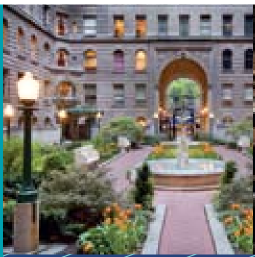


ANGLO IRISH BANK

Annual Report & Accounts / 2007

Business Lending / Treasury / Wealth Management

There is a Difference

Front cover
Main photo: The Ritz-Carlton Powerscourt, Ireland.
Top photos [L to R]: The Apthorp, New York;
RTÉ National Symphony Orchestra;
Irish International Women's Rugby team.
Back cover
Photos [L to R]: 45 Milk Street, Boston;
Thistle Hotel Haydock, Merseyside;
Junior Achievement Ireland students.

// Another year of **strong growth** and **investment** across the Bank //

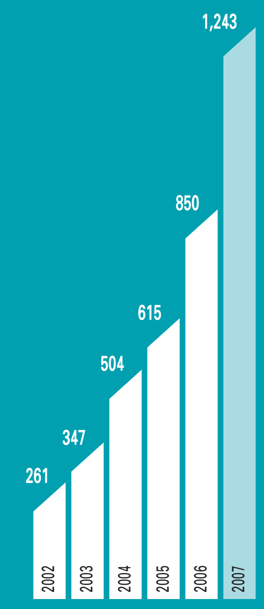
Contents

[1] On a constant currency basis

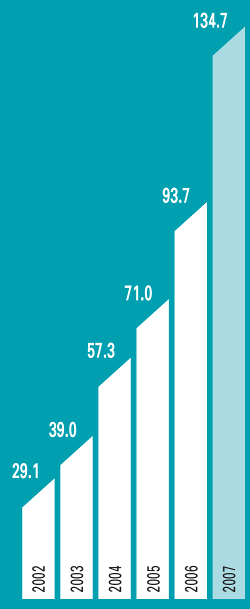
Financial highlights

	2007	2006
Profit before taxation (€m)	1,243	850
Earnings per share (cent)	134.7	93.7
Dividends per share[1] (cent)	19.49	16.24
Cost to income ratio	22.3%	26.5%
Customer lending[2] (€m)	67,076	50,227
Total assets (€m)	96,652	73,290
Total funding (€m)	83,875	62,193
Shareholders' funds (€m)	4,052	2,689

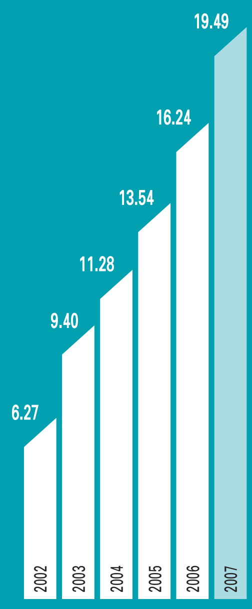
// Delivering excellent performance across all divisions with growth in earnings per share of 44% //



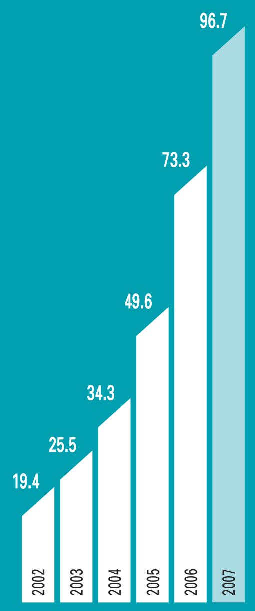
Profit before taxation (€m)



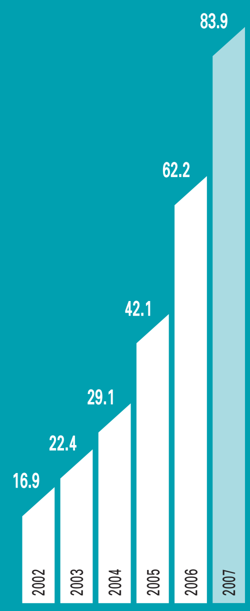
Earnings per share (cent)



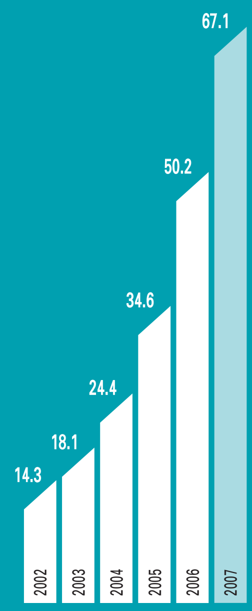
Dividends per share[1] (cent)



Total assets (€bn)



Total funding (€bn)



Customer lending[2] (€bn)

[1] Includes proposed final dividend

[2] Includes funding provided to customers of Anglo Irish Assurance Company under investment contracts and also securitised loans

The basis of numbers in the financial highlights are as follows:
2006 to 2007 - IFRS
2005 - Pro-forma IFRS
2002 to 2004 - Irish GAAP

Group profile

Anglo Irish Bank is a relationship based business bank operating in three core areas – Business Lending, Treasury and Wealth Management. Not a universal bank, we focus on providing bespoke differentiated products where we can deliver superior service to our customers.

The Bank operates a centralised business model which facilitates quick decision making, consistent risk management and effective delivery for our customers. This model, together with our focused strategy over the last two decades, has enabled the Bank to achieve consistent above market returns, with compound annual growth rates in excess of 35% on both pre-tax profits and total assets over the past twenty years.

This organically driven growth has seen the Bank's 2007 pre-tax profits exceed €1.2 billion and total assets reach almost €100 billion.

A key element in the Bank's development to date is the skill, professionalism and commitment of our people. Now numbering almost 1,900 they remain central to the Bank's continued success.

USA	Ireland	Isle of Man	UK	Jersey	Portugal	Switzerland	Austria
Boston Chicago New York	Dublin Cork Galway Limerick Sligo Waterford	Douglas	London Banbury Belfast Birmingham Glasgow Leeds Manchester	St Helier	Lisbon	Geneva	Vienna

Business Lending

Secured term lending is the Bank's core offering and the main driver of revenues and profitability.

Business Lending operates through a network of 16 offices in three main markets – Ireland, the United Kingdom and the United States. We apply the same relationship based model to our business lending activities in all geographic locations.

This model focuses on lending to experienced business professionals on transactions that are supported by secure cash flows and strong collateral. Lending transactions are approved at the Group's centralised credit committees in accordance with the Bank's prudent credit policy. The regular participation of all lenders at credit committees uniquely empowers them in their dealings with customers, whilst ensuring consistent, high quality underwriting.

Through this disciplined approach the Bank has established strong indigenous franchises across each of its core geographies. The size of each market continues to offer the Bank a significant opportunity to build and expand on these existing positions.

Treasury

The primary role of our Treasury Division is to ensure that the Bank manages its funding and liquidity requirements effectively. It is also responsible for managing the Bank's interest rate and foreign exchange exposures, as well as generating additional income through corporate treasury activities. Funding, liquidity and all aspects of risk management for the Group are managed centrally.

Historically, customer funding has been the primary source of funding for the Bank. Customer deposits are raised through well established franchises in Ireland, the UK, the Isle of Man, Austria and more recently in Jersey. The Bank provides an award winning range of savings and deposit products which pay consistent competitive interest rates to almost 200,000 customers. Customer retention rates in excess of 98% reflect the exceptional service provided to our deposit customers.

The Bank has developed a strong franchise and expertise in international capital markets. The duration, mix and geographic distribution of our funding and capital base is enhanced by using a broad range of market funding initiatives. The Bank now has established relationships with more than 350 banks worldwide.

Our Treasury Division also acts as a specialist provider of innovative foreign exchange and interest rate risk management solutions for corporate customers. These services are provided by teams based in Ireland, the UK, Austria and through our representative office in Boston.

Wealth Management

The Bank's Wealth Management Division operates as a niche provider of private banking services to high net worth clients. Many of these clients are also customers of our Business Lending divisions.

In addition to traditional private banking services the Division specialises in the development of unique tailored investment solutions for clients, with an emphasis on creating and preserving wealth.

The private bank in Ireland is a long established successful franchise and, in 2006, we launched our UK private banking business. Now operating from new offices in Mayfair, we offer a similar suite of bespoke services to our UK Business Lending customers.

Private banking services are also provided from offices in Austria, Switzerland and Portugal. Anglo Irish Assurance Company, a subsidiary of the Bank, provides a range of tax efficient investment and retirement solutions as part of an integrated service for our Wealth Management clients.

// In 2007 Anglo Irish Bank delivered its 22nd consecutive year of uninterrupted earnings growth, with underlying profits increasing by 44% to €1,221 million //

Sean FitzPatrick Chairman

Chairman's statement

In 2007 Anglo Irish Bank delivered its 22nd consecutive year of uninterrupted earnings growth, with underlying profits increasing by 44% to €1,221 million.

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. These results reflect controlled organic growth with all divisions contributing strongly. Key highlights of the Bank's performance include:

Positive earnings momentum

- Record underlying profit before tax of €1,221 million, a rise of 44%
- 46% increase in profit before tax to €1,243 million, including a €22 million profit on the disposal of our Isle of Man trust activities
- 41% increase in underlying earnings per share to 131.7 cent
- Cost to income ratio of 22.3%, an improvement of 4.2 percentage points
- Specific impairment charge unchanged on 2006 at 9 basis points
- Continued strong return on equity of 30%
- Total dividend of 19.49 cent, an increase of 20%

Significant balance sheet strength

- Growth in lending of €18.0 billion[1], an increase of 37%
- Continued robust asset quality with impaired loans representing only 0.50% of closing loan balances
- Record growth in funding of €25.5 billion[1] with customer deposits alone up by €16.7 billion[1] or 46%
- 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

David Drumm will provide further details of the performance and key drivers in his Group Chief Executive's review.

I pay tribute to all our people whose talent and commitment are central to the quality of the Bank's success and ongoing development.

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%. 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.

We propose to pay the final dividend on 14 February 2008 to all ordinary shareholders on the Bank's register as at the close of business on 7 December 2007. Withholding tax may apply on the dividend depending on the tax status of the individual shareholder. As in previous years, shareholders will be offered the option of receiving dividends in the form of either cash or shares.

Board of Directors

Further to our recent announcement, Tom Browne will shortly retire from the Board. 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.

In the first half of 2007 Paddy Wright retired from the Board and Noël Harwerth joined us as a Non-executive Director. I reiterate my thanks to Paddy and again welcome Noël.

[1] On a constant currency basis

Chairman's statement continued

Corporate Responsibility

We consistently pursue the highest standards of conduct in managing the business in the interests of all stakeholders as we believe that this is critical to our continuing success. Details of our activities and achievements in this regard are featured later in the Annual Report.

Outlook – maintaining earnings guidance

We expect growth in the economies in which we operate to moderate during 2008, reflecting recent uncertainty in the wider capital markets. This is likely to be counterbalanced in part by a more benign outlook for base interest rates. Overall fundamentals support continued economic growth in Ireland and the UK. We are strongly positioned across all markets with experienced, well capitalised borrowers with robust cash flows – factors which are particularly relevant in our North American business given a slower US economy. Whilst it is difficult to assess when the dislocation in capital markets will settle, we expect that the forthcoming releases of full year audited bank results will be an important step in this direction.

Our adherence to a strategy of controlled organic growth will enable the Bank to take good advantage of potential opportunities to increase market share, particularly in the UK and the US, and to meet successfully any challenges arising in the future. We are confident that our stringent risk management standards will maintain the high quality of our asset base. Our proven lending model, a diverse funding franchise, excellent liquidity and a robust capital base combined with a uniquely efficient operating structure will underpin continuing strong earnings performance.

Your Board anticipates underlying earnings per share growth in excess of 15% in 2008 and looks forward with confidence to the sustained delivery of above market returns in subsequent years.

Sean FitzPatrick
Chairman
27 November 2007

// Your Board anticipates underlying earnings per share growth in excess of 15% in 2008 and looks forward with confidence to the sustained delivery of above market returns in subsequent years //

Thistle Hotels

01 Working closely with one of our experienced customers, the Bank arranged and structured the debt facility for the purchase and refurbishment of 28 hotels operated by Thistle Hotels. As part of the facility, our Treasury Division provided an interest rate risk management solution for the long-term element of the debt. The hotels are located in major cities throughout the UK.

// We continue to invest in the development of our franchise in both London and the UK regional markets //

Royal Opera House Retail Portfolio

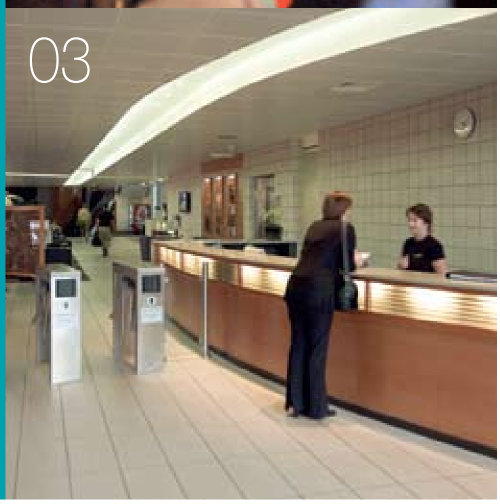
02 In 2004 the Bank's Wealth Management Division acquired a 50% share of the retail development around The Royal Opera House, London, on behalf of clients of our Private Bank. Situated in the heart of Covent Garden, the acquisition of this high profile retail investment allowed clients to take advantage of the redevelopment of the centre. The Bank completed the sale of its share in the portfolio in 2007, generating a return in excess of 200% for our clients over a three year period.

Next Generation Clubs

03 The Bank provided a debt facility for a key UK client to refinance the purchase of Next Generation Clubs. In addition, the Bank provided funding to assist in the acquisition of three further clubs, and our Treasury Division provided an interest rate risk management solution on all transactions. Next Generation Clubs is a leading operator of premium family friendly racquet, health and fitness clubs in the United Kingdom.

02

03



// The Bank continues to effectively execute its traditional client centric and asset quality focused strategy //

David Drumm Group Chief Executive

Group Chief Executive's review

2007 has been another year of outstanding achievement for Anglo Irish Bank with record earnings, strong lending growth, excellent asset quality and continued development of our franchises in Ireland, the UK and North America.

The enduring strength of the Bank's business model is evidenced by a 44% increase in underlying profits to €1,221 million, marking 22 years of uninterrupted profit growth. The Bank continues to effectively execute its traditional client centric and asset quality focused strategy.

The Bank has a resilient funding platform, excellent liquidity and a strong capital base. Customer deposits consistently represent some two thirds of total funding. Prudent liquidity management and our approach of raising market funding ahead of requirements has served the Bank very well during the recent dislocation in capital markets.

Business Lending – well managed high quality growth

The Bank has again delivered strong growth in business lending across its three chosen markets - Ireland, the UK and North America. Net loan growth of €18.0 billion[1], an increase of 37%, brings total customer lending balances to €67.1 billion (including lending associated with our assurance company).

Total average lending margin increased by 6 basis points to 2.42% during 2007, in part reflecting upward movement following the market-wide repricing of credit risk. This is continuing into the current year with margins on new business trending upwards.

Asset quality – underpinning the Bank's success

Asset quality remains excellent. The Bank's specific impairment charge, at 9 basis points of average customer advances, remains unchanged on 2006. The quality of the book is further evidenced by the low level of impaired loans of €335 million, representing an improvement on 2006 at just 0.50% of closing loan balances and significantly below that of peers. Total lending balance sheet provisions at year end amounted to €295 million, covering almost 90% of impaired loans before taking the Bank's collateral security into account.

The Bank operates a strict underwriting model. We lend to experienced business people and professional investors, providing senior term debt on a secured basis. Cash flows from proposed transactions or a client's existing asset portfolio must provide sufficient debt service coverage, typically a minimum of 1.25 times – the Bank does not engage in speculative development lending. The cornerstone of our consistent record on asset quality is strong underlying client cash flows, normally based on long-term contractual rental incomes derived from diverse sectors of the service economy. These sectors continue to perform strongly.

The Bank's low loss outcome in the event of a default is further underpinned 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. In addition, Group Risk Management undertakes a complete on-site review of all loans at least twice a year, stress testing the impact of increased interest rates and reduced cash flows. The most recent review, completed in mid-November, confirmed the excellent condition of the Bank's loan book and showed that we are not experiencing increased stress in any area.

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.

Lending - Ireland

At the end of September 2007 loans to Irish customers stood at €37.8 billion, up €9.3 billion[1] in the year. This performance, at the upper end of expectations, was achieved through selective asset growth in our traditional areas.

We saw some indications of a moderation in lending activity in the second half of the year and expect this to continue into 2008, broadly reflecting a return to more sustainable long-term growth rates in the Irish economy. Economic fundamentals remain firm - demographics, job creation, income growth and the government's fiscal position all remain positive while the interest rate outlook is now more supportive.

[1] On a constant currency basis

Group Chief Executive's review continued

These fundamentals support ongoing demand for housing, although below the exceptional levels seen in recent years. Buyer and seller expectations are realigning and prices are likely to settle with a measured reduction in supply. This will support a more stable house price environment, important to the long-term growth and competitiveness of the Irish economy.

The commercial sector remains sound, supported by strong occupier demand and restricted supply. Notwithstanding this, we expect to see a reduction from the very strong levels of recent activity.

We believe that the Irish market continues to offer us significant medium to longer term opportunity to build on our established positions, deepening and broadening the Bank's franchise.

Lending – UK

The Bank's UK lending business enjoyed another strong year in 2007, increasing loan balances by 30%[1] to €21.7 billion. This performance reflects high quality asset growth in both London and regional markets, where we continue to invest in developing the business.

After a sustained period of compression, commercial property yields have widened recently. Investment property fundamentals however remain sound, with low vacancy rates, a restricted supply pipeline and a potentially more benign interest rate environment. Larger loan transactions have slowed, reflecting the impact of the capital markets dislocation, in particular on conduit based lenders. We envisage some of the larger borrowers returning to more traditional relationship based banking as market conditions settle.

While the UK economy is expected to slow, it will remain in our view one of the better performing large economies in Europe and a key market for the Bank. We see considerable opportunity in the UK given the Bank's modest market share and its proven ability over two decades to build enduring customer relationships.

Lending – North America

2007 has been another outstanding year for our North American lending division with net loan growth of €3.7 billion[1]. The Bank is established in three key prime markets – Boston, New York and, most recently, Chicago. The performance of this business demonstrates the Bank's ability to transport its model and generate shareholder value. We have taken our team in North America to over 100 people during 2007, continuing our investment in the franchise.

Recent events in capital markets have undoubtedly resulted in increased uncertainty across the broader US economy. The impact of this has been less pronounced in the commercial property sectors of the stronger regional economies in which the Bank operates. These three markets are particularly resilient and robust, with rentals trending upwards and occupational demand remaining strong.

With experienced, well capitalised borrowers, the Bank has a strong base from which to exploit potential opportunities including, as in the UK, the return of some borrowers to more traditional relationship based banking. Looking to the medium to longer term, we see significant opportunity to increase our share of this very large market.

Treasury – delivering on key objectives

The performance of our Treasury Division in 2007 has been most impressive, with success in each of its key business objectives - providing a robust and diversified funding and capital platform for the Bank, maintaining prudent balance sheet liquidity and managing the Bank's interest rate and foreign currency risks together with supporting delivery to our Treasury client base.

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 billion[1].

Customer deposits

Our customer deposit business delivered an outstanding performance, growing by 46% or €16.7 billion[1]. This brings total balances to €52.7 billion. Customer balances today account for 63% of the Bank's senior funding, consistent with the levels of the past five years. This strong growth in customer deposits alone almost fully funded the increase in customer lending during the year.

The Bank's customer deposit franchise dates back over three decades in Ireland and two decades in the UK, with a successful expansion into the retail savings market in the 1990's and across mainland Europe in more recent years. Deposit growth during 2007 was well spread throughout all target markets. The continuing success of the Bank's customer funding activities, both retail and non-retail, is premised on outstanding customer service and consistent pricing. The single goal of our customer deposit business is to enhance and diversify the Bank's funding base – not seeking to generate profit. This is a critical advantage as others in the marketplace are typically unable to provide such a consistently competitive offering. Our efficient and unique cost to income structure underpins the long-term sustainability of this strategy.

Retail customer balances now stand at €19.4 billion, adding over 7,000 new customers per month through the Bank's phone and postal platform. Market-leading customer retention ratios, at close to 98%, reflect the strength of our franchise. The quality and consistency of our product offering was recognised by Moneyfacts, the UK consumer finance advocate. In 2006, and again in 2007, we were awarded 'Best Product' in our key categories. This business, which continues to grow apace, will form a key pillar of the Bank's diverse funding over the coming years.

In 2007 the Bank's non-retail customer deposit business grew strongly to €33.3 billion, an increase of 29%[1]. This strong, relationship focused business provides a deep vein of core funding across a diverse customer base, comprising small and medium sized corporates, charities, investment managers, local authorities, credit unions and other long-term holders of cash in Ireland, the UK, the Isle of Man, Jersey and across Europe. We continued to develop this business in 2007, adding significant numbers of new clients in all markets and ending the year with in excess of 10,000 customers. This deposit base is highly granular with an average balance of under €4.0 million. The Bank has recently expanded this business into the United States with deposit products to US corporations. This represents a key strategic step in providing a new, long-term funding growth platform to the Group with very significant potential now and in future 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%[1] 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.

Close to 60% of debt market funding has a maturity profile of greater than one year. Early in 2007, the Bank expanded its sources of long-term funding through the establishment of an innovative commercial mortgage covered bond programme, raising €1.3 billion by year end.

Throughout our considerable growth over the past three decades, we have always been keenly aware of the importance of maintaining a robust liquidity profile. The Bank maintains a strong customer deposit to loan ratio at 79%. Customer deposits plus term debt securities equate to 104% of total lending – including capital, this ratio increases to 118%. The Bank has maintained its excellent liquidity position since the turbulence in credit markets began in July. Access to funding has remained strong in the intervening period, with significant volumes raised through customer and market funding sources. Our liquidity position was further enhanced by the creation of €2 billion of covered bonds in November. The nature of the Bank's assets and the low usage of covered bond funding to date provide significant incremental secured funding and liquidity capacity for the future. The Bank maintains a very active debt investor relations programme, enabling regular contact and ensuring that investors have a thorough understanding of the Bank's model.

From a regulatory liquidity perspective, the Group operates within the revised and strengthened liquidity regime introduced by the Irish Financial Regulator this year. Considered one of the most stringent regimes in Europe, it requires liquidity to cover commitments allowing for no new funding from any source out to thirty days. The assumptions applied within the regime are prudent. The Bank always maintains a significant buffer over these requirements and continues to do so during the current market volatility.

[1] On a constant currency basis

Group Chief Executive's review continued

Our pool of high grade liquid assets, combined with short-term bank placings of less than two weeks duration, currently stands at a similar level to year end. The Bank has been, and continues to be, a significant net lender to the inter-bank market.

The success of the Bank's funding and liquidity management strategy means it has a balance sheet with the underlying strength and flexibility to take advantage of opportunities and to successfully meet the challenges of changing market conditions. This strength was recognised in March when Standard & Poor's initiated coverage of the Bank with an 'A' long-term / 'A-1' short-term rating. This strong rating is in addition to those of Moody's, Fitch and Dominion Bond Rating Service, our other rating agencies.

Other treasury assets

The Bank has very limited exposure to assets impacted by the current capital markets uncertainty. These include investments of €134 million (0.14% of total assets) in major bank sponsored Structured Investment Vehicles ('SIVs'). Although we are a buy-to-hold investor and none of these assets are in default, we have charged a prudent collective impairment provision of €67 million (50% of our holding) in arriving at the €1.243 billion in pre-tax profits for the year. This serves to protect the Bank from further possible deterioration in this asset class given market uncertainty. The Bank has no exposure to SIV-lites and does not sponsor any SIVs or conduit vehicles.

