1. ACCOUNTING POLICIES (Continued)

q) Fiduciary and Trust Activities

The group acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, unit trusts, investment trusts and pension schemes. These assets are not consolidated in the accounts as the group does not have beneficial ownership. Fees and commissions earned in respect of these activities are included in the profit and loss account.

2. PRIOR YEAR ADJUSTMENT

The group has adopted FRS 19 "Deferred Tax" which is effective for accounting periods ending on or after 23 January 2002. Under this new accounting standard full recognition must now be given to the tax value of timing differences between profits stated in the accounts and profits computed for taxation purposes. Previously, deferred tax was only recognised where there was a reasonable probability that a tax asset or liability was likely to arise in the foreseeable future on these timing differences and deferred tax assets could not be recognised where they would be replaced by equivalent debit balances.

As a consequence of adopting FRS 19 deferred tax assets are now recognised on all general bad debt provisions in the group. This increases deferred tax assets by an additional €21.6m at 30 September 2001. Recognition must also be given to the tax value of certain unused capital allowances in the group's leasing business in the United Kingdom amounting to €2.1m at 30 September 2001.

FRS 19 also requires full provision to be made for the tax liability which would arise from the claw-back of capital allowances claimed in the event of the disposal of certain Irish tax-based assets within their claw-back period, even in circumstances where there is no intention to make such disposals. This amounted to €5.4m at 30 September 2001.

Prior year results have been restated to reflect FRS 19 leading to an increase in deferred tax assets and shareholders' funds of €18.3m at 30 September 2001. Tax on profit on ordinary activities for the year ended 30 September 2001 has reduced by €3.7m, resulting in an increase in profit after tax and profit attributable to ordinary shareholders of the same amount.

The result of the change in policy for the year ended 30 September 2002 is to reduce the tax on profit on ordinary activities by €6.1m, resulting in an increase in profit after tax and profit attributable to ordinary shareholders of the same amount.

	2002 €m	2001 €m
3. ADMINISTRATIVE EXPENSES		
Staff Costs:		
Wages and Salaries	**74.4**	59.5
Social Welfare Costs	**7.4**	5.6
Pension Costs	**6.0**	4.9
Other Staff Costs	**2.1**	2.3
	89.9	72.3
Other Administrative Costs	**43.0**	37.3
	132.9	109.6

The average number of persons employed by the group during the year, analysed by geographic location, was as follows:

	2002	2001
Republic of Ireland	**560**	500
United Kingdom and Isle of Man	**203**	172
Rest of the World	**138**	135
	901	807

	2002 €m	2001 €m
4. GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
The group profit on ordinary activities before taxation is arrived at after charging/(crediting) the following items:		
Auditors' Remuneration	**0.5**	0.5
Depreciation of Tangible Fixed Assets	**8.4**	6.5
Amortisation of Intangible Fixed Assets - Goodwill	**3.3**	1.8
Operating Lease Rentals:		
Property	**5.6**	4.7
Equipment	**2.2**	1.8
Financing Costs of Subordinated Liabilities	**33.6**	33.4
Financing Costs of Perpetual Capital Securities	**31.4**	7.2
Finance Leasing and Hire Purchase Income	**(39.1)**	(37.3)

The group profit on ordinary activities before taxation is not materially affected by the results of acquisitions or discontinued operations during the year.

5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2002 €m	2001 €m (restated)
Current Tax		
Irish Corporation Tax		
– Current Year	**42.1**	44.6
– Prior Years	**0.9**	0.3
Double Taxation Relief	**(17.0)**	(16.8)
Foreign Tax		
– Current Year	**41.1**	29.8
– Prior Years	**0.8**	(0.6)
	67.9	57.3
Deferred Tax		
– Current Year	**(9.4)**	(13.6)
	58.5	43.7
Effective Tax Rate	**22.4%**	22.4%

The deferred tax credit arising from the origination and reversal of timing differences was as follows:

	2002 €m	2001 €m (restated)
General Bad Debt Provisions	**(10.3)**	(11.4)
Leased Assets	**1.1**	(2.1)
Other Timing Differences	**(0.2)**	(0.1)
	(9.4)	(13.6)

The reconciliation of current tax on profits on ordinary activities at the standard Irish Corporation Tax rate to the group's actual current tax charge is analysed as follows:

	2002 €m	2001 €m (restated)
Profit on Ordinary Activities Before Taxation at 17% (2001: 21%)	**44.4**	40.9
Effects of:		
Disallowed General Bad Debts Provisions	**10.3**	11.4
Foreign Earnings Subject to Different Rates of Tax	**13.9**	6.4
Other	**(0.7)**	(1.4)
Current Tax	**67.9**	57.3

The legislated standard rate of Irish Corporation Tax for trading income has been reduced, on a phased basis, to 12.5%. The standard rate is 20% for the year 2001, 16% for the year 2002 and 12.5% for the year 2003 and subsequent years.

	2002 €m	2001 €m
6. MINORITY INTERESTS		
The profit attributable to minority interests is analysed as follows:		
Non-Equity Interests-Preference Shares (Note 30)	**18.4**	23.3
Equity Interests	**0.4**	–
	18.8	23.3

7. GROUP PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

€161.5m (2001: €108.0m) of the group profit attributable to ordinary shareholders is dealt with in the accounts of the parent undertaking. As permitted by Regulation 5 (2) of the European Communities (Credit Institutions: Accounts) Regulations, 1992 a separate profit and loss account for the parent undertaking has not been presented.

	2002 €m	2002 €m	2001 €m	2001 €m
8. DIVIDENDS				
Paid:				
Interim Dividend of 4.2c per Share (2001: 3.6c)				
– Cash		**10.9**		8.5
– Issued as Scrip		**2.5**		2.3
		13.4		10.8
Proposed:				
Final Dividend of 8.33c per Share (2001: 6.84c)		**26.9**		20.8
		40.3		31.6
Scrip Dividends:				
Final (Previous Year)	**(5.9)**		(4.4)	
Interim	**(2.5)**		(2.3)	
		(8.4)		(6.7)
		31.9		24.9

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the group profit of €184.0m (2001: €127.8m) which is after taxation and minority interests and on the weighted average number of equity shares in issue of 316,468,550 (2001: 295,971,835). In accordance with Financial Reporting Standard 14 - "Earnings per Share", dividends arising on shares held by employee share trusts (Note 16) are excluded in arriving at profit before taxation and deducted from the aggregate of dividends paid and proposed. The weighted average number of shares held by the trusts are excluded from the earnings per share calculations. The effect of options granted under the employee share option and SAYE schemes is to increase the weighted average number of equity shares for the calculation of diluted earnings per share by 7,982,976 (2001: 8,861,659) to 324,451,526 (2001: 304,833,494).

	The Group		The Company	
	2002 €m	2001 €m	**2002 €m**	2001 €m
10. LOANS AND ADVANCES TO BANKS				
Repayable on Demand	**918.2**	1,334.9	**857.3**	1,315.3
Other Loans and Advances to Banks				
Analysed by Remaining Maturity:				
Three Months or Less	**2,164.9**	1,620.1	**1,554.3**	1,035.5
One Year or Less but Over Three Months	**540.6**	415.1	**539.8**	415.1
Five Years or Less but Over One Year	**264.1**	16.6	**264.1**	16.6
	3,887.8	3,386.7	**3,215.5**	2,782.5
Amounts Include:				
Due from Group Undertakings			**27.2**	22.3
11. LOANS AND ADVANCES TO CUSTOMERS				
Amounts Receivable under Finance Leases	**197.9**	216.8	**175.9**	188.8
Amounts Receivable under Hire Purchase Contracts	**220.9**	189.2	**84.5**	71.3
Other Loans and Advances to Customers	**12,937.7**	10,546.0	**12,172.8**	10,017.1
	13,356.5	10,952.0	**12,433.2**	10,277.2
Amounts Include:				
Due from Group Undertakings			**511.5**	522.0
Repayable on Demand	**1,761.7**	1,430.9	**2,024.3**	1,782.9
Other Loans and Advances to Customers				
Analysed by Remaining Maturity:				
Three Months or Less	**1,256.4**	1,392.1	**1,068.2**	1,026.5
One Year or Less but Over Three Months	**3,198.6**	2,552.7	**2,790.4**	2,338.8
Five Years or Less but Over One Year	**4,546.5**	3,416.2	**4,072.0**	3,136.4
Over Five Years	**2,849.2**	2,372.1	**2,716.1**	2,186.2
	13,612.4	11,164.0	**12,671.0**	10,470.8
Provisions for Bad and Doubtful Debts	**(255.9)**	(212.0)	**(237.8)**	(193.6)
	13,356.5	10,952.0	**12,433.2**	10,277.2

The cost of assets acquired by the group during the year for letting under finance leases and hire purchase contracts amounted to €239.3m (2001:€271.4m).

	The Group		The Company	
	2002 €m	2001 €m	**2002 €m**	2001 €m
12. PROVISIONS FOR BAD AND DOUBTFUL DEBTS				
At Beginning of Year	**212.0**	161.3	**193.6**	147.6
Exchange Adjustments	**(2.3)**	(3.4)	**(2.1)**	(3.0)
Charge against Profits - Specific	**16.3**	14.4	**16.0**	12.3
- General	**49.3**	55.3	**47.1**	48.4
Write-Offs Net of Recoveries	**(19.4)**	(15.6)	**(16.8)**	(13.5)
Group Transfers	**–**	–	**–**	1.8
At End of Year	**255.9**	212.0	**237.8**	193.6
Specific	**62.1**	66.0	**57.8**	59.3
General	**193.8**	146.0	**180.0**	134.3
Total	**255.9**	212.0	**237.8**	193.6

	2002 €m	2001 €m
13. SECURITISED ASSETS		
Securitised Assets	**940.4**	569.6
Less: Non-Returnable Proceeds	**(903.4)**	(546.3)
	37.0	23.3

Anglo Irish Bank Corporation plc ("Anglo") sold portfolios of commercial investment property loans from its United Kingdom loan book to Monument Securitisation (CMBS) No. 1 plc and Monument Securitisation (CMBS) No.2 Limited ("the Monument companies") in September 2000 and June 2002 respectively. The group does not own directly or indirectly any of the share capital of the Monument companies or their parent companies.

Under the terms of the servicing agreements between the Monument companies and Anglo, Anglo continues to administer the loans, for which it receives fee income. The Monument companies funded these transactions by issuing mortgage backed notes, the lowest ranking of which were purchased by Anglo. The issue terms of the notes include provisions whereby neither the Monument companies nor the note holders have recourse to the group and no group company is obliged or intends to support any losses of the Monument companies or the note holders should they arise. Anglo is not obliged to repurchase any of the assets from the Monument companies. The Monument companies entered into certain interest rate hedges to manage their interest rate positions. These contracts were entered into with third party banks.

Under the terms of the June 2002 securitisation Anglo has the option until 17 June 2004 to transfer new loans to Monument Securitisation (CMBS) No.2 Limited, subject to certain conditions, up to an amount of Stg£74.5m and also to transfer additional new loans to replace prepaid loans.

The contribution earned by the group during the year in respect of securitised assets is included in other operating income and is analysed as follows:

	2002 €m	2001 €m
Interest Receivable	**45.3**	45.3
Interest Payable	**(39.4)**	(41.0)
Fee Income	**0.2**	0.5
Operating Expenses	**(2.6)**	(1.8)
Contribution from Securitised Assets	**3.5**	3.0

	Book Value 2002 €m	Market Value 2002 €m	Book Value 2001 €m	Market Value 2001 €m
14. DEBT SECURITIES				
The Group				
Government Stocks	**308.0**	**320.3**	256.0	265.1
Other Listed Public Bodies	**70.5**	**71.3**	39.0	37.2
Listed Private Sector Investments	**1,077.9**	**1,080.2**	648.5	647.9
	1,456.4	**1,471.8**	943.5	950.2
Due Within One Year	**289.5**		97.8	
Due One Year and Over	**1,166.9**		845.7	
	1,456.4		943.5	
The Company				
Government Stocks	**290.8**	**302.8**	234.7	243.4
Other Listed Public Bodies	**70.5**	**71.3**	39.0	37.2
Listed Private Sector Investments	**1,075.9**	**1,078.1**	631.4	630.8
	1,437.2	**1,452.2**	905.1	911.4
Due Within One Year	**281.5**		83.9	
Due One Year and Over	**1,155.7**		821.2	
	1,437.2		905.1	

At 30 September 2002 the amount of unamortised discounts net of premiums on debt securities held as financial fixed assets was €12.6m for the group and €12.4m for the company. At 30 September 2002 debt securities held by the group and the company subject to repurchase agreements amounted to €337.3m (2001: €188.4m).

