subsidiary	(4)	-	-
Goodwill written back on disposal of subsidiary	-	-	5
Transfer from goodwill reserve	-	4	-
	-----	-----	-----
Closing balance	2,162	2,331	2,099
	=====	=====	=====
<b>Revaluation reserve</b>			
Opening balance	181	208	208
Exchange adjustments	-	(1)	(5)
Transfer to revenue reserve on sale of property	(1)	-	(22)
	-----	-----	-----
Closing balance	180	207	181
	=====	=====	=====

NOTES TO THE ACCOUNTS

14 GROUP FINANCIAL INFORMATION FOR US INVESTORS

<b>Consolidated Net Income</b>	<b>Half Year 30-9-2003</b>	<b>Half Year 30-9-2002</b>	<b>Year 31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Net income under Irish GAAP	537	472	826
Depreciation	(1)	(1)	(2)
Software development costs	2	2	5
Goodwill	9	9	6
Pension costs	(25)	(17)	(44)
Long-term assurance policies	(27)	(46)	(39)
Group Transformation Programme	(8)	(16)	(23)
Leasing	(12)	(2)	(38)
Stock Based Compensation (1)	(1)	(2)	(3)
Derivatives	(116)	36	75
Other	(2)	-	1
Deferred tax effect on these adjustments	23	7	3
	-----	-----	-----
Profit under US GAAP	379	442	767
	=====	=====	=====
Earnings per unit of €0.64 Ordinary Stock under US GAAP			
- basic	38.3c	43.8c	76.1c
	=====	=====	=====
- diluted	38.1c	43.4c	75.4c
	=====	=====	=====
<b>Consolidated Total Stockholders' Funds</b>	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Total stockholders' funds including non equity interests	4,274	4,436	4,160
Property less related depreciation	(348)	(350)	(347)
Software development costs	(2)	(6)	(4)
Goodwill	428	451	422
Debt securities - available for sale	95	108	113
Pension costs	(16)	20	(12)
Long-term assurance policies	(368)	(370)	(359)
Dividends	143	133	238
Leasing	(58)	(9)	(45)
Group Transformation Programme	4	18	11
Derivatives	(114)	(37)	2
Other	(21)	1	(20)
Deferred taxation on these adjustments	44	19	30
	-----	-----	-----
Consolidated stockholders' funds including non equity interests under US GAAP	4,061	4,414	4,189
	=====	=====	=====

NOTES TO THE ACCOUNTS

14 GROUP FINANCIAL INFORMATION FOR US INVESTORS (continued)

<b>Consolidated Total Assets</b>	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Total assets under Irish GAAP	98,703	89,631	89,470
Property less related depreciation	(348)	(350)	(347)
Goodwill	455	489	449
Software development costs	(2)	(6)	(4)
Debt securities - available for sale	95	108	113
Pension costs	(12)	24	(7)
Acceptances	31	66	81
Long-term assurance policies	(368)	(370)	(359)
Special purpose entities	1,107	982	1,019
Derivatives	987	1,307	1,214
Other	(77)	(75)	(76)
	-----	-----	-----
Total assets under US GAAP	<u>100,571</u>	<u>91,806</u>	<u>91,553</u>
	=====	=====	=====
<b>Consolidated Total Liabilities and Stockholders' Funds</b>	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Total liabilities and stockholders' funds including non equity interests under Irish GAAP	98,703	89,631	89,470
Stockholders' funds (US GAAP adjustment)	(213)	(22)	29
Dividends	(143)	(133)	(238)
Special purpose entities	1,107	982	1,019
Acceptances	31	66	81
Leasing	58	9	45
Group Transformation Programme	(4)	(18)	(11)
Derivatives	1,101	1,344	1,212
Deferred taxation on these adjustments	(65)	(55)	(51)
Other	(4)	2	(3)
	-----	-----	-----
Total liabilities and stockholders' funds including non equity interests under US GAAP	<u>100,571</u>	<u>91,806</u>	<u>91,553</u>
	=====	=====	=====