The Bank holds €80m (0.08% of total assets) of asset-backed securities with a synthetic exposure to underlying subprime assets. We have taken a mark-to-market adjustment of €21 million against these assets resulting in a carrying value of €59 million at year end. In addition, the Bank has €199 million (0.21% of total assets) of other highly rated asset-backed securities with some indirect subprime component. The fair value of these assets, all of which continue to perform, is €175 million. All of the above securities have been independently valued. Pricing provided by independent external experts is in line with FASB 157 Level 2 standards. These bonds are generally well seasoned, originated between 2003 and early 2006. We are a buy-to-hold investor of these assets, 90% of which are AAA / AA rated. The Bank does not have any direct exposure to subprime sectors.

The Bank is a buy-to-hold investor of treasury assets and does not engage in the trading of such securities. This is reflected in our minimal trading Value at Risk which, at a 99% confidence level, averages €0.3 million, stemming solely from the management of customer related positions.

Capital – a solid foundation for future growth

During the year we raised an additional €1.8 billion of capital in significantly oversubscribed offerings, providing a robust platform to support the medium to longer term opportunities that we see in all of our core markets.

Over the past two years the Board has adopted a strategy to significantly enhance the Bank's equity ratio. This was achieved through strong retentions and two equity placings, the most recent in February 2007 raising €542 million. In 2007 alone, the Bank's equity increased by 51%, bringing total shareholders' funds to €4.1 billion. Accordingly, the Bank's core equity ratio has increased from 4.2% to 5.2%, based on risk weighted assets at 30 September of €78.67 billion.

The capital base was further added to in June when the Bank raised €510 million of Tier 1 and €750 million of Tier 2 capital. Tier 1 and Total Capital ratios are strong at 8.6% and 12.0% respectively, well in excess of minimum regulatory requirements. The Bank, given its current excellent position and ongoing strong retentions, has sufficient equity for future growth. In addition, the Bank will not need to raise Tier 1 or Tier 2 debt capital before the first half of 2009.

The Capital Requirements Directive ('CRD'), which implements the provisions of the Basel II Capital Accord in the EU, will come into effect on 1 January 2008. We have invested significantly to ensure the implementation during 2008 of enhancements to our Group-wide credit grading models to meet the required standards of the Internal Ratings Based approach. In the interim period, we will calculate our capital requirements under the Standardised approach. We expect some regulatory capital benefit over time following implementation of the CRD.

Delivering for clients

In addition to its key objectives outlined earlier, Treasury provides a valuable source of revenue diversification, particularly in our Corporate Treasury Sales business. Our teams work closely with customers to develop innovative risk management solutions, individually tailored to manage their specific interest rate and foreign currency exposures. Importantly, this business is a natural complement to our lending business and gives the Bank enhanced visibility and certainty over client cash flows.

Wealth Management – another excellent year

Our Wealth Management Division had another excellent year, contributing €97 million to Group profit before tax, an increase of 84%. The Division continues its targeted strategy as a niche provider of financial products and solutions to high net worth clientele.

We launched our UK Private Banking business in 2006 and it has made considerable progress to date. We see significant opportunity in a business that complements our existing lending activities and core client base. Over time, we expect the business to replicate the success of our Irish Private Bank.

Our People

Our continuing success is testament to the commitment and performance of our people, and I take this opportunity to thank all my colleagues for their outstanding contribution this year. Our people are committed to our client-centric culture of delivery and this gives me confidence for the Group's performance in the years ahead.

We continue to invest for the future and remain dedicated to finding and recruiting the best available talent in each of our markets. We added 320 people during 2007, bringing headcount to 1,873, an increase of 21% allowing for the disposal of our Isle of Man trust activities. This investment has been achieved while improving our cost to income ratio from 26.5% to 22.3%. Looking forward, I see further opportunities to make strategic hires in an environment where people will place increasing value on a long-term, relationship based business.

I join our Chairman in recognising the immense contribution made by Tom Browne. Tom has been a key member of our senior management team for many years and played a large part in the success of the Bank over this time. I thank Tom again for his dedication and commitment to the Bank and wish him every success for the future.

Outlook – confidence for the future

We expect Ireland to remain one of the strongest European economies in 2008, despite a gradual moderation in growth rates. Our positioning in the UK and US, notwithstanding the uncertainty in capital markets, provides opportunities to expand our franchise and increase market share.

The relevance of our relationship driven lending model is underscored in today's market conditions. Our liquidity, funding and capital strength position us well to take advantage of the significant potential in each of our core markets. As always, the Bank's risk appetite remains conservative - we will never sacrifice asset quality for growth.

The Bank's €9.8 billion of lending work in progress at year end is well spread and of high quality, although it is natural to expect a slower conversion rate than previously. We anticipate that lending growth during 2008 will calibrate to the levels seen in 2005 – 2006 with net interest margins and cost to income levels broadly stable. We will always adopt a prudent approach to provisioning and expect specific charges for lending impairment to increase, although remaining low. Reflecting these factors, we expect continued significant equity capital generation.

We anticipate underlying earnings per share growth in excess of 15% in 2008 and are confident that our proven organic strategy will continue to deliver in the years beyond.

David Drumm
Group Chief Executive
27 November 2007


01


02

// We continue to grow our market share in Ireland reflecting our superior customer focused proposition //

The Ritz-Carlton Powerscourt

01 The Bank arranged and structured project finance and long-term facilities for one of Ireland's leading property companies to develop the Ritz-Carlton in County Wicklow. In addition, our Treasury Division provided an interest rate risk management solution. Set amidst the Powerscourt Estate, one of the most scenic and historic estates in Ireland, the Ritz-Carlton is a two hundred room resort showcasing Palladian style architecture and offering guests every amenity and luxury.

Fraser Hart Jewellers

02 In 2007, we provided financing to enable a client complete the purchase of 31 Fraser Hart jewellery stores across the UK. Our client is one of the largest and most successful indigenous jewellery chains in the Irish market. The Bank arranged suitable short and long-term facilities, signalling our commitment to support both the client's acquisition and future business plans. Our Treasury Division also assisted the client in mitigating interest rate risk on the loan. The acquisition offers our client a significant presence in the mid to upper tier of the UK jewellery market.


Sean FitzPatrick

David Drumm

Lar Bradshaw

Tom Browne

Fintan Drury

Noël Harwerth

Anne Heraty

Michael Jacob

William McAteer

Gary McGann

Declan Quilligan

Ned Sullivan

Pat Whelan

Board of Directors

- Executive Director
- An independent Non-executive Director
- A member of the Audit Committee
- A member of the Nomination and Succession Committee
- A member of the Remuneration Committee
- A member of the Risk and Compliance Committee

Sean FitzPatrick (59) was appointed Chairman in January 2005. A Chartered Accountant, he also serves as Chairman of Smurfit Kappa Group plc and is a Non-executive Director of Aer Lingus plc, Greencore Group plc, Gartmore Irish Growth Fund plc and Experian Group Limited.

David Drumm (41), a Chartered Accountant, joined the Bank in 1993 after a number of years in corporate finance. He was appointed Group Chief Executive in January 2005 having been Head of Lending Ireland and prior to that CEO of the North America Division.

Lar Bradshaw (47), who joined the Board in October 2004, is a former Director of McKinsey Inc. and former Managing Director of McKinsey Ireland. He was also Chairman of Dublin Docklands Development Authority from 1997 until 2007 and he is currently Chairman of Aras Slainte Healthcare Group. He holds an MBA degree from the International Institute for Management Development in Switzerland.

Tom Browne (45) joined the Board in January 2004. He holds MBS and BBS degrees and is a member of both the Institute of Bankers and the Marketing Institute of Ireland.

Fintan Drury (49), who joined the Board in May 2002, is Chairman of Paddy Power plc and Platinum One Limited, a pan European sports management and events company. He is a former news journalist with RTÉ and in 1988 founded Drury Communications, a corporate communications consultancy which he sold in 1999.

Noël Harwerth (59), who joined the Board in February 2007, is Deputy Chairman of Sumitomo Mitsui Banking Corporation Europe Limited, and a Director of Royal & Sun Alliance Insurance plc, The Corporate Services Group plc, LogicaCMG plc and The Tote. She is a Partnership Director of Tube Lines Limited, Metronet Rail BCV Limited and Metronet SSL Limited. She was previously the Chief Operating Officer of Citibank International Europe.

Anne Heraty (47), who joined the Board in April 2006, is Chief Executive of CPL Resources plc, a recruitment and outsourcing agency which she established in 1989. She is also a Director of Bord Na Móna plc, Forfás and the Irish Stock Exchange. She holds a Bachelor of Arts degree in Mathematics and Economics.

Michael Jacob (62) has been a Director since 1988 and is a Fellow of the Chartered Institute of Management Accountants. He is Chairman of Slaney Foods Limited and the Lett Group of Companies, Deputy Chairman of SIAC Construction Limited, a Director of REOX Holdings plc, Dolmen Securities and other companies.

William McAteer (57), a Chartered Accountant, is Chief Risk Officer and Finance Director of the Group. He was previously Managing Director of Yeoman International Leasing Limited, prior to which he was a Partner with Price Waterhouse.

Gary McGann (57), who joined the Board in January 2004, is Group CEO of the Smurfit Kappa Group plc. He is Chairman of the Dublin Airport Authority. He is also a Director of Aon McDonagh Boland Group and United Drug plc. He holds a BA degree from University College Dublin, a Masters degree in Management Science and is a Fellow of the Association of Chartered Certified Accountants.

Declan Quilligan (44) joined the Board in January 2006. He is Chief Executive of the Group's operations in the United Kingdom. He joined the Bank in 1990 and holds a Masters degree in Management from Trinity College Dublin.

Ned Sullivan (59), who joined the Board in November 2001, is Chairman of Greencore Group plc and of McInerney Holdings plc. He is the former Chairman of The President's Award-Gaisce, former Group Managing Director of Glanbia plc and previously held a number of senior management positions in Grand Metropolitan plc. He holds B.Comm and MBS degrees.

Pat Whelan (45) joined the Board in July 2006. He was appointed Managing Director for Ireland in September 2007, having previously been Director of Group Risk and Operations. He joined the Bank in 1989 and is a member of the Institute of Bankers.

45 Milk Street
Boston

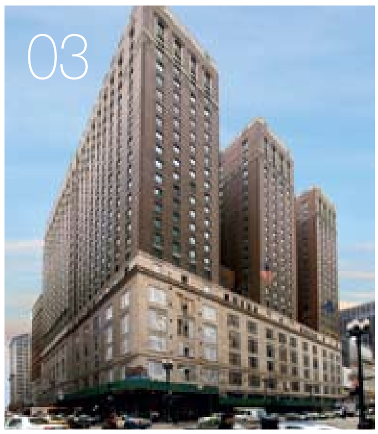
01 45 Milk Street is a landmark office building located in the heart of Boston's vibrant Financial District. The architecturally significant Beaux Arts style property is fully occupied by an excellent, diverse tenant base and is situated just steps from Boston's epicentre, Post Office Square. The Bank sourced, acquired and financed the property on behalf of one of its international private clients, providing a financing structure that will give the client the opportunity to realise long-term capital appreciation on this investment. In addition, our Treasury Division provided a comprehensive interest rate risk management solution on the transaction.

The Apthorp
New York

02 The Apthorp is an internationally renowned residential building located in Manhattan's distinguished Upper West Side. The Bank provided acquisition and redevelopment facilities to one of its existing clients to carry out building upgrades and renovations to this famous landmark property. The financing provided our client with the flexibility needed to support their long-term strategy for this property. Additionally, the Bank's Treasury Division provided a tailored interest rate hedging solution.

Palmer House Hilton Hotel
Chicago

03 The historic Palmer House Hilton Hotel is located in the thriving downtown Chicago Loop. Built in 1925, this prime hotel is minutes away from Millennium Park, Navy Pier and one block from the premium retail thoroughfare, 'The Magnificent Mile' on Michigan Avenue. The Bank structured a facility to provide an existing client with the flexibility needed to execute a reposition strategy on this landmark Chicago asset. Currently under renovation, this hotel will benefit from the client's significant capital investment programme.



01

Corporate Responsibility

Corporate Responsibility ('CR') plays an integral role in our approach to business at Anglo Irish Bank. We recognise our obligations and responsibilities, and from the highest levels of our organisation we are committed to fulfilling them. We understand the importance of building and maintaining sustainable relationships with all our stakeholders – shareholders, customers, staff, suppliers, government, regulatory bodies and the community and how these relationships are key to our continued success.

The way we conduct our business is guided and underpinned by a set of core values and principles which ensure the Bank operates in the best interests of all stakeholders.

We operate to the highest ethical and governance standards as we aspire to be a model corporate citizen. For this reason we invest heavily in the development and training of our staff, as well as maintaining the highest levels of integrity in our relationships with our stakeholders. At Anglo Irish Bank, we take a responsible approach to environmental issues and are proactive in seeking innovative ways in which to become more efficient. In addition, a fundamental aspect of our CR strategy is our commitment to supporting the development of the wider community, which includes sponsorship programmes for the arts and sporting events.

Our people

The success of Anglo Irish Bank is directly attributable to the dedication and commitment of almost 1,900 people working for the Bank. Employee well-being is therefore of paramount importance.

We aim to foster an environment where staff can develop both personally and professionally, and where resources are put in place so that they can realise their goals and ambitions. This year a new innovative Learning and Development programme was launched to further facilitate the progress of our staff. This initiative will ensure that our employees receive the appropriate training to help them reach their full potential within the Bank. We have a work environment of equal opportunity with wide scope for career progression and a meritocracy where outstanding performance is acknowledged and well rewarded.

At Anglo Irish Bank it has been our policy to reward the dedication and achievement of our people with tangible ownership of the business. Testament to this commitment is the success of our Save As You Earn ('SAYE') scheme, which has been in operation since 2000. The scheme allows staff to acquire shares in the Bank at a discounted rate. The initiative has been extended successfully across all of the Bank's geographical locations, with a very positive response from staff, with over 90% now being shareholders.

In April 2007 we launched an Employee Well-Being scheme. The scheme is operated in conjunction with an independent consultancy firm and offers a completely confidential support service to staff on any issues facing them in their personal lives. This scheme is characteristic of our commitment to the health and well-being of our people.

As well as supporting our staff during their careers at Anglo Irish Bank, we are committed to safeguarding their future later in life. It is for this reason that we continue to support an incentive based pension scheme, whereby staff are encouraged to make additional voluntary contributions (AVCs) to their pension. Under the scheme, the Bank will match, on a one-for-one basis, AVCs made by staff up to a pre-defined level. This initiative continues to receive very positive feedback, with the numbers making AVCs increasing significantly since the launch of the programme last year.

As an employer we invest significantly in employee relations. A survey which was conducted with our staff in May 2007 revealed that our employees had an overwhelmingly positive attitude to their role and to the Bank. Overall, the findings are very encouraging. We intend to make this survey an annual event. This will provide us with invaluable feedback allowing us to continually improve employee relations going forward.

Our marketplace

Anglo Irish Bank's sustained market leading performance has been built on a relationship based business model that has professionalism and consistent delivery to customers at its core.

We understand that customers are unique and all have different needs. Acknowledging this, we provide a bespoke service, tailored to individual requirements.

To ensure that we meet the highest standards of service, our customer support staff are organised into specialist teams to maximise the efficiency with which they deal with customer queries. Each team acts as a point of contact for a specified customer group to ensure that we respond effectively to their individual requirements. Furthermore, the Bank has a complaints process in place, whereby staff members formally log customer complaints which are then appropriately addressed. This is characteristic of our commitment to superior customer service and ensures that any complaints received are dealt with promptly and professionally.

As well as maintaining a strong relationship with our customers, the Bank is also committed to our relationships with our suppliers. We continuously seek to improve the way in which they are managed. An important element of this is ensuring that we pay our creditors promptly and efficiently. In this regard, electronic funds transfer is our primary method of payment.

Our community

Our approach to CR in the community is firmly rooted in the generosity and commitment of our staff, who give their time and effort to support a wide range of worthwhile causes. In fact, employees are often directly involved in the selection and funding of many of the initiatives supported by the Bank.

Anglo Irish Bank is a founding member of Business in the Community ('BITC'). Since 2000, BITC has worked with Irish companies who are seeking to make a positive impact on society. This is done through numerous initiatives which focus on community involvement. One such initiative in which the Bank has actively participated is the 'Ready to Work' scheme which offers people who have been affected by homelessness the opportunity to re-enter the workforce. 'Ready to Work' offers training and support as well as placements in participating companies to those who seek help. In addition, the Bank has teamed up with BITC in Ireland and the UK to develop various educational initiatives in our community.

Ireland v England

01 The Irish International Women's Rugby team playing against England in the Six Nations in February 2007.

RTÉ National Symphony Orchestra

02 The RTÉ National Symphony Orchestra performance of Mahler's 'Symphony of a Thousand' at the National Basketball Arena in May 2007, sponsored by Anglo Irish Bank.

Junior Achievement Ireland

03 Junior Achievement Ireland students from 4th Class Scoil Chaitríona, Renmore, Galway, following their 'School to Work Day' in Anglo Irish Bank, Galway.

Land Aid - UK

04 The 2007 Anglo Irish Bank Regatta was held in support of Land Aid, a UK charity which helps fund the activities of specialist agencies working with the homeless.

Abbey Theatre

05 (left to right) David Drumm, Group Chief Executive, Fiach MacConghail, Director at the Abbey and Stuart Carolan, winner of the 2007 Anglo Irish Bank 'Writer in Association' bursary at the Abbey Theatre, Dublin.

Cheltenham

06 'Ebaziyan', winner of the Anglo Irish Bank Supreme Novices Hurdle at the Cheltenham Festival on 13 March 2007.

St. Paul's Community College

07 Anglo Irish Bank volunteers and students from St. Paul's Community College, Waterford.

The Rotunda Hospital

08 2007 marks the Rotunda Hospital's 250th anniversary of providing continuous care on the Parnell Square site in Dublin. To celebrate this important 'birthday' of the oldest working maternity hospital in the world, Anglo Irish Bank was delighted to support the Hospital's Garden Party in September and Gala Dinner in December.

Corporate Responsibility continued

At Anglo Irish Bank we continue to support and develop our mentoring programmes for the secondary level students of Warrenmount School in the Liberties district of Dublin. We started this programme in 2000 and since then it has received widespread commitment from staff who, with the Bank's support, offer their time to help students realise their full potential. To date, over 100 members of staff have been involved with the Warrenmount initiative. The mentoring scheme enables the pupils to develop important personal and professional skills which will undoubtedly benefit their future lives and careers. We have also established school programmes with St. Vincent's in Cork and St. Paul's Community College, in Waterford. In London, members of our staff are involved in a mentoring process at schools in the borough of Tower Hamlets.

Our Irish regional offices have taken a proactive role in supporting education in their local area. Our staff in Cork, Galway and Waterford have teamed up with Junior Achievement Ireland to educate students about the various career opportunities available to them in the Irish jobs market. This initiative reinforces to students the link between education and attaining a foothold in the labour market. This year employees from these branches volunteered at thirteen national schools across the country.

Anglo Irish Bank is involved with Young Social Innovators ('YSI') – an initiative which aims to develop social awareness and activism amongst young people. The programme runs in schools throughout Ireland and empowers students to identify social issues which they could help to change. The Bank's relationship with YSI involves monetary support and facilitating staff in providing their business expertise.

We continue to make substantial donations each year to charities nominated by staff in all of our locations. In addition to our continued support of the Irish Cancer Society, a significant number of our Irish employees partake in a 'Give As You Earn' scheme in support of Children Direct, a partnership of five Irish children's charities: Temple Street Children's Hospital, the ISPCC, Enable Ireland, Focus Ireland and ACTIONAID Ireland. Under this initiative, which has been in place since 2004, monthly donations are made by staff and the Bank then matches these payments.

The arts play a pivotal role in our communities and our support of the arts is a very important aspect of our CR agenda. In the past year the Bank has continued its sponsorship of the Abbey Theatre's 'Writer in Association' programme. Furthermore, the Bank has maintained its long-standing relationship with the RTÉ National Symphony Orchestra and the National Concert Hall.

At Anglo Irish Bank, our support of sporting endeavours is both enduring and wide ranging. Our more high-profile sporting sponsorships continue to be the Cheltenham National Hunt Racing Festival and the Irish Women's Rugby team. However, the Bank also remains a very active contributor to sport at a more local, grass roots level where we provide support to numerous local sports clubs.

The Bank commenced a sports scholarship scheme with the National College of Ireland in 2006. This scheme targets talented young athletes and helps them maximise their potential. Under the scheme, the Bank provides the necessary financial support to ensure that these athletes are given every chance to realise their goals. The results from the scholarship scheme to date are very encouraging with recipients of this financial support reaching some of the highest levels in their respective fields.

Our environment

As a corporate citizen the Bank recognises its responsibility to the environment and aims to operate in a way which minimises its "carbon footprint" as much as possible. It is our policy to recycle all paper, glass and computer consumables where possible. The use of technology, such as email and electronic payments, across the Group has significantly reduced paper usage. Specifically, the Bank now provides the facility to receive this Annual Report electronically. Furthermore, the Bank disposes of all electrical and electronic equipment in a safe and environmentally responsible way as stipulated in the recent EU Waste Electrical and Electronic Equipment Directive.

Anglo Irish Bank is committed to taking significant steps towards becoming more energy efficient and making greater use of cleaner sources of energy where possible. As an example, we purchase all our electricity in Ireland from Airtricity, an innovative company who are committed to supplying renewable energy.

Our future

The many CR initiatives which Anglo Irish Bank continues to undertake enable the Bank to promote a positive ethos, not just among our staff but also among our many and varied stakeholders. We remain fully committed to our CR programme and are confident that it will continue to develop and produce further benefits for the Bank and our stakeholders in the years ahead.

// We operate to the highest ethical and governance standards as we aspire to be a model corporate citizen. For this reason we invest heavily in the development and training of our staff, as well as maintaining the highest levels of integrity in our relationships with our stakeholders //

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 30 September 2007.

Results
The Group profit attributable to equity holders of the parent amounted to €998 million as set out in the consolidated income statement on page 40.

Review of activities
The principal activity of the Group is the provision of banking services. The Chairman's statement and the Group Chief Executive's review on pages 7 to 17 report on developments during the year, on events since 30 September 2007 and on likely future developments. The financial statements for the year ended 30 September 2007 are set out in detail on pages 40 to 133.

Dividends
An interim dividend of 6.48 cent per ordinary share was paid on 17 July 2007. Subject to shareholders' approval, it is proposed to pay a final dividend on 14 February 2008 of 13.01 cent per ordinary share to all registered shareholders at the close of business on 7 December 2007. Dividend withholding tax ('DWT') may apply on the proposed final dividend depending on the tax status of each shareholder.

Shareholders will be offered the choice of taking new ordinary shares in lieu of the proposed final dividend, after deduction of DWT where applicable.

Capital resources
Details of changes in capital resources and treasury shares during the year are included in notes 40 to 44 of the financial statements.

Accounting policies
The principal accounting policies, together with the basis of preparation of the financial statements, are set out in note 1.

Directors and Secretary
The names of the current Directors appear on pages 20 and 21, together with a short biographical note on each Director.

Patrick Wright retired from the Board on 2 February 2007. Noël Harwerth was co-opted to the Board on the same date and, being eligible, offers herself for re-election. Tom Browne will shortly retire from the Board. William McAteer, Lar Bradshaw, Ned Sullivan and Michael Jacob will retire by rotation as Directors in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Bernard Daly retired as Secretary on 2 February 2007 and was replaced by Natasha Mercer. The interests of the Directors and Secretary who held office at 30 September 2007 in the share capital of the Bank are shown in the Remuneration Committee's report on behalf of the Board, set out in note 53 to the financial statements.

Substantial shareholdings
Details of interests in excess of 3% of the ordinary share capital which have been notified to the Bank are shown on page 136.