	The Group		The Company	
	2002 €m	2001 €m	2002 €m	2001 €m
15. EQUITY INVESTMENT SHARES				
Unlisted Investments at Cost Less Amounts Written Off Held as Financial Fixed Assets	**2.4**	1.3	**0.8**	0.8

In the opinion of the directors the value of the individual unlisted equity investments is not less than their book amount.

	The Group	
	2002 €m	2001 €m
16. OWN SHARES		
Ordinary Shares in Anglo Irish Bank Corporation plc ("shares") at Cost	**6.1**	5.3

These shares are intended to satisfy options granted to employees under the Anglo Irish Bank Employee Share Ownership Plan ("ESOP") which was approved by shareholders in January 2000 (Note 31) and also to honour conditional share awards made to employees under the Anglo Irish Bank Deferred Share Scheme ("DSS").

16. OWN SHARES (Continued)

The trustee of the ESOP has borrowed funds from a group subsidiary, interest free, to enable the trustee to purchase shares in the open market. In September 2000 options were granted over 725,754 of these shares at €2.40 each. These options may be exercised at various dates between September 2003 and September 2010. The proceeds of options exercised will be used to repay the loan.

At 30 September 2002 the trustee of the DSS holds 422,328 (2001: 268,777) shares to honour conditional share awards granted between December 2000 and August 2002 to eligible group employees as part of their remuneration package. These shares were purchased in the open market and are also funded by interest free borrowings from a group subsidiary. These share awards are conditional on the relevant employees remaining in the group's employment for three years from their grant date. The costs of providing these awards has been fully provided for in the profit and loss account. The trustee's borrowings in respect of awards vested will be fully reimbursed by the sponsoring group employer.

As at 30 September 2002 the trustees hold 2,122,521 (2001: 1,931,730) shares with a market value of €12.8m (2001: €6.3m). The dividend income received during the year on these shares of €0.2m (2001: €0.2m) is excluded in arriving at the group profit before taxation.

17. INVESTMENTS IN GROUP UNDERTAKINGS

	2002 €m	2001 €m
Investments in Subsidiary Undertakings at Cost Less Amounts Written Off	**506.3**	500.2

Principal Subsidiary Undertakings	Principal Activity	Country of Registration
Anglo Aggmore Limited Partnership	Property Trading	United Kingdom
Anglo Irish Asset Finance plc	Asset Finance	United Kingdom
Anglo Irish Asset Management Limited	Fund Management	Republic of Ireland
Anglo Irish Assurance Company Limited	Life Assurance and Pensions	Republic of Ireland
Anglo Irish Bank (Austria) A.G.	Banking	Austria
Anglo Irish Bank Corporation (I.O.M.) P.L.C.	Banking	Isle of Man
Anglo Irish Bank (Suisse) S.A.	Banking	Switzerland
Anglo Irish Capital Funding Limited	Finance	Cayman Islands
Anglo Irish International Financial Services Limited	Finance	Republic of Ireland
Anglo Irish Limited	Finance	Isle of Man
Anglo Irish Trust (IOM) Limited	Trust Services	Isle of Man
Buyway Group Limited	Investment Holding	Republic of Ireland
CDB (U.K.) Limited	Investment Holding	United Kingdom
Irish Buyway Limited	Finance	Republic of Ireland
Knightsdale Limited	Finance	Republic of Ireland
Steenwal B.V.	Investment Holding	The Netherlands

All of the group undertakings are included in the consolidated accounts. The group holds 75% of the capital contributed to the Anglo Aggmore Limited Partnership. It is entitled to 50% of the profits of this partnership. The group owns all of the issued share capital of each of the other subsidiary undertakings listed. Each of these subsidiary undertakings operate principally in the country in which they are registered. A complete listing of group undertakings will be annexed to the annual return of the company in accordance with the requirements of the Companies Acts. Investments in certain subsidiary undertakings operating as credit institutions are not directly held by the parent undertaking.

18. INTANGIBLE FIXED ASSETS - GOODWILL

	The Group €m	The Company €m
Cost		
At I October 2001	66.1	0.7
Exchange Movement	0.7	–
At 30 September 2002	66.8	0.7
Accumulated Amortisation		
At I October 2001	2.0	0.2
Charge for the Year	3.3	–
At 30 September 2002	5.3	0.2
Net Book Value		
At 30 September 2002	61.5	0.5
At 30 September 2001	64.1	0.5

The goodwill arising on acquisitions completed after 30 September 1998 is amortised in equal instalments over its estimated useful economic life of twenty years. The cumulative amount of positive goodwill which has been eliminated against reserves to 30 September 1998, net of goodwill attributable to disposed businesses, amounted to €47.2m. This goodwill was eliminated as a matter of accounting policy [see Note 1 (j)] and will be charged to the profit and loss account in the event of the subsequent disposal of the businesses to which it relates.

19. TANGIBLE FIXED ASSETS

	Freehold Properties €m	Leasehold Properties €m	Equipment and Motor Vehicles €m	Total €m
The Group				
Cost				
At 1 October 2001	5.0	10.3	36.7	52.0
Exchange Movement	–	–	(0.1)	(0.1)
Additions	–	1.6	6.3	7.9
Disposals	–	(0.1)	(2.6)	(2.7)
At 30 September 2002	5.0	11.8	40.3	57.1
Accumulated Depreciation				
At 1 October 2001	0.6	2.2	20.1	22.9
Charge for the Year	0.1	0.9	7.4	8.4
Disposals	–	(0.1)	(2.1)	(2.2)
At 30 September 2002	0.7	3.0	25.4	29.1
Net Book Value				
At 30 September 2002	4.3	8.8	14.9	28.0
At 30 September 2001	4.4	8.1	16.6	29.1

19. TANGIBLE FIXED ASSETS (Continued)

	Leasehold Properties €m	Equipment and Motor Vehicles €m	Total €m
The Company			
Cost			
At 1 October 2001	9.8	28.2	38.0
Exchange Movement	–	(0.1)	(0.1)
Additions	0.8	4.9	5.7
Disposals	(0.1)	(1.9)	(2.0)
At 30 September 2002	10.5	31.1	41.6
Accumulated Depreciation			
At 1 October 2001	1.9	15.2	17.1
Charge for the Year	0.8	4.9	5.7
Disposals	(0.1)	(1.4)	(1.5)
At 30 September 2002	2.6	18.7	21.3
Net Book Value			
At 30 September 2002	7.9	12.4	20.3
At 30 September 2001	7.9	13.0	20.9

All of the group's leasehold properties are in respect of leases with a duration of less than fifty years. These properties are used for the group's activities. As at 30 September 2002 the group had annual commitments under non-cancellable operating leases as set out below:

	Property €m	Equipment €m
Operating Leases Which Expire:		
Within One Year	0.1	–
One to Five Years	0.6	2.2
Over Five Years	5.2	–
	5.9	2.2

	The Group		The Company	
	2002 €m	2001 €m (restated)	2002 €m	2001 €m (restated)
20. OTHER ASSETS				
Trading Properties	**57.3**	–	**–**	–
Swap Asset (Note 28)	**31.8**	32.1	**–**	–
Deferred Taxation (Note 21)	**29.4**	20.0	**22.3**	16.6
Other Assets	**5.4**	2.6	**1.6**	2.0
	123.9	54.7	**23.9**	18.6
21. DEFERRED TAXATION				
At Beginning of Year as Previously Reported	**1.7**	(7.7)	**1.2**	(7.7)
Prior Year Adjustment (Note 2)				
– Prior to 1 October 2000	**14.6**	14.6	**10.6**	10.6
– Year Ended 30 September 2001	**3.7**	–	**4.8**	–
As Restated	**20.0**	6.9	**16.6**	2.9
Credit for Year	**9.4**	13.6	**5.7**	13.7
Other Movements	**–**	(0.5)	**–**	–
At End of Year	**29.4**	20.0	**22.3**	16.6
Analysis of Deferred Taxation:				
General Bad Debt Provisions	**37.9**	27.6	**34.1**	26.5
Capital Allowances on Assets Leased to Customers	**(9.3)**	(8.2)	**(12.5)**	(10.3)
Other Timing Differences	**0.8**	0.6	**0.7**	0.4
	29.4	20.0	**22.3**	16.6

No deferred taxation has been provided on the unremitted profits of foreign subsidiaries. As these profits are continually reinvested by the group, no tax is expected to be payable on them in the foreseeable future.

22. LIFE ASSURANCE BUSINESS

The assets and liabilities attributable to policyholders are classified separately in the consolidated balance sheet. The life assurance assets attributable to policyholders consist of:

	2002 €m	2001 €m
Equities	**40.1**	29.1
Property	**20.6**	10.7
Cash	**13.0**	7.4
Managed Funds	**5.5**	8.4
	79.2	55.6

	The Group		The Company	
	2002 €m	2001 €m	2002 €m	2001 €m
23. DEPOSITS BY BANKS				
Repayable on Demand	**19.2**	13.9	**8.2**	1.8
Other Deposits by Banks				
Analysed by Remaining Maturity:				
Three Months or Less	**2,996.3**	3,567.9	**4,932.3**	4,317.2
One Year or Less but Over Three Months	**19.3**	119.4	**19.3**	119.4
Five Years or Less but Over One Year	**62.6**	–	**62.6**	–
Over Five Years	**–**	62.6	**–**	62.6
	3,097.4	3,763.8	**5,022.4**	4,501.0
Amounts Include:				
Due to Group Undertakings			**1,936.0**	749.3
24. CUSTOMER ACCOUNTS				
Repayable on Demand	**2,402.7**	1,657.8	**1,509.2**	1,176.3
Other Deposits by Customers				
Analysed by Remaining Maturity:				
Three Months or Less	**6,794.4**	5,354.2	**5,932.9**	5,127.1
One Year or Less but Over Three Months	**1,288.3**	972.4	**1,027.6**	897.5
Five Years or Less but Over One Year	**1,341.5**	868.0	**1,333.7**	838.0
Over Five Years	**9.2**	9.9	**9.2**	9.9
	11,836.1	8,862.3	**9,812.6**	8,048.8
Amounts Include:				
Due to Group Undertakings			**66.9**	599.5

	The Group		The Company	
	2002 €m	2001 €m	2002 €m	2001 €m
25. DEBT SECURITIES IN ISSUE				
Commercial Paper Programme by Remaining Maturity:				
Three Months or Less	**801.5**	794.3	**801.5**	794.3
Medium Term Note Programme by Remaining Maturity:				
Three Months or Less	**53.9**	–	**53.9**	–
One Year or Less but Over Three Months	**300.4**	60.0	**300.4**	60.0
Five Years or Less but Over One Year	**235.8**	27.4	**235.8**	27.4
Other Debt Securities In Issue by Remaining Maturity:				
Three Months or Less	**525.7**	301.7	**418.0**	267.6
One Year or Less but Over Three Months	**1.9**	34.0	**–**	33.3
	1,919.2	1,217.4	**1,809.6**	1,182.6
26. OTHER LIABILITIES				
Current Taxation	**40.6**	45.0	**33.4**	38.8
Other Liabilities	**14.8**	11.3	**14.8**	11.3
	55.4	56.3	**48.2**	50.1
27. PROVISIONS FOR LIABILITIES AND CHARGES				
Pension Provisions	**4.6**	4.6	**–**	–
Other Provisions for Liabilities and Charges	**0.3**	0.2	**0.3**	0.2
	4.9	4.8	**0.3**	0.2

The pension provisions relate to an unfunded defined contribution plan for the group's Austrian employees. This scheme is administered in accordance with best local practice and regulations in Austria.

