



Anglo Irish Bank Interim Management Statement¹ and Chairman's Address to the Annual General Meeting, 1 February 2008

Dublin, Ireland, February 01, 2008 --(PR.com)-- 2007 has been another year of outstanding achievement for your Bank with record earnings, strong lending growth, excellent asset quality and continued development of our franchises in Ireland, the UK and North America.

This excellent performance is grounded in the Group's disciplined and focused business model, prudent risk appetite and very limited exposure to areas affected by current credit market issues.

Key highlights of the Bank's performance include:

Positive earnings momentum

- Record underlying profit before tax of €1,221 million, an increase of 44%
- 41% growth in underlying earnings per share to 131.7 cent
- Improved cost to income ratio of 22.3%
- Specific impairment charge unchanged on 2006 at 9 basis points
- Strong return on equity of 30%
- Proposed final dividend of 13.01 cent per share bringing total dividend for the year to 19.49 cent, an increase of 20% on 2006

Significant balance sheet strength

- Record growth in funding of €25.5 billion² with customer deposits up by €16.7 billion² or 46%
- Growth in customer lending of €18.0 billion², an increase of 37%
- Continued robust asset quality with impaired loans representing only 0.50% of closing loan balances
- Strongest capital position in the Bank's history - core equity grew by €1.4 billion to in excess of €4 billion. Tier 1 and Total Capital ratios now stand at 8.6% and 12.0% respectively

Business Lending

The Bank has again delivered strong high quality growth in business lending across its three chosen markets - Ireland, the UK and North America. Net loan growth of €18.0 billion², an increase of 37%, brings total customer lending balances at the year end to €67.1 billion.

Total average lending margin increased by 6 basis points to 2.42% during the year to 30 September 2007, in part reflecting upward movement following the market-wide re-pricing of credit risk.

Asset quality - underpinning the Bank's success

Asset quality remains excellent. The Bank operates a very strict underwriting model. We only lend to experienced business people and professional investors on a senior secured basis. The Bank does not engage in speculative development lending. Strong underlying client cash flows, normally based on long-term contractual rental incomes derived from diverse sectors of the service economy underpin all



transactions.

The Bank's low loss outcome in the event of a default is further strengthened by personal guarantees and by the fact that close to 100% of the loan book is secured by a first legal charge on tangible assets, typically on a cross-collateralised basis.

Loans must be individually approved at central credit committee in Dublin, chaired independently by Group Risk Management. This approach ensures adherence to our stringent underwriting criteria and consistent decision making and client service.

We are confident that our focused underwriting model will sustain the ongoing high quality of our asset base. Nevertheless, we remain as vigilant as ever.

Funding and liquidity - a platform of financial strength

The Bank's total funding and capital stood at €93.2 billion at year end, reflecting record growth of €25.5 billion².

Customer deposits

The Bank's customer deposit franchise, which dates back over three decades, delivered an outstanding performance in 2007, growing by 46% or €16.7 billion². This growth almost fully funded the increase in customer lending during the year with a strong contribution from both retail and non-retail sources. Total customer balances at year end totalled €52.7 billion and accounted for 63% of the Bank's senior funding, consistent with the levels of the past five years.

Market funding

2007 has also been a very successful year on the debt securities side of our funding strategy, with issuance increasing by 60%² to €23.6 billion. This significant activity, aligned with the Bank's consistent strategy of raising market funding well in advance of requirements, has aided the Bank to insulate itself from the effects of the current turbulence in credit markets.

Throughout our considerable growth over the past three decades, we have always been keenly aware of the importance of maintaining a robust liquidity profile. From a regulatory liquidity perspective, the Group operates within the revised and strengthened regime introduced by the Irish Financial Regulator in 2007. Considered one of the most prudent and stringent regimes in Europe, it requires liquidity to cover commitments allowing for no new funding from any source out to thirty days. The Bank always maintains a significant buffer over these requirements and continues to do so during the current market volatility.