Group undertakings and foreign branches
Particulars of the principal subsidiary undertakings within the Group required to be declared under Section 16 of the Companies (Amendment) Act, 1986 are shown in note 28. The Bank has established branches, within the meaning of EU Council Directive 89/666/EEC, in Austria, Jersey, Portugal and the United Kingdom.

Corporate governance
The Directors' Corporate governance statement appears on pages 33 to 37.

Principal risks and uncertainties
Information concerning the principal risks and uncertainties facing the Bank and the Group is set out in note 47.

Books and accounting records
The Directors are responsible for ensuring that proper books and accounting records, as outlined in Section 202 of the Companies Act, 1990, are kept by the Bank. To ensure compliance with these requirements the Directors have appointed professionally qualified accounting personnel with appropriate expertise and have provided adequate resources to the Finance function. The books and accounting records of the Bank are maintained at the Bank's registered office at Stephen Court, 18/21 St. Stephen's Green, Dublin 2.

Auditors
The Auditors, Ernst & Young, have expressed their willingness to continue in office.

Directors:
David Drumm (Group Chief Executive),
William McAteer (Executive Director),
Pat Whelan (Executive Director).

Secretary:
Natasha Mercer.

27 November 2007

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' report on pages 38 and 39, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Auditors in relation to the financial statements.

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank and of the Group as at the end of the financial year and of the profit or loss of the Group for that year. With regard to the financial statements on pages 40 to 133, the Directors have determined that it is appropriate that they continue to be prepared on a going concern basis and consider that in their preparation:

- suitable accounting policies have been selected and applied consistently;
- judgements and estimates that are reasonable and prudent have been made; and
- the financial statements comply with applicable International Financial Reporting Standards.

The Directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Bank and which enable them to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and comply with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Bank and of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors:
David Drumm (Group Chief Executive),
William McAteer (Executive Director),
Pat Whelan (Executive Director).

Secretary:
Natasha Mercer.

Corporate governance statement

The Directors of the Bank are committed to maintaining the highest standards of corporate governance and, in particular, have regard to the principles set out in 'The Combined Code on Corporate Governance' published in July 2003 and revised in June 2006.

This Corporate Governance statement describes how the Bank applies the principles of the Combined Code and comments on its compliance with the Code's provisions. Except where stated, the Directors believe that the Group has complied fully with the provisions of the Combined Code throughout the financial year ended 30 September 2007.

Board of Directors
The Board of Directors is responsible for the leadership, direction and control of the Bank and the Group and is accountable to the shareholders for financial performance. It delegates the management and day-to-day running of the Bank to the Group Chief Executive and senior management. As at 30 September 2007, the Board consisted of thirteen members, eight of whom are Non-executive Directors. There were eight scheduled meetings of the Board during the financial year. Details of attendance by Directors at scheduled meetings of the Board and its Committees during the year ended 30 September 2007 are set out on page 37. The Board is provided with relevant papers in advance of meetings to enable it to carry out its duties. It receives regular management reports and information on corporate and business issues to enable reviews of performance against business targets and objectives.

The Board keeps a formal schedule of matters specifically reserved for its decision. These include agreement of strategic objectives, annual plans and performance targets, monitoring and control of operations, review of the performance of Board Committees and approval of specific senior appointments.

Ned Sullivan is the Senior Independent Non-executive Director. The Non-executive Directors are independent of management and have varied backgrounds, skills and experience. All Directors bring independent judgement to bear on issues of strategy, performance, resources, key appointments and standards of conduct.

The Bank has insurance for Directors and Officers which covers legal actions brought against them in the course of their duties.

A short biographical note on each Director is set out on page 21.

Roles of Chairman and Group Chief Executive
The distinct and separate roles of the Chairman and Group Chief Executive are set out in writing and have been approved by the Board. There is a clear division of responsibilities.

The Chairman promotes continuing high standards of corporate governance and ensures there is effective communication with shareholders. He is responsible for the leadership and effectiveness of the Board and the Non-executive Directors in particular.

The Group Chief Executive provides leadership through his management of the day-to-day operations of the Bank and his advice to the Board. He has the central role in maintaining and enhancing a culture of high performance and motivation in the Bank. Together with the Group Finance Director, the Group Chief Executive has responsibility for ongoing relationships with shareholders.

Independence of the Board
The Board is satisfied that each of the Non-executive Directors is independent. In reaching that conclusion, the Board took into account a number of factors that might appear to affect the independence of some of the Directors, including length of service on the Board and cross-directorships. In each case, the Board is completely satisfied that the independence of the relevant Directors is not compromised.

Appointments to the Board
Directors are appointed initially for three years and there is an expectation of a further such term assuming satisfactory performance. In individual cases, the appointment may be further extended subject to a rigorous review of performance. A robust and transparent procedure is in place for the appointment of new Directors.

Appointments to the Board are made based on merit and using objective criteria. The terms and conditions of appointment of Non-executive Directors are available for inspection at the registered office during normal business hours, and at the Annual General Meeting.

All Directors are provided with induction on appointment and update and refresh their skills and knowledge on an ongoing basis. This includes a particular focus on ensuring the Non-executive Directors are fully informed on issues of relevance to the Bank and its operations. The induction process includes an opportunity for new Non-executive Directors to meet major shareholders.

Furthermore, the Bank will facilitate major shareholders who wish to meet any new Non-executive Director.

The Directors can avail of the advice and services of the Group Company Secretary who ensures that Board procedures are followed and that there is compliance with applicable rules and regulations. The Directors and Committees of the Board can seek independent professional advice, if required, at the Bank's expense.

Performance evaluation
The Chairman conducts evaluations of the performance of the Board, individual Directors and Board Committees annually. In addition, the Board and its Committees undertake an annual evaluation of their performance and report their findings and any resulting recommendations to the Board. In order to enhance the evaluation process, the Board and its Committees have occasionally used external consultants.

An evaluation of the performance of the Chairman is conducted by the Senior Independent Non-executive Director, taking into account the views of the other Directors.

At least once a year, the Chairman meets with the Non-executive Directors without the Executive Directors and also has a private discussion with every Director on a wide range of issues affecting the Group, including any matters which the Directors, individually, wish to raise. Each Director discusses his or her own performance with the Chairman.

The Board discusses the results of its evaluations and uses the process to constructively improve the effectiveness of the Board.

Re-election
One third of the Directors are required to retire at every Annual General Meeting. Consequently, every Director must submit themselves for re-election at least once every three years. New Directors are proposed for re-election at the Annual General Meeting following their appointment.

Whilst not strictly in line with the Combined Code, Michael Jacob, who has served more than nine years as a Non-executive Director, was not proposed for re-election by the Board in 2007 as he had been put forward for re-election in both 2005 and 2006.

The names of Directors submitted for election or re-election are accompanied by biographical and other details in order to allow shareholders to make an informed decision.

Board Committees
There are four Board Committees and each has specific terms of reference, which are reviewed annually. The Committees' terms of reference, setting out roles and responsibilities, are available on request through the Group Company Secretary and on the Bank's website.

Remuneration Committee
Members: Ned Sullivan (Chairman), Sean FitzPatrick, Anne Heraty and Gary McGann.

The Committee is responsible for the formulation of the Group's policy on remuneration in relation to all Executive Directors and other senior executives. The Committee's report on behalf of the Board on Directors' remuneration and interests is set out in note 53 to the financial statements. All members of the Remuneration Committee are Non-executive Directors. The Chairman of the Bank is a member of the Remuneration Committee as permitted by the revised Combined Code on Corporate Governance, published in June 2006.

Audit Committee
Members: Gary McGann (Chairman), Michael Jacob and Noël Harwerth.

The Audit Committee receives reports on various aspects of control. It reviews the Group's financial statements, the scope of the audits and the plans, findings and recommendations of the Group internal and external Auditors.

The Audit Committee has unrestricted access to both the Group internal and external Auditors and meets privately with the external Auditors at least once each year. The independence and objectivity of the external Auditors is safeguarded by the Audit Committee's pre-approval of all non-audit services.

Risk and Compliance Committee
Members: Fintan Drury (Chairman), Lar Bradshaw and Ned Sullivan.

The Risk and Compliance Committee's role is to oversee risk management and compliance. It reviews, on behalf of the Board, the key risks and compliance issues inherent in the business and the system of internal control necessary to manage them, and presents its findings to the Board.

Nomination and Succession Committee
Members: Anne Heraty (Chairman), Lar Bradshaw, David Drumm, Fintan Drury and Sean FitzPatrick.

This Committee is responsible for recommending candidates to the Board for appointment as Directors and ensuring a suitable induction programme is in place for all new Directors. It regularly reviews the Board's structure, size, composition, balance and succession plans and encourages the establishment of formal management development programmes. External search consultants were used in the process leading to the appointment of Noël Harwerth as a Non-executive Director.

Internal control

The Directors acknowledge their overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's business objectives and provides reasonable but not absolute assurance against material financial misstatement or loss. Such losses could arise because of the nature of the Group's business in undertaking a wide range of financial services that inherently involve varying degrees of risk.

The Board confirms that, during the year under review and up to the date of approval of the annual report and financial statements, there was in place an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and that this process is regularly reviewed by the Board and accords with the Financial Reporting Council's revised guidance on Internal Control. The Group's system of internal control includes:

- An organisation structure with clearly defined authority limits and reporting mechanisms to higher levels of management and to the Board, which supports the maintenance of a strong control environment;

- A Group Risk Management function and a Group Compliance function with responsibility for ensuring that risks are identified, assessed and managed throughout the Group. The Group Credit Committee together with the Group Asset and Liability Committee provide support to the Audit Committee and the Risk and Compliance Committee in ensuring that efficient procedures are in place to manage risk;

- An annual budgeting and monthly financial reporting system for all Group business units which enables progress against plans to be monitored, trends to be evaluated and variances to be acted upon; and

- A comprehensive set of policies and guidelines relating to capital expenditure, computer security, business continuity planning, asset and liability management (including interest, currency and liquidity risk), operational risk management, credit risk management and compliance.

The Group Internal Audit function reports to the Group Chief Executive and the Audit Committee. It helps the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of the risk management, control and governance processes.

The system of internal control, which is embedded within the operations of the Group, is reviewed by Group Internal Audit. Emphasis is focused on areas of greatest risk as identified by risk analysis. In addition, the internal control systems are subject to regulatory supervision by the Financial Regulator and other overseas regulators.

The Audit Committee and the Risk and Compliance Committee review the effectiveness of the Group's internal controls annually. This involves reviewing the work and the reports of the Group Internal Audit, Risk Management and Compliance functions and establishing that appropriate action is being taken by management to address issues highlighted. The Audit Committee also meets with and receives reports from the external Auditors.

Following each meeting of the Audit Committee and the Risk and Compliance Committee, the Committee Chairmen report to the Board and minutes of such meetings are circulated to all members of the Board.

The Directors confirm that, with the assistance of reports from the Audit Committee and the Risk and Compliance Committee, they have reviewed, in accordance with the Combined Code, the effectiveness of the systems of internal control in existence in the Group for the year ended 30 September 2007 and for the period up to and including the date of approval of the financial statements. The review undertaken covers all aspects of control including financial, operational and compliance controls and risk management.

Going concern

The Directors confirm that they are satisfied that the Bank and the Group have adequate resources to continue to operate for the foreseeable future and are financially sound. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Relations with shareholders
The Group gives relations with shareholders a high priority. The Directors are kept informed on shareholder relations through regular reports to the Board by the Group Chief Executive and Group Finance Director and through feedback from shareholders, brokers and investment bankers. There is regular dialogue with individual institutional shareholders, financial analysts and brokers and presentations are given at the time of major announcements, which provide opportunities for Directors to hear the views of shareholders directly.

All shareholders are invited to attend the Annual General Meeting and to participate in proceedings. Notice is sent to shareholders at least twenty working days in advance of the meeting. At the Annual General Meeting, separate resolutions are proposed on each substantially separate issue. When an issue has been determined at the meeting on a show of hands, the Chairman indicates to the meeting the number and proportion of proxy votes for, against and abstaining from that resolution. The Chairmen of the Remuneration Committee, Audit Committee, Risk and Compliance Committee and Nomination and Succession Committee are available to answer relevant questions at the Annual General Meeting.

The Group uses its internet site (www.angloirishbank.com) to provide investors with the full text of each annual and interim report for the previous five years, and copies of presentations to analysts and investors.
Annual and interim results presentations are broadcast live via the internet to facilitate as many shareholders as possible receiving the information at the same time. In addition, shareholders can choose to receive reports and Annual General Meeting documents electronically rather than by post.

The website also provides detailed financial data, Bank information, information on credit ratings and all Stock Exchange and other press releases.

Attendance at scheduled meetings during the year ended 30 September 2007

Name	Board		Audit		Remuneration		Risk and Compliance		Nomination and Succession	
	A*	B*	A*	B*	A*	B*	A*	B*	A*	B*
Sean FitzPatrick, Chairman	8	8	-	-	2	2	-	-	3	3
David Drumm, Group Chief Executive	8	8	-	-	-	-	-	-	3	3
Lar Bradshaw	8	6	-	-	-	-	7	6	3	3
Tom Browne (1)	8	7	-	-	-	-	2	2	-	-
Fintan Drury	8	8	-	-	-	-	7	7	3	3
Noël Harwerth (2) (Appointed 2 February 2007)	6	6	2	2	-	-	-	-	-	-
Anne Heraty (3)	8	8	4	3	2	2	-	-	3	3
Michael Jacob (4)	8	8	2	2	1	1	3	3	-	-
William McAteer	8	8	-	-	-	-	-	-	-	-
Gary McGann (5)	8	8	6	5	1	1	-	-	-	-
Declan Quilligan (6)	8	8	-	-	-	-	2	1	-	-
Ned Sullivan (7)	8	8	4	4	2	2	3	3	-	-
Pat Whelan (8)	8	8	-	-	-	-	2	2	-	-
Patrick Wright (9) (Retired 2 February 2007)	3	3	2	2	-	-	-	-	-	-

* Column A indicates the number of scheduled meetings held during the period the Director was a member of the Board or Committee and was eligible to attend and Column B indicates the number of scheduled meetings attended.

(1) Tom Browne retired from the Risk and Compliance Committee on 31 January 2007.

(2) Noël Harwerth was appointed to the Audit Committee on 28 June 2007.

(3) Anne Heraty retired from the Audit Committee on 25 April 2007.

(4) Michael Jacob retired from the Risk and Compliance Committee on 24 April 2007 and from the Remuneration Committee on 29 June 2007. He was appointed to the Audit Committee on 28 June 2007.

(5) Gary McGann was appointed to the Remuneration Committee on 29 June 2007.

(6) Declan Quilligan retired from the Risk and Compliance Committee on 31 January 2007.

(7) Ned Sullivan retired from the Audit Committee on 25 April 2007. He was appointed to the Risk and Compliance Committee on 24 May 2007.

(8) Pat Whelan retired from the Risk and Compliance Committee on 31 January 2007.

(9) Patrick Wright retired from the Audit Committee on 2 February 2007.

Independent Auditors' report to the members of Anglo Irish Bank Corporation plc

We have audited the Group and parent Bank financial statements ('the financial statements') of Anglo Irish Bank Corporation plc for the year ended 30 September 2007 which comprise the Consolidated income statement, the Consolidated and the Bank balance sheets, the Consolidated and the Bank statements of recognised income and expense, the Consolidated and the Bank cash flow statements, and the related notes 1 to 58. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the parent Bank's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the parent Bank's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the parent Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors are responsible for the preparation of the financial statements in accordance with applicable Irish law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the Statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation. We also report to you our opinion as to: whether proper books of account have been kept by the parent Bank; whether proper returns adequate for our audit have been received from branches of the parent Bank not visited by us; whether, at the balance sheet date, there exists a financial situation which may require the convening of an Extraordinary General Meeting of the parent Bank; and whether the information given in the Report of the Directors is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the parent Bank balance sheet is in agreement with the books of account and returns.

We also report to you if, in our opinion, any information specified by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and other transactions is not disclosed and, where practicable, include such information in our report.

We review whether the Corporate governance statement reflects the parent Bank's compliance with the nine provisions of the 2003 Financial Reporting Council's Combined Code specified for our review by the Listing Rules of the Irish Stock Exchange and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's statement, the Group Chief Executive's review, the Report of the Directors and the Corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Bank's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of affairs of the Group as at 30 September 2007 and of its profit for the year then ended;

- the parent Bank's financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the Companies Acts, 1963 to 2006, of the state of affairs of the parent Bank as at 30 September 2007; and

- the financial statements have been properly prepared in accordance with the Companies Acts, 1963 to 2006 and Article 4 of the IAS Regulation.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the parent Bank and proper returns adequate for the purposes of our audit have been received from branches of the parent Bank not visited by us. The parent Bank balance sheet is in agreement with the books of account and returns.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

In our opinion, the parent Bank balance sheet does not disclose a financial situation, which under Section 40(1) of the Companies (Amendment) Act, 1983, would require the convening of an Extraordinary General Meeting of the Bank.

Ernst & Young
Registered Auditors
Dublin

27 November 2007

The following two notes have been added to the Auditors' report in compliance with the guidance issued by the Auditing Practices Board in bulletin 2001/1 'The electronic publication of auditors' reports'.
Notes:
1. The maintenance and integrity of the Anglo Irish Bank website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated income statement

For the year ended 30 September 2007

	Note	2007 €m	2006 €m
Interest and similar income	3	**5,371**	3,169
Interest expense and similar charges	4	**(3,805)**	(2,100)
Net interest income		**1,566**	1,069
Fee and commission income		**177**	147
Fee and commission expense		**(16)**	(14)
Dealing profits	5	**13**	27
Other operating income	6	**21**	11
Other income		**195**	171
Total operating income		**1,761**	1,240
Administrative expenses	7	**(368)**	(311)
Depreciation		**(11)**	(7)
Amortisation of intangible assets - software	29	**(14)**	(10)
Total operating expenses		**(393)**	(328)
Operating profit before provisions for impairment		**1,368**	912
Provisions for impairment:			
Loans and advances - specific		**(51)**	(36)
Loans and advances - collective		**(31)**	(30)
Other - collective		**(67)**	-
	11	**(149)**	(66)
Operating profit		**1,219**	846
Share of results of joint ventures	27	**2**	4
Profit on disposal of Isle of Man trust business	12	**22**	-
Profit before taxation		**1,243**	850
Taxation	13	**(235)**	(192)
Profit for the year		**1,008**	658
Attributable to:			
Equity holders of the parent	14	**998**	657
Minority interest	15	**10**	1
Profit for the year		**1,008**	658
Basic earnings per €0.16 ordinary share	17	**134.7c**	93.7c
Diluted earnings per €0.16 ordinary share	17	**133.2c**	92.3c

Directors: David Drumm (Group Chief Executive), William McAteer (Executive Director), Pat Whelan (Executive Director).
Secretary: Natasha Mercer.

Consolidated balance sheet

As at 30 September 2007

	Note	2007 €m	2006 €m
Assets			
Cash and balances with central banks	18	**848**	440
Financial assets at fair value through profit or loss			
- held on own account	19	**430**	456
- held in respect of liabilities to customers under investment contracts	19	**644**	309
Derivative financial instruments	20	**1,355**	2,459
Loans and advances to banks	21	**12,051**	12,424
Assets classified as held for sale	22	**288**	-
Available-for-sale financial assets	23	**12,530**	5,155
Loans and advances to customers	24	**65,949**	49,142
Interests in joint ventures	27	**88**	68
Intangible assets - software	29	**17**	24
Intangible assets - goodwill	29	**46**	66
Investment property			
- held on own account	30	**25**	36
- held in respect of liabilities to customers under investment contracts	31	**2,090**	1,956
Property, plant and equipment	32	**37**	37
Retirement benefit assets	9	**29**	16
Deferred taxation	33	**47**	34
Other assets	34	**143**	625
Prepayments and accrued income		**35**	43
Total assets		**96,652**	73,290
Liabilities			
Deposits from banks	35	**7,601**	10,275
Customer accounts	36	**52,686**	36,858
Debt securities in issue	37	**23,588**	15,060
Derivative financial instruments	20	**1,175**	2,490
Liabilities to customers under investment contracts	38	**1,779**	1,394
Current taxation		**63**	51
Other liabilities	39	**175**	32
Accruals and deferred income		**190**	183
Retirement benefit liabilities	9	**7**	7
Deferred taxation	33	**49**	43
Subordinated liabilities and other capital instruments	40	**5,274**	4,205
Total liabilities		**92,587**	70,598
Share capital	41	**122**	115
Share premium	43	**1,139**	594
Other reserves	43	**(92)**	9
Retained profits	43	**2,883**	1,971
Shareholders' funds		**4,052**	2,689
Minority interest	42	**13**	3
Total equity	43	**4,065**	2,692
Total equity and liabilities		**96,652**	73,290
Contingent liabilities			
Guarantees	45	**1,524**	2,175
Commitments			
Commitments to lend	45	**9,775**	8,734

Directors: David Drumm (Group Chief Executive), William McAteer (Executive Director), Pat Whelan (Executive Director).

Secretary: Natasha Mercer.

Bank balance sheet

As at 30 September 2007

	Note	2007 €m	2006 €m
Assets			
Cash and balances with central banks	18	**830**	430
Financial assets at fair value through profit or loss			
- held on own account	19	**386**	436
Derivative financial instruments	20	**1,414**	2,491
Loans and advances to banks	21	**9,949**	10,350
Assets classified as held for sale	22	**145**	-
Available-for-sale financial assets	23	**12,502**	5,141
Loans and advances to customers	24	**64,793**	48,718
Investments in Group undertakings	28	**950**	789
Intangible assets - software	29	**16**	22
Property, plant and equipment	32	**21**	21
Retirement benefit assets	9	**26**	13
Deferred taxation	33	**46**	34
Other assets	34	**1**	8
Prepayments and accrued income		**18**	15
Total assets		**91,097**	68,468
Liabilities			
Deposits from banks	35	**12,728**	13,336
Customer accounts	36	**46,700**	32,758
Debt securities in issue	37	**23,588**	15,060
Derivative financial instruments	20	**1,241**	2,508
Current taxation		**13**	14
Other liabilities	39	**55**	32
Accruals and deferred income		**171**	134
Deferred taxation	33	**2**	-
Subordinated liabilities and other capital instruments	40	**2,976**	2,297
Total liabilities		**87,474**	66,139
Share capital	41	**122**	115
Share premium	43	**1,139**	594
Other reserves	43	**(90)**	8
Retained profits	43	**2,452**	1,612
Total equity	43	**3,623**	2,329
Total equity and liabilities		**91,097**	68,468
Contingent liabilities			
Guarantees	45	**1,372**	2,109
Commitments			
Commitments to lend	45	**7,323**	6,936

Directors: David Drumm (Group Chief Executive), William McAteer (Executive Director), Pat Whelan (Executive Director).

Secretary: Natasha Mercer.