28. SUBORDINATED LIABILITIES

	2002 €m	2001 €m
US$20m 9.1% Subordinated Notes 2006	**20.2**	21.8
US$15m Subordinated Notes 2009 (a)	**15.2**	16.4
US$100m Subordinated Notes 2011 (b)	**101.0**	109.0
US$25m Floating Rate Subordinated Notes 2011 (c)	**25.3**	27.3
€150m Floating Rate Subordinated Notes 2011 (d)	**149.2**	149.2
Stg£20m Subordinated Floating Rate Bonds 2091 (e)	**31.8**	32.1
Stg£50m Undated Subordinated Notes (f)	**79.0**	79.9
Other Subordinated Liabilities	**45.6**	40.9
	467.3	476.6
Repayable as Follows:		
One Year or Less	**3.0**	0.9
Between One and Two Years	**6.6**	3.0
Between Two and Five Years	**46.8**	25.4
Over Five Years	**410.9**	447.3
	467.3	476.6

All of the above issues have been issued by the parent bank and are unsecured and subordinated in the right of repayment to the ordinary creditors, including depositors of the bank. The prior approval of the Central Bank of Ireland is required to redeem these issues prior to their final maturity date. There is no foreign exchange rate exposure as the proceeds of these issues are retained in their respective currencies.

(a) Interest on the US$15m Subordinated Notes 2009 is fixed at 9.05% per annum to 30 September 2004 and resets at the then current five year United States Treasury Note yield plus 2.75% per annum.

(b) Interest on the US$100m Subordinated Notes 2011 is fixed at 8.53% per annum until 28 September 2005 and resets at the then current five and a half year United States Treasury Note yield plus 3.5% per annum.

(c) The US$25m Floating Rate Subordinated Notes 2011 bear interest at six month LIBOR plus 1.5% per annum to 28 September 2005 and thereafter at six month LIBOR plus 2.5% per annum.

(d) The €150m Floating Rate Subordinated Notes 2011 bear interest at three month EURIBOR plus 1.7% per annum to 5 April 2006 and thereafter at three month EURIBOR plus 2.7.% per annum.

(e) By entering into a swap transaction the group has covered its liabilities under the Stg£20m Subordinated Floating Rate Bonds 2091 from July 1991 to July 2091. As this swap represents a hedge against these bonds, it has been valued accordingly on an actuarial basis and is included in other assets (Note 20) at €31.8m (2001: €32.1m).

(f) Interest on the Stg£50m Undated Subordinated Notes is fixed at 9.875% per annum to 13 March 2006 and thereafter at the then current five year gross redemption yield on United Kingdom government security plus 2.9% per annum, reset every five years.

	2002 €m	2001 €m
29. PERPETUAL CAPITAL SECURITIES		
Stg£200m 8.5325% Guaranteed Step-up Callable Perpetual Capital Securities	**314.8**	318.3
Stg£160m 7.625% Guaranteed Tier One Non-Innovative Capital Securities	**249.9**	–
	564.7	318.3

On 28 June 2001 Anglo Irish Asset Finance plc ("issuer") issued Stg£200m 8.5325% Guaranteed Step-up Callable Perpetual Capital Securities ("securities") at par value which have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation plc ("guarantor").

The securities are perpetual securities and have no maturity date. However, they are redeemable in whole or in part at the option of the issuer, subject to the prior approval of the Central Bank of Ireland and of the guarantor, at their principal amount together with any outstanding payments on 28 June 2011 or any coupon payment date thereafter.

The securities bear interest at a rate of 8.5325% per annum to 28 June 2011 and thereafter at a rate of 4.55% per annum above the gross redemption yield on a specified United Kingdom government security, reset every five years. The interest is payable semi-annually in arrears on 28 June and 28 December.

On 23 July 2002 Anglo Irish Asset Finance plc also issued Stg£160m 7.625% Tier One Non-Innovative Capital Securities ("TONICS") at an issue price of 99.362%. This issue also has the benefit of a subordinated guarantee by Anglo Irish Bank Corporation plc.

The TONICS are perpetual and have no maturity date. However, they are redeemable in whole but not in part at the option of the issuer, subject to the prior approval of the Central Bank of Ireland and of the guarantor, at their principal amount together with any outstanding payments on 23 July 2027 or on any coupon payment date thereafter.

Interest is payable annually in arrears on the TONICS at a rate of 7.625% per annum until 23 July 2027. Thereafter, the TONICS will bear interest at a rate 2.4% per annum above six month LIBOR, payable semi-annually in arrears.

The rights and claims of the holders of the securities and the TONICS are subordinated to the claims of the senior creditors of the issuer or of the guarantor (as the case may be) in that no payment in respect of the securities or the TONICS or the guarantees in respect of them shall be due and payable except to the extent that the issuer or the guarantor (as applicable) is solvent and could make such a payment and still be solvent immediately thereafter and the guarantor is in compliance with applicable regulatory capital adequacy requirements. Upon any winding up of the issuer or the guarantor, the holders of the securities and the TONICS will rank pari passu with the holders of preference shares issued by or guaranteed by the issuer or the guarantor and in priority to all other shareholders of the issuer and of the guarantor.

30. EQUITY AND NON-EQUITY MINORITY INTERESTS

	2002 €m	2001 €m
Equity Interest in Subsidiary Undertaking	**0.9**	–
Non-Equity Interest in Subsidiary Undertaking:		
US$125m Series A Preference Shares	**122.7**	132.5
€160m Series B Preference Shares	**155.6**	155.6
	279.2	288.1

Anglo Irish Capital Funding Limited ("issuer") issued 5,000,000 Series A Floating Rate Non-Cumulative Guaranteed Non-Voting Preference Shares of US$25 each on 4 June 1997. On 24 March 1999 a further 6,400,000 Series B 7.75% Non-Cumulative Guaranteed Non-Voting Preference Shares of €25 each were issued which netted €155.6m after issue costs.

The holders of the US$ preference shares are entitled to receive a non-cumulative preferential dividend in four quarterly instalments in arrears on 4 March, 4 June, 4 September and 4 December in each year. The coupon rate is three month US Dollar LIBOR plus 2.5% per annum.

The holders of the Euro preference shares are entitled to receive a non-cumulative preferential dividend of 7.75% per annum in four quarterly instalments in arrears on 31 March, 30 June, 30 September and 31 December in each year.

The dividend entitlement on the preference shares is accrued on a daily basis and the total cost of €18.4m (2001: €23.3m) is included in minority interest in the profit and loss account (Note 6).

On a liquidation or winding up of Anglo Irish Capital Funding Limited the preference shareholders will be entitled to receive an amount equal to the amount paid up on each preference share unit out of the assets of that company available for distribution to shareholders. The preference shareholders are not entitled to vote at any general meeting of that company except in certain restricted circumstances.

Anglo Irish Bank Corporation plc ("guarantor") has guaranteed the holders of the preference shares with respect to their rights to dividends and on liquidation. This guarantee gives, as nearly as possible, the preference shareholders rights equivalent to those which the holders would be entitled to if they held preference shares in Anglo Irish Bank Corporation plc itself.

The preference shares are redeemable at par at the option of the issuer, subject to the prior consent of the guarantor and the Central Bank of Ireland, on any dividend date from 4 June 2002 in respect of the US$ preference shares and on any dividend date from 31 March 2004 in respect of the Euro preference shares.

31. CALLED UP SHARE CAPITAL

	2002 €m	2001 €m
Ordinary Shares:		
Authorised	**121.6**	121.6
Allotted, Called Up and Fully Paid		
At Beginning of Year	**97.9**	91.1
Share Placing	**4.9**	4.5
Scrip on Final Dividend	**0.4**	0.4
Scrip on Interim Dividend	**0.1**	0.2
Share Options Exercised	**0.8**	1.7
At End of Year	**104.1**	97.9

The authorised share capital of the company consists of 380,000,000 ordinary shares of €0.32 each.

During the year ended 30 September 2002 the allotted, called up and fully paid ordinary share capital was increased from 305,888,274 to 325,270,454 ordinary shares as follows:

In January 2002 15,250,000 ordinary shares were placed at €4.25 each to supplement available capital resources.

In January 2002 1,414,642 ordinary shares were issued to those holders of ordinary shares who elected, under the terms of the scrip dividend election offer, to receive additional ordinary shares at a price of €4.18 instead of all or part of the cash element of their final dividend entitlement in respect of the year ended 30 September 2001.

In July 2002 359,038 ordinary shares were issued to those holders of ordinary shares who elected, under the terms of the scrip dividend election offer, to receive additional ordinary shares at a price of €6.87 instead of all or part of the cash element of their interim dividend entitlement in respect of the year ended 30 September 2002.

During the year 2,358,500 ordinary shares were issued to option holders on the exercise of options under the terms of the employee share option scheme at prices ranging from €0.77 to €2.59.

The company operates a number of share incentive plans. The purpose of these plans is to motivate group employees to contribute towards the creation of long term shareholder value. Before being adopted all of the share incentive plans were approved by shareholders and complied with the guidelines operated by the Irish Association of Investment Managers. Further details are given below:

Employee Share Option Scheme

On 15 January 1999 the shareholders approved the establishment of the employee share option scheme which replaced the scheme originally approved by shareholders in 1988.

Under the terms of the scheme all qualifying employees may participate in the scheme at the discretion of the directors. Options are granted at the latest market price prior to the day the option is granted. During the continuance of the scheme each participant is limited to a maximum entitlement of scheme shares equivalent to an aggregate value of four times that employee's annual emoluments. Basic tier options may not be transferred or assigned and may be exercised only between the third and tenth anniversaries of their grant, or at such earlier time as approved by the directors. Second tier options may not be transferred or assigned and may be exercised only between the fifth and tenth anniversaries of their grant, or at such earlier time as approved by the directors.

31. CALLED UP SHARE CAPITAL (Continued)

In the ten year period from 15 January 1999 the maximum number of basic and second tier options granted under the scheme may not exceed ten per cent of the issued ordinary share capital of the company from time to time. Both the basic and second tier options which may be granted are each restricted to five per cent of the issued ordinary share capital of the company from time to time.

The exercise of basic tier options granted since 15 January 1999 is conditional upon earnings per share growth of at least five per cent compound per annum more than the increase in the consumer price index. The exercise of second tier options granted since 15 January 1999 is conditional upon earnings per share growth of at least ten per cent compound per annum more than the increase in the consumer price index and the company's shares must also rank in the top quartile of companies as regards growth in earnings per share on the Irish Stock Exchange.

At 30 September 2002 options were outstanding over 9,883,246 (2001: 11,593,746) ordinary shares at prices ranging from €0.83 to €5.88 per share. These options may be exercised at various dates up to September 2012. During the year options over 650,000 shares were granted and options over 2,000 shares lapsed.

SAYE Scheme

On 14 January 2000 the shareholders approved the establishment of the Anglo Irish Bank SAYE Scheme. This scheme has an Irish and UK version in order to conform with relevant revenue legislation in both jurisdictions.

The Irish version permits eligible employees to enter into a savings contract with the company for a three, five or seven year period to save a maximum of €317 per month for the appropriate contract period and to use the proceeds of the savings contract to fund the exercise of options granted under the scheme. At 30 September 2002 options were outstanding over 1,926,622 (2001: 1,706,333) ordinary shares at option prices ranging from of €1.79 to €5.07, which represented a twenty five per cent discount to the market price on the day before these options were granted. These options are exercisable, provided the participants' savings contracts are completed, at various dates between September 2003 and December 2009.

