Chairman's Statement

PETER MURRAY
Chairman

SUMMARY

This has been another excellent year for your Bank and marks the 17th consecutive year of profit growth. Performance is even more remarkable when you consider that the Bank has achieved a record 47% compound annual growth in pre-tax profits over the past five years. Financial highlights for the year include:

- Pre-tax profits increased by 34% to €261.3m
- Attributable profits increased by €56.2m to €184m
- Basic EPS increased by 35% to 58.14c
- Dividends increased by 20% to 12.53c per share
- Lending increased by 24%
- Customer deposits grew by 34%
- Cost/income ratio stands at 30.7%
- Return on equity stands at 31%
- Tier One Capital is 8.2%

Earnings growth has been driven by another exceptional year for our core lending operations in Ireland and the UK with our small but growing Boston business also performing very well. The Bank's Treasury division also recorded very strong results. Our profits were supplemented by fee income from our growing Wealth Management operations based in Dublin, the Isle of Man and mainland Europe.

Total assets exceeded €19.4bn, an increase of 23% over last year and nearly five times the level of total assets at September 1997. In May this year the Bank's market capitalisation surpassed the €2bn threshold having breached the €1bn level in January 2001.

DIVIDENDS

The Board is recommending a final dividend of 8.33c per share resulting in total dividends for the year of 12.53c (2001: 10.44c), an increase of 20%. Our dividend cover remains strong at 4.6 times.

It is proposed that the final dividend be paid on 30 January 2003 to shareholders on the Bank's register as at the close of business on 6 December 2002. Withholding tax may apply on the dividend, depending on the tax status of each shareholder. We will continue to offer shareholders the option of receiving dividends in the form of cash or shares.

OPERATIONS

Our lending operations, the Bank's prime area of focus accounting for a substantial majority of total profits, enjoyed another excellent year achieving substantial growth in all geographical markets. The Bank's Treasury division also secured a very strong outcome generating substantial fee income in addition to greatly enhancing the Group's capital position and funding base. Our Wealth Management division, similar to the entire industry, operated in a difficult market environment. However, given this backdrop, we are pleased with the performance and the future growth potential it provides. Your Board considers the increase in pre-tax profits of 34% to be an excellent result.

Lending
Our lending operations in Ireland, the UK and Boston performed very strongly, growing by 20%, 31% and 26% respectively. Most importantly, this growth has been achieved without dilution in margins or relaxing of our credit criteria.

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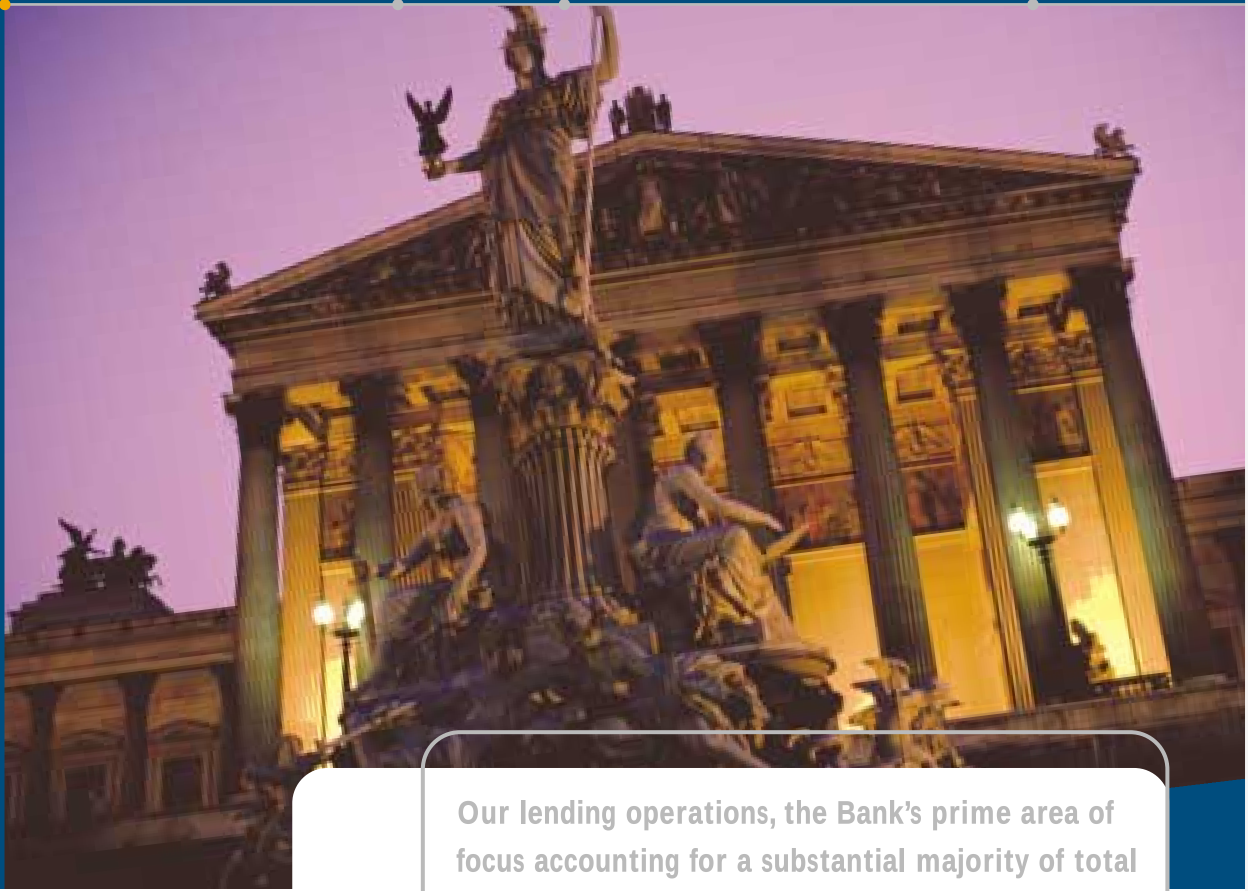