Statement of recognised income and expense

For the year ended 30 September 2007

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Profit for the year	**1,008**	658	**909**	602
Net actuarial gains in retirement benefit schemes, after tax	**12**	6	**12**	6
Net change in cash flow hedging reserve, after tax	**5**	(58)	**5**	(58)
Net change in available-for-sale reserve, after tax	**(107)**	(4)	**(107)**	(4)
Foreign exchange translation	**(8)**	2	**(5)**	1
Income and expense recognised directly in equity	**(98)**	(54)	**(95)**	(55)
Total recognised income and expense for the year	**910**	604	**814**	547
Attributable to:				
Equity holders of the parent	**900**	603	**814**	547
Minority interest	**10**	1	**-**	-
Total	**910**	604	**814**	547

Cash flow statement

For the year ended 30 September 2007

	Note	The Group 2007 €m	The Group 2006 €m	The Bank 2007 €m	The Bank 2006 €m
Cash flows from operating activities					
Profit before taxation		**1,243**	850	**1,098**	731
Interest earned on available-for-sale financial assets		**(465)**	(154)	**(425)**	(154)
Financing costs of subordinated liabilities and other capital instruments		**261**	174	**132**	93
Other non-cash items	46	**138**	142	**113**	105
		1,177	1,012	**918**	775
Changes in operating assets and liabilities					
Net increase in deposits		**21,682**	20,052	**21,862**	19,453
Net increase in loans and advances to customers		**(16,846)**	(15,422)	**(16,050)**	(14,923)
Net (increase)/decrease in loans and advances to banks		**(3)**	17	**(177)**	220
Net increase in assets held in respect of liabilities to customers under investment contracts		**(469)**	(772)	**-**	-
Net increase in investment contract liabilities		**385**	479	**-**	-
Net decrease/(increase) in financial assets at fair value through profit or loss held on own account		**26**	(439)	**50**	(432)
Net movement in derivative financial instruments		**(278)**	(22)	**(215)**	2
Net decrease/(increase) in other assets		**482**	(255)	**7**	(4)
Net increase in other liabilities		**143**	8	**23**	9
Exchange movements		**383**	72	**395**	52
Net cash flows from operating activities before taxation		**6,682**	4,730	**6,813**	5,152
Tax paid		**(217)**	(163)	**(188)**	(145)
Net cash flows from operating activities		**6,465**	4,567	**6,625**	5,007
Cash flows from investing activities (note a)		**(7,562)**	(111)	**(7,652)**	(244)
Cash flows from financing activities (note b)		**1,399**	1,459	**1,086**	968
Net increase in cash and cash equivalents		**302**	5,915	**59**	5,731
Opening cash and cash equivalents		**10,800**	4,926	**9,069**	3,356
Effect of exchange rate changes on cash and cash equivalents		**(270)**	(41)	**(235)**	(18)
Closing cash and cash equivalents	46	**10,832**	10,800	**8,893**	9,069

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
(a) Cash flows from investing activities				
Purchases of available-for-sale financial assets	**(14,743)**	(2,538)	**(14,728)**	(2,522)
Sales and redemptions of available-for-sale financial assets	**7,120**	2,340	**7,120**	2,325
Interest received on available-for-sale financial assets net of associated hedges	**332**	146	**292**	146
Purchases of assets classified as held for sale	**(288)**	-	**(145)**	-
Proceeds on disposal of Isle of Man trust business	**44**	-	**-**	-
Purchases of property, plant and equipment	**(12)**	(8)	**(10)**	(7)
Proceeds on disposals of property, plant and equipment	**1**	1	**1**	-
Additions to intangible assets - software	**(7)**	(12)	**(6)**	(12)
Investments in joint venture interests	**(42)**	(51)	**-**	-
Proceeds on disposals of joint venture interests	**13**	-	**-**	-
Distributions received from joint venture interests	**10**	11	**-**	-
Purchases of investment property held on own account	**(1)**	-	**-**	-
Proceeds on disposals of investment property held on own account	**11**	-	**-**	-
Investments in Group undertakings	**-**	-	**(176)**	(174)
Net cash used in investing activities	**(7,562)**	(111)	**(7,652)**	(244)
(b) Cash flows from financing activities				
Proceeds of equity share issues	**552**	431	**552**	431
Proceeds from issues of subordinated liabilities and other capital instruments	**1,259**	1,552	**748**	946
Redemptions of subordinated liabilities and other capital instruments	**(104)**	(260)	**(8)**	(260)
Coupons paid on subordinated liabilities and other capital instruments	**(205)**	(155)	**(120)**	(75)
Equity dividends paid	**(86)**	(74)	**(86)**	(74)
Purchases of own shares	**(17)**	(35)	**-**	-
Net cash flows from financing activities	**1,399**	1,459	**1,086**	968

Notes to the financial statements

1. Accounting policies

The principal accounting policies that the Group applied in preparing its financial statements for the year ended 30 September 2007 are set out below.

1.1 Basis of preparation

Both the consolidated and parent Bank's financial statements comply with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU') and applicable at 30 September 2007. The financial statements also comply with the requirements of relevant Irish legislation including the Companies Acts, 1963 to 2006 and the European Communities (Credit Institutions: Accounts) Regulations, 1992 as amended by the European Communities (International Financial Reporting Standards and Miscellaneous Amendments) Regulations, 2005.

In 2006 the Group early adopted the fair value option under IAS 39 and the Amendment to IAS 19 - 'Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures', both of which have been adopted by the EU.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities to the extent required or permitted under accounting standards as set out in the relevant accounting policies. They are presented in euro, rounded to the nearest million.

1.2 Basis of consolidation

The consolidated financial statements include the financial statements of Anglo Irish Bank Corporation plc ('the Bank') and all of its subsidiary undertakings (including special purpose entities) prepared to the end of the financial year. An entity is a subsidiary where the Group has the power, directly or indirectly, to control the financial and operating policies of the entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the Group controls the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group until the date that control ceases. The purchase method of accounting is used by the Group to account for the acquisition of subsidiary undertakings. Intercompany balances and any unrealised gains and losses, or income and expenses, arising on transactions between Group entities are eliminated on consolidation.

The accounting policies have been consistently applied by Group entities.

1.3 Interest income and expense recognition

Interest income and expense is recognised in the income statement for all interest-bearing financial instruments held on own account using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments and receipts throughout the expected life of the financial instrument, or when appropriate a shorter period, to the net carrying amount of the financial asset or financial liability.

The calculation includes all fees, transaction costs and other premiums and discounts that are an integral part of the effective interest rate on the transaction.

Once an impairment loss has been made on an individual asset interest income is recognised on the unimpaired portion of that asset using the rate of interest at which its estimated future cash flows were discounted in measuring impairment.

Borrowing costs are not capitalised.

1.4 Fee and commission income

Fees and commissions which are not an integral part of the effective interest rate are generally recognised on an accruals basis over the period in which the service has been provided.

Asset management, advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportioned basis. The same principle is applied to the recognition of income from wealth management, financial planning, trustee and custody services that are continuously provided over an extended period of time.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan once drawn. Commitment fees in relation to facilities where drawdown is not probable are recognised over the term of the commitment.

Fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the acquisition of property assets, are recognised upon completion of the underlying transaction. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained either no part of the loan for itself or retained a part of the loan at the same effective interest rate as the other participants.

1.5 Financial assets

Financial assets are classified into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

A financial asset may be designated at fair value through profit or loss in the following circumstances:

a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising gains and losses arising on them on different bases; or
b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
c) a financial instrument contains one or more embedded derivatives that significantly modify the cash flows arising from the instrument and would otherwise need to be accounted for separately.

Derivatives are classified as held for trading unless they are designated as hedges. Interest on financial assets at fair value through profit or loss held on own account is included in net interest income. Other gains and losses arising from changes in fair value are included directly in the income statement within dealing profits.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for-sale. They arise when the Group provides money to a customer with no intention of trading the receivable.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale financial assets.

1. Accounting policies continued

1.5 Financial assets continued

Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, asset prices or other factors.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are recognised on a trade date basis, being the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when funds are advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs, with the exception of financial assets carried at fair value through profit or loss whose transaction costs are taken directly to the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest rate method.

Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss held on own account are included within dealing profits in the income statement in the period in which they arise. Interest on assets within this category is reported in interest income. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised as a separate component of shareholders' equity until the financial assets are derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is transferred to the income statement.

Interest is calculated using the effective interest rate method and is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

The fair values of financial assets quoted in active markets are based on current bid prices. For unquoted financial assets or where the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other similar instruments, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Private equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured using valuation techniques are measured at cost.

The Bank accounts for investments in subsidiary undertakings at cost less provisions for impairment.

1.6 Financial liabilities

Financial liabilities other than those at fair value through profit or loss are initially recognised at fair value, being their issue proceeds net of transaction costs incurred. Transaction costs on liabilities at fair value are expensed to the income statement. All liabilities, other than those designated at fair value through profit or loss, are subsequently carried at amortised cost. For financial liabilities measured at amortised cost any difference between initial fair value and redemption value is recognised in the income statement using the effective interest rate method.

A liability upon initial recognition may be designated at fair value through profit or loss when:

a) it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
c) a financial instrument contains one or more embedded derivatives that significantly modify the cash flows arising from the instrument and would otherwise need to be accounted for separately.

The classification of instruments as a financial liability or an equity instrument is dependent upon the substance of the contractual arrangement. Instruments which carry a contractual obligation to deliver cash or another financial asset to another entity are classified as financial liabilities.

Preference shares and other subordinated capital instruments issued are classified as financial liabilities if coupon payments are not discretionary. Distributions on these instruments are recognised in the income statement as interest expense using the effective interest rate method.

1.7 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities and to other parties in connection with the performance of customers under obligations related to contracts, advance payments made by other parties, tenders, retentions and the payment of import duties and taxes.

Financial guarantees are initially recognised in the financial statements at fair value on the date that the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the income statement the fee income earned over the period, and the best estimate of the expenditure required to settle any financial obligation arising as a result of the guarantees at the balance sheet date.

Where the parent Bank enters into financial guarantee contracts to guarantee the indebtedness of other Group companies, the parent Bank considers these contracts to be insurance arrangements and accounts for them as such. The parent Bank treats these guarantee contracts as contingent liabilities until such time as it becomes probable that it will be required to make a payment under these guarantees.

1.8 Impairment of financial assets

It is Group policy to make provisions for impairment of financial assets to reflect the losses inherent in those assets at the balance sheet date.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or a portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and that loss event (or events) has had an impact such that the estimated present value of future cash flows is less than the current carrying value of the financial asset, or portfolio of financial assets, and can be reliably measured.

Objective evidence that a financial asset, or a portfolio of financial assets, is potentially impaired includes observable data that comes to the attention of the Group about the following loss events:

a) significant financial difficulty of the issuer or obligor;
b) a breach of contract, such as a default or delinquency in interest or principal payments;
c) the granting to the borrower of a concession, for economic or legal reasons relating to the borrower's financial difficulty, that the Group would not otherwise consider;
d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
e) the disappearance of an active market for that financial asset because of financial difficulties; or
f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified within the individual financial assets in the portfolio, including:
   - adverse changes in the payment status of borrowers in the portfolio; or
   - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes that asset in a group of financial assets with similar credit risk characteristics and includes these performing assets under the collective incurred but not reported ('IBNR') assessment. An IBNR impairment provision represents an interim step pending the identification of impairment losses on an individual asset in a group of financial assets. As soon as information is available that specifically identifies losses on individually impaired assets in a group, those assets are removed from the group. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included under the collective assessment of impairment.

1. Accounting policies continued

1.8 Impairment of financial assets continued

For loans and receivables and held-to-maturity investments, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. The amount of the loss is recognised using an allowance account and is included in the income statement.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure, less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

When a loan is deemed to be uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

In the case of equity instruments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the instrument below its cost is considered in determining whether impairment exists. Where such evidence exists, the cumulative net loss that has been previously recognised directly in equity is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity shares are not reversed through the income statement. All increases in the fair value of equity shares after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale financial assets, impairment is assessed based on the same criteria as all other financial assets. Reversals of impairment of debt securities are recognised in the income statement if the increase in fair value can be objectively related to an event occurring after the impairment loss was recognised.

1.9 Derivative financial instruments and hedge accounting

Derivatives

Derivative instruments, including swaps, futures, forward foreign exchange contracts, forward rate agreements and options, are used for trading and for hedging purposes.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets and where these are not available from valuation techniques including discounted cash flow and option pricing models. Fair values are adjusted for counterparty credit risk. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative unless there is a legal ability and intention to settle net. Derivatives are treated as held for trading unless they are designated as hedges.

Hedge accounting

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either fair value hedges (where the Group hedges changes in the fair value of recognised assets or liabilities or firm commitments), cash flow hedges (where the Group hedges the exposure to variability of cash flows attributable to recognised assets or liabilities or highly probable forecasted transactions) or hedges of a net investment in a foreign currency operation.

The Group documents, at the inception of each hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge accounting
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the fair value hedging adjustment cumulatively made to the carrying amount of the hedged item is, for items carried at amortised cost, amortised to profit or loss over the period to maturity of the previously designated hedge relationship using the effective interest rate method. For available-for-sale financial assets the fair value hedging adjustment remains in equity until the hedged item affects profit or loss. If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

Cash flow hedge accounting
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are initially recognised directly in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled to the income statement in the same periods as the hedged items affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued. Any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction arises. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Hedges of net investments
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement. Gains and losses accumulated in equity are included in the income statement on the disposal or partial disposal of the foreign operation. Hedges of net investments may include non-derivative liabilities.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments entered into as economic hedges may not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

Embedded derivatives
Certain financial instruments contain both a derivative and a non-derivative component. In such cases, the derivative component is termed an embedded derivative. When the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss, the embedded derivative is treated as a separate derivative. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

1.10 Offsetting
Financial assets and liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.11 Investment contracts
Contracts issued by the life assurance business are unit-linked and do not contain any significant insurance risk. These contracts are all classified as investment contracts.

Financial assets and investment property held in respect of linked liabilities to customers and related liabilities to customers under investments contracts are stated at fair value and are separately disclosed in the Group balance sheet or in the notes thereto.

1. Accounting policies continued

1.11 Investment contracts continued
Premiums received and claims paid are accounted for directly in the balance sheet as adjustments to the investment contract liability. Investment income and changes in fair value arising from the investment contract assets and the corresponding movement in investment contract liabilities are included on a net basis in other operating income. Revenue on investment management services provided to holders of investment contracts is recognised as the services are performed.

1.12 Derecognition
A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either transfers the contractual rights to receive the asset's cash flows or retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party.

After a transfer, the Group assesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all the risks and rewards have been transferred, the asset is derecognised.

If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognised. Where the Group has retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

A financial liability is removed from the balance sheet when the obligation is discharged, cancelled or expires.

1.13 Property, plant and equipment
Property, plant and equipment is held for use in the business and is stated at cost less accumulated depreciation and provisions for impairment, if any. Additions and subsequent expenditure are capitalised only to the extent that they enhance the future economic benefits expected to be derived from the asset. Property, plant and equipment are depreciated on a straight-line basis to their residual values over their estimated useful economic lives as follows:

Freehold buildings	2% per annum
Fixtures and fittings	12.5% to 25% per annum
Motor vehicles	20% per annum
Computer equipment	25% per annum

Leasehold improvements are depreciated on a straight-line basis over the shorter of twenty years or the period of the lease or the period to the first break clause date in the lease. Freehold land is not depreciated.

The useful lives and residual values of property, plant and equipment are reviewed and adjusted, if appropriate, at each balance sheet date. Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If impaired, an asset's carrying amount is written down immediately to its estimated recoverable amount which is the higher of its fair value less costs to sell or its value in use. Gains and losses arising on the disposal of property, plant and equipment are included in the income statement.

1.14 Trading properties
Trading properties are held for resale and are stated at the lower of cost and net realisable value.

1.15 Intangible assets
Goodwill
The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the transaction, plus costs directly attributable to the acquisition. Identifiable assets acquired are fair valued at the acquisition date. The excess of the Group's cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Goodwill is tested annually for impairment or more frequently when there are indications that impairment may have occurred. Goodwill is allocated to cash-generating units for the purposes of impairment testing. When the recoverable amount of a cash-generating unit is less than its carrying amount, an impairment loss is required. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. Goodwill is carried at cost less accumulated impairment losses.

In accordance with IFRS 1, goodwill written off directly to reserves or amortised to the income statement prior to 1 October 2004 under Irish Generally Accepted Accounting Principles has not been reinstated.

Computer software
Computer software is stated at cost less accumulated amortisation and provisions for impairment, if any. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Group and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred. Capitalised computer software is amortised on a straight-line basis over its expected useful life which is normally four years.

1.16 Investment property
Investment property comprises freehold and leasehold properties that are held to earn rentals or for capital appreciation or both.

Investment property - held on own account
Investment property held on own account is included in the balance sheet at cost less accumulated depreciation and provisions for impairment losses, if any. Freehold investment properties are depreciated on a straight-line basis over fifty years. Leasehold investment properties are depreciated on a straight-line basis over the remaining term of the lease up to a maximum of fifty years.

Investment property - held in respect of liabilities to customers under investment contracts
Investment property held in respect of liabilities to customers under investment contracts is included in the balance sheet at fair value. Fair value is based on valuations by independent registered valuers which are determined based on current prices in an active market for similar properties in the same location and condition.

1.17 Employee benefits
Pension obligations
The Group operates various pension schemes including both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service and basic pay. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund and has no legal or constructive obligations to pay any further contributions.

The asset or liability recognised in the balance sheet in respect of each defined benefit pension plan is the fair value of plan assets less the present value of the defined benefit obligation at the balance sheet date. Current bid prices are used to measure the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. Plans in surplus are shown as assets and plans in deficit, together with unfunded plans, are shown as liabilities. The recognised asset, where applicable, is limited to the present value of any future refunds due from or reductions in future contributions payable to plans that are in surplus.

The cost of providing defined benefit plans to employees comprising the current service cost, past service cost, the expected return on plan assets and the change in the present value of plan liabilities arising from the passage of time is charged to the income statement within employee expenses. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited directly to reserves through the statement of recognised income and expense.

For defined contribution plans, once the contributions have been paid the Group has no further obligation. The contributions are recognised as an employee benefit expense when they are due.

1. Accounting policies continued

1.17 Employee benefits continued

Share-based payments to employees

The Group uses a number of share-based payment schemes to incentivise its employees. The fair value of shares or share options granted in exchange for employee services received is recognised as an expense over the period that the employees become unconditionally entitled ('the vesting period') to the shares or share options. The total amount expensed over the vesting period is determined by reference to the fair value of the shares or share options on the date of grant. The fair value of share options granted is calculated using a binomial lattice model which takes into account any market conditions upon which vesting is conditional, the exercise price of the option, the share price at the date of grant of the option, the risk-free interest rate, the expected dividend yield, the expected volatility of the share price over the expected life of the option and other relevant factors.

Non-market vesting conditions are taken into account by adjusting the number of shares or share options included in the measurement of the cost of employee services so that ultimately the amount recognised in the income statement reflects the number of vested shares or share options. Where vesting conditions are related to market conditions, the charge for the services received is recognised regardless of whether or not the market-related vesting conditions are met, provided that the non-market vesting conditions are met.

The expense related to equity-settled share-based payments is credited to the share-based payment reserve in equity. Where a share-based payment arrangement gives rise to the issue of new shares, the proceeds of issue are credited to the share capital (with par value) and share premium accounts and there is also a transfer between the share-based payment reserve and revenue reserves reflecting the accumulated cost of the share-based payment recognised in the income statement.

Where shares are purchased by employee share trusts to satisfy share-based payment awards they are treated as treasury shares and the cost of these shares is deducted directly from revenue reserves. Any cash consideration received on the subsequent vesting of these shares is credited directly to revenue reserves and there is also a transfer between the share-based payment reserve and revenue reserves reflecting the accumulated cost of the share-based payment recognised in the income statement.

The fair value of share options granted on or before 7 November 2002 has not been expensed to the income statement.

1.18 Assets classified as held for sale

An asset is classified as held for sale if it is primarily acquired for the purpose of selling it in the near term and where a sale is highly probable and is expected to occur within one year. Assets classified as held for sale are stated at the lower of their carrying amount and fair value less costs to sell. Gains and losses arising from changes in fair value are recognised in the income statement.

1.19 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in euro, which is the Bank's functional and presentation currency. Each entity in the Group determines its own functional currency which is the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign operations
The results and financial position of all Group entities that have a non-euro functional currency are translated into euro as follows:

a) assets and liabilities and goodwill arising on acquisition of foreign operations are translated at the closing rate at the balance sheet date;
b) income and expenses are translated into euro at the average rates of exchange during the period where these are a reasonable approximation of the exchange rates at the dates of these transactions; and
c) all resulting exchange differences are included as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of funding designated as hedges of such investments are included as a separate component of equity. When a foreign entity is sold, the cumulative exchange differences deferred as a separate component of equity are recognised in the income statement as part of the gain or loss on disposal.

1.20 Provisions
Provisions are recognised in respect of present legal or constructive obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

1.21 Tax (current and deferred)
Current tax payable is the expected tax payable on the taxable income for the year adjusted for changes to previous years and is calculated based on the applicable tax law in each jurisdiction in which the Group operates. Deferred tax is provided using the balance sheet liability method on temporary differences arising between the tax bases of assets and liabilities for taxation purposes and their carrying amounts in the financial statements. Current and deferred taxes are determined using tax rates based on legislation enacted or substantively enacted at the balance sheet date and expected to apply when the related tax asset is realised or the related tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which temporary differences will be utilised. Deferred tax is provided on temporary differences arising from investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future. Deferred tax is not provided on goodwill.

Current and deferred taxes are recognised in the income statement in the period in which the profits or losses arise except to the extent that they relate to items recognised directly in equity, in which case the taxes are also recognised in equity.

Deferred and current tax assets and liabilities are only offset when they arise in the same reporting group for tax purposes and where there is both the legal right and intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1. **Accounting policies** continued

1.22 Leases

Group as lessor

Leasing and instalment credit agreements with customers are classified as finance leases if the agreements transfer substantially all the risks and rewards of ownership of an asset, with or without ultimate legal title. An asset classified as a finance lease is recorded within loans and advances to customers as a receivable based on the present value of the lease payments, discounted at the rate of interest implicit in the lease, less any provisions for bad and doubtful rentals. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as unearned finance income, which is allocated to accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Assets leased to customers are classified as operating leases if the lease agreements do not transfer substantially all the risks and rewards of ownership. Where leased assets are included within investment property held on own account on the Group's balance sheet, depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Rental income from investment property held on own account and related lease incentives granted are recognised on a straight-line basis over the non-cancellable term of the lease. Investment contract accounting applies where leased assets are included within investment property held in respect of linked liabilities to customers.

Group as lessee

Operating lease rentals payable and related lease incentives receivable are recognised in the income statement on a straight-line basis over the non-cancellable term of the lease.

1.23 Interests in joint ventures

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control. The Group's interests in joint ventures are recognised using the equity method of accounting and are initially recognised at cost, with the exception of interests in joint ventures held under investment contracts which are designated at fair value through profit or loss. Under the equity method, the Group's share of the post-acquisition profits or losses after taxation of joint ventures is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

The calculation of the share of the results of joint ventures is adjusted where necessary to ensure consistency with the Group's accounting policies.

1.24 Venture capital and other investments

Equity shares and similar instruments held on own account as part of a venture capital portfolio are carried at fair value with gains and losses taken to dealing profits as they arise.

All other equity shares and similar instruments held on own account are classified as available-for-sale. They are held on the balance sheet at fair value with unrealised gains or losses being recognised directly through reserves except for impairment losses, which are recognised immediately through the income statement. Income on these equity instruments is credited to other operating income.

1.25 Sale and repurchase agreements

Debt securities sold subject to a commitment to repurchase them are retained on the balance sheet when substantially all the risks and rewards of ownership remain with the Group. The liability to the counterparty is included separately on the balance sheet in deposits from banks or customer accounts as appropriate.

When securities are purchased subject to a commitment to resell, but the Group does not acquire the risks and rewards of ownership, the transaction is treated as a collateralised loan and recorded within loans and advances to banks or customers as appropriate. The securities are not included in the balance sheet.

The difference between the sale and repurchase price is treated as interest and is accrued over the life of the agreement using the effective interest rate method.

Securities lent to counterparties are retained in the financial statements. Securities borrowed are not recognised in the financial statements, unless these are sold to third parties in which case the purchase and sale are recorded with the gain or loss included in dealing profits. The obligation to return them is recorded at fair value as a trading liability.

1.26 Share capital

Share issue costs
Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are paid or are approved by the ordinary shareholders for payment. Dividends proposed after the balance sheet date are not recognised as a liability until they have been approved by ordinary shareholders. They are disclosed in the events after the balance sheet date note.