A variation of the Anglo Irish Bank SAYE scheme was introduced for all UK staff of the group in 2001. This scheme permits eligible employees to enter into a savings contract with an outside financial institution for a three, five or seven year period to save a maximum of Stg£250 per month for the appropriate contract period and to use the proceeds of the savings contract to fund the exercise of options granted under the scheme. At 30 September 2002 options were outstanding over 467,161 (2001: 389,416) ordinary shares at option prices ranging from Stg£2.10 to Stg£3.29, which represented a twenty per cent discount to the market price on the day before these options were granted. These options are exercisable, provided the participants' savings contracts are completed, at various dates between September 2004 and March 2010.

In accordance with the exemption for SAYE schemes permitted by the Accounting Standards Board's UITF 17 the discount to the market price is not expensed to the profit and loss account.

ESOP

On 14 January 2000 the shareholders also approved the establishment of the Anglo Irish Bank Employee Share Ownership Plan ("ESOP"). The plan's trustee may purchase ordinary shares of the company in the open market. Eligible employees may be granted options to acquire shares held by the trustee on similar terms and exercise conditions as those applicable to basic tier options under the employee share option scheme. In September 2000 options were granted over 725,754 ordinary shares at €2.40 by the trustee. These options may be exercised at various dates between September 2003 and September 2010.

The total number of ordinary shares which may be the subject of ESOP options may not, when aggregated with the ordinary shares the subject of options granted under the SAYE scheme, exceed five per cent of the issued ordinary share capital of the company from time to time.

	2002 €m	2001 €m
32. SHARE PREMIUM ACCOUNT		
At Beginning of Year	**89.5**	49.1
Premium on Share Placing	**58.4**	37.8
Final Scrip Dividend	**(0.4)**	(0.4)
Interim Scrip Dividend	**(0.1)**	(0.2)
Premium on Share Options Exercised	**1.5**	3.2
At End of Year	**148.9**	89.5

	The Group		The Company	
	2002 €m	2001 €m	2002 €m	2001 €m
33. OTHER RESERVES				
Non-Distributable Capital Reserve	**1.3**	1.3	**1.3**	1.3
Exchange Translation Reserve	**(0.4)**	(0.4)	**–**	–
	0.9	0.9	**1.3**	1.3

	The Company €m	Subsidiary Undertakings €m	The Group €m
34. PROFIT AND LOSS ACCOUNT			
At 30 September 2001 as Previously Reported	**98.8**	**186.5**	**285.3**
Prior Year Adjustment (Note 2)	**15.4**	**2.9**	**18.3**
As Restated	**114.2**	**189.4**	**303.6**
Retained for the Year	**120.7**	**23.0**	**143.7**
Scrip Dividend Write-Back	**8.4**	**–**	**8.4**
At 30 September 2002	**243.3**	**212.4**	**455.7**

	The Group		The Company	
	2002 €m	2001 €m	2002 €m	2001 €m
35. MEMORANDUM ITEMS				
Contingent Liabilities:				
Guarantees and Irrevocable Letters of Credit	**575.9**	537.8	**556.5**	516.8
Performance Bonds, VAT Guarantees and Other Transaction Related Contingencies	**79.6**	152.6	**79.6**	152.6
	655.5	690.4	**636.1**	669.4
Commitments:				
Credit Lines and Other Commitments to Lend:				
Less Than One Year	**2,525.8**	2,088.3	**2,515.9**	2,088.3
One Year and Over	**5.0**	–	**5.0**	–
	2,530.8	2,088.3	**2,520.9**	2,088.3

Other Contingencies:

The parent company has given guarantees in respect of the liabilities of certain of its subsidiaries.

36. NOTES TO THE CASH FLOW STATEMENT

	2002 €m	2001 €m
(i) Cashflows		
Returns on Investment and Servicing of Finance		
Interest Paid on Subordinated Liabilities	**(35.0)**	(32.3)
Interest Paid on Perpetual Capital Securities	**(27.1)**	–
Interest Received on Debt Securities and other Fixed Income Securities	**39.7**	44.0
Preference Dividends Paid to Minority Interest	**(21.7)**	(23.6)
	(44.1)	(11.9)
Capital Expenditure and Financial Investment		
Net Purchases of Debt Securities	**(506.8)**	(203.9)
Purchase of Tangible Fixed Assets	**(7.9)**	(12.6)
Purchase of Own Shares	**(0.8)**	(1.3)
Purchase of Equity Investment Shares	**(1.1)**	(0.8)
Proceeds of Tangible Fixed Asset Disposals	**0.6**	0.7
	(516.0)	(217.9)
Acquisitions and Disposals		
Purchase of Banque Marcuard Cook	**–**	(75.4)
Financing		
Proceeds of Perpetual Capital Securities Issues	**249.9**	318.3
Proceeds of Equity Share Issues	**65.6**	47.2
Capital Introduced by Minority Interest	**0.5**	–
Proceeds of Subordinated Bond Issues	**5.6**	170.5
Redemption of Subordinated Bonds	**(0.9)**	(10.5)
	320.7	525.5
(ii) Analysis of Subordinated Liabilities		
At Beginning of Year	**476.6**	328.7
New Issues of Subordinated Bonds	**5.6**	170.5
Redemption of Subordinated Bonds	**(0.9)**	(10.5)
Exchange Movements	**(14.0)**	(12.1)
At End of Year	**467.3**	476.6
(iii) Analysis of Cash Movements		
At End of Year		
Loans and Advances to Banks Repayable on Demand	**918.2**	1,334.9
At Beginning of Year		
Loans and Advances to Banks Repayable on Demand	**(1,334.9)**	(147.4)
(Decrease)/Increase in Cash	**(416.7)**	1,187.5

37. PENSIONS

The group operates three defined benefit non-contributory pension schemes in Ireland. The assets of these schemes are held in separate trustee administered funds. These schemes have been closed to new members since January 1994. New Irish employees after that date join a funded scheme on a defined contribution basis. There are also funded defined contribution pension plans covering eligible group employees in other locations as well as an unfunded defined contribution pension plan in relation to the group's Austrian employees (Note 27).

The group has continued to account for pensions in accordance with Statement of Standard Accounting Practice 24 - "Accounting for Pension Costs" ("SSAP 24"). A new accounting standard on pensions was issued in November 2000 Financial Reporting Standard 17 ("FRS 17") and it requires additional transitional disclosures on a phased basis in respect of defined benefit pension schemes. These are included below.

SSAP 24 Pension Disclosures

The total pension costs for the group for the year were €6.0m (2001: €4.9m), of which €2.2m (2001: €2.4m) represents the costs of defined benefit schemes and €3.8m (2001: €2.5m) relates to defined contribution pension plans. The pension costs relating to all defined benefit pension schemes have been assessed in accordance with the advice of an independent qualified actuary. Full formal actuarial valuations are carried out triennially. The last such valuations were carried out as at 1 January 2000 and 1 October 2000 using the attained age method. The actuarial valuations are available for inspection only by members of the schemes. The principal actuarial assumptions adopted in these valuations were that the investment returns would be two per cent higher than the annual salary increases and four per cent higher than the annual increases in present and future pensions.

At the date of the schemes' latest full actuarial valuation, the actuarial valuation of the assets was €35.7m and this was sufficient to cover the benefits that had accrued to the members. The funding level, allowing for future earnings and pensions increases, was one hundred and three per cent before taking account of future contributions. The employer's contribution rate over the average remaining service life of the members of the schemes takes account of the current actuarial funding level. The contributions paid to the defined benefit schemes during the year were €14.7m. There were €17.6m (2001:€5.1m) of prepaid contributions in respect of these schemes at the year end included in prepayments and accrued income.

FRS 17 Pension Disclosures

For the purposes of the FRS 17 disclosures the latest full actuarial valuations have been updated by a qualified independent actuary using the projected unit method mandated by FRS 17. Using this method the current service cost will increase as the members of closed schemes approach retirement. The major assumptions used by the actuary at the financial year end were as follows:

	2002	2001
Discount Rate for Liabilities of the Schemes	5.50%	6.00%
Rate of Increase in Salaries	4.00%	4.00%
Rate of Increase in Pensions in Payment	2.25% to 3.00%	2.25% to 3.00%
Inflation Rate	2.25%	2.25%

37. PENSIONS (Continued)

The assets and liabilities of these schemes and the long-term rates of return expected were:

	Long-Term Rate of Return Expected 2002	Value at 30 September 2002 €m	Long-Term Rate of Return Expected 2001	Value at 30 September 2001 €m
Equities	**8.00%**	**24.9**	8.50%	27.9
Bonds	**4.75%**	**8.1**	5.50%	8.2
Property	**6.50%**	**2.9**	7.50%	2.6
Cash	**3.50%**	**15.1**	3.50%	2.0
Total Market Value of Assets		**51.0**		40.7
Present Value of Schemes' Liabilities		**(53.0)**		(46.7)
Deficit in the Schemes		**(2.0)**		(6.0)
Related Deferred Tax Asset		**0.3**		0.8
Pension Liability under FRS 17		**(1.7)**		(5.2)

The effect on the group net assets and retained profits of substituting the above FRS 17 figures for the corresponding SSAP 24 balance sheet entries would be as follows:

	Net Assets		Profit & Loss Account	
	2002 €m	2001 €m	2002 €m	2001 €m
Totals in Consolidated Accounts	**709.6**	491.9	**455.7**	303.6
Less: Pension Asset on SSAP 24 Basis	**(17.6)**	(5.1)	**(17.6)**	(5.1)
Pension Liability on FRS 17 Basis	**(1.7)**	(5.2)	**(1.7)**	(5.2)
Totals on FRS 17 Basis	**690.3**	481.6	**436.4**	293.3

Impact of FRS 17 on 2002 Profits

The following is a pro-forma indication of the impact on group profit before taxation if the group had implemented FRS 17 in full for the year ended 30 September 2002.

	SSAP 24 Pension Expense €m	Net Pension Cost Under FRS 17 €m	Incremental Profit Impact of FRS 17 €m
Defined Benefit Schemes			
Pension Cost/Current Service Cost	**2.2**	**1.9**	**0.3**
Expected Return on Assets of Pension Schemes	**–**	**(3.3)**	**3.3**
Interest on Liabilities of Pension Schemes	**–**	**2.8**	**(2.8)**
	2.2	**1.4**	**0.8**
Defined Contribution Schemes	**3.8**	**3.8**	**–**
Impact on Profit before Taxation	**6.0**	**5.2**	**0.8**

37. PENSIONS (Continued)

Actuarial Loss

The actuarial loss during the year ended 30 September 2002 is analysed as follows:

	€m
Actual Return Less Expected Return on Assets of the Pension Schemes (a)	(6.2)
Experience Losses less Gains on Liabilities of the Pension Schemes (b)	(3.0)
Changes in Assumptions Underlying the Present Value of the Schemes' Liabilities	(0.1)
Actuarial Loss During Year (c)	(9.3)

(a) Represents 12% of Schemes' Assets of €51.0m
(b) Represents 6% of Schemes' Liabilities of €53.0m
(c) Represents 18% of Schemes' Liabilities of €53.0m

Analysis of Deficit

An analysis of the movement in the deficit of the schemes during the year is set out below:

	€m
Deficit in Schemes at 1 October 2001	(6.0)
Current Service Cost	(1.9)
Expected Return on Assets of Pension Schemes	3.3
Interest on Liabilities of Pension Schemes	(2.8)
Contributions Paid	14.7
Actuarial Loss During Year	(9.3)
Deficit in Schemes at 30 September 2002	(2.0)

38. RELATED PARTY TRANSACTIONS

Subsidiary Undertakings

Details of the principal subsidiary undertakings are shown in Note 17. In accordance with Financial Reporting Standard 8 - "Related Party Disclosures" ("FRS 8"), transactions or balances between group entities that have been eliminated on consolidation are not reported.