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Our strategy is clearly defined and we have remained focused on our selected markets. We lend principally to corporates and investors supported by recurring stable cash flows, retaining a charge on assets as security. Our focus on asset quality and customer service has been the cornerstone of our exceptional record of year on year profit growth and this will continue as we grow the business in the years ahead.

Ireland and the UK represent the Group's core lending markets. We have continued to grow our Irish loan book by an average of 37% on a compound annual basis over the past five years and increased our share of our target market substantially. We look forward to continued strong growth in this market.

The UK now accounts for 40% of our total loan book and has grown by 168% since 1999. Our success in the UK has resulted in loan growth of €1.3bn this year, which is on a par with the level of growth achieved in Ireland for the first time.

Operating in a significantly larger market, this performance demonstrates the success of our UK growth strategy, leveraging our franchise and expertise built up over the past 18 years. We are confident that our position in the UK will enable us to achieve robust future growth.

The performance of our representative office in Boston is very encouraging. Although representing just 6% of our total loan book, the team has grown loan balances from a zero base to in excess of €800m in under five years. This growth has been achieved on a wholly organic basis. Lending has followed very tightly defined and conservative criteria.

It is of some satisfaction to the Bank that our business model, which has stood us so well in our core markets of Ireland and the UK, has been successfully applied in Boston.

We continue to be prudent in provisioning. In light of the softening in the markets in which we operate, we felt that despite our minimal instance of actual bad debts and relative high level of provision charged relative to our peers, it was appropriate to retain such a practice this year.

Treasury

Key to the Bank's growth has been our success in increasing funding resources. The well diversified nature of our ever increasing deposit base is a considerable achievement. This year has proved no exception to that trend with total deposits increasing by €3bn to €16.9bn. Our strength is evidenced by the fact that our UK operations are now largely funded from a UK deposit base. We are delighted that we have achieved such strength in our funding position without reliance on the inter bank market.

Similarly, we have enhanced the Group's Tier One Capital ratio to 8.2% at 30 September 2002. This resulted largely from our profit growth and level of retentions.

The Group has also undertaken supplemental capital strengthening activities including a 5% placement in January 2002 which raised €63m. In June 2002 the Group launched and closed its second loan securitisation deal totalling Stg£400m. In July 2002 the Group raised a further Stg£160m of Tier One capital through the issuance of a Tier One Non-Innovative Capital Security.

Corporate Treasury Services' activities continued to grow this year with the opening of a representative office in New York in May. The office provides corporate treasury services to clients in the New York and surrounding markets.