When scrip shares are issued in lieu of dividends the cash equivalent, net of withholding tax when applicable, is written back to retained profits. Shares issued in lieu of dividends are set off against the share premium account.

Treasury shares
Where any Group company purchases the Bank's ordinary shares they are classified as treasury shares and the consideration paid is shown as a deduction from shareholders' equity. No gain or loss is recognised on the sale, issue or cancellation of treasury shares. The consideration received on the subsequent sale or issue of treasury shares is credited to shareholders' equity. Treasury shares are excluded when calculating earnings per share.

As permitted under Irish legislation, a Group subsidiary holds ordinary shares in the Bank on behalf of life assurance policyholders under contracts classified as investment contracts. All liabilities under investment contracts are carried at fair value through profit or loss. As the Group is not allowed to treat treasury shares as an asset, an increase in the ordinary share price results in a loss being reflected in the income statement. Conversely, a fall in the ordinary share price results in a gain being reflected in the income statement.

1.27 Segmental reporting

Business segments are distinguishable parts of the Group that provide products or services that are subject to risks and rewards that are different to those of other business segments. Geographical segments are distinguishable parts of the Group that provide products or services within a particular economic environment that is subject to risks and rewards that are different to those operating in other economic environments. The Group has determined that business segments are the primary reporting segments.

1.28 Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash on hand and demand deposits. Cash equivalents are highly liquid investments convertible into cash with an insignificant risk of changes in value and with maturities of less than three months.

1.29 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 income statement.

1.30 Accounting estimates and judgements

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Irish company law and IFRS require the Directors, in preparing the Group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent.

The judgements and estimates involved in the Group's accounting policies that are considered by the Board to be the most important to the portrayal of the Group's financial condition and that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The use of estimates, assumptions or models that differ from those adopted by the Group could affect its reported results.

1. Accounting policies continued

1.30 Accounting estimates and judgements continued

Loan impairment

The estimation of potential loan losses is inherently uncertain and depends upon many factors. At least every six months the Group reviews its loan portfolios to assess whether there is objective evidence of impairment. If there is objective evidence that a loan is impaired, a provision is recognised equating to the amount by which the book value of the loan exceeds the present value of its expected future cash flows. Provisions are calculated on an individual basis with reference to expected future cash flows including those arising from the realisation of collateral. The determination of these provisions often requires the exercise of considerable judgement by management involving matters such as future economic conditions and the resulting trading performance of the customer and the value of collateral, for which there may not be a readily accessible market. As a result these provisions can be subject to significant variation as time progresses and the circumstances become clearer. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

An additional incurred but not reported ('IBNR') collective provision is required for potential impairment in currently performing loans. This provision takes account of observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of loans with similar credit risk characteristics, although the decrease cannot yet be identified within the individual loans in the group.

This provision is calculated by applying an appropriate loss factor to each individual group of loans sharing common risk characteristics. This incurred loss factor is determined primarily by actual experience and is supplemented with other available evidence and management's market knowledge.

The future credit quality of loan portfolios against which an IBNR collective provision is applied is subject to uncertainties that could cause actual credit losses to differ materially from reported loan impairment provisions. These uncertainties include factors such as local and international economic conditions, borrower specific factors, industry trends, interest rates, unemployment levels and other external factors.

Impairment of available-for-sale financial assets

In the case of debt instruments classified as available-for-sale financial assets, impairment is assessed based on the same criteria as all other financial assets. A collective provision is made to cover expected losses inherent in portfolios of currently performing debt instruments where there is objective evidence to suggest that they contain impaired assets but the individual impaired assets cannot yet be identified. The portfolio of structured investment vehicle assets meets this criterion.

The collective provision on this portfolio is determined primarily by reference to the most up to date net asset values underpinning the portfolio and is supplemented with other available evidence and management's market knowledge.

This portfolio is subject to uncertainties that could cause actual credit losses to differ materially from the reported collective impairment provision. Uncertainties include factors such as international wholesale funding conditions, changes in underlying asset valuations, entity specific factors, interest rates and other external factors.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. Fair values are determined by reference to observable market prices where these are available and are reliable. Where representative market prices are not available or are unreliable, fair values are determined by using valuation techniques which refer to observable market data. These include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analyses, option pricing models and other valuation techniques commonly used by market participants. The accuracy of fair value calculations could be affected by unexpected market movements when compared to actual outcomes.

Expected life of lending
IAS 39 requires interest and arrangement fees which form an integral part of the return earned from lending to be measured using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

Management uses judgement to estimate the expected life of each loan and hence the expected cash flows relating to it. The accuracy of the effective interest rate would therefore be affected by unexpected market movements resulting in altered customer behaviour and differences in the models used when compared to actual outcomes.

Taxation
The taxation charge accounts for amounts due to fiscal authorities in the various jurisdictions in which the Group operates and includes estimates based on a judgement of the application of law and practice in certain cases in order to determine the quantification of any liabilities arising. In arriving at such estimates, management assesses the relative merits and risks of tax treatments assumed, taking into account statutory, judicial and regulatory guidance and, where appropriate, external advice. Where the final tax outcome is different from the amounts that are currently recorded, such differences will impact upon the current and deferred tax amounts in the period in which such determination is made.

Retirement benefits
The Group operates defined benefit pension schemes. In determining the actual pension cost, the values of the assets and liabilities of the schemes are calculated. The assets of the schemes are valued at fair value. The liabilities of the schemes are measured on an actuarial basis, using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. This involves modelling the future growth of scheme liabilities and requires management to make assumptions as to price inflation, dividend growth, salary and pensions increases, return on investments and employee mortality. There are acceptable ranges in which these estimates can reasonably fall. The impact on the consolidated income statement and the consolidated balance sheet could be materially different if an alternative set of assumptions was used.

1.31 Prospective accounting changes
The Group has not applied the following new standards, amendments to standards and interpretations that have been adopted by the International Accounting Standards Board and which would be applicable to the Group with an effective date after the date of these financial statements:

IFRS 7 - Financial Instruments: Disclosures;
IFRS 8 - Operating Segments;
Amendment to IAS 1 - Capital Disclosures;
Amendment to IAS 1 - Presentation of Financial Statements;
Amendment to IAS 23 - Borrowing Costs;
IFRIC Interpretation 10 - Interim Financial Reporting and Impairment;
IFRIC Interpretation 11 - IFRS 2 - Group and Treasury Share Transactions;
IFRIC Interpretation 12 - Service Concession Arrangements;
IFRIC Interpretation 13 - Customer Loyalty Programmes; and
IFRIC Interpretation 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

These will be adopted in future years and are not expected to have a material impact on the Group's results. IFRS 7 and the Amendments to IAS 1 will result in additional disclosures relating to capital and risk management policies and processes and the inclusion of a statement of comprehensive income.

The EU Transparency Directive ('the Directive') was signed into Irish law on 13 June 2007. It sets out deadlines and content requirements in relation to annual and half-year reports. In addition the Group will be required to publish management statements during the financial year. The Directive is not expected to have a significant effect on the Group's financial reporting.

2. Segmental reporting

Business segments — 2007

	Business Lending €m	Treasury €m	Wealth Management €m	Group items €m	Inter-segment eliminations €m	Group €m
Revenue from external customers	4,039	1,166	377	-	-	5,582
Inter-segment revenue	-	2,833	-	-	(2,833)	-
Total revenue	**4,039**	**3,999**	**377**	**-**	**(2,833)**	**5,582**
Operating profit	1,181	(4)	97	(55)	-	1,219
Share of results of joint ventures	-	-	2	-	-	2
Profit on disposal of Isle of Man trust business	-	-	22	-	-	22
Profit before taxation	**1,181**	**(4)**	**121**	**(55)**	**-**	**1,243**
External assets	62,600	27,152	6,756	144	-	96,652
Inter-segment assets	-	55,025	-	9,569	(64,594)	-
Total assets	**62,600**	**82,177**	**6,756**	**9,713**	**(64,594)**	**96,652**
External liabilities	-	82,177	4,762	5,648	-	92,587
Equity	-	-	-	4,065	-	4,065
Inter-segment liabilities	62,600	-	1,994	-	(64,594)	-
Total equity and liabilities	**62,600**	**82,177**	**6,756**	**9,713**	**(64,594)**	**96,652**
Additional information:						
Capital expenditure	6	3	5	6	-	20
Depreciation and amortisation	2	1	4	18	-	25
Provisions for impairment	82	67	-	-	-	149
Other non-cash expenses	7	3	2	4	-	16
Interests in joint ventures	-	-	88	-	-	88

Geographical segments — 2007

	Republic of Ireland €m	UK & IOM €m	USA €m	Rest of the World €m	Group €m
Revenue from external customers	3,260	1,781	491	50	5,582
Total external assets	64,142	24,514	7,616	380	96,652
Capital expenditure	9	8	1	2	20

Business segments	2006					
	Business Lending €m	Treasury €m	Wealth Management €m	Group items €m	Inter-segment eliminations €m	Group €m
Revenue from external customers	2,439	689	226	-	-	3,354
Inter-segment revenue	-	1,590	-	-	(1,590)	-
Total revenue	2,439	2,279	226	-	(1,590)	3,354
Operating profit	781	83	53	(71)	-	846
Share of results of joint ventures	-	-	4	-	-	4
Profit before taxation	781	83	57	(71)	-	850
External assets	47,387	21,082	4,686	135	-	73,290
Inter-segment assets	-	41,529	-	7,064	(48,593)	-
Total assets	47,387	62,611	4,686	7,199	(48,593)	73,290
External liabilities	-	62,611	3,480	4,507	-	70,598
Equity	-	-	-	2,692	-	2,692
Inter-segment liabilities	47,387	-	1,206	-	(48,593)	-
Total equity and liabilities	47,387	62,611	4,686	7,199	(48,593)	73,290
Additional information:						
Capital expenditure	6	4	6	4	-	20
Depreciation and amortisation	2	1	6	8	-	17
Provisions for impairment	65	-	1	-	-	66
Other non-cash expenses	7	3	2	3	-	15
Interests in joint ventures	-	-	68	-	-	68

Geographical segments	2006				
	Republic of Ireland €m	UK & IOM €m	USA €m	Rest of the World €m	Group €m
Revenue from external customers	1,867	1,192	254	41	3,354
Total external assets	48,203	20,478	4,365	244	73,290
Capital expenditure	12	7	-	1	20

Revenue includes interest and similar income, fee and commission income, dealing profits and other operating income. Inter-segment transactions are conducted on an arm's length basis. Group items include the return earned on the Group's equity capital, the margin cost of subordinated debt and other capital instruments and central overheads. The geographical segments are based primarily on the location of the office sourcing the transaction.

On 1 October 2006 the Isle of Man banking operations were transferred from Wealth Management to Treasury and the interests in joint ventures were transferred from Business Lending to Wealth Management. Prior year comparatives have been adjusted to reflect these changes.

3. Interest and similar income

	2007 €m	2006 €m
Interest on loans and advances to banks	**604**	337
Interest on loans and advances to customers	**4,268**	2,626
Interest on available-for-sale financial assets	**465**	154
Interest on financial assets at fair value through profit or loss held on own account	**19**	23
Finance leasing and hire purchase income	**15**	29
	5,371	3,169

4. Interest expense and similar charges

	2007 €m	2006 €m
Interest on deposits from banks	**360**	307
Interest on customer accounts	**2,175**	1,190
Interest on debt securities in issue	**1,009**	429
Interest on subordinated liabilities and other capital instruments	**261**	174
	3,805	2,100

5. Dealing profits

	2007 €m	2006 €m
Interest rate contracts	**13**	14
Foreign exchange contracts	**7**	4
Credit contracts	**(1)**	1
Net (losses)/gains from financial assets designated at fair value held on own account	**(6)**	8
Hedge ineffectiveness	**-**	-
	13	27

6. Other operating income

	2007	2006
	€m	€m
Increase in fair value of assets designated at fair value held in respect of liabilities to customers under investment contracts	**224**	236
Increase in liabilities designated at fair value held in respect of liabilities to customers under investment contracts	**(217)**	(237)
Rental income	**9**	9
Net gains on disposal of available-for-sale financial assets	**1**	1
Profit on disposal of investment properties held on own account	**1**	-
Other	**3**	2
	21	11

In the current year €7m of the increase in fair value of assets held under investment contracts is attributable to minority interest (note 38).

7. Administrative expenses

	2007	2006
	€m	€m
Staff costs:		
Wages and salaries	**169**	148
Share-based payment schemes (note 8)	**24**	22
Retirement benefits cost - defined contribution plans	**12**	12
Retirement benefits cost - defined benefit plans (note 9)	**3**	7
Social welfare costs	**21**	17
Other staff costs	**6**	4
	235	210
Other administrative costs	**133**	101
	368	311

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

	2007	2006
Republic of Ireland	**943**	830
United Kingdom and Isle of Man	**507**	470
United States of America	**90**	63
Rest of the World	**174**	163
	1,714	1,526

8. Share-based payment schemes

The Group operates a number of share-based incentive plans which feature ordinary shares of the parent Bank. The purpose of these plans is to motivate employees to contribute towards the creation of long-term shareholder value. Further details are given below:

Employee Share Option Scheme
On 15 January 1999 the shareholders approved the establishment of the Employee Share Option Scheme ('ESOS') which replaced the scheme originally approved by shareholders in 1988.

Under its terms all qualifying employees may be invited to participate in the scheme at the discretion of the Directors. Options are granted at the middle market price on the day on which the shares were dealt in immediately preceding the date of the invitation. 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.

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 10% of the issued ordinary share capital of the Bank from time to time. Both the basic and second tier options which may be granted are each restricted to 5% of the issued ordinary share capital of the Bank 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 5% compound per annum more than the increase in the Irish consumer price index. The exercise of second tier options granted since 15 January 1999 is conditional upon earnings per share growth of at least 10% compound per annum more than the increase in the Irish consumer price index and the Bank's shares must also rank in the top quartile of companies as regards growth in earnings per share on the Irish Stock Exchange.

Employee Share Ownership Plan
On 14 January 2000 the shareholders approved the establishment of the Anglo Irish Bank Employee Share Ownership Plan ('ESOP'). The plan's trustee may purchase ordinary shares of the Bank 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 ESOS above.

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 Save As You Earn ('SAYE') scheme, exceed 5% of the issued ordinary share capital of the Bank from time to time.

Save As You Earn Scheme
On 14 January 2000 the shareholders also approved the establishment of the Anglo Irish Bank SAYE scheme. This scheme has Irish, UK, Austrian, US and Swiss versions in order to conform with local legislation in these jurisdictions.

The Irish version permits eligible employees to enter into a savings contract with the Bank for a three or five year period saving a maximum of €320 per month for the appropriate contract period and to use the proceeds of the savings contract to fund the exercise of three, five or seven year options granted under the scheme. Options are granted at a 25% discount to the market price on the date that employees were invited to enter into these contracts. These options become exercisable when the participants' savings contracts are completed.

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 or five year contract period, saving 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 three, five or seven year options granted under the scheme. Options are granted at a 20% discount to the average market price over the week preceding the date that employees were invited to enter into these contracts.

During 2005 an Austrian version of the Anglo Irish Bank SAYE scheme was introduced for all Austrian staff. This scheme permits eligible employees to save up to a maximum of €320 per month for five years and to use the proceeds of the savings contract to fund the exercise of options granted under the scheme. Options are granted at a 25% discount to the market price on the date that employees were invited to enter into these contracts.

A US sub-plan complying with US legislation was put in place during 2006. This scheme permits eligible employees to enter into a three or five year savings contract for three, five or seven year options. Employees are permitted to save a maximum of US$400 per month. The option price is set on the date of invitation and is at a 25% discount to the market share price on that date.

A further version was introduced during 2006 for all Swiss employees. This scheme permits eligible employees to save up to a maximum of CHF500 per month for three or five years and to use the proceeds of the savings contract to fund the exercise of options granted under the scheme. Options are granted at a 25% discount to the market price on the date that employees were invited to enter into these contracts.

Approved Profit Sharing Scheme ('APSS')

The Group operates a share acquisition scheme on terms approved by the Irish Revenue. There are no vesting conditions and the scheme is open to all eligible employees in the Republic of Ireland. An APSS is a scheme whereby a company may allocate shares to qualifying employees and the employee is, subject to certain conditions, exempt from income taxes. Annually at their discretion the Directors set aside a sum of profits out of which a bonus is paid to employees. Eligible employees may elect to receive their profit share allocations either in the form of shares or in cash. Such shares are purchased in the open market and held by trustees for a minimum period of two years. The shares are required to be held by trustees for a total period of three years for the employees to obtain the maximum income tax benefit. Such employees may also elect to forego an amount of salary, subject to certain limitations, and use the amount of salary foregone to fund the acquisition of additional shares. The maximum market value of shares that may be appropriated by any employee in a year may not exceed €12,700. Included in the share-based payment cost for 2007 is €8m (2006: €7m) in relation to the profit sharing scheme, €7m (2006: €6m) of which was paid in shares, resulting in the trustees acquiring 467,178 (2006: 542,321) shares at a purchase price of €14.85 (2006: €11.43).

Deferred Share Scheme ('DSS')

At 30 September 2007 the trustee of the DSS held 1,104,416 (2006: 1,107,743) shares to honour conditional share awards granted between December 2004 and July 2007 to eligible Group employees as part of their remuneration package. These shares were purchased in the open market and are funded by interest free borrowings from a Group subsidiary undertaking. These share awards are conditional on the relevant employees remaining in the Group's employment for three years from their grant date. The cost of the DSS is expensed evenly to the income statement over the three year vesting period and amounted to €4m in 2007 (2006: €3m). When the awards vest the trustee's borrowings are fully reimbursed by the sponsoring Group employer. During the year 346,516 (2006: 502,959) share awards were granted to employees at a weighted average cost of €14.79 (2006: €11.54).

8. Share-based payment schemes continued

The share-based payment expense is analysed as follows:

	2007 €m	2006 €m
Share option schemes	**12**	12
Approved Profit Sharing Scheme	**8**	7
Deferred Share Scheme	**4**	3
Total share-based payment schemes (note 7)	**24**	22

The requirements of IFRS 2 'Share-based Payment' have been applied to all equity share-based payments granted after 7 November 2002.

Movements in options

Movements in options granted under Group share incentive plans are as follows:

ESOS	2007 Number of options '000	2007 Weighted average exercise price €	2006 Number of options '000	2006 Weighted average exercise price €
Outstanding at beginning of year	**15,905**	**7.00**	18,516	4.90
Granted	**3,299**	**14.87**	3,613	11.40
Exercised	**(2,654)**	**4.53**	(5,884)	3.10
Forfeited	**(331)**	**11.38**	(340)	7.00
Outstanding at end of year	**16,219**	**8.91**	15,905	7.00
Exercisable at end of year	**2,103**	**3.50**	3,052	3.70

ESOP	2007 Number of options '000	2007 Weighted average exercise price €	2006 Number of options '000	2006 Weighted average exercise price €
Outstanding at beginning of year	**1,969**	**9.07**	1,487	7.48
Granted	**1,381**	**14.89**	718	11.28
Exercised	**(80)**	**8.05**	(176)	5.05
Forfeited	**(70)**	**12.01**	(60)	7.97
Outstanding at end of year	**3,200**	**11.54**	1,969	9.07
Exercisable at end of year	**131**	**4.59**	51	1.20

SAYE	2007 Number of options '000	2007 Weighted average exercise price €	2006 Number of options '000	2006 Weighted average exercise price €
Outstanding at beginning of year	**2,911**	**5.77**	3,690	3.36
Granted	**753**	**11.56**	914	8.92
Exercised	**(824)**	**4.20**	(1,502)	1.79
Forfeited	**(266)**	**7.78**	(191)	5.60
Outstanding at end of year	**2,574**	**7.76**	2,911	5.77
Exercisable at end of year	**39**	**1.29**	11	3.34

The ranges of exercise prices, weighted average exercise prices, weighted average remaining contractual life and the number of options outstanding for the option schemes were as follows:

	30 September 2007			
	Range of exercise prices	**Weighted average exercise price €**	**Weighted average remaining contractual life in years**	**Number of outstanding options '000**
ESOS	Up to €4	**2.12**	**4**	**1,100**
	€4 to €7	**5.00**	**6**	**4,103**
	€7 to €10	**8.01**	**7**	**4,445**
	€10 to €13	**11.38**	**8**	**3,362**
	€13 to €17	**14.91**	**9**	**3,209**
ESOP	Up to €4	**1.20**	**3**	**51**
	€4 to €7	**6.76**	**7**	**80**
	€7 to €10	**8.02**	**7**	**965**
	€10 to €13	**11.20**	**8**	**753**
	€13 to €17	**14.92**	**9**	**1,351**
SAYE	Up to €4	**1.44**	**1**	**467**
	€4 to €7	**4.66**	**2**	**133**
	€7 to €10	**8.25**	**3**	**1,248**
	€10 to €14	**11.55**	**4**	**726**

	30 September 2006			
	Range of exercise prices	Weighted average exercise price €	Weighted average remaining contractual life in years	Number of outstanding options '000
ESOS	Up to €4	2.04	5	1,787
	€4 to €7	5.06	7	5,975
	€7 to €10	8.00	8	4,525
	€10 to €13	11.38	9	3,618
ESOP	Up to €4	1.20	4	51
	€4 to €7	6.76	8	120
	€7 to €10	8.02	8	985
	€10 to €13	11.18	9	813
SAYE	Up to €4	1.77	2	748
	€4 to €7	4.62	1	679
	€7 to €10	8.30	3	1,484

8. Share-based payment schemes continued

Option pricing model

A binomial lattice option pricing model has been used to determine the value of options granted. The following tables detail the assumptions used and the resulting weighted average fair values provided by the option pricing model.

	2007					
	ESOS Basic	**ESOS Second Tier**	**ESOP**	**SAYE Three**	**SAYE Five**	**SAYE Seven**
Number of options ('000)	**1,370**	**1,929**	**1,381**	**453**	**263**	**37**
Exercise price (€)	**14.96**	**14.81**	**14.89**	**11.52**	**11.62**	**11.55**
Share price at grant date (€)	**14.96**	**14.81**	**14.89**	**15.12**	**14.98**	**15.61**
Vesting period (years)	**3**	**5**	**3**	**3**	**5**	**7**
Expected volatility	**24%**	**28%**	**24%**	**23%**	**26%**	**28%**
Option life (years)	**10**	**10**	**10**	**3.5**	**5.5**	**7.5**
Risk-free rate	**3.9%**	**4.0%**	**3.9%**	**4.2%**	**4.3%**	**4.3%**
Dividend yield	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**	**1.5%**
Fair value per option (€)	**3.09**	**4.05**	**3.08**	**4.71**	**5.28**	**6.35**

	2006					
	ESOS Basic	ESOS Second Tier	ESOP	SAYE Three	SAYE Five	SAYE Seven
Number of options ('000)	1,354	2,259	718	438	372	104
Exercise price (€)	11.46	11.36	11.28	8.92	8.93	8.90
Share price at grant date (€)	11.46	11.36	11.28	12.66	12.33	13.10
Vesting period (years)	3	5	3	3	5	7
Expected volatility	27%	30%	27%	25%	29%	29%
Option life (years)	10	10	10	3.5	5.5	7.5
Risk-free rate	3.0%	3.2%	3.1%	3.1%	3.2%	3.3%
Dividend yield	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Fair value per option (€)	2.52	3.35	2.53	4.79	5.35	5.73

The volatility assumption is set by taking historical volatility appropriate to the expected lives of the options. The risk-free rate is the yield on iBoxx Eurozone Sovereign bonds appropriate to the expected lives of the options. The expected lives of options are based on historical data.

There have been no modifications to the Group's share-based payment schemes during the course of 2007 or 2006. The weighted average share price at the dates of option exercise during the year was €15.69 (2006: €12.60).