Pension Fund

The group provides a number of normal banking and financial services including custodial and investment services for one of the pension funds operated by the group for the benefit of its employees. This pension fund was charged €0.1m for these services during the year. The current and deposit account balances of this pension fund held by the group at 30 September 2002 were €4.6m (2001: €0.5m). This pension fund had assets of €10.7m (2001: €7.8m) at the year end.

Directors

Details of transactions with directors requiring disclosure under FRS 8 are included in the report of the remuneration committee in Note 45.

39. SEGMENTAL ANALYSIS

The group's income and assets are attributable to banking activities. The analysis of gross income, profit before taxation and assets by geographic location is as follows:

	2002			
	Republic of Ireland	UK & IOM	Rest of the World	Group
	€m	€m	€m	€m
Gross Income:				
Interest Receivable	**528.3**	**425.5**	**36.3**	**990.1**
Fees and Commissions Receivable	**60.6**	**35.0**	**27.7**	**123.3**
Dealing Profits	**3.5**	**–**	**–**	**3.5**
Other Operating Income	**3.7**	**5.7**	**–**	**9.4**
Total Gross Income	**596.1**	**466.2**	**64.0**	**1,126.3**
Profit on Ordinary Activities before Taxation	**139.3**	**107.4**	**14.6**	**261.3**
Net Assets	**417.1**	**223.2**	**69.3**	**709.6**
Gross Assets	**11,854.0**	**6,632.8**	**931.0**	**19,417.8**

	2001 (restated)			
	Republic of Ireland	UK & IOM	Rest of the World	Group
	€m	€m	€m	€m
Gross Income:				
Interest Receivable	518.7	380.4	48.6	947.7
Fees and Commissions Receivable	54.0	34.3	19.0	107.3
Dealing Profits	6.3	–	–	6.3
Other Operating Income	4.4	3.0	–	7.4
Total Gross Income	583.4	417.7	67.6	1,068.7
Profit on Ordinary Activities before Taxation	103.8	77.8	13.2	194.8
Net Assets	290.8	143.6	57.5	491.9
Gross Assets	10,017.0	5,007.4	751.6	15,776.0

Income on capital is included in the geographical results and reflects allocations from a group capital pool rather than representing underlying income on capital within individual operations.

40. RISK MANAGEMENT AND CONTROL

During the year the board of directors approved policy with respect to credit risk, market risk and liquidity risk and 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. The board also approved policy in respect of operational risk management and delegated its monitoring and control responsibilities to the executive management board. Membership of these committees consists of senior management.

There is a board risk committee comprising two non-executive directors and two executive directors. Its main role is to oversee risk management and to review, on behalf of the board, the key risks inherent in the business and the system of control necessary to manage such risks and to report their findings to the board.

Group risk management, group financial control and group internal audit 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 shareholders.

Credit Risk

The group's policy on banking and treasury credit risk is set out in a detailed credit policy manual which has been approved by the board of directors and the main credit committee. The policy manual, which is regularly updated, is provided to all relevant staff and forms the core of our credit risk ethos. Strict parameters for all types of credit exposure are set down and all applications for credit are assessed within these parameters. The risk asset grading system allows the group to balance the level of risk on any transaction with the return generated by the transaction.

The group operates a tiered system of discretions which ensures that all credit exposures are authorised at an appropriately senior level. The main credit committee, which is the most important forum for approving credit exposures, includes executive directors and senior management. All credit committees must come to a consensus before authorising a credit exposure and each credit must be signed by a valid quorum. Additionally, a non-executive director must countersign all exposures over a certain threshold.

Credit risk on all treasury clients and interbank facilities is regularly assessed. All such treasury lines must be formally reviewed by the main credit committee at least once a year.

All lending exposures are monitored on an ongoing basis with an executive director regularly meeting each individual lender and examining their loan portfolio in detail. This ensures that potential problems are identified promptly and appropriate remedial action taken.

An independent group risk management function monitors credit risk on a portfolio-wide basis and, in particular, looks at the entire group's exposure to geographic and industrial sectors. Sectoral limits are in place. When considered prudent further restrictions on sectoral exposures are imposed.

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 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.

The group's exposure to market risk is governed by policy prepared by the group asset and liability committee and approved by the board of directors. This policy sets out the nature of risk which may be taken, the types of financial instruments which may be used to increase or reduce risk and the way in which risk is controlled. In line with this policy the group asset and liability committee sets all risk limits.

40. RISK MANAGEMENT AND CONTROL (Continued)

Exposure to market risk is permitted only in specifically designated business units and is centrally managed by group treasury in Dublin. In other units market risk is eliminated by way of appropriate hedging arrangements with group treasury.

Market risk throughout the group is measured and monitored by the group risk management team, operating independently of the risk-taking units.

Non-Trading Book

The group's non-trading book consists of retail and corporate deposits and the lending portfolio, as well as group treasury's inter-bank cash books and investment portfolio. In the non-trading areas interest rate risk arises primarily from the group's core banking businesses in Ireland, the United Kingdom, the Isle of Man, Austria and Switzerland. The exposure in these books is managed using interest rate swaps and other conventional hedging instruments.

The group's non-trading book exposure is analysed by its maturity profile in each currency. Limits by currency and maturity are set by the group asset and liability committee. These limits are then subject to independent monitoring by the group risk management team.

Trading Book - Foreign Exchange Risk

Traded foreign exchange risk is confined to group treasury and arises from the group's lending and funding activities, corporate and interbank foreign exchange business and from proprietary trading. It is monitored independently by group risk management by way of open position limits and stoploss limits on a daily and intraday basis.

Trading Book - Interest Rate Risk

The interest rate trading book consists of group treasury's mark to market interest rate book. The trading book consists of interest rate swaps, currency swaps, interest rate futures, forward rate agreements and options. The risk arising from these items is monitored through a combination of position, contract size, maximum number of contracts and stoploss limits. These limits are set by the group asset and liability committee and are monitored daily by group risk management.

Structural Foreign Exchange Risk

Structural foreign exchange risk represents the currency risk arising from the group's net investments in its operations whose functional currency is not in euro. It is group policy to eliminate this risk by matching all material foreign currency investments in these operations with liabilities in the same currency. The group's structural foreign exchange exposures at 30 September 2002 were as follows:

Functional Currency of Operation	Net Investment €m	Liabilities in Functional Currency for Hedging Purposes €m	Remaining Structural Currency Exposure €m
Sterling	533.8	(533.8)	–
US Dollars	5.7	(5.7)	–
Swiss Francs	76.0	(76.0)	–
	615.5	(615.5)	–

40. RISK MANAGEMENT AND CONTROL (Continued)

Liquidity Risk

It is group policy to ensure that resources are at all times available to meet the group's obligations arising from the withdrawal of customer deposits or interbank lines, the drawdown of customer facilities and asset expansion. The development and implementation of this policy is the responsibility of the group asset and liability committee. Group treasury look after the day to day management of liquidity and is monitored by group risk management.

Limits on potential cashflow mismatches over defined time horizons are the principal means of liquidity control. The cashflow mismatch methodology involves estimating the net volume of funds which must be refinanced in particular time periods, taking account of the value of assets which could be liquidated during these periods. Limits are placed on the net mismatch in specified time periods out to one year and sublimits are applied to group treasury's cashflow positions.

Operational Risk

Operational risk represents the risk that deficiencies in information systems or internal controls could result in unexpected losses. The risk is associated with human error, systems failure, and inadequate controls and procedures. The group's exposure to operational risk is governed by policy approved by the board. The policy specifies that the group will operate such measures of risk identification, assessment, monitoring and management as are necessary to ensure that operational risk management is consistent with the approach, aims and strategic goals of the group, and is designed to safeguard the group's assets while allowing sufficient operational freedom to earn a satisfactory return to shareholders.

The group manages operational risk under an overall strategy which is implemented by accountable executives. Potential risk exposures are assessed and appropriate controls are put in place. Recognising that operational risk cannot be entirely eliminated, the group implements risk mitigation controls including fraud prevention, contingency planning and incident management. Where appropriate this strategy is further supported by risk transfer mechanisms such as insurance.

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 for the group and for many of its corporate customers. Further details are disclosed in note 42. The accounting policy on derivatives is set out on pages 34 and 35.

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 industry regulatory standards to all aspects of its derivatives activities.

The group's derivatives activities are governed by policies approved by the board. These policies relate to the management of the various types of risk associated with derivatives, including market risk, liquidity risk, credit and legal risk.

41. INTEREST RATE REPRICING

Interest Rate Repricing - Euro Non-Trading Book

30 September 2002	Not more than Three Months €m	Over Three Months but not more than Six Months €m	Over Six Months but not more than One Year €m	Over One Year but not more than Five Years €m	Over Five Years €m	Non Interest Bearing €m	Total €m
Assets							
Loans and Advances to Banks	1,585	69	4	15	–	–	1,673
Loans and Advances to Customers	4,961	92	153	805	403	–	6,414
Debt Securities	22	377	49	216	164	–	828
Other Assets	–	–	–	–	–	66	66
Total Assets	6,568	538	206	1,036	567	66	8,981
Liabilities							
Deposits by Banks	(969)	–	–	(63)	–	–	(1,032)
Customer Accounts	(3,721)	(559)	(424)	(1,277)	(9)	–	(5,990)
Debt Securities in Issue	(749)	(15)	(1)	–	–	–	(765)
Other Liabilities	–	–	–	–	–	(225)	(225)
Capital Resources	(149)	–	(3)	(33)	(165)	(710)	(1,060)
Total Liabilities	(5,588)	(574)	(428)	(1,373)	(174)	(935)	(9,072)
Net Amounts Due from/(to) Group Units	98	–	1	(8)	–	–	91
Off Balance Sheet Items	343	(398)	(649)	553	151	–	–
Interest Rate Repricing Gap	1,421	(434)	(870)	208	544	(869)	–
Cumulative Interest Rate Repricing Gap	1,421	987	117	325	869	–	–

41. INTEREST RATE REPRICING (Continued)

Interest Rate Repricing - Euro Non-Trading Book

30 September 2001

	Not more than Three Months €m	Over Three Months but not more than Six Months €m	Over Six Months but not more than One Year €m	Over One Year but not more than Five Years €m	Over Five Years €m	Non Interest Bearing €m	Total €m
Assets							
Loans and Advances to Banks	979	27	5	1	–	–	1,012
Loans and Advances to Customers	4,073	118	300	561	399	–	5,451
Debt Securities	329	19	15	126	56	–	545
Other Assets	–	–	–	–	–	283	283
Total Assets	5,381	164	320	688	455	283	7,291
Liabilities							
Deposits by Banks	(1,704)	(81)	–	–	(62)	–	(1,847)
Customer Accounts	(3,034)	(154)	(195)	(683)	(4)	–	(4,070)
Debt Securities in Issue	(352)	(61)	–	–	–	–	(413)
Other Liabilities	–	–	–	–	–	(245)	(245)
Capital Resources	(152)	–	–	(25)	(169)	(492)	(838)
Total Liabilities	(5,242)	(296)	(195)	(708)	(235)	(737)	(7,413)
Net Amounts Due from/(to) Group Units	89	2	31	–	–	–	122
Off Balance Sheet Items	100	(305)	6	116	83	–	–
Interest Rate Repricing Gap	328	(435)	162	96	303	(454)	–
Cumulative Interest Rate Repricing Gap	328	(107)	55	151	454	–	–

