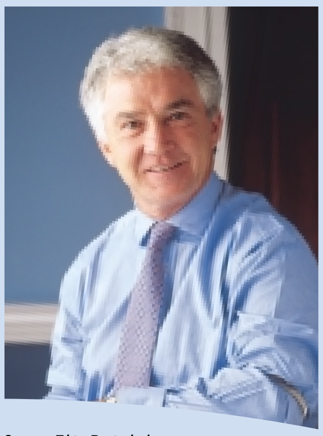
Chief Executive s Review

The Bank has had another excellent year, the sixteenth year in which we have delivered increased profits.

We have experienced particularly strong levels of growth over the last five years reflecting the critical mass we have achieved in the markets in which we operate and the strength of our business models in business banking and private banking. In this period, the compound annual growth rates for EPS and total assets have been 35% and 39% respectively.

The key to this success is the provision of exceptional customer service, in a very focussed manner, to well defined niche markets. This is essentially relationship banking and it gives the Bank a long-term sustainable competitive advantage that enables it deliver superior returns to shareholders.



Sean FitzPatrick
CHIEF EXECUTIVE

BANKING OPERATIONS

In the financial year to 30 September 2001, the Bank saw good growth in lending volumes across all areas of operation. At year end, total customer loans stood at €11.5 billion, an increase of 39%. This growth was achieved without margin dilution and without compromising our stringent risk management standards.

The Irish lending businesses had another outstanding year, both in Dublin and in the Area Offices. It is clear that the Bank continued to grow its market share through the provision of a top quality service to existing and to new clients. The sectoral spread of our loan book remains broadly unchanged.

Our UK lending operation also had another excellent year and at year end it represented 37% of the total loan book. That business now ranks in the top 10 foreign owned investment property lending banks in the UK and continues to focus on its area of expertise and develop its franchise. It is noteworthy that the UK business has grown at the same pace as the business in Ireland over the last five years, despite the fact that the economy has been growing at a slower level. This is a measure of its success to date and gives the Board great confidence as to its future prospects.

The Boston representative office continues to develop a franchise in its local area. Here again, the benefits of being a focussed niche player are evident. There are clearly excellent opportunities, even in developed banking markets, for banks that deliver a quality service.

During the last year, the Bank continued to adhere to its strong and well defined credit policies. These are implemented and managed on a centralised basis to ensure consistency across all lending operations. The practice of reviewing every loan on a quarterly basis pays dividends in that surprises are avoided and the Bank can deal with any issues on a timely basis. We continued to adopt a very prudent approach to loan provisioning. In the year just ended, the Bank increased its general provision by €55.3 million to €146 million, in addition to making prudent specific provisions.

The Bank has not seen any negative trends in terms of deteriorating asset quality in any of its loan books.

TREASURY OPERATIONS

The Treasury division had another good year in its core activities of managing the Bank's interest rate and foreign exchange exposures and funding the growth of risk assets.

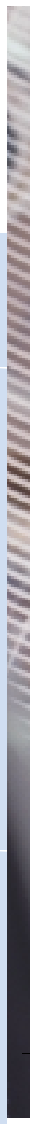
Over the last year the Bank has continued to be successful in funding the growth in its loan book, with a 41% increase in total deposits. This is spread across a broad range of clients and markets and is not dependent on the maintenance of an expensive branch office network.

The decision by Moody's Investors Services, the international ratings agency, to upgrade the Bank's long-term deposit credit rating to A3 in April of this year will allow wider access to the capital markets and to a broader range of corporate depositors.

In addition to the different Tier 1 capital raising developments over the last year, outlined by the Chairman in his statement, the Treasury Division has been very active in raising subordinated Tier 2 capital products and in widening the sources of funding for the Bank.

In April 2001, a €150 million Lower Tier 2 subordinated debt transaction was completed, followed by a €600 million Revolving Credit Facility in June. In August 2001, a €1.5 billion MTN (Medium Term Note) Programme was put in place. The different sources of capital and funding that are now available to the Bank leave it well placed to manage future increases in lending.

Terry Carroll and José Balagué (Geneva)



(Left to Right)
Neil Adair, Ajay Sharma and
Catherine Connolly (Belfast)

(Left to Right) Caroline McCaul, Susan Columb and Noelle Fogarty (Reception, Dublin)

The strategy of the bank remains unchanged - providing bespoke banking services to niche markets. This business model has delivered record profit growth levels over the last 16 years and is sustainable going forward.

FEE EARNING BUSINESSES

The fee earning non-risk asset businesses made significant contributions to the Bank's profitability over the last year. They are now spread over different activities and markets, giving a good counterbalance to our lending operations. The private banking and asset management businesses are generating fees in Ireland, the Isle of Man, Austria and now in Switzerland. The difficulties in the equity markets have made it more challenging for those businesses. Nevertheless, their spread of activities has enabled them to continue to deliver good levels of growth.

Corporate foreign exchange services are centralised in our dealing room in Dublin but are provided to clients in Ireland, the UK, the US and Austria. Our business model of local marketing, combined with central execution and risk management is transportable to other markets, where the incumbent banks are providing a poor quality service to the middle market. It is our intention to develop this business in other centres in continental Europe and the US.

The trade finance business operates from Ireland, the UK and Dusseldorf and it also had a good year.

ACQUISITIONS

In December 2000 we announced the acquisition of a private bank - Banque Marcuard Cook, which has been renamed Anglo Irish Bank (Suisse) S.A. The acquisition was completed in early April 2001. The bank provides asset management services to high net worth private clients across Europe from its base in Geneva. The first six months under our stewardship have gone well, with no loss of clients. Anglo Irish Bank (Suisse)'s long experience and expertise in the area of alternative investment strategies or hedge funds have yielded dividends for our clients in the difficult equity markets that have prevailed over the last year. We look forward to growing our client base in the same manner as we have previously achieved in Vienna.

The Bank continues to look at other acquisition opportunities that fit our exacting commercial and financial criteria. These include loan books in our home markets and asset management operations in continental Europe. We will continue to adopt a very discerning approach in examining these opportunities and only complete them if we believe that they will add to shareholder value. It is a credit to the strength of the underlying business of the bank that its growth is not dependent on the completion of acquisitions. That has always been the case and will continue to be so going forward.

RETIREMENT OF DIRECTORS

I would like to record my personal and sincere appreciation to Tony O'Brien, Tony Coleby and Billy McCann on their retirement from the Board. Their contribution to the development of the bank has been enormous and their experience and counsel will be greatly missed by both my colleagues and myself.

FUTURE

The strategy of the bank remains unchanged - providing bespoke banking services to niche markets. This business model has delivered record profit growth levels over the last 16 years and is sustainable going forward.

While the Bank has undoubtedly entered more turbulent and uncertain times in the markets in which it operates, the management has extensive experience over two decades of operating in challenging markets.

I am confident that the building blocks that have been put in place in both our lending and fee earning businesses leave the Bank well placed to continue to grow and deliver the demanding targets that we have set.

Sean FitzPatrick

Sean FitzPatrick
CHIEF EXECUTIVE
27 November 2001