9. Retirement benefits

The parent Bank operates two 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 unfunded defined benefit pension plans relating to certain Austrian employees. In the case of a number of Austrian employees whose employment contracts commenced prior to 1 January 2003, Austrian law requires employers to pay lump sums upon retirement or termination of employment if the employee has been with a company for at least three years. The amount payable is calculated based on length of service and salary.

Details of defined benefit schemes
Retirement benefits under the Bank's Irish defined benefit plans are calculated by reference to pensionable service and pensionable salary at normal retirement date. The pension charge in the income statement relating to all defined benefit pension schemes is based on the advice of an independent actuary. An actuarial valuation for the purposes of IAS 19 has been prepared as at 30 September 2007 by an independent actuary using the projected unit method. Using this method the current service cost will increase as the members of closed schemes approach retirement.

The principal assumptions used, which are based on the advice of an independent actuary, are set out in the table below:

Financial assumptions	**2007**	2006
	% p.a.	% p.a.
Discount rate for liabilities of the schemes	**5.50**	4.60
Rate of increase in salaries	**4.00**	4.00
Rate of increase in pensions	**2.25 to 3.00**	2.25 to 3.00
Inflation rate	**2.25**	2.25

Mortality assumptions
The key mortality assumptions used in estimating the actuarial value of the schemes' liabilities are:

	2007	2006
Longevity at age 60 for current pensioners (years)		
Males	**23.6**	23.6
Females	**26.6**	26.6
Longevity at age 60 for future pensioners (years)		
Males	**24.9**	24.9
Females	**27.9**	27.9

9. Retirement benefits continued

Sensitivity analysis

Sensitivity analysis for each of the principal assumptions used to measure the schemes' liabilities at 30 September 2007 is as follows:

		Impact on scheme liabilities	
	Change in assumption	**increase by %**	**increase by €m**
Discount rate	Decrease 0.5%	10.3%	10
Rate of increase in salaries	Increase 0.5%	2.1%	2
Inflation rate	Increase 0.5%	3.1%	3
Life expectancy	Increase by 1 year	2.1%	2

Assets

The expected long-term rate of return on assets of 6.2% (2006: 5.4%) at the year end is estimated based on the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the actual allocation to develop the long-term rate of return on assets assumption for the portfolio.

The market value of assets in the schemes and the expected long-term rates of return were:

	Expected return 2007 %	**% of scheme assets 2007 %**	**Market value of assets 2007 €m**	Expected return 2006 %	% of scheme assets 2006 %	Market value of assets 2006 €m
Equities	**7.6**	**49**	**60**	7.4	54	63
Bonds	**4.6**	**38**	**47**	3.8	5	6
Property	**6.6**	**3**	**4**	6.4	3	4
Hedge funds	**6.6**	**7**	**8**	6.4	6	7
Cash	**2.0**	**3**	**4**	2.0	32	38
Total market value of schemes' assets			**123**			118
Actuarial value of liabilities of funded schemes			**(97)**			(105)
Surplus in the funded schemes - parent Bank			**26**			13
Pension reimbursement right in subsidiary			**3**			3
Retirement benefit assets			**29**			16

At 30 September 2007, the assets of the pension schemes included ordinary shares in the parent Bank amounting to €1m (2006: €1m).

Retirement benefit liabilities	**2007 €m**	2006 €m
Present value of unfunded obligations in subsidiary	**(7)**	(7)

The €7m (2006: €7m) present value of unfunded obligations relates to the Group's Austrian subsidiary. Of this amount, €3m (2006: €3m) is reimbursed by the former shareholders of that subsidiary.

The following table sets out the components of the defined benefit cost:

Components of pension expense	**2007**	2006
	€m	€m
Included in administrative expenses:		
Current service cost	**3**	3
Past service cost	**1**	5
Expected return on assets of pension schemes	**(6)**	(5)
Interest on liabilities of pension schemes	**5**	4
Cost of providing defined retirement benefits (note 7)	**3**	7

The actual return on assets during the year ended 30 September 2007 was €5m (2006: €8m).

Amount recognised in statement of recognised income and expense ('SORIE')

	2007	2006
	€m	€m
Change in assumptions underlying the present value of schemes' liabilities	**19**	4
Experience losses on liabilities of the pension schemes	**(4)**	(1)
Actual return less expected return on assets of the pension schemes	**(1)**	3
Actuarial gains recognised under IAS 19	**14**	6
Deferred tax on actuarial gains	**(2)**	-
Actuarial gains after tax (note 43)	**12**	6
Cumulative amount of after tax actuarial gains/(losses) recognised since 1 October 2004 in the SORIE to end of year *	**5**	(7)

* all recognised in the parent Bank

Reconciliation of defined benefit obligations during the year

	2007	2006
	€m	€m
Defined benefit obligation at beginning of year	**105**	98
Current service cost	**3**	3
Past service cost	**1**	5
Interest cost	**5**	4
Benefit payments	**(2)**	(2)
Actuarial gain during year	**(15)**	(3)
Defined benefit obligation at end of year	**97**	105

9. Retirement benefits continued

Reconciliation of the fair value of schemes' assets during the year

	2007 €m	2006 €m
Fair value of schemes' assets at beginning of year	**118**	107
Expected return	**6**	5
Contributions paid by employer	**2**	5
Benefit payments	**(2)**	(2)
Actuarial (loss)/gain during year	**(1)**	3
Fair value of schemes' assets at end of year	**123**	118

History of experience gains and losses

	2007 €m	2006 €m	2005 €m
Difference between actual and expected return on assets:			
Amount	**(1)**	3	6
Percentage of schemes' assets at year end	**1%**	3%	6%
Experience losses on liabilities:			
Amount	**(4)**	(1)	(4)
Percentage of schemes' liabilities at year end	**4%**	1%	4%
Total gross amount recognised in SORIE:			
Amount	**14**	6	(15)
Percentage of schemes' liabilities at year end	**14%**	6%	15%

Defined benefit pension plans

	2007 €m	2006 €m	2005 €m
Plan assets	**123**	118	107
Funded defined benefit obligation	**(97)**	(105)	(98)
Surplus within funded plans	**26**	13	9

Additional information

The expected employer contributions for defined benefit schemes for the year ending 30 September 2008 are €2m.

10. Auditors' remuneration (including irrecoverable VAT)

	2007 €m	2006 €m
Statutory audit	**1.1**	0.9
Audit related services	**0.3**	0.3
Other services	**0.4**	0.1
	1.8	1.3

The Audit Committee has reviewed the level of fees and is satisfied that it has not affected the independence of the auditors. Audit related and other services fees are primarily in respect of tax compliance and advice, letters of comfort and transition to IFRS. Auditors' remuneration is included within administrative expenses.

11. Provisions for impairment

	2007 €m	2006 €m
Loans and advances to customers (note 25)		
Specific	**51**	36
Collective	**31**	30
	82	66
Available-for-sale financial assets (note 23)		
Collective - structured investment vehicles ('SIVs')	**67**	-
	149	66

The Group's exposure to SIVs consists of capital notes in bank-sponsored vehicles costing €134m (2006: €69m) before collective impairment provisions. The Group does not sponsor any SIVs nor has it provided any term funding or liquidity facilities to SIVs. It has no exposure to SIV-lites.

12. Profit on disposal of Isle of Man trust business

On 21 December 2006 the Group disposed of its Isle of Man trust business for a consideration of €44m, which gave rise to a profit on disposal of €22m.

	2007 €m
Cash consideration received	**44**
Carrying value of net assets on date of disposal excluding goodwill	**(4)**
	40
Goodwill recovered (note 29)	**(18)**
Profit on disposal	**22**

13. Taxation

	2007 €m	2006 €m
Current taxation		
Irish Corporation Tax - current year	**146**	100
- prior years	**(2)**	(1)
Double taxation relief	**(36)**	(26)
Irish Bank Levy	**-**	1
Foreign tax - current year	**121**	86
- prior years	**-**	(3)
	229	157
Deferred taxation		
Current year (note 33)	**6**	35
	235	192
Effective tax rate	**18.9%**	22.6%

The reconciliation of taxation on profits at the standard Irish Corporation Tax rate to the Group's actual tax charge is analysed as follows:

	2007 €m	2006 €m
Profit before taxation at 12.5%	**155**	106
Effects of:		
Foreign earnings subject to different tax rates	**80**	91
Irish Bank Levy	**-**	1
Overprovision in prior years	**(2)**	(4)
Other	**2**	(2)
Taxation charge for year	**235**	192

14. Profit attributable to equity holders of the parent

€909m (2006: €602m) of the Group profit for the year attributable to equity holders is dealt with in the financial statements of the parent Bank. As permitted by Irish legislation, a separate income statement for the parent Bank has not been presented.

15. Minority interest

The profit attributable to minority interest is analysed as follows:

	2007	2006
	€m	€m
Increase in fair value of net assets held under investment contracts attributable to minority interest (note 6)	**7**	-
Other minority interest	**3**	1
	10	1

16. Distributions on equity shares

	2007	2006
	€m	€m
Ordinary shares of €0.16 each		
2006 final dividend of 10.84c per share (2005: 9.03c)	**78**	61
2007 interim dividend of 6.48c per share (2006: 5.40c)	**49**	39
	127	100
Final dividend scrip	**(33)**	(22)
Interim dividend scrip	**(8)**	(4)
Equity dividends paid	**86**	74

Dividends on ordinary shares are recognised in equity in the period in which they are approved. Dividends declared after the balance sheet date are disclosed in note 55.

17. Earnings per €0.16 ordinary share

	2007	2006
Basic		
Profit attributable to ordinary shareholders	**€998m**	€657m
Weighted average number of shares in issue during the year	**741m**	701m
Basic earnings per €0.16 ordinary share	**134.7c**	93.7c
Diluted		
Profit attributable to ordinary shareholders	**€998m**	€657m
Weighted average number of shares in issue during the year	**741m**	701m
Dilutive effect of options outstanding	**8m**	11m
Diluted weighted average number of shares	**749m**	712m
Diluted earnings per €0.16 ordinary share	**133.2c**	92.3c
Adjusted basic		
Profit attributable to ordinary shareholders	**€998m**	€657m
Less: profit after tax on disposal of Isle of Man trust business	**(€22m)**	-
Adjusted profit	**€976m**	€657m
Weighted average number of shares in issue during the year	**741m**	701m
Adjusted basic earnings per €0.16 ordinary share	**131.7c**	93.7c
Adjusted diluted		
Profit attributable to ordinary shareholders	**€998m**	€657m
Less: profit after tax on disposal of Isle of Man trust business	**(€22m)**	-
Adjusted profit	**€976m**	€657m
Weighted average number of shares in issue during the year	**741m**	701m
Dilutive effect of outstanding options	**8m**	11m
Diluted weighted average number of shares	**749m**	712m
Adjusted diluted earnings per €0.16 ordinary share	**130.3c**	92.3c

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue excluding own shares held to satisfy share options granted or to be granted under the Anglo Irish Bank Employee Share Ownership Plan, shares held in respect of the Deferred Share Scheme and shares purchased by Anglo Irish Assurance Company Limited for the benefit of policyholders.

Adjusted basic and adjusted diluted earnings per share have been presented to exclude the impact of the profit arising on the disposal of the Isle of Man trust business on the underlying results for the period.

18. Cash and balances with central banks

These amounts include only those balances with central banks which may be withdrawn without notice.

19. Financial assets at fair value through profit or loss

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Held on own account				
Debt securities	**364**	433	**364**	433
Equity shares	**66**	23	**22**	3
	430	456	**386**	436
Of which listed	**365**	9	**364**	-
Of which unlisted	**65**	447	**22**	436
	430	456	**386**	436

All of the above financial assets are designated at fair value through profit or loss with the exception of the €433m of debt securities at 30 September 2006 which consisted of certificates of deposit held for trading.

	The Group	
	2007	2006
	€m	€m
Held in respect of liabilities to customers under investment contracts (note 38)		
Equity shares	**394**	268
Investments in property structures	**217**	-
Debt securities	**33**	41
	644	309
Of which listed	**370**	301
Of which unlisted	**274**	8
	644	309

All financial assets at fair value through profit or loss held in respect of liabilities to customers under investment contracts are designated at fair value through profit or loss.

20. Derivative financial instruments

Details of the objectives, policies and strategies arising from the Group's use of financial instruments, including derivative financial instruments, are presented in note 47 on risk management and control.

The following tables present the notional and fair value amounts of derivative financial instruments, analysed by product and purpose.

20. Derivative financial instruments continued

The Group	2007		
	Contract notional	Fair values	
Derivatives held for trading	amount	Assets	Liabilities
	€m	€m	€m
Interest rate contracts			
Interest rate swaps	88,601	617	(645)
Interest rate caps, floors and options - held and written	11,710	28	(31)
Forward rate agreements	13,421	2	(2)
Interest rate futures - bought and sold	10,770	-	-
Exchange traded options - bought and sold	1,846	-	-
Interest rate contracts total	126,348	647	(678)
Foreign exchange contracts			
Forward foreign exchange	14,364	165	(164)
Foreign exchange options - held and written	4,710	17	(18)
Currency swaps	1,640	125	(16)
Foreign exchange contracts total	20,714	307	(198)
Other			
Equity index options - held and written	808	89	(89)
Credit derivatives	606	1	(1)
	1,414	90	(90)
Total trading derivative financial instruments	148,476	1,044	(966)
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate and cross-currency interest rate swaps	11,232	168	(142)
Derivatives designated as cash flow hedges			
Interest rate swaps	10,719	95	(61)
Forward rate agreements	2,011	-	-
Forward foreign exchange	1,048	28	-
	13,778	123	(61)
Total hedging derivative financial instruments	25,010	291	(203)
Derivatives held in respect of liabilities to customers under investment contracts (note 38)	981	20	(6)
Total derivative financial instruments	174,467	1,355	(1,175)

At 30 September 2007 the weighted average remaining term of the Group's cash flow hedges is 1.1 years. The maximum remaining term of any individual cash flow hedge at that date is 9 years.

The Bank	2007		
	Contract notional amount	Fair values	
Derivatives held for trading		**Assets**	**Liabilities**
	€m	€m	€m
Interest rate contracts			
Interest rate swaps - external	90,827	638	(711)
- Group	5,009	80	(19)
Interest rate caps, floors and options - held and written	11,710	28	(31)
Forward rate agreements	13,421	2	(2)
Interest rate futures - bought and sold	10,770	-	-
Exchange traded options - bought and sold	1,846	-	-
Interest rate contracts total	133,583	748	(763)
Foreign exchange contracts			
Forward foreign exchange - external	14,061	164	(156)
- Group	308	1	(9)
Foreign exchange options - held and written	4,710	17	(18)
Currency swaps - external	2,937	168	(16)
- Group	1,297	-	(52)
Foreign exchange contracts total	23,313	350	(251)
Other			
Equity index options - held and written	808	89	(89)
Credit derivatives	606	1	(1)
	1,414	90	(90)
Total trading derivative financial instruments	158,310	1,188	(1,104)
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate and cross-currency interest rate swaps	7,709	103	(76)
Derivatives designated as cash flow hedges			
Interest rate swaps	10,719	95	(61)
Forward rate agreements	2,011	-	-
Forward foreign exchange	1,048	28	-
	13,778	123	(61)
Total hedging derivative financial instruments	21,487	226	(137)
Total derivative financial instruments	179,797	1,414	(1,241)

20. **Derivative financial instruments** continued

The Group	2006		
	Contract notional	Fair values	
Derivatives held for trading	amount	Assets	Liabilities
	€m	€m	€m
Interest rate contracts			
Interest rate swaps	48,312	335	(306)
Interest rate caps, floors and options - held and written	10,246	19	(20)
Forward rate agreements	529	-	-
Interest rate futures - bought and sold	6,457	-	-
Exchange traded options - bought and sold	3,330	-	-
Interest rate contracts total	68,874	354	(326)
Foreign exchange contracts			
Forward foreign exchange	12,607	72	(68)
Foreign exchange options - held and written	5,675	8	(9)
Currency swaps	1,053	1,021	(1,060)
Foreign exchange contracts total	19,335	1,101	(1,137)
Other			
Equity index options - held and written	464	60	(60)
Credit derivatives	233	1	-
	697	61	(60)
Total trading derivative financial instruments	88,906	1,516	(1,523)
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate and cross-currency interest rate swaps	6,362	892	(913)
Derivatives designated as cash flow hedges			
Interest rate swaps	5,323	41	(31)
Forward foreign exchange	586	3	(8)
	5,909	44	(39)
Total hedging derivative financial instruments	12,271	936	(952)
Derivatives held in respect of liabilities to customers under investment contracts (note 38)	1,084	7	(15)
Total derivative financial instruments	102,261	2,459	(2,490)

At 30 September 2006 the weighted average remaining term of the Group's cash flow hedges was 1.7 years. The maximum remaining term of any individual cash flow hedge at that date was 10 years.

The Bank	2006		
	Contract notional	Fair values	
Derivatives held for trading	amount	Assets	Liabilities
	€m	€m	€m
Interest rate contracts			
Interest rate swaps - external	49,991	364	(345)
- Group	1,864	39	(33)
Interest rate caps, floors and options - held and written	10,246	19	(20)
Forward rate agreements	529	-	-
Interest rate futures - bought and sold	6,457	-	-
Exchange traded options - bought and sold	3,330	-	-
Interest rate contracts total	72,417	422	(398)
Foreign exchange contracts			
Forward foreign exchange - external	12,319	69	(68)
- Group	288	3	-
Foreign exchange options - held and written	5,675	8	(9)
Currency swaps	1,053	1,021	(1,060)
Foreign exchange contracts total	19,335	1,101	(1,137)
Other			
Equity index options - held and written	464	60	(60)
Credit derivatives	233	1	-
	697	61	(60)
Total trading derivative financial instruments	92,449	1,584	(1,595)
Derivatives held for hedging			
Derivatives designated as fair value hedges			
Interest rate and cross-currency interest rate swaps	4,683	863	(874)
Derivatives designated as cash flow hedges			
Interest rate swaps	5,323	41	(31)
Forward foreign exchange	586	3	(8)
	5,909	44	(39)
Total hedging derivative financial instruments	10,592	907	(913)
Total derivative financial instruments	103,041	2,491	(2,508)

21. Loans and advances to banks

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Placements with banks	**9,712**	9,728	**7,610**	7,654
Securities purchased with agreements to resell	**2,339**	2,696	**2,339**	2,696
	12,051	12,424	**9,949**	10,350
Amounts include:				
Due from Group undertakings			**74**	15

The Group's loans and advances to banks include €255m (2006: €179m) held in respect of liabilities to customers under investment contracts (note 38).

Loans and advances to banks also include balances of €48m (2006: €37m) held with central banks which cannot be withdrawn on demand.

22. Assets classified as held for sale

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Assets classified as held for sale	**288**	-	**145**	-

Assets classified as held for sale comprise assets that have been acquired by the Group's wealth management division with a view to allocation to policyholders under investment contracts or sale to private clients in the coming year.

All held for sale assets were purchased with a view to resale and therefore were classified as such on initial acquisition.

23. Available-for-sale financial assets

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Listed				
Government bonds	**2,229**	698	**2,211**	685
Other debt securities	**6,211**	4,161	**6,211**	4,161
Equity shares	**6**	8	**6**	8
	8,446	4,867	**8,428**	4,854
Unlisted				
Certificates of deposit	**3,844**	280	**3,844**	280
Other debt securities	**239**	-	**230**	-
Equity shares	**1**	8	**-**	7
	4,084	288	**4,074**	287
Total	**12,530**	5,155	**12,502**	5,141

The movement on available-for-sale financial assets is summarised below:

	The Group 2007 €m	The Group 2006 €m	The Bank 2007 €m	The Bank 2006 €m
At beginning of year	**5,155**	5,005	**5,141**	4,992
Additions	**14,743**	2,538	**14,728**	2,522
Disposals (sales and redemptions)	**(7,120)**	(2,340)	**(7,120)**	(2,325)
Fair value movements	**(189)**	(20)	**(189)**	(20)
Increase in interest accruals	**130**	6	**130**	6
Exchange and other movements	**(189)**	(34)	**(188)**	(34)
At end of year	**12,530**	5,155	**12,502**	5,141

In the current year €67m of the fair value movements included above have been recognised as a collective impairment charge (note 11) in the income statement.

At 30 September 2007 available-for-sale financial assets of €1,000m (2006: €1,650m) were pledged to third parties in sale and repurchase agreements for periods not exceeding six months for both the Group and the Bank.

The amount removed from equity and recognised as income in the income statement in respect of available-for-sale financial assets amounted to €1m (2006: €1m) during the year for both the Group and the Bank.

24. Loans and advances to customers

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Amounts receivable under finance leases (note 26)	**85**	127	**66**	104
Amounts receivable under hire purchase contracts (note 26)	**85**	186	**31**	61
Other loans and advances to customers	**66,074**	49,099	**64,905**	48,796
	66,244	49,412	**65,002**	48,961
Provisions for impairment (note 25)	**(295)**	(270)	**(209)**	(243)
	65,949	49,142	**64,793**	48,718
Amounts include:				
Due from Group undertakings			**5,560**	4,199

The Bank's loans and advances to customers include €1,127m (2006: €1,085m) lent to fund assets held in respect of liabilities to customers under investment contracts (note 38).

The Group's loans and advances to customers include loans to equity-accounted joint venture interests of €470m (2006: €212m) and loans of €101m (2006: €nil) to joint venture interests held in respect of liabilities to customers under investment contracts. Also included are loans of €148m (2006: €nil) to entities which are classified as held for sale.

The Group's loans and advances to customers consist primarily of secured term lending to the business sector. An analysis of risk concentrations based on the geographic location of the secured real estate is as follows:

	The Group			
Risk concentrations	**2007**	**% of total**	2006	% of total
	€m	**loans**	€m	loans
Republic of Ireland	**23,914**	**36%**	17,475	36%
United Kingdom	**25,729**	**39%**	21,925	45%
Mainland Europe	**3,918**	**6%**	2,551	5%
United States of America	**7,909**	**12%**	4,659	9%
Loans secured on real estate	**61,470**	**93%**	46,610	95%
Other secured	**4,479**	**7%**	2,532	5%
Total loans and advances to customers	**65,949**	**100%**	49,142	100%

Covered bonds

Loans and advances to customers include loans of €2,333m (2006: €nil) for both the Group and the Bank which have been transferred to Anglo Irish Covered Bonds LLP, a Limited Liability Partnership which is consolidated by the Group. The transferred loans secure bonds issued under the Bank's €2,000m covered bond programme. At 30 September 2007 €1,347m (2006: €nil) of these covered bonds had been issued by the Bank and are included as liabilities within debt securities in issue (note 37). The loans remain on the Bank's balance sheet as it retains substantially all of the risks and rewards relating to them.

25. Provisions for impairment on loans and advances to customers

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
At beginning of year	**270**	339	**243**	314
Implementation of IAS 39 on 1 October 2005	**-**	(117)	**-**	(104)
Charge against profits - specific (note 11)	**51**	36	**(10)**	23
- collective (note 11)	**31**	30	**24**	26
Write-offs	**(44)**	(13)	**(40)**	(12)
Recoveries of previous write-offs	**1**	1	**1**	1
Unwind of discount	**(7)**	(6)	**(4)**	(6)
Exchange movements	**(7)**	-	**(5)**	-
Transfer to subsidiary	**-**	-	**-**	1
At end of year	**295**	270	**209**	243
Specific	**141**	143	**71**	125
Collective	**154**	127	**138**	118
Total	**295**	270	**209**	243
Impaired loans	**335**	263	**167**	196

The unwind of discount represents interest income earned on the performing element of impaired loans and advances.

26. Leasing

Loans and advances to customers include amounts receivable under finance leases and hire purchase contracts analysed by remaining maturity as follows:

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Gross receivables:				
Three months or less	**31**	70	**16**	47
One year or less but over three months	**55**	93	**32**	43
Five years or less but over one year	**92**	166	**54**	84
Over five years	**4**	6	**4**	4
	182	335	**106**	178
Unearned future income	**(12)**	(22)	**(9)**	(13)
Net receivables (note 24)	**170**	313	**97**	165

The cost of assets acquired by the Group during the year for letting under finance leases and hire purchase contracts amounted to €39m (2006: €68m).