- (1) The Group accounts for stock based compensation in accordance with APB25 "Accounting for stock issued to Employees" and the charge as noted above is €1m. The Group in its 20-F filing adopts the disclosure provisions of SFAS123 "Accounting for Stock Based Compensation" and on this basis had a fair value basis of accounting for these schemes been applied based on the fair values at the grant date the additional expense in the period to 30 September 2003 would have been €4m and the pro forma net profit under US GAAP would have been €375m. The total cost of these schemes therefore for the six month period to 30 September 2003, not included in the Irish GAAP Profit and Loss Account, amounted to €5m of which €2m approximately relates to the Group Employee Sharesave Scheme.

NOTES TO THE ACCOUNTS

15 AVERAGE BALANCE SHEET AND INTEREST RATES

The following tables show the average balances and interest rates of interest earning assets and interest bearing liabilities for each of the half years ended 30 September 2003 and 2002 and the year ended 31 March 2003. The calculations of average balances are based on daily, weekly or monthly averages, depending on the reporting unit. The average balances used are considered to be representative of the operations of the Group. Rates for the half years are annualised.

	Half Year 30-9-2003			Half Year 30-9-2002 (restated)			Year 31-3-2003		
	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %	Average Balance €m	Interest €m	Rate %
<b>ASSETS</b>									
<b>Loans to banks</b>									
Domestic offices	8,889	104	2.3	6,601	110	3.4	6,835	196	2.9
Foreign offices	435	18	8.3	818	9	2.2	406	12	2.9
<b>Loans to customers (1)</b>									
Domestic offices	27,877	682	4.9	24,943	702	5.6	25,140	1,419	5.6
Foreign offices	28,102	670	4.8	28,803	770	5.3	28,533	1,503	5.3
<b>Central government and other eligible bills</b>									
Domestic offices	7	-	-	6	-	-	7	-	-
Foreign offices	-	-	-	-	-	-	-	-	-
<b>Debt Securities</b>									
Domestic offices	8,072	120	3.0	8,439	141	3.3	8,132	279	3.4
Foreign offices	1,547	34	4.4	1,375	34	4.9	1,285	65	5.1
<b>Instalment credit</b>									
Domestic offices	573	18	6.3	451	16	7.1	451	32	7.1
Foreign offices	803	29	7.2	681	28	8.2	708	56	7.9
<b>Finance lease receivables</b>									
Domestic offices	1,995	61	6.1	2,312	63	5.4	2,238	126	5.6
Foreign offices	190	2	2.1	74	2	4.3	75	3	4.0
<b>Total interest earning assets</b>									
Domestic offices	47,413	985	4.2	42,752	1,032	4.8	42,803	2,052	4.8
Foreign offices	31,077	753	4.8	31,751	843	5.3	31,007	1,639	5.3
	78,490	1,738	4.4	74,503	1,875	5.0	73,810	3,691	5.0
Allowance for loan losses	(487)			(505)			(485)		
Non interest earning assets (2)	17,084			13,235			15,915		
<b>Total Assets</b>	<b>95,087</b>	<b>1,738</b>	<b>3.7</b>	<b>87,233</b>	<b>1,875</b>	<b>4.3</b>	<b>89,240</b>	<b>3,691</b>	<b>4.1</b>