41. INTEREST RATE REPRICING (Continued)

Interest Rate Repricing - Stg£ Non-Trading Book

30 September 2002

	Not more than Three Months €m	Over Three Months but not more than Six Months €m	Over Six Months but not more than One Year €m	Over One Year but not more than Five Years €m	Over Five Years €m	Non Interest Bearing €m	Total €m
Assets							
Loans and Advances to Banks	1,049	–	–	–	–	–	1,049
Loans and Advances to Customers	4,546	109	114	805	238	–	5,812
Debt Securities	–	40	–	38	16	–	94
Other Assets	–	32	–	–	–	175	207
Total Assets	5,595	181	114	843	254	175	7,162
Liabilities							
Deposits by Banks	(1,084)	–	–	–	–	–	(1,084)
Customer Accounts	(4,220)	(166)	(91)	(41)	–	–	(4,518)
Debt Securities in Issue	(662)	(48)	–	–	–	–	(710)
Other Liabilities	–	–	–	–	–	(148)	(148)
Capital Resources	–	(32)	–	(79)	(565)	–	(676)
Total Liabilities	(5,966)	(246)	(91)	(120)	(565)	(148)	(7,136)
Net Amounts Due from/(to) Group Units	(33)	–	–	7	–	–	(26)
Off Balance Sheet Items	105	(59)	(62)	(155)	171	–	–
Interest Rate Repricing Gap	(299)	(124)	(39)	575	(140)	27	–
Cumulative Interest Rate Repricing Gap	(299)	(423)	(462)	113	(27)	–	–

41. INTEREST RATE REPRICING (Continued)

Interest Rate Repricing - Stg£ Non-Trading Book

30 September 2001	Not more than Three Months €m	Over Three Months but not more than Six Months €m	Over Six Months but not more than One Year €m	Over One Year but not more than Five Years €m	Over Five Years €m	Non Interest Bearing €m	Total €m
Assets							
Loans and Advances to Banks	1,253	–	–	–	–	–	1,253
Loans and Advances to Customers	3,492	75	87	599	188	–	4,441
Debt Securities	51	19	–	–	–	–	70
Other Assets	–	32	–	–	–	78	110
Total Assets	4,796	126	87	599	188	78	5,874
Liabilities							
Deposits by Banks	(1,270)	(8)	(8)	–	–	–	(1,286)
Customer Accounts	(3,063)	(152)	(90)	(46)	(2)	–	(3,353)
Debt Securities in Issue	(368)	(32)	–	–	–	–	(400)
Other Liabilities	–	–	–	–	–	(90)	(90)
Capital Resources	–	(32)	–	–	(398)	–	(430)
Total Liabilities	(4,701)	(224)	(98)	(46)	(400)	(90)	(5,559)
Net Amounts Due from/(to) Group Units	(321)	6	–	–	–	–	(315)
Off Balance Sheet Items	127	(111)	(92)	(140)	216	–	–
Interest Rate Repricing Gap	(99)	(203)	(103)	413	4	(12)	–
Cumulative Interest Rate Repricing Gap	(99)	(302)	(405)	8	12	–	–

41. INTEREST RATE REPRICING (Continued)

Interest Rate Repricing - US$ Non-Trading Book

30 September 2002	Not more than Three Months €m	Over Three Months but not more than Six Months €m	Over Six Months but not more than One Year €m	Over One Year but not more than Five Years €m	Over Five Years €m	Non Interest Bearing €m	Total €m
Assets							
Loans and Advances to Banks	804	124	70	16	–	–	1,014
Loans and Advances to Customers	654	45	56	152	235	–	1,142
Debt Securities	24	293	12	120	9	–	458
Other Assets	–	–	–	–	–	150	150
Total Assets	1,482	462	138	288	244	150	2,764
Liabilities							
Deposits by Banks	(933)	(12)	(7)	–	–	–	(952)
Customer Accounts	(1,191)	(29)	(18)	–	–	–	(1,238)
Debt Securities in Issue	(177)	–	(20)	–	–	–	(197)
Other Liabilities	–	–	–	–	–	(68)	(68)
Capital Resources	(123)	(25)	–	(137)	–	–	(285)
Total Liabilities	(2,424)	(66)	(45)	(137)	–	(68)	(2,740)
Net Amounts Due from/(to) Group Units	(24)	–	–	–	–	–	(24)
Off Balance Sheet Items	323	32	(99)	(31)	(225)	–	–
Interest Rate Repricing Gap	(643)	428	(6)	120	19	82	–
Cumulative Interest Rate Repricing Gap	(643)	(215)	(221)	(101)	(82)	–	–

	30 September 2001						
	Not more than Three Months	Over Three Months but not more than Six Months	Over Six Months but not more than One Year	Over One Year but not more than Five Years	Over Five Years	Non Interest Bearing	Total
41. INTEREST RATE REPRICING (Continued)	€m	€m	€m	€m	€m	€m	€m
Interest Rate Repricing - US$ Non-Trading Book							
Assets							
Loans and Advances to Banks	676	194	139	5	–	–	1,014
Loans and Advances to Customers	593	26	51	97	261	–	1,028
Debt Securities	326	–	–	–	–	–	326
Other Assets	–	–	–	–	–	11	11
Total Assets	1,595	220	190	102	261	11	2,379
Liabilities							
Deposits by Banks	(602)	(22)	–	–	–	–	(624)
Customer Accounts	(1,315)	(18)	(26)	(2)	–	–	(1,361)
Debt Securities in Issue	(157)	–	–	–	–	–	(157)
Other Liabilities	–	–	–	–	–	(18)	(18)
Capital Resources	(132)	(27)	–	–	(148)	–	(307)
Total Liabilities	(2,206)	(67)	(26)	(2)	(148)	(18)	(2,467)
Net Amounts Due from/(to) Group Units	99	(11)	–	–	–	–	88
Off Balance Sheet Items	229	(93)	82	38	(256)	–	–
Interest Rate Repricing Gap	(283)	49	246	138	(143)	(7)	–
Cumulative Interest Rate Repricing Gap	(283)	(234)	12	150	7	–	–

42. DERIVATIVE TRANSACTIONS

In the normal course of business the group is party to various types of financial instruments used to generate incremental income, to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest and exchange rates and equity prices. 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 and equity prices ("market risk").

Details of the objectives, policies and strategies arising from the group's use of financial instruments, including derivative financial instruments, are presented in Note 40 on risk management and control.

In respect of interest and exchange rate and equity 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. The underlying principal amounts and replacement cost, by residual maturity, of the group's over the counter and other non-exchange traded derivatives at 30 September 2002 were as follows:

	30 September 2002				30 September 2001
	Within One Year	One to Five Years	Over Five Years	Total	Total
	€m	€m	€m	€m	€m
Underlying Principal Amounts					
Exchange Rate Contracts	**6,155.7**	**590.3**	**2.1**	**6,748.1**	10,080.9
Interest Rate Contracts	**4,334.9**	**9,691.0**	**7,121.7**	**21,147.6**	13,795.5
Equity Contracts	**14.8**	**56.8**	**–**	**71.6**	–
Replacement Cost					
Exchange Rate Contracts	**58.4**	**14.4**	**0.1**	**72.9**	75.6
Interest Rate Contracts	**22.6**	**161.9**	**157.5**	**342.0**	154.0
Equity Contracts	**–**	**5.8**	**–**	**5.8**	–

The replacement cost of the group's over the counter and other non-exchange traded derivatives as at 30 September 2002 analysed into financial and non-financial counterparties for exchange rate, interest rate and equity contracts were as follows:

	30 September 2002			30 September 2001
	Financial	Non- Financial	Total	Total
	€m	€m	€m	€m
Exchange Rate Contracts	**56.3**	**16.6**	**72.9**	75.6
Interest Rate Contracts	**293.6**	**48.4**	**342.0**	154.0
Equity Contracts	**5.8**	**–**	**5.8**	–
	355.7	**65.0**	**420.7**	229.6

42. DERIVATIVE TRANSACTIONS (Continued)

The group maintains trading positions in derivatives. Most of these positions are as 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 and fair value by class of instrument utilised in the trading activities of the group at 30 September 2002.

	30 September 2002	
	Underlying Principal Amount	Fair Value
Trading Book	€m	€m
Interest Rate Contracts		
Interest Rate Swaps	6,420.7	
in a Favourable Position		142.5
in an Unfavourable Position		(151.6)
Forward Rate Agreements	702.9	
in a Favourable Position		0.8
in an Unfavourable Position		(0.7)
Interest Rate Futures	3,906.6	
in a Favourable Position		2.3
in an Unfavourable Position		(2.1)
Interest Rate Caps, Floors & Options Held	908.0	
in a Favourable Position		7.0
in an Unfavourable Position		–
Interest Rate Caps, Floors & Options Written	909.6	
in a Favourable Position		–
in an Unfavourable Position		(7.0)
Exchange Traded Options Held	922.9	
in a Favourable Position		0.1
in an Unfavourable Position		–
Exchange Traded Options Written	1,050.0	
in a Favourable Position		–
in an Unfavourable Position		(0.1)
Foreign Exchange Contracts		
Forward Foreign Exchange	5,124.7	
in a Favourable Position		59.7
in an Unfavourable Position		(56.5)
Foreign Exchange Options	84.6	
in a Favourable Position		1.0
in an Unfavourable Position		(0.9)
Currency Swaps	149.3	
in a Favourable Position		0.8
in an Unfavourable Position		(3.1)
Equity Contracts		
Equity Index Linked Contracts Held	1.4	
in a Favourable Position		–
in an Unfavourable Position		–

42. DERIVATIVE TRANSACTIONS (Continued)

The following table represents the underlying principal amounts, weighted average maturities and fair value by class of instrument utilised in the trading activities of the group at 30 September 2002.

	Underlying Principal Amount €m	Weighted Average Maturity in Years	Fair Value €m
Interest Rate Contracts			
Interest Rate Swaps-Receive Fixed			
1 Year or Less	596.1	0.3	8.5
1 to 5 Years	1,805.6	2.8	63.7
5 to 10 Years	623.8	8.2	48.4
Over 10 Years	277.7	11.7	20.7
Interest Rate Swaps-Pay Fixed			
1 Year or Less	226.0	0.3	(2.9)
1 to 5 Years	1,861.5	2.8	(74.5)
5 to 10 Years	671.5	7.9	(54.9)
Over 10 Years	227.2	11.4	(17.9)
Interest Rate Swaps-Pay & Receive Floating			
1 Year or Less	–	–	–
1 to 5 Years	96.3	4.0	(0.2)
5 to 10 Years	–	–	–
Over 10 Years	35.0	10.0	–
Forward Rate Agreements-Loans			
1 Year or Less	326.1	0.1	0.8
Forward Rate Agreements-Deposits			
1 Year or Less	376.8	0.1	(0.7)
Interest Rate Futures			
1 Year or Less	1,913.5	0.4	0.4
1 to 5 Years	1,993.1	1.9	(0.2)
Interest Rate Caps, Floors & Options Held			
1 Year or Less	4.8	0.5	–
1 to 5 Years	639.9	4.8	3.7
5 to 10 Years	255.2	8.0	3.2
Over 10 Years	8.1	10.5	0.1
Interest Rate Caps, Floors & Options Written			
1 Year or Less	4.8	0.5	–
1 to 5 Years	641.5	4.7	(3.7)
5 to 10 Years	255.2	8.0	(3.2)
Over 10 Years	8.1	10.5	(0.1)
Exchange Traded Options Held			
1 Year or Less	922.9	0.1	0.1
Exchange Traded Options Written			
1 Year or Less	1,050.0	0.1	(0.1)
Foreign Exchange Contracts			
Forward Foreign Exchange			
1 Year or Less	4,766.8	0.2	1.8
1 to 5 Years	357.9	1.4	1.4
Foreign Exchange Options			
1 Year or Less	78.7	0.1	0.1
1 to 5 Years	5.9	1.0	–
Currency Swaps			
1 Year or Less	86.2	0.6	(0.5)
1 to 5 Years	61.0	2.0	(1.9)
5 to 10 Years	2.1	8.7	0.1
Equity Contracts			
Equity Index Linked Contracts Held			
1 Year or Less	–	–	–
1 to 5 Years	1.4	4.7	–

42. DERIVATIVE TRANSACTIONS (Continued)

	30 September 2001	
	Underlying Principal Amount	Fair Value
Trading Book	€m	€m
Interest Rate Contracts		
Interest Rate Swaps	3,765.5	
in a Favourable Position		53.4
in an Unfavourable Position		(54.7)
Forward Rate Agreements	1,079.4	
in a Favourable Position		0.5
in an Unfavourable Position		(4.1)
Interest Rate Futures	1,069.7	
in a Favourable Position		0.8
in an Unfavourable Position		(2.4)
Interest Rate Caps, Floors & Options Held	385.6	
in a Favourable Position		4.6
in an Unfavourable Position		–
Interest Rate Caps, Floors & Options Written	370.9	
in a Favourable Position		–
in an Unfavourable Position		(4.6)
Foreign Exchange Contracts		
Forward Foreign Exchange	7,248.5	
in a Favourable Position		57.9
in an Unfavourable Position		(37.6)
Foreign Exchange Options	24.4	
in a Favourable Position		0.3
in an Unfavourable Position		(0.2)
Currency Swaps	158.3	
in a Favourable Position		5.6
in an Unfavourable Position		(0.3)

42. DERIVATIVE TRANSACTIONS (Continued)

The following table represents the underlying principal amounts, weighted average maturities and fair value by class of instrument utilised in the trading activities of the group at 30 September 2001.