Dividend growth

Your Board proposes a final ordinary dividend for 2007 of 13.01 cent per share, bringing the total dividends for the year to 19.49 cent, an increase of 20%. This final ordinary dividend will be paid, subject



to your approval, on 14 February 2008. Dividend cover remains exceptionally strong at 6.8 times.

Total shareholders' equity has grown to in excess of €4 billion from just €1 billion in 2003. The annuity and low volatility nature of the Group's income stream and its highly efficient operating structure will sustain significant incremental capital generation year on year. Accordingly, the Bank is well placed to maintain its progressive dividend policy in 2008 and future years.

Board of Directors

Tom Browne retired from the Board in November 2007. Tom joined the Bank in 1990 and held various senior roles, most recently as Managing Director of Lending Ireland. I thank Tom for his immense contribution to the Bank and wish him every success for the future.

We were all deeply saddened by the untimely death of Paddy Wright in December 2007. Paddy was a leading figure in Irish business throughout his distinguished career and served for seven years on your Board as a Non-executive Director until his retirement at last year's Annual General Meeting. He will be greatly missed by all those who had the pleasure of knowing him.

Current trading

Notwithstanding the current dislocation in wider financial markets the first four months of business have been strong.

Lending markets are returning to a more traditional relationship focused approach, suiting balance sheet lenders like ourselves. The excessive liquidity levels seen in recent years have moderated and credit is re-pricing upwards. Our professional client base envisages potential opportunities arising from these developments.

Lending asset quality, which for Anglo is premised on the quality of the borrower and the strength of their underlying cash flows, continues to be excellent. This is a critical safeguard against issues arising from reliance solely on 'loan to value' metrics.

The Bank continues to benefit from very strong funding and liquidity, evidence of the diversity and depth of its funding base, which enables strong access even during periods of turbulence in certain areas of the market. Our liquid asset position is as strong as at 30 September 2007 and we continue to be a significant net lender to the interbank market. As expected, funding costs have increased but Group net interest margins remain stable.

The Bank has limited exposure to assets impacted by the current credit markets uncertainty. Conditions in the affected markets have weakened further in recent months. Naturally, we remain cautious in our outlook given the risk of further deterioration in the global environment.

The strength of the Bank's balance sheet and funding franchise together with the profitability of its



business model was recognised with the reaffirmation of our credit ratings by the two agencies that have published research in recent weeks.

In December we announced, subject to regulatory approval, the sale of our Swiss private banking operations to St. Galler Kantonalbank, a leading local bank. The disposal is consistent with the Bank's clear strategy of focusing on its core lending and complementary treasury and wealth management businesses.

Outlook - maintaining earnings guidance

We are living in a period characterised by significant global economic uncertainty. The more prudent reappraisal of risk will ultimately benefit the long term well-being of most economies. I also believe that those who have managed their businesses tightly and have carefully underwritten risk will differentiate themselves over time.

The fundamentals of the Irish economy remain sound and provide a base for relative economic strength in the future, albeit at lower growth levels. The risks prevalent in certain sectors of the UK, European and US economies also clearly point to moderating economic growth with the likelihood of recession counterbalanced by monetary and fiscal actions.

Given our modest market share in the UK and US and the increasing value attributed to a more traditional, long-term relationship based model we see opportunity to enhance and deepen our franchises further in the coming years. But as always, your Bank will never sacrifice asset quality for growth or market share gains.

The level of performance during the first four months of the year, with profits increasing appreciably in the Bank's core business and continued growth in both customer lending and funding, allows us to re-affirm 2008 guidance in line with current market consensus of 15% growth in earnings per share. Furthermore, your Board looks forward to continued above market performance over the medium and long term.

Sean FitzPatrick
Chairman

[Anglo Irish Bank](#)

1 February 2008

1 For the four months ended 31 January 2008

2 On a constant currency basis

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