NOTES TO THE ACCOUNTS

15 AVERAGE BALANCE SHEET AND INTEREST RATES (continued)

	Half Year 30-9-2003			Half Year 30-9-2002 (restated)			Year 31-3-2003		
	Average Balance	Interest	Rate	Average Balance	Interest	Rate	Average Balance	Interest	Rate
	€m	€m	%	€m	€m	%	€m	€m	%
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
<b>Deposits and Customer Accounts</b>									
Domestic offices	36,063	305	1.7	30,913	378	2.4	31,462	691	2.2
Foreign offices	20,899	362	3.5	24,039	430	3.6	23,297	844	3.6
<b>Debt securities in issue</b>									
Domestic offices	7,754	85	2.2	5,742	84	2.9	6,233	168	2.7
Foreign offices	2,638	45	3.4	2,582	55	4.3	2,559	103	4.0
<b>Subordinated liabilities</b>									
Domestic offices	1,306	38	5.8	1,526	43	5.6	1,431	82	5.7
Foreign offices	1,373	51	7.4	907	36	7.9	928	74	8.0
<b>Total interest bearing liabilities</b>									
Domestic offices	45,123	428	1.9	38,181	505	2.6	39,126	941	2.4
Foreign offices	24,910	458	3.7	27,528	521	3.8	26,784	1,021	3.8
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	70,033	886	2.5	65,709	1,026	3.1	65,910	1,962	3.0
<b>Non interest bearing liabilities</b>									
Current accounts	6,958			6,417			6,547		
<b>Other non interest bearing liabilities(2)</b>									
Stockholders' equity including non equity interest	4,285			4,339			4,447		
	-----	-----	-----	-----	-----	-----	-----	-----	-----
<b>Total liabilities and stockholders' equity</b>	<b>95,087</b>	<b>886</b>	<b>1.9</b>	<b>87,233</b>	<b>1,026</b>	<b>2.4</b>	<b>89,240</b>	<b>1,962</b>	<b>2.2</b>
	=====	=====	=====	=====	=====	=====	=====	=====	=====

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

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

**NOTES TO THE ACCOUNTS**

**16 RATES OF EXCHANGE**

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

	<b>30-9-2003</b>		<b>30-9-2002</b>		<b>31-3-2003</b>	
	<b>Closing</b>	<b>Average</b>	<b>Closing</b>	<b>Average</b>	<b>Closing</b>	<b>Average</b>
€/US\$	1.1652	1.1380	0.9860	0.9641	1.0895	1.0051
€/Stg£	0.6986	0.7005	0.6295	0.6333	0.6896	0.6460

**17 CAPITAL ADEQUACY DATA**

	<b>30-9-2003</b>	<b>30-9-2002</b>	<b>31-3-2003</b>
	<b>€m</b>	<b>(restated)</b>	<b>(restated)</b>
	<b>€m</b>	<b>€m</b>	<b>€m</b>
Adjusted capital base			
Tier 1	4,454	4,099	4,377
Tier 2	2,504	2,506	2,442
	-----	-----	-----
	6,958	6,605	6,819
Supervisory deductions	799	733	752
	-----	-----	-----
	6,159	5,872	6,067
	=====	=====	=====
Risk weighted assets			
Banking Book	56,202	53,278	52,546
Trading Book	2,348	1,940	2,046
	-----	-----	-----
	58,550	55,218	54,592
	=====	=====	=====
Capital Ratios			
Tier 1 Capital	7.6%	7.4%	8.0%
Total Capital	10.5%	10.6%	11.1%

**18 THE ACCOUNTS WERE APPROVED BY THE COURT OF DIRECTORS ON 12 NOVEMBER 2003.**

## **Independent review report to The Governor and Company of the Bank of Ireland**

### **Introduction**

We have been instructed by the Bank to review the financial information which comprises the Group Profit and Loss Account, the Group Balance Sheet, the Reconciliation of Movements in Stockholders' funds, the Statement of Total Recognised Gains and Losses, the Group Cash Flow Statement and the Notes thereto. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

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

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board applicable in Ireland. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards applicable in Ireland and, therefore, provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information. This report has been prepared for and only for the Bank for the purpose of the Listing Rules of the Irish Stock Exchange and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Review conclusion**

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2003.

PricewaterhouseCoopers

Chartered Accountants

Dublin

12 November 2003

#### Notes:

1. The maintenance and integrity of the Bank of Ireland Group web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Interim Statement since it was initially presented on the web site.
2. Legislation in the Republic of Ireland governing the preparation and dissemination of Interim Statements may differ from legislation in other jurisdictions.