Interest Rate Contracts	Underlying Principal Amount €m	Weighted Average Maturity in Years	Fair Value €m
Interest Rate Swaps-Receive Fixed			
1 Year or Less	482.7	0.5	8.1
1 to 5 Years	952.9	2.8	22.8
5 to 10 Years	428.1	9.2	17.3
Over 10 Years	170.5	13.3	3.1
Interest Rate Swaps-Pay Fixed			
1 Year or Less	334.5	0.5	(8.2)
1 to 5 Years	650.6	3.4	(22.7)
5 to 10 Years	447.3	9.2	(19.5)
Over 10 Years	83.1	11.4	(2.2)
Interest Rate Swaps-Pay & Receive Floating			
1 Year or Less	109.5	0.5	0.7
1 to 5 Years	38.3	4.8	(0.2)
5 to 10 Years	–	–	–
Over 10 Years	68.0	13.8	(0.5)
Forward Rate Agreements-Loans			
1 Year or Less	167.6	0.1	0.5
Forward Rate Agreements-Deposits			
1 Year or Less	911.8	0.5	(4.1)
Interest Rate Futures			
1 Year or Less	887.0	0.4	(1.4)
1 to 5 Years	182.7	1.3	(0.2)
Interest Rate Caps, Floors & Options Held			
1 Year or Less	–	–	–
1 to 5 Years	222.5	3.8	1.8
5 to 10 Years	105.0	7.0	1.4
Over 10 Years	58.1	10.2	1.4
Interest Rate Caps, Floors & Options Written			
1 Year or Less	–	–	–
1 to 5 Years	207.8	3.9	(1.8)
5 to 10 Years	105.0	7.0	(1.4)
Over 10 Years	58.1	10.2	(1.4)
Foreign Exchange Contracts			
Forward Foreign Exchange			
1 Year or Less	6,928.4	0.7	19.3
1 to 5 Years	320.1	2.8	1.0
Foreign Exchange Options			
1 Year or Less	23.9	0.5	0.1
1 to 5 Years	0.5	1.1	–
Currency Swaps			
1 Year or Less	31.0	0.4	4.0
1 to 5 Years	117.2	2.2	0.8
5 to 10 Years	10.1	9.7	0.5

42. DERIVATIVE TRANSACTIONS (Continued)

	2002 €m	2001 €m
Dealing Profits		
Interest Rate Contracts	**1.5**	3.3
Foreign Exchange Contracts	**2.0**	3.0
Total	**3.5**	6.3

Dealing profits include the profits and losses arising on the purchase and sale or revaluation of trading instruments. It excludes the interest receivable and the related funding cost of holding such instruments and also excludes the administrative expenses of trading activities.

Non-Trading Derivatives

The operations of the group are exposed to the 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.

42. DERIVATIVE TRANSACTIONS (Continued)

The following table sets out details of all derivatives used in the group's non-trading activities at 30 September 2002.

Non-Trading Book	Underlying Principal Amount €m	Weighted Average Maturity in Years	Fair Value €m
Interest Rate Contracts			
Interest Rate Swaps-Receive Fixed			
1 Year or Less	789.1	0.3	11.0
1 to 5 Years	1,991.8	2.5	91.7
5 to 10 Years	705.2	7.9	52.0
Over 10 Years	701.5	21.1	31.8
Interest Rate Swaps-Pay Fixed			
1 Year or Less	1,167.8	0.3	(8.6)
1 to 5 Years	1,648.4	3.0	(75.2)
5 to 10 Years	631.0	7.3	(46.3)
Over 10 Years	698.4	17.7	(48.9)
Interest Rate Swaps-Pay and Receive Floating			
1 to 5 Years	10.2	2.0	0.1
Over 10 Years	710.6	11.0	–
Forward Rate Agreements-Loans			
1 Year or Less	250.0	0.1	0.2
Forward Rate Agreements-Deposits			
1 Year or Less	300.8	0.1	(0.7)
Interest Rate Caps, Floors & Options Held			
1 Year or Less	84.0	0.7	1.8
1 to 5 Years	55.9	2.4	0.4
5 to 10 Years	43.7	6.7	0.8
Interest Rate Caps, Floors & Options Written			
1 Year or Less	208.6	0.7	(0.9)
1 to 5 Years	939.9	2.9	(5.1)
5 to 10 Years	1,081.4	8.4	(5.8)
Over 10 Years	188.1	24.5	(14.5)
Foreign Exchange Contracts			
Forward Foreign Exchange			
1 Year or Less	1,114.2	0.1	(0.5)
1 to 5 Years	98.5	1.5	2.4
Currency Swaps			
1 Year or Less	109.8	0.8	0.9
1 to 5 Years	67.0	1.7	(1.5)
Equity Contracts			
Equity Index Linked Contracts Held			
1 Year or Less	14.8	0.5	–
1 to 5 Years	55.4	3.1	5.8

42. DERIVATIVE TRANSACTIONS (Continued)

The following table sets out details of all derivatives used in the group's non-trading activities at 30 September 2001.

Non-Trading Book	Underlying Principal Amount €m	Weighted Average Maturity in Years	Fair Value €m
Interest Rate Contracts			
Interest Rate Swaps-Receive Fixed			
1 Year or Less	635.5	0.5	6.5
1 to 5 Years	1,614.1	2.5	55.6
5 to 10 Years	665.4	8.5	26.9
Over 10 Years	40.0	10.1	2.1
Interest Rate Swaps-Pay Fixed			
1 Year or Less	1,466.2	0.3	(7.5)
1 to 5 Years	1,639.1	2.6	(41.5)
5 to 10 Years	410.1	7.6	(18.1)
Over 10 Years	280.4	15.9	(9.0)
Interest Rate Swaps-Pay and Receive Floating			
1 to 5 Years	11.0	3.0	0.2
Forward Rate Agreements-Loans			
1 Year or Less	–	–	–
Forward Rate Agreements-Deposits			
1 Year or Less	40.2	0.5	(0.1)
Interest Rate Caps, Floors & Options Held			
1 Year or Less	23.3	0.6	–
1 to 5 Years	82.6	2.0	1.7
Interest Rate Caps, Floors & Options Written			
1 Year or Less	26.7	0.6	–
1 to 5 Years	497.9	2.9	(4.6)
5 to 10 Years	513.5	8.2	(2.5)
Over 10 Years	248.1	21.3	(17.9)
Foreign Exchange Contracts			
Forward Foreign Exchange			
1 Year or Less	2,553.0	0.1	8.4
1 to 5 Years	96.7	1.4	(0.8)

42. DERIVATIVE TRANSACTIONS (Continued)

Unrecognised Gains and Losses on Derivative Hedges

Gains and losses on instruments used for hedging are recognised in line with the underlying items which are being hedged. Based on market rates prevailing at the close of business on 30 September 2002, the unrecognised net losses on instruments used for hedging as at 30 September 2002 were €13.8m (2001: €0.9m loss).

The net gain expected to be recognised in the year to 30 September 2003 is €7.2m (2001: €9.9m gain) and thereafter a net loss of €21.0m (2001: €10.8m loss) is expected.

The net gain recognised in the year to 30 September 2002 in respect of previous years was €9.9m (2001: €2.2m loss) and the net loss arising in the year to 30 September 2002 which was not recognised in that year was €3.0m (2001: €11.4m loss).

Non-Trading Derivative Deferred Balances

Deferred balances relating to settled derivative transactions are released to the profit and loss account in the same periods as the income and expense flows from the underlying transactions. The table below summarises the deferred gains and losses at 30 September 2002.

	Deferred Gains	Deferred Losses	Total Net Deferred Gains /(Losses)
	€m	€m	€m
As at 1 October 2001	–	(0.7)	(0.7)
Gains and losses arising in previous years that were recognised this year	–	0.7	0.7
Gains and losses arising before I October 2001 that were not recognised in the year ended 30 September 2002	–	–	–
Gains and losses arising in the year ended 30 September 2002 that were not recognised in that year	6.9	(7.8)	(0.9)
As at 30 September 2002	6.9	(7.8)	(0.9)
Of which:			
Gains and losses expected to be recognised in the year ended 30 September 2003	1.7	(3.6)	(1.9)

Anticipatory Hedges

The group has entered into forward foreign exchange contracts to hedge partly the exchange risk on the translation of the net profit expected from activities conducted in currencies other than euro and euro legacy currencies. The fair value of these contracts amounted to an unrecognised gain of €5.0m (2001: €0.3m loss) at 30 September 2002.

43. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The group has estimated fair value wherever possible using market prices. In certain cases, however, including advances to customers, there are no ready markets. Accordingly, the fair value has been calculated by discounting expected future cashflows using market rates applicable at 30 September 2002. This method is based upon market conditions at 30 September 2002 which may not necessarily be indicative of any subsequent fair value. As a result, readers of these financial statements are advised to use caution when using this data to evaluate the group's financial position.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in many cases, particularly in respect of lending to customers, the group intends to realise assets through collection over time. As such, the fair value calculated does not represent the value of the group as a going concern at 30 September 2002.

The following table represents the carrying amount and the fair value of the group's financial assets and liabilities as at 30 September 2002.

	Carrying Amount 2002 €m	Fair Value 2002 €m	Carrying Amount 2001 €m	Fair Value 2001 €m
Non-Trading Financial Instruments				
Financial Assets				
Loans and Advances to Banks	**3,887.8**	**3,882.3**	3,386.7	3,389.4
Loans and Advances to Customers	**13,393.5**	**13,420.9**	10,975.3	11,032.2
Debt Securities	**1,456.4**	**1,471.8**	943.5	950.2
Equity Investment Shares	**2.4**	**2.4**	1.3	1.3
Financial Liabilities				
Deposits by Banks	**3,097.4**	**3,097.5**	3,763.8	3,765.5
Customer Accounts	**11,836.1**	**11,866.2**	8,862.3	8,869.8
Debt Securities in Issue	**1,919.2**	**1,919.4**	1,217.4	1,217.7
Subordinated Liabilities	**467.3**	**480.3**	476.6	478.8
Perpetual Capital Securities	**564.7**	**600.4**	318.3	336.9
Non-Equity Minority Interests – Preference Shares	**278.3**	**286.6**	288.1	289.6
Derivative Financial Instruments Held for Trading Purposes				
Interest Rate Contracts	**(8.8)**	**(8.8)**	(6.5)	(6.5)
Foreign Exchange Contracts	**1.0**	**1.0**	25.7	25.7
Derivative Financial Instruments Utilised for Non-Trading Activities				
Interest Rate Contracts		**(16.2)**		(8.2)
Foreign Exchange Contracts		**1.3**		7.6
Equity Contracts		**5.8**		–

The fair value applied to the debt securities assets, the perpetual capital securities and the preference shares issued by subsidiary undertakings are the quoted market values for these items at 30 September 2002. The fair value of the other financial assets and liabilities are calculated by discounting expected future cash flows using market rates applicable at 30 September 2002. The derivatives are marked to market at 30 September 2002.