Wealth Management

Through acquisition and organic growth, we have now developed a sizeable Wealth Management franchise with operations in Dublin, Geneva, the Isle of Man and Vienna. Given the general level of volatility and uncertainty experienced in the markets, the past year has been a difficult one for the wealth management sector, and in common with other fund managers our rate of profit growth was less than desired. However, we are pleased with the division's performance and remain fully committed to our long-term strategy of enhancing our wealth management services as a natural and complementary offering to our wider client base. Your Board is confident that Wealth Management will continue to be a significant business for the Bank in the future.

Operational Efficiency

The efficiency of our operation is the responsibility of all of our people. This starts with management which must engender the appropriate culture and lead by example. The Bank's people are the lifeblood of its business. We continue to pay close attention to their needs and to recruiting the best available people in the market.

In doing so we remain vigilant about delivering substantial added shareholder value from the additional resources acquired. The goals of our people are strongly aligned with those of our shareholders - our people are rewarded when our growth is ultimately accretive to shareholder value. The achievement of this balance can be measured by the Bank's cost/income ratio for the year of 30.7% and the substantial 30.6% return earned on average shareholders' funds.

Risk Management

We continue to enhance our risk management function which is integral to the operations and growth of the Bank. The maintenance of a centralised operational model has been a key factor in our successful risk management strategy, ensuring the underlying strength and sustainability of our asset base and earnings.

During the course of the year your Board commissioned a full independent review of controls, procedures and practices adopted by the Bank, the findings of which we reported fully to the Central Bank of Ireland. Separately, the Central Bank questioned all Irish banking institutions on

their key controls and risk management policies. We duly responded and I am pleased to inform you that no material weaknesses were identified.

The provisions of the Basle 2 Accord are due to come into effect during 2006 and these will have implications for the entire industry. We are confident that the Bank is well positioned to fulfil the necessary requirements on a timely basis.

RATING

We are delighted that the Bank received yet another upgrade of its credit ratings, most recently in February this year by Fitch Ratings, the international rating agency. The Bank's long and short term ratings now stand at A and F1 respectively.

This provides further evidence of the Bank's underlying strength and follows the upgrade last year by the international ratings agency Moody's, of the Bank's long-term deposit credit rating.

STRATEGY

Your Board remains focused on our current business model. Our success has derived from the adoption of a very clear, long-term strategy through a centralised management structure with the goal of attaining strong earnings growth and increasing shareholder value. This business model has served us very well in the past. It has delivered excellent results in our domestic market and proven to be equally successful when applied internationally.

Lending remains focused on our existing geographic markets and risk categories. Asset quality remains paramount and will not be sacrificed for volume growth. We aim to further diversify our funding base while building the fee income areas of wealth management, corporate treasury services and international trade finance. Your Board will continue with this strategy, as it is as relevant to the future as it has been in the past.

The growth in the Bank will largely be organic. We continue to be active in seeking suitable acquisitions but will only proceed if the acquisition fits our criteria.

OUTLOOK

We are very confident of the future prospects for the Bank and we look forward to further strong growth across our business. While retaining its focus, the Bank has extended the range of its business and taken positions in carefully selected geographic markets. The immediate prospects are bright. We recorded lending work in progress of €2.5bn at the end of September 2002, the highest ever level reported by the Bank. The start of the current year has also been very encouraging. It must be seen in the context of the difficult issues which face many of the world's economies and international political tensions that will undoubtedly present some challenges for the future. However, stable and low interest rates, the benign corporate fiscal environment and the demographics in our key markets are strong favourable factors. Your Board has great confidence that the Bank's focused strategy will continue to enable us to deliver superior growth in each of our target markets.

DIRECTORS

I would like to express on behalf of the Board and staff of the Bank, our deepest gratitude for the enormous contribution made by Bill Barrett who retired in July this year. Bill joined the Bank in 1985 and played an integral part in its growth over a long number of years.

The Bank announced that Fintan Drury joined the Board in May 2002. Fintan brings extensive experience and valuable expertise.

CONCLUSION

On behalf of shareholders, I would like to sincerely thank our staff for their commitment and professionalism during the past year without which the Bank would not have been able to deliver such outstanding results. Your Board looks forward to serving you in the future and ensuring that the Bank continues to achieve long term increases in shareholder value.

Peter C. Murray

PETER MURRAY
Chairman
26 November 2002