27. Interests in joint ventures

	The Group 2007 €m	The Group 2006 €m
Unlisted		
At beginning of year	**68**	23
Investment in joint ventures	**42**	51
Disposals	**(13)**	-
Share of results	**2**	4
Distributions	**(10)**	(11)
Exchange movements	**(1)**	1
At end of year	**88**	68
Group's share of:		
Current assets	**66**	57
Non-current assets	**411**	244
Current liabilities	**(17)**	(11)
Non-current liabilities	**(372)**	(222)
Interests in joint ventures	**88**	68
Income	**32**	19
Expenses	**(29)**	(14)
Taxation	**(1)**	(1)
Share of results of joint ventures	**2**	4

Joint venture entity and registered office	Principal activity	Group's interest in equity and loan capital	Issued capital and loan stock €m
Taurus Euro Retail Holdings Sarl 10 rue Henri Schnadt, L-2530 Luxembourg	Property investment	20%	88
The Anglo Irish UK Property Fund SLP 180 St. Vincent Street, Glasgow G2 5SG, Scotland	Property investment	27%	2
The Second Anglo Irish UK Property Fund SLP 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ, Scotland	Property investment	19%	21
Moorevale Investments Limited 53-54 Brook's Mews, London W1K 4EF, England	Property investment	50%	-

Joint venture entity and registered office	Principal activity	Group's interest in equity and loan capital	Issued capital and loan stock €m
Aggmore Europe I S.A. 14 rue du Marché aux Herbes, L-1728 Luxembourg	Property investment	49%	19
Halladale Anglo Ventures Limited 93 West George Street, Glasgow G2 1PB, Scotland	Property investment	50%	8
Carisbrooke Anglo Ventures Limited * 10 Old Jewry, London EC2R 8DN, England	Property investment	67%	20
Alchemist Anglo Property Ventures Limited Suite 2/3, 135 Buchanan Street, Glasgow G1 2JA, Scotland	Property investment	50%	-

* The Group's interest in the issued share capital of this entity is greater than 50%. However, the substance and legal form of this venture is such that it is a jointly controlled entity as the approval of both joint venture parties is required for all strategic financial and operating decisions.

At 30 September 2007 the Group had neither capital commitments nor contingent liabilities, whether incurred jointly or otherwise, in relation to its joint venture interests.

28. Investments in Group undertakings

	The Bank	
	2007	2006
	€m	€m
Investments in subsidiary undertakings at cost less provisions for impairment	**950**	789

Principal subsidiary undertakings and registered offices	Principal activity
Anglo Irish Asset Finance plc 10 Old Jewry, London EC2R 8DN, England	Finance
Anglo Irish Asset Management Limited Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland	Fund management
Anglo Irish Assurance Company Limited Heritage House, 23 St. Stephen's Green, Dublin 2, Ireland	Life assurance and pensions
Anglo Irish Bank (Austria) A.G. Rathausstrasse 20, P.O. Box 306, A-1011 Vienna, Austria	Banking
Anglo Irish Bank Corporation (I.O.M.) P.L.C. Jubilee Buildings, Victoria Street, Douglas, Isle of Man 1M1 2SH	Banking
Anglo Irish Bank (Suisse) S.A. 7 Rue des Alpes, P.O. Box 1380, 1211 Geneva 1, Switzerland	Banking
Anglo Irish Capital Funding Limited Walker House, Mary Street, George Town, Grand Cayman, Cayman Islands	Finance
Anglo Irish Capital UK LP 10 Old Jewry, London EC2R 8DN, England	Finance
Anglo Irish Capital UK (2) LP 10 Old Jewry, London EC2R 8DN, England	Finance
Anglo Irish Capital UK (3) LP 10 Old Jewry, London EC2R 8DN, England	Finance
Anglo Irish Covered Bonds LLP 10 Old Jewry, London EC2R 8DN, England	Guarantor of covered bonds
Anglo Irish International Financial Services Limited Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland	Finance
Anglo Irish Property Lending Limited 10 Old Jewry, London EC2R 8DN, England	Finance

Principal subsidiary undertakings and registered offices	Principal activity
Buyway Group Limited Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland	Investment holding
CDB (U.K.) Limited 10 Old Jewry, London EC2R 8DN, England	Investment holding
Sparta Financial Services Stephen Court, 18/21 St. Stephen's Green, Dublin 2, Ireland	Finance
Steenwal B.V. Drentestraat 24 BG, 1083 HK Amsterdam, The Netherlands	Investment holding
The Anglo Aggmore Limited Partnership 10 Old Jewry, London EC2R 8DN, England	Property

The Group owns all of the issued ordinary share capital of all subsidiary undertakings listed unless otherwise stated. All of the Group undertakings are included in the consolidated financial statements. The Group holds 75% of the capital contributed to The Anglo Aggmore Limited Partnership. The capital contributors earn a return of 10% per annum on their capital and thereafter the Group is entitled to 50% of the remaining profits of this partnership. The Group is the general partner of Anglo Irish Capital UK LP, Anglo Irish Capital UK (2) LP, Anglo Irish Capital UK (3) LP and The Anglo Aggmore Limited Partnership.

The Group's interest in Anglo Irish Covered Bonds LLP is, in substance, no different than if it were a wholly owned subsidiary undertaking. Consequently it is consolidated in the Group accounts.

Each subsidiary undertaking operates principally in the country in which it is registered. A complete listing of Group undertakings will be annexed to the annual return of the Bank 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.

29. Intangible assets

	The Group		The Bank
	Computer software €m	Goodwill €m	Computer software €m
Cost			
At 1 October 2005	**40**	**67**	**24**
Additions	**12**	**-**	**12**
Exchange movement	**-**	**(1)**	**-**
At 30 September 2006	**52**	**66**	**36**
Additions	**7**	**-**	**6**
Disposals (note 12)	**-**	**(18)**	**-**
Exchange movement	**-**	**(2)**	**-**
At 30 September 2007	**59**	**46**	**42**
Accumulated amortisation and impairment losses			
At 1 October 2005	**18**	**-**	**8**
Charge for the year	**10**	**-**	**6**
At 30 September 2006	**28**	**-**	**14**
Charge for the year	**14**	**-**	**12**
At 30 September 2007	**42**	**-**	**26**
Net book value			
At 30 September 2007	**17**	**46**	**16**
At 30 September 2006	**24**	**66**	**22**

Following the sale of the Isle of Man trust business during the year the remaining goodwill of €46m now relates entirely to the acquisition of Anglo Irish Bank (Suisse) S.A.

There was no impairment of goodwill in either 2007 or 2006. Impairment testing is performed, at least annually, by comparing the carrying value of goodwill to the recoverable amount, which is based on a value in use calculation. This calculation uses cash flow projections based on management's five year business plan with cash flows thereafter being extrapolated using growth rates reflecting the trend in growth rate for the local economy. These cash flows are then discounted at the weighted average cost of capital for the Group. The weighted average cost of capital is based on the weighted average cost of debt combined with the cost of equity capital as determined by a capital asset pricing model. When the present value exceeds the carrying amount no impairment arises.

30. Investment property - held on own account

	The Group	
	2007	2006
	€m	€m
Cost		
At beginning of year	**37**	37
Additions	**1**	-
Disposals	**(11)**	-
Exchange movement	**(1)**	-
At end of year	**26**	37
Accumulated depreciation		
At beginning of year	**1**	-
Charge for the year	**1**	1
Disposals	**(1)**	-
At end of year	**1**	1
Net book value		
At end of year	**25**	36
At beginning of year	**36**	37

The fair value of investment property held on own account at 30 September 2007 is €29m (2006: €44m).

31. Investment property - held in respect of liabilities to customers under investment contracts

	The Group	
	2007	2006
	€m	€m
Fair value		
At beginning of year	**1,956**	1,219
Additions	**653**	635
Disposals	**(698)**	(99)
Fair value movements	**179**	201
At end of year (note 38)	**2,090**	1,956

32. Property, plant and equipment

The Group	Freehold properties €m	Leasehold improvements €m	Computer and other equipment €m	Total €m
Cost				
At 1 October 2005	5	26	46	77
Additions	-	5	3	8
Disposals	-	-	(2)	(2)
At 30 September 2006	5	31	47	83
Disposal of Group undertaking	-	-	(2)	(2)
Additions	-	2	10	12
Disposals	-	(2)	(3)	(5)
At 30 September 2007	5	31	52	88
Accumulated depreciation				
At 1 October 2005	1	8	32	41
Charge for the year	-	3	3	6
Disposals	-	-	(1)	(1)
At 30 September 2006	1	11	34	46
Disposal of Group undertaking	-	-	(1)	(1)
Charge for the year	-	2	8	10
Disposals	-	(1)	(3)	(4)
At 30 September 2007	1	12	38	51
Net book value				
At 30 September 2007	4	19	14	37
At 30 September 2006	4	20	13	37

The Group occupies properties with a net book value of €21m at 30 September 2007 (2006: €22m) in the course of carrying out its own activities.

The Bank	**Leasehold improvements**	**Computer and other equipment**	**Total**
	€m	**€m**	**€m**
Cost			
At 1 October 2005	**13**	**37**	**50**
Additions	**4**	**3**	**7**
Disposals	**-**	**(1)**	**(1)**
At 30 September 2006	**17**	**39**	**56**
Additions	**1**	**9**	**10**
Disposals	**(2)**	**(2)**	**(4)**
At 30 September 2007	**16**	**46**	**62**
Accumulated depreciation			
At 1 October 2005	**5**	**26**	**31**
Charge for the year	**2**	**3**	**5**
Disposals	**-**	**(1)**	**(1)**
At 30 September 2006	**7**	**28**	**35**
Charge for the year	**2**	**7**	**9**
Disposals	**(1)**	**(2)**	**(3)**
At 30 September 2007	**8**	**33**	**41**
Net book value			
At 30 September 2007	**8**	**13**	**21**
At 30 September 2006	**10**	**11**	**21**

32. **Property, plant and equipment** continued

The Group has minimum future rental payments under non-cancellable operating leases as follows:

	2007		2006	
	Property	**Equipment**	**Property**	**Equipment**
	€m	**€m**	**€m**	**€m**
Within one year	**12**	**2**	15	3
One to five years	**35**	**1**	48	4
Over five years	**135**	**-**	84	-
	182	**3**	147	7

The total of future minimum sublease payments expected to be received under non-cancellable subleases at 30 September 2007 was €2m (2006: €3m).

The Group profit before taxation is arrived at after charging operating lease rentals of €15m (2006: €13m). Sublease income recognised for the year was €1m (2006: €nil).

As at 30 September 2007 the Group and the Bank had contractual commitments of €4m (2006: €2m) for the acquisition of property, plant and equipment.

33. Deferred taxation

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Analysis of movement in deferred taxation:				
Opening net (liability)/asset	**(9)**	43	**34**	40
IAS 32 and IAS 39 transition adjustments	**-**	(25)	**-**	(12)
Income statement charge for year	**(6)**	(35)	**(2)**	(2)
Movements through equity	**13**	8	**13**	8
Group transfer	**-**	-	**(1)**	-
Closing net (liability)/asset	**(2)**	(9)	**44**	34
Analysis of deferred taxation asset:				
Available-for-sale financial assets	**14**	-	**14**	-
Arrangement fees	**14**	17	**14**	17
Derivatives and cash flow hedges	**6**	8	**6**	8
Employee benefits and share-based payment schemes	**5**	8	**5**	8
Impairment provisions	**5**	8	**5**	6
Other temporary differences	**3**	1	**2**	-
	47	42	**46**	39
Analysis of deferred taxation liability:				
Unremitted profits of subsidiaries	**(37)**	(33)	**-**	-
Arrangement fees	**(7)**	(8)	**-**	-
Other temporary differences	**(5)**	(10)	**(2)**	(5)
	(49)	(51)	**(2)**	(5)
Represented on the balance sheet as follows:				
Deferred taxation asset	**47**	34	**46**	34
Deferred taxation liability	**(49)**	(43)	**(2)**	-
	(2)	(9)	**44**	34

34. Other assets

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Trading properties	**137**	611	**-**	-
Sundry debtors	**6**	14	**1**	8
	143	625	**1**	8

Trading properties primarily consist of properties acquired for onward allocation to clients as investment property held in respect of liabilities to customers under investment contracts.

35. Deposits from banks

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Repayable on demand	**414**	43	**6,041**	3,584
Securities sold under agreements to repurchase	**1,886**	3,852	**1,886**	3,852
Other deposits by banks with agreed maturity dates	**5,301**	6,380	**4,801**	5,900
	7,601	10,275	**12,728**	13,336
Amounts include:				
Due to Group undertakings			**5,676**	3,770

36. Customer accounts

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Repayable on demand	**3,800**	2,032	**3,134**	2,146
Other deposits by customers with agreed maturity dates	**48,886**	34,826	**43,566**	30,612
	52,686	36,858	**46,700**	32,758
Amounts include:				
Due to Group undertakings			**933**	489

The Bank's customer accounts include €363m (2006: €156m) of deposits held in respect of liabilities to customers under investment contracts (note 38). These deposits eliminate on consolidation in the Group customer accounts balances.

The Group's customer accounts include deposits of €45m (2006: €56m) received from equity-accounted joint venture interests.

37. Debt securities in issue

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Medium term note programme	**14,084**	9,833	**14,084**	9,833
Other debt securities in issue:				
Commercial paper	**5,421**	3,888	**5,421**	3,888
Certificates of deposit	**1,680**	1,339	**1,680**	1,339
Covered bonds	**1,347**	-	**1,347**	-
Extendible notes	**1,056**	-	**1,056**	-
	23,588	15,060	**23,588**	15,060

Covered bonds for the Group and the Bank are secured on certain loans and advances to customers (note 24).

38. Liabilities to customers under investment contracts

	The Group	
	2007	2006
	€m	€m
Assets held in respect of liabilities to customers under investment contracts:		
Investment property	**2,090**	1,956
Financial assets at fair value through profit or loss	**644**	309
Derivative financial instruments	**14**	(8)
Loans and advances to banks	**255**	179
Ordinary shares in parent Bank	**14**	15
Subordinated liabilities and other capital instruments - Group	**24**	34
Total	**3,041**	2,485
Less:		
Funding provided by parent Bank	**(1,127)**	(1,085)
Funding provided by external banks	**(381)**	(162)
Net asset value attributable to external unitholders	**(110)**	-
Net asset value attributable to minority interest	**(7)**	-
Add:		
Funds on deposit with parent Bank	**363**	156
Liabilities to customers under investment contracts at fair value	**1,779**	1,394

Under the terms of the investment contracts issued by the Group's assurance business legal title to the underlying investments is held by the Group, but the inherent risks and rewards in the investments are borne by customers through unit-linked life assurance policies. In the normal course of business, the Group's financial interest in such investments is restricted to fees earned for contract set up and investment management.

Underlying investments related to certain investment contracts are held through unit trusts or other legal entities which are not wholly-owned subsidiaries of the Group. The inherent risks and rewards borne by external third parties are treated as either amounts attributable to external unitholders or minority interest as appropriate.

In accordance with IFRS, obligations under investment contracts are carried at fair value on the balance sheet and are classified as liabilities to customers under investment contracts. The above table sets out where the relevant assets and liabilities in respect of the life assurance business investment contracts are included on the Group balance sheet. On consolidation, Group loans and advances to customers are shown net of funding of €1,127m (2006: €1,085m) provided by the parent Bank to fund assets held by the life assurance business in respect of liabilities to customers under investment contracts.

39. Other liabilities

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Amounts attributable to external unitholders linked to investment contracts (note 38)	**110**	-	**-**	-
Sundry liabilities	**65**	32	**55**	32
	175	32	**55**	32

40. Subordinated liabilities and other capital instruments

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Dated Loan Capital				
€750m Floating Rate Subordinated Notes 2014 (a)	**749**	748	**749**	748
US$165m Subordinated Notes Series A 2015 (b)	**115**	127	**115**	127
US$35m Subordinated Notes Series B 2017 (c)	**24**	27	**24**	27
€500m Callable Floating Rate Subordinated Notes 2016 (d)	**499**	498	**499**	498
€750m Callable Floating Rate Subordinated Notes 2017 (e)	**749**	-	**749**	-
Undated Loan Capital				
Stg£200m Step-up Callable Perpetual Capital Securities (f)	**294**	309	**-**	-
Stg£250m Tier One Non-Innovative Capital Securities (g)	**368**	390	**-**	-
€600m Perpetual Preferred Securities (h)	**521**	511	**-**	-
US$125m Series A Preference Shares (i)	**-**	99	**-**	-
Stg£300m Non-Cumulative Preference Shares (j)	**407**	431	**407**	431
Stg£300m Step-up Perpetual Subordinated Notes (k)	**424**	449	**424**	449
€600m Fixed/Floating Perpetual Preferred Securities (l)	**599**	599	**-**	-
Stg£350m Fixed/Floating Perpetual Preferred Securities (m)	**516**	-	**-**	-
Other subordinated liabilities	**9**	17	**9**	17
	5,274	4,205	**2,976**	2,297

All subordinated liabilities and other capital instruments issued by the parent Bank are unsecured and subordinated in the right of repayment to the ordinary creditors, including depositors of the Bank. The prior approval of the Financial Regulator in Ireland is required to redeem these issues prior to their final maturity date.

(a) The €750m Floating Rate Subordinated Notes 2014 bear interest at three month EURIBOR plus 0.45% per annum to 25 June 2009 and thereafter at three month EURIBOR plus 0.95% per annum.

(b) The US$165m Subordinated Notes Series A 2015 bear interest at 4.71% per annum to 28 September 2010 and thereafter reset at three month LIBOR plus 0.92% per annum.

(c) The US$35m Subordinated Notes Series B 2017 bear interest at 4.80% per annum to 28 September 2012 and thereafter reset at three month LIBOR plus 0.93% per annum.

(d) The €500m Callable Floating Rate Subordinated Notes 2016 were issued on 21 June 2006, and bear interest at three month EURIBOR plus 0.30% to 21 June 2011 and thereafter at three month EURIBOR plus 0.80% per annum. They are callable in whole or in part at the option of the Bank, subject to the prior approval of the Financial Regulator in Ireland, at their principal amount together with any outstanding payments on 21 June 2011 or on any coupon date thereafter.

(e) The €750m Callable Floating Rate Subordinated Notes 2017 were issued on 19 June 2007, and bear interest at three month EURIBOR plus 0.25% to 19 June 2012 and thereafter at three month EURIBOR plus 0.75% per annum. They are callable in whole or in part at the option of the Bank, subject to the prior approval of the Financial Regulator in Ireland, at their principal amount together with any outstanding payments on 19 June 2012 or on any coupon date thereafter.

(f) On 28 June 2001 Anglo Irish Asset Finance plc ('issuer') issued Stg£200m 8.5325% 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 Financial Regulator in Ireland and of the guarantor, at their principal amount together with any outstanding payments on 28 June 2011 or on 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.

(g) On 23 July 2002 Anglo Irish Asset Finance plc ('issuer') issued Stg£160m 7.625% Tier One Non-Innovative Capital Securities ('TONICS') at an issue price of 99.362%. A further tranche of Stg£90m TONICS was issued on 21 March 2003 at an issue price of 106.378% plus accrued interest. These issues also have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation plc ('guarantor').

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

The rights and claims of the holders of the securities at (f) above 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 preferred securities and 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.

40. **Subordinated liabilities and other capital instruments** continued

(h) On 30 September 2004 the limited partners of the Anglo Irish Capital UK LP ('issuer') contributed capital in the form of 600,000 Non-Voting Non-Cumulative Perpetual Preferred Securities ('preferred securities') of €1,000 each issued at par. The preferred securities have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation plc ('guarantor'). The issuer is a limited partnership organised under the laws of England and Wales and its general partner is Anglo Irish Capital GP Limited, a wholly owned subsidiary of the guarantor.

The preferred securities are perpetual and have no repayment date. However, they are redeemable in whole, but not in part, at the option of Anglo Irish Capital GP Limited and subject to the prior approval of the Financial Regulator in Ireland, at their issue price together with any outstanding payments on 30 March 2010 or on any distribution date thereafter.

Cash distributions to the limited partners are payable semi-annually in arrears on 30 March and 30 September. The distribution rate on the preferred securities was fixed at 6% per annum to 30 September 2005 and thereafter resets every six months at a rate linked to the euro ten year constant maturity swap, subject to a cap of 9% per annum.

Anglo Irish Bank Corporation plc has guaranteed the holders of the preferred securities with respect to their rights to distributions and on liquidation. The guarantee gives, as nearly as possible, the holders of the preferred securities rights equivalent to those which the holders would be entitled to if they held preferred securities in Anglo Irish Bank Corporation plc itself. No distributions can be paid in respect of the preferred securities by the issuer or the guarantor if the guarantor is not in compliance with applicable regulatory capital adequacy requirements.

(i) 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. These shares had the benefit of a subordinated guarantee by Anglo Irish Bank Corporation plc ('guarantor'). The holders were 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 was three month US Dollar LIBOR plus 2.5% per annum.

Anglo Irish Bank Corporation plc had guaranteed the holders of the preference shares with respect to their rights to distributions and on liquidation. The guarantee gave, as nearly as possible, the holders of the preference shares rights equivalent to those which the holders would be entitled to if they held preference shares in Anglo Irish Bank Corporation plc itself.

These preference shares were redeemable at par at the option of the issuer, subject to the prior consent of the guarantor and the Financial Regulator in Ireland, in whole or in part, on any dividend date from 4 June 2002.

These preference shares were redeemed at par on 4 December 2006.

(j) On 15 June 2005 300,000 non-cumulative preference shares of Stg£1 each were issued at a price of Stg£997.99 per share. The holders of these preference shares are entitled to a non-cumulative preference dividend of 6.25% per annum based on a principal amount of Stg£1,000 per share payable annually in arrears on 15 June in each year to 15 June 2015. Thereafter dividends are due to be paid quarterly in arrears on 15 March, 15 June, 15 September and 15 December in each year based on a principal amount of Stg£1,000 per share and on the three month LIBOR rate plus 1.66% per annum. No preference dividends can be paid if the issuer is not in compliance with applicable regulatory capital requirements.

These preference shares are redeemable at Stg£1,000 per share in whole, but not in part, at the option of the issuer, subject to the prior consent of the Financial Regulator in Ireland, on 15 June 2015 and on any dividend date thereafter.

Upon any winding up of the issuer these preference shares rank in priority to the ordinary shares in the Bank and equally among themselves and any other present and future Tier 1 capital issues of the Group. Holders of these preference shares are not entitled to vote at any general meetings of the Bank, except in certain restricted circumstances.

(k) The Stg£300m Step-up Perpetual Subordinated Notes were issued on 5 October 2005 and bear interest at 5.25% per annum fixed to 5 October 2015 and thereafter reset at three month LIBOR plus 1.68% per annum. These notes are redeemable at par in whole, but not in part, at the option of the Bank, subject to the prior approval of the Financial Regulator in Ireland, on 5 October 2015 and on any coupon date thereafter.

(l) On 29 September 2006 the limited partners of the Anglo Irish Capital UK (2) LP ('issuer') contributed capital in the form of €600m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities ('preferred securities') issued at par in the denomination per preferred security of €50,000 and integral multiples of €1,000 thereabove (subject to investors holding a minimum interest of €50,000). The preferred securities have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation plc ('guarantor'). The issuer is a limited partnership organised under the laws of England and Wales and its general partner is Anglo Irish Capital GP Limited, a wholly owned subsidiary of the guarantor.

The preferred securities are perpetual and have no repayment date. However, they are redeemable in whole, but not in part, at the option of Anglo Irish Capital GP Limited and subject to the prior approval of the Financial Regulator in Ireland, at their issue price together with any outstanding payments on 29 September 2016.

Cash distributions to the limited partners are payable annually on 29 September. The distribution rate on the preferred securities was fixed at 5.219% per annum to 29 September 2016 and thereafter resets at three month EURIBOR plus 2.20% per annum.

Anglo Irish Bank Corporation plc has guaranteed the holders of the preferred securities with respect to their rights to distributions and on liquidation. The guarantee gives, as nearly as possible, the holders of the preferred securities rights equivalent to those which the holders would be entitled to if they held preferred securities in Anglo Irish Bank Corporation plc itself. No distributions can be paid in respect of the preferred securities by the issuer or the guarantor if the guarantor is not in compliance with applicable regulatory capital adequacy requirements.

40. Subordinated liabilities and other capital instruments continued

(m) On 1 June 2007 the limited partners of the Anglo Irish Capital UK (3) LP ('issuer') contributed capital in the form of Stg£350m Fixed Rate/Floating Rate Guaranteed Non-Voting Non-Cumulative Perpetual Preferred Securities ('preferred securities') issued at par in the denomination per preferred security of Stg£50,000 and integral multiples of Stg£1,000 thereabove (subject to investors holding a minimum interest of Stg£50,000). The preferred securities have the benefit of a subordinated guarantee by Anglo Irish Bank Corporation plc ('guarantor'). The issuer is a limited partnership organised under the laws of England and Wales and its general partner is Anglo Irish Capital GP Limited, a wholly owned subsidiary of the guarantor.

The preferred securities are perpetual and have no repayment date. However, they are redeemable in whole, but not in part, at the option of Anglo Irish Capital GP Limited and subject to the prior approval of the Financial Regulator in Ireland, at their issue price together with any outstanding payments on 1 June 2017, or on any distribution payment date thereafter.

Cash distributions to the limited partners are payable semi-annually in arrears on 1 June and 1 December each year up to and including 1 June 2017, and thereafter quarterly in arrears on 1 March, 1 June, 1 September and 1 December. The distribution rate on the preferred securities was fixed at 6.949% per annum to 1 June 2017 and thereafter resets at three month LIBOR plus 1.39% per annum.

Anglo Irish Bank Corporation plc has guaranteed the holders of the preferred securities with respect to their rights to distributions and on liquidation. The guarantee gives, as nearly as possible, the holders of the preferred securities rights equivalent to those which the holders would be entitled to if they held preferred securities in Anglo Irish Bank Corporation plc itself. No distributions can be paid in respect of the preferred securities by the issuer or the guarantor if the guarantor is not in compliance with applicable regulatory capital adequacy requirements.

41. Share capital

	Group and Bank	
	2007	2006
	€m	€m
Ordinary share capital		
Authorised		
1,200,000,000 ordinary shares of €0.16 each (2006: 760,000,000)	**192**	122
Allotted, called up and fully paid		
763,113,647 ordinary shares of €0.16 each (2006: 721,299,187)	**122**	115

Movements in allotted, called up and fully paid share capital	**2007**	2006
Number of ordinary shares:		
At beginning of year	**721,299,187**	678,130,548
Share placement	**35,709,707**	33,566,275
Scrip dividends	**2,626,115**	2,216,559
Options exercised		
- Employee Share Option Scheme	**2,654,400**	5,883,800
- Save As You Earn scheme	**824,238**	1,502,005
At end of year	**763,113,647**	721,299,187

On 2 February 2007 the Bank's authorised ordinary share capital was increased from 760,000,000 to 1,200,000,000 shares.

During the year ended 30 September 2007 the allotted, called up and fully paid ordinary share capital was increased from 721,299,187 to 763,113,647 shares as follows:

In February 2007 the Bank issued 35,709,707 ordinary shares at a market price of €15.20. This 5% ordinary share placement strengthens the Group's capital ratios.

In February 2007 2,147,859 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 €15.46 in lieu of all or part of the cash element of their final dividend entitlement in respect of the year ended 30 September 2006.

In July 2007 478,256 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 €16.33 in lieu of all or part of the cash element of their interim dividend entitlement in respect of the year ended 30 September 2007.

During the year 2,654,400 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 €1.17 to €11.82, and 824,238 ordinary shares were issued to option holders on the exercise of options under the terms of the Save As You Earn scheme at prices ranging from €0.90 to €11.51.

The Group operates a number of share-based incentive plans, details of which are provided in note 8.

Under resolutions approved by the shareholders, the Bank has the authority to make market purchases of any class of its own shares to the extent of 10% of its then issued share capital and to hold these shares as treasury shares. This authority has not been exercised.

41. **Share capital** continued

Preference share capital

The Bank has authorisation from shareholders to issue preference share capital as follows:

	Group and Bank	
	2007	2006
	€m	€m
50,000,000 Non-cumulative preference shares of €1 each	**50**	50
50,000,000 Non-cumulative preference shares of Stg£1 each	**72**	74
50,000,000 Non-cumulative preference shares of US$1 each	**35**	39

On 15 June 2005 300,000 non-cumulative preference shares of Stg£1 each were issued at a price of Stg£997.99 per share. Under IAS 32, these are classified as subordinated liabilities and other capital instruments (note 40).

42. Minority interest

	The Group	
	2007	2006
	€m	€m
Net asset value held under investment contracts attributable to minority interest (note 38)	**7**	-
Other minority interest	**6**	3
	13	3

43. Total equity

The following tables provide a reconciliation of the movements in total equity. A description of the components of other reserves is provided below:

Capital reserve
The capital reserve is a non-distributable capital reserve.

Exchange translation reserve
The exchange translation reserve has two components. It includes the cumulative foreign exchange differences arising from translating the income statements of foreign operations at average exchange rates and the translation of the balance sheets of foreign operations using exchange rates ruling at the year end. It also includes the cumulative foreign exchange differences arising from the translation of the Group's investment in foreign operations, net of exchange differences arising on funding designated as hedges of these investments.

Cash flow hedging reserve
The cash flow hedging reserve represents the effective portion of the cumulative net change in the fair value of derivatives designated as cash flow hedges. It is stated net of deferred taxation.

Available-for-sale reserve
The available-for-sale reserve represents the unrealised net gains and losses in the fair value of available-for-sale financial assets as adjusted for any impairment losses recognised in the income statement. Changes in fair value are presented net of transfers to the income statement in respect of fair value hedges. It is stated net of deferred taxation.

Share-based payments reserve
The share-based payments reserve represents the cumulative income statement expense for unexercised share options and deferred share awards granted on or after 7 November 2002.

43. Total equity continued

Consolidated reconciliation of movements in total equity

	Share capital €m	Share premium €m	Capital €m	Other reserves: Exchange translation €m	Other reserves: Cash flow hedging €m	Other reserves: Available-for-sale €m	Other reserves: Share-based payments €m	Retained profits €m	Minority interest €m	Total €m
2006										
Balance at 1 October 2005	109	169	1	-	34	11	14	1,411	2	1,751
Profit for the year	-	-	-	-	-	-	-	657	1	658
Equity dividends	-	-	-	-	-	-	-	(100)	-	(100)
Share placing	5	405	-	-	-	-	-	-	-	410
Options exercised and scrip dividends	1	20	-	-	-	-	(6)	32	-	47
Net movement in own shares	-	-	-	-	-	-	-	(35)	-	(35)
Actuarial gains after tax in retirement benefit schemes	-	-	-	-	-	-	-	6	-	6
Share-based payments	-	-	-	-	-	-	15	-	-	15
Net changes in fair value	-	-	-	-	-	(3)	-	-	-	(3)
Transfers to income statement	-	-	-	-	-	(1)	-	-	-	(1)
Other movements	-	-	-	2	(58)	-	-	-	-	(56)
Balance at 30 September 2006	115	594	1	2	(24)	7	23	1,971	3	2,692
2007										
Balance at 30 September 2006	115	594	1	2	(24)	7	23	1,971	3	2,692
Profit for the year	-	-	-	-	-	-	-	998	10	1,008
Equity dividends	-	-	-	-	-	-	-	(127)	-	(127)
Share placing	6	531	-	-	-	-	-	-	-	537
Options exercised and scrip dividends	1	14	-	-	-	-	(5)	46	-	56
Net movement in own shares	-	-	-	-	-	-	-	(17)	-	(17)
Actuarial gains after tax in retirement benefit schemes	-	-	-	-	-	-	-	12	-	12
Share-based payments	-	-	-	-	-	-	16	-	-	16
Net changes in fair value	-	-	-	-	-	(165)	-	-	-	(165)
Collective impairment recognised in income statement	-	-	-	-	-	59	-	-	-	59
Transfers to income statement	-	-	-	-	-	(1)	-	-	-	(1)
Other movements	-	-	-	(8)	5	-	(2)	-	-	(5)
Balance at 30 September 2007	122	1,139	1	(6)	(19)	(100)	32	2,883	13	4,065

Retained profits are stated net of treasury shares of €74m (2006: €57m) (note 44).

Reconciliation of movements in total equity - The Bank

	Share capital €m	Share premium €m	Other reserves: Capital €m	Other reserves: Exchange translation €m	Other reserves: Cash flow hedging €m	Other reserves: Available-for-sale €m	Other reserves: Share-based payments €m	Retained profits €m	Total €m
2006									
Balance at 1 October 2005	109	169	1	-	34	11	14	1,072	1,410
Profit for the year	-	-	-	-	-	-	-	602	602
Equity dividends	-	-	-	-	-	-	-	(100)	(100)
Share placing	5	405	-	-	-	-	-	-	410
Options exercised and scrip dividends	1	20	-	-	-	-	(6)	32	47
Actuarial gains after tax in retirement benefit schemes	-	-	-	-	-	-	-	6	6
Share-based payments	-	-	-	-	-	-	15	-	15
Net changes in fair value	-	-	-	-	-	(3)	-	-	(3)
Transfers to income statement	-	-	-	-	-	(1)	-	-	(1)
Other movements	-	-	-	1	(58)	-	-	-	(57)
Balance at 30 September 2006	115	594	1	1	(24)	7	23	1,612	2,329
2007									
Balance at 30 September 2006	115	594	1	1	(24)	7	23	1,612	2,329
Profit for the year	-	-	-	-	-	-	-	909	909
Equity dividends	-	-	-	-	-	-	-	(127)	(127)
Share placing	6	531	-	-	-	-	-	-	537
Options exercised and scrip dividends	1	14	-	-	-	-	(5)	46	56
Actuarial gains after tax in retirement benefit schemes	-	-	-	-	-	-	-	12	12
Share-based payments	-	-	-	-	-	-	16	-	16
Net changes in fair value	-	-	-	-	-	(165)	-	-	(165)
Collective impairment recognised in income statement	-	-	-	-	-	59	-	-	59
Transfers to income statement	-	-	-	-	-	(1)	-	-	(1)
Other movements	-	-	-	(5)	5	-	(2)	-	(2)
Balance at 30 September 2007	122	1,139	1	(4)	(19)	(100)	32	2,452	3,623

44. Treasury shares

	The Group	
	2007	2006
	€m	€m
Ordinary shares in Anglo Irish Bank Corporation plc ('own shares') at cost	**60**	42
Treasury shares held for the benefit of policyholders	**14**	15
	74	57

Own shares are held to satisfy share options granted or to be granted to employees under the Anglo Irish Bank Employee Share Ownership Plan ('ESOP') and also to honour conditional share awards made to employees under the Deferred Share Scheme ('DSS') (note 8).

The trustee of the ESOP borrowed funds from a Group subsidiary undertaking, interest free, to enable the trustee to purchase own shares in the open market. At 30 September 2007 options were outstanding over 3,199,700 (2006: 1,968,700) own shares at exercise prices ranging from €1.20 to €16.28. These options may be exercised at various dates up to August 2017. The proceeds of option exercises are used to repay the loan.

At 30 September 2007 the trustee of the DSS held 1,104,416 (2006: 1,107,743) own shares to honour conditional share awards granted between December 2004 and July 2007 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 undertaking. These share awards are conditional on the relevant employees remaining in the Group's employment for three years from their grant date. The cost of providing these awards is expensed in the income statement over the vesting period of the awards. When the awards vest the trustee's borrowings are fully reimbursed by the sponsoring Group employer.

Including the above, at 30 September 2007 the trustees held 6,665,825 (2006: 5,649,594) own shares with a market value of €88m (2006: €73m). The dividend income received during the year on own shares of €1m (2006: €1m) is excluded in arriving at the Group profit before taxation.

Anglo Irish Assurance Company Limited holds ordinary shares for the benefit of policyholders which are categorised as treasury shares (note 38). At 30 September 2007 it held 1,025,090 (2006: 1,127,881) shares. These shares have a market value of €14m (2006: €15m).

45. Contingent liabilities, commitments and contingencies

	The Group		The Bank	
	2007	2006	**2007**	2006
	€m	€m	**€m**	€m
Contingent liabilities				
Guarantees and irrevocable letters of credit	**1,411**	2,076	**1,283**	2,025
Performance bonds, VAT guarantees and other transaction related contingencies	**113**	99	**89**	84
	1,524	2,175	**1,372**	2,109
Commitments				
Credit lines and other commitments to lend	**9,775**	8,734	**7,323**	6,936

Other contingencies

In addition to the above, the Bank has given guarantees in respect of certain subsidiaries.

46. Cash flow statement

	The Group		The Bank	
Other non-cash items	**2007**	2006	**2007**	2006
	€m	€m	**€m**	€m
Provisions for impairment	**149**	66	**81**	49
Loans and advances written-off net of recoveries	**(43)**	(12)	**(39)**	(11)
Net increase in accruals and deferred income	**15**	41	**37**	20
Net decrease/(increase) in prepayments and accrued income	**3**	24	**(3)**	24
Depreciation and amortisation	**25**	17	**21**	11
Share of results of joint ventures	**(2)**	(4)	**-**	-
Profit on disposal of Isle of Man trust business	**(22)**	-	**-**	-
Net gains on disposal of available-for-sale financial assets	**(1)**	(1)	**(1)**	(1)
Profit on disposal of investment properties held on own account	**(1)**	-	**-**	-
Share-based payment expense	**16**	15	**16**	15
Other	**(1)**	(4)	**1**	(2)
	138	142	**113**	105

Cash and cash equivalents

Cash and balances with central banks	**848**	440	**830**	430
Loans and advances to banks (with a maturity of less than three months)	**9,984**	10,360	**8,063**	8,639
At 30 September	**10,832**	10,800	**8,893**	9,069

47. Risk management and control

Introduction
One of the most fundamental aspects of banking is the management of risk, hence the identification, measurement and management of risk is a strategic priority for the Group. Consequently, the Board of Directors ('the Board') has established a comprehensive framework covering accountability, oversight, measurement and reporting to maintain high standards of risk management throughout the Group. The principal risks faced by the Group are credit risk, market risk, liquidity or funding risk, operational risk and regulatory change.

Other key risks and uncertainties facing the Group relate to the general macroeconomic outlook for Ireland, the UK and the USA. The Group's activities in these key markets are sensitive to increased competition, higher interest rates, regulatory change, a decline in general economic conditions and deterioration in underlying asset quality.

Governance framework
The Board approves the overall Group strategy and is responsible for approving the Group's risk appetite. Primary responsibility for managing risk and for ensuring adequate controls are in place lies with management. The Group Risk Management function sets limits consistent with the Group's risk appetite, monitors and reports on compliance with those limits and oversees the management of risk. The function is headed by the Chief Risk Officer ('CRO'). The CRO is an Executive Director who reports directly to the Group Chief Executive.

The following Board and executive Committees support the Group's risk management objectives:

- Risk and Compliance Committee;
- Main Credit Committee; and
- Group Asset and Liability Committee ('ALCO').

The Risk and Compliance Committee's main role is to oversee risk management and compliance. This covers credit, market, liquidity and operational risk. The Committee reviews, on behalf of the Board, the key risks and compliance issues inherent in the business and the system of control necessary to manage them. The Committee comprises three Non-executive Directors and approves Group policy on both banking and treasury credit risk.

The Board delegates its monitoring and control responsibilities to the Main Credit Committee for credit matters and to ALCO for market risk and liquidity matters. Both Committees comprise senior management from throughout the Group.

Group Risk Management, Group Finance, Group Compliance 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 management, financial control and operational control is designed to safeguard the Group's assets while allowing sufficient operational freedom for business units to earn a satisfactory return for shareholders.

Risk management approach
The Group's approach to risk management is based on line management having primary responsibility for management of risk in individual businesses. As part of the Group's governance framework, risk is subject to independent oversight and analysis by Group Risk Management, which comprises five core functions:

- Banking credit risk;
- Treasury credit risk;
- Market risk;
- Liquidity risk;
- Operational risk.

These key risk management functions support the CRO in the formulation and monitoring of risk policies and strategies.

Banking and treasury credit risk

Credit risk is the risk that the Group will suffer a financial loss from a counterparty's failure to pay interest, repay capital or meet a commitment that they have entered into where the collateral pledged as security is insufficient to cover the payments due. The Group's credit risk arises primarily from its lending activities to customers but also from investment in securities and its use of derivatives.

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 Risk and Compliance Committee. The policy manual, which is regularly updated, is provided to all relevant staff and forms the core of the Group’s 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 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 senior forum for approving credit exposures, includes Executive Directors and senior management. All credit committees must reach a consensus before authorising a credit exposure and each individual credit must be signed by a valid quorum. Additionally, a Non-executive Director must countersign all exposures over a certain threshold.

All lending exposures are monitored on an ongoing basis with the senior executives responsible for banking credit risk 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.

Credit risk on all treasury clients and interbank facilities is regularly assessed. All such treasury lines must be formally reviewed by Group Risk Management at least once a year.

Group Risk Management monitors credit risk on a portfolio basis and, in particular, looks at the entire Group's exposure to geographic and industry sectors. Sectoral guidelines are in place and restrictions on exposures are imposed when considered prudent. The Group's credit policy ensures that no single counterparty or group of closely-related counterparties give rise to a significant concentration of credit risk. Information on the Group's principal risk concentrations is disclosed in note 24.

For financial assets recognised on balance sheet the Group's maximum exposure to credit risk is the carrying amount of these assets. In most cases the actual exposure to credit risk is less than the carrying amount. For example, for loans and advances to customers the Group requires various forms of credit protection, including covenants, and obtains security such as mortgages or charges. Personal guarantees from borrowers are also often required. To reduce the credit exposure on derivative financial instruments the Group utilises master netting agreements and obtains cash collateral against net exposures under collateral support agreements. For financial guarantees granted the maximum exposure to credit risk is the maximum amount that the Group would have to pay if the guarantees are called upon. For loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities the maximum exposure to credit risk is the full amount of committed facilities.

Market risk

Market risk is the risk of a potential adverse change in the Group’s income or financial position 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 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 policies prepared by Group Risk Management in conjunction with Group Treasury and approved by ALCO. These policies set 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 these policies ALCO approves all risk limits, which are also notified to the Risk and Compliance Committee.

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 Group Risk Management, operating independently of the risk-taking units.

47. **Risk management and control** continued

Market risk continued

Use of financial instruments

The Group uses financial instruments in the normal course of its business. To fund asset growth the Group accepts deposits from customers and interbank counterparties and raises funds via the capital markets by issuing debt securities. Interest rates on financial instruments can be either fixed or variable, with varying contractual terms from short to long-term.

Where appropriate the Group uses derivatives to manage interest rate and foreign exchange exposures arising from the use of financial instruments.

Interest income is principally derived from the Group's lending activities. In addition, the Group earns interest income on its stock of liquid financial assets which are held for liquidity purposes.

The Group also trades in financial instruments by taking positions in exchange traded and over-the-counter instruments in order to take advantage of short-term market movements. ALCO places limits on trading exposures which are independently reported and monitored by Group Risk Management.

Derivatives

A derivative is a financial instrument 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. Further details of derivative balances are disclosed in note 20. The accounting policy on derivatives is set out in note 1.

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 derivative markets and to apply industry best practice to all aspects of such activity.

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

The Group assumes market risk only in clearly defined categories of derivatives, which are traded in well established, liquid markets, supported by industry standard conventions and documentation and valued in accordance with generally accepted methods. Positions can only be taken in instruments which the Group can settle, administer and value, and where the risks can be accurately measured and monitored against exposure limits.

Group Treasury is permitted to take discretionary risk in non-option derivatives, such as interest rate futures, bond futures, forward rate agreements, interest rate swaps, forward foreign exchange and currency swaps. In addition, it is permitted to take exposure in the most widely traded option markets, principally through caps, floors, swap options (swaptions), futures options and conventional currency options.

Transactions in other more complex derivatives are typically entered into on a matched, back-to-back basis. This category consists predominantly of equity index derivatives used for the purposes of constructing retail savings products whose performance are linked to equity markets.

Collateral agreements

The Group has executed Collateral Support Agreements ('CSA's) with its principal interbank derivatives counterparties. The purpose of a CSA is to limit the potential cost of replacing derivative contracts at market prices in the event of default by the original counterparty. Under the terms of a CSA, if the aggregate market value of a set of derivative contracts between the two parties exceeds an agreed threshold figure, the party which would be exposed to loss in the event of default receives a deposit of cash or eligible securities equal to the excess aggregate value over the threshold.

Trading book – interest rate risk
Group Treasury's interest rate trading book consists of interest rate swaps, currency swaps, interest rate futures, forward rate agreements and options and is marked to market daily. Sensitivity calculations for all market risk factors are used to measure and limit the Group's exposures.

Trading book position and stop-loss limits are formally approved by ALCO, notified to the Risk and Compliance Committee and independently monitored daily by Group Risk Management.

Trading book – foreign exchange risk
Trading foreign exchange risk is confined to Group Treasury's trading book and arises from corporate and interbank foreign exchange business and from trading. Position limits are used to measure and limit foreign exchange risk. Measurement is carried out independently by Group Risk Management and stop-loss limits are applied on a daily, monthly and annual basis. Where the Group's trading book contains non-linear foreign exchange risk, additional sensitivity measures are used to monitor and limit the Group's exposure to the various market risk factors.

Structural foreign exchange risk
Structural foreign exchange risk represents the currency risk arising from the translation of the Group's net investments in operations whose functional currency is not in euro. It is Group policy to eliminate this risk by matching all material foreign currency investments in such operations with liabilities in the same currency.

Non-trading book
The Group's non-trading book consists of personal and corporate deposits, issued debt securities and the lending portfolio, as well as Group Treasury's interbank cash book and investment portfolio. In non-trading business units interest rate risk arises primarily from the Group's core banking business. This exposure is centrally managed by Group Treasury in Dublin 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 formally approved by ALCO and notified to the Risk and Compliance Committee. These limits are then subject to independent monitoring by Group Risk Management.

Hedging
With the exception of designated hedging instruments, derivatives are treated as held for trading.

The Group designates certain derivatives as either fair value hedges (where the Group hedges changes in the fair value of recognised assets or liabilities or firm commitments), cash flow hedges (where the Group hedges the exposure to variability of cash flows attributable to recognised assets or liabilities or highly probable forecast transactions) or hedges of a net investment in a foreign currency operation.

Fair value hedges
The Group hedges the interest rate risk resulting from any potential change in the fair value of certain fixed rate assets and liabilities using interest rate swaps and forward rate agreements. The Group also uses cross-currency interest rate swaps to hedge foreign currency and interest rate exposures on certain assets and liabilities denominated in foreign currencies.

Cash flow hedges
The Group hedges a portion of floating rate cash flow exposures using interest rate swaps. The Group also hedges certain forecast foreign currency cash flows using forward foreign exchange contracts (note 49).

Hedges of net investments
The Group hedges the currency translation risk of net investments in foreign operations with matching foreign currency funding.

See note 20 for more details on derivatives used for hedging.

47. Risk management and control continued

Liquidity risk
Liquidity risk is the risk that the Group does not have sufficient funds available at all times to meet its contractual and contingent