	The Group		The Company	
	2002 €m	2001 €m (restated)	**2002 €m**	2001 €m (restated)
44. CURRENCY INFORMATION				
Denominated in Euro	**8,981.4**	7,291.3	**8,899.7**	6,905.0
Denominated in Other Currencies	**10,436.4**	8,484.7	**9,127.0**	7,846.0
Total Assets	**19,417.8**	15,776.0	**18,026.7**	14,751.0
Denominated in Euro	**9,072.3**	7,413.3	**8,990.6**	7,027.0
Denominated in Other Currencies	**10,345.5**	8,362.7	**9,036.1**	7,724.0
Total Liabilities and Capital Resources	**19,417.8**	15,776.0	**18,026.7**	14,751.0

Due to off balance sheet items the above analysis should not be considered to demonstrate foreign exchange risk exposures.

45. REPORT ON DIRECTORS' REMUNERATION AND INTERESTS

This report on directors' remuneration and interests has been prepared by the remuneration committee on behalf of the board of directors in accordance with the requirements of the Irish Stock Exchange's Combined Code on Corporate Governance.

Remuneration Committee

The remuneration committee's current members are Peter Murray (chairman), Michael Jacob and Ned Sullivan, all of whom are non-executive directors. This committee is responsible for the formulation of the group's policy on remuneration in relation to all executive directors and other senior executives. The remuneration of the executive directors is determined by the board of directors on the recommendations of the remuneration committee. The recommendations of the remuneration committee are considered and approved by the board.

Remuneration Policy

The remuneration policy adopted by the group is to reward its executive directors competitively having regard to comparable companies and the need to ensure that they are properly rewarded and motivated to perform in the best interests of the shareholders. The policy is based heavily on rewarding performance. The group chief executive is fully consulted about remuneration proposals and from time to time the remuneration committee takes advice from external pay consultants. Included in the remuneration package for executive directors are basic salary, a performance related bonus and the ability to participate in employee share incentive plans. They are also entitled to participate in either a personal Revenue approved defined contribution pension plan or a group defined benefit pension scheme.

Performance Bonus

The level of performance bonus is determined for each individual executive director. The level earned in any one year is paid out of a defined pool and depends on the remuneration committee's assessment of each individual's performance against predetermined targets for that year and also an assessment of the overall performance of the group.

The performance bonus is split into two components. Part of the performance bonus is paid annually and is determined by reference to the economic profit generated by the group. The other element of the performance bonus is calculated by reference to total shareholder return and compared to a peer group and the payment of this bonus is deferred to the earlier of three years or the individual's retirement date. Its cost is accrued in the accounts.

In 2001 an additional deferred bonus of €952,000 was awarded to the group chief executive in view of his exceptional performance over the previous five years and in recognition of an agreement by him to remain in his current position for a minimum period. Its cost was accrued in the 2001 accounts.

Share Incentive Plans

It is company policy to motivate its executive directors by granting them share options. These options have been granted under the terms of the employee share incentive plans approved by shareholders. Further details in relation to these plans are given in Note 31 to the financial statements. Non-executive directors are not eligible to participate in the employee share incentive plans.

Loans to Directors

Loans to directors are made in the ordinary course of business on commercial terms in accordance with established policy. At 30 September 2002 the aggregate amount outstanding in loans to persons who at any time during the year were directors was €12,070,000 (2001: €10,414,000) in respect of nine (2001:seven) individuals.

45. REPORT ON DIRECTORS' REMUNERATION AND INTERESTS (Continued)

Contracts

Other than in the normal course of business, there have not been any contracts or arrangements with the company or any subsidiary undertaking during the year in which a director of the company was materially interested and which were significant in relation to the group's business. There are no service contracts in existence for any director with the company or any of its subsidiary undertakings.

Pensions

William McAteer is not a member of any of the group's defined benefit pension schemes. Instead the group makes payments to a defined contribution scheme for his benefit. All of the other executive directors at 30 September 2002 are members of a group defined benefit scheme. All pension benefits are determined solely in relation to basic salary. Non-executive directors are not entitled to any pension benefits.

45. REPORT ON DIRECTORS' REMUNERATION AND INTERESTS (Continued)

Directors' Remuneration

	2002								
	Salary	Fees	Annual Performance Bonus	Deferred Performance Bonus	Additional Performance Bonus	Benefits	Pension Contribution	Former Directors	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Executive Directors									
Sean FitzPatrick	494	–	800	400	–	46	145	–	1,885
William Barrett (1)	220	–	370	–	–	14	59	–	663
Peter Killen	284	–	378	190	–	24	83	–	959
William McAteer	288	–	435	215	–	22	56	–	1,016
Tiarnan O Mahoney	351	–	490	245	–	21	103	–	1,210
John Rowan	355	–	397	238	–	33	92	–	1,115
Non-Executive Directors									
Peter Murray (2)	–	119	–	–	–	–	–	–	119
Fintan Drury (3)	–	19	–	–	–	–	–	–	19
Michael Jacob	–	49	–	–	–	–	–	–	49
William McCann (4)	–	4	–	–	–	–	–	–	4
Anthony O'Brien (5)	–	41	–	–	–	–	–	–	41
Anton Stanzel	–	51	–	–	–	–	–	–	51
Ned Sullivan (6)	–	42	–	–	–	–	–	–	42
Patrick Wright	–	44	–	–	–	–	–	–	44
Former Directors	–	–	–	–	–	–	–	46	46
Total	1,992	369	2,870	1,288	–	160	538	46	7,263

Annual and deferred performance bonuses were formally determined a year in arrears. These are now on a current year basis and the 2001 comparatives have been restated to reflect this.

(1) Retired on 5 July 2002
(2) Appointed as Chairman on 25 January 2002
(3) Co–opted on 30 May 2002
(4) Retired on 12 November 2001
(5) Retired as Chairman on 25 January 2002
(6) Co–opted on 12 November 2001

45. REPORT ON DIRECTORS' REMUNERATION AND INTERESTS (Continued)

Directors' Remuneration

2001

	Salary €000	Fees €000	Annual Performance Bonus €000	Deferred Performance Bonus €000	Additional Performance Bonus €000	Benefits €000	Pension Contribution €000	Former Directors €000	Total €000
Executive Directors									
Sean FitzPatrick	460	–	559	190	952	35	135	–	2,331
William Barrett	267	–	241	76	–	19	72	–	675
Peter Killen	267	–	248	95	–	24	78	–	712
William McAteer	267	–	254	140	–	22	53	–	736
Tiarnan O Mahoney	280	–	286	159	–	21	82	–	828
John Rowan	303	–	238	143	–	20	84	–	788
Non-Executive Directors									
Anthony O'Brien	–	119	–	–	–	–	–	–	119
Anthony Coleby (1)	–	11	–	–	–	–	–	–	11
Michael Jacob	–	37	–	–	–	–	–	–	37
William McCann	–	37	–	–	–	–	–	–	37
Peter Murray	–	37	–	–	–	–	–	–	37
Anton Stanzel (2)	–	17	–	–	–	–	–	–	17
Patrick Wright	–	37	–	–	–	–	–	–	37
Former Directors	–	–	–	–	–	–	–	46	46
Total	1,844	295	1,826	803	952	141	504	46	6,411

(1) Retired on 26 January 2001

(2) Co–opted on 19 April 2001

45. REPORT ON DIRECTORS' REMUNERATION AND INTERESTS (Continued)

Directors' Pension Benefits

The executive directors' pension benefits under the defined benefit pension scheme of which they are members are as follows:

	Increase in Accrued Annual Pension Benefit During Year	Total Accrued Pension Benefit At Year End	Transfer Value of Increase in Accrued Benefit
	€000	€000	€000
Sean FitzPatrick	17	323	311
William Barrett*	3	176	49
Peter Killen	12	190	226
Tiarnan O Mahoney	28	118	243
John Rowan	13	111	116
	73	918	945

The increase in accrued annual pension benefit during the year excludes any increase for inflation. The total accrued pension benefit at year end is that which would be paid annually on retirement based on service to the year end. The transfer value of the increase in accrued benefit has been calculated by an independent actuary. The company paid €56,000 into a defined contribution pension scheme on behalf of William McAteer.

*Retired on 5 July 2002

45. REPORT ON DIRECTORS' REMUNERATION AND INTERESTS (Continued)

Directors' and Company Secretary's Interests

The beneficial interests of the current directors and secretary and of their spouses and minor children in the shares issued by the company are included in the following table:

	30 September 2002		30 September 2001	
Interests in Ordinary Shares	Ordinary Shares	Share Options	Ordinary Shares	Share Options
Directors:				
Peter Murray	**90,511**	**–**	60,422	–
Sean FitzPatrick	**3,564,108**	**631,729**	3,538,130	631,729
Fintan Drury	**15,000**	**–**	* –	–
Michael Jacob	**373,281**	**–**	357,639	–
Peter Killen	**1,105,649**	**481,729**	1,177,235	481,729
William McAteer	**671,635**	**756,729**	659,977	756,729
Tiarnan O Mahoney	**488,052**	**486,688**	155,929	961,688
John Rowan	**348,084**	**483,029**	424,698	483,029
Anton Stanzel	**1,231**	**–**	–	–
Ned Sullivan	**203,008**	**–**	*184	–
Patrick Wright	**190,222**	**–**	143,704	–
Secretary:				
Ronan Murphy	**32,763**	**206,729**	30,367	326,729

* or date of appointment if later

There have been no changes in the directors' and secretary's shareholdings between 30 September 2002 and 26 November 2002. The directors and secretary and their spouses and minor children have no other interests in the shares of the company or its group undertakings as at 30 September 2002.

45. REPORT ON DIRECTORS' REMUNERATION AND INTERESTS (Continued)

Share Options Granted to Directors

Options to subscribe for ordinary shares in the company granted to and exercised by directors during the year to 30 September 2002 are included in the following table:

	Options at 1 October 2001	Options Granted Since 1 October 2001		Options Exercised Since 1 October 2001		Market Price at Exercise Date	Options at 30 September 2002				Weighted Average
	Number	Number	Price €	Number	Price €	Price €	Number	Date from which	Expiry Date Exercisable	Exercise Price €	Exercise Price €
Sean FitzPatrick	312,500						312,500	Sept 03	Sept 10	2.36	
	312,500						312,500	Sept 05	Sept 10	2.36	
	6,729						6,729	*Sept 03	Mar 04	1.79	
	631,729						631,729				2.35
Peter Killen	237,500						237,500	Sept 03	Sept 10	2.36	
	237,500						237,500	Sept 05	Sept 10	2.36	
	6,729						6,729	*Sept 03	Mar 04	1.79	
	481,729						481,729				2.35
William McAteer	275,000						275,000	May 00	May 04	1.09	
	237,500						237,500	Sept 03	Sept 10	2.36	
	237,500						237,500	Sept 05	Sept 10	2.36	
	6,729						6,729	*Sept 03	Mar 04	1.79	
	756,729						756,729				1.89
Tiarnan O Mahoney	200,000			200,000	0.81	4.48	–	Jan 99	Jan 03	0.81	
	275,000			275,000	1.09	4.48	–	May 00	May 04	1.09	
	237,500						237,500	Sept 03	Sept 10	2.36	
	237,500						237,500	Sept 05	Sept 10	2.36	
	11,688						11,688	*Sept 05	Mar 06	1.79	
	961,688			475,000			486,688				2.35
John Rowan	237,500						237,500	Sept 03	Sept 10	2.36	
	237,500						237,500	Sept 05	Sept 10	2.36	
	8,029						8,029	*Sept 06	Mar 07	3.34	
	483,029						483,029				2.38

* Issued under the terms of the Anglo Irish Bank SAYE Scheme

The closing market price of the company's ordinary shares at 30 September 2002 was €6.05 (2001: €3.26) and the range during the year to 30 September 2002 was €2.75 to €7.05.

46. APPROVAL OF FINANCIAL STATEMENTS

The group financial statements were approved by the board of directors on 26 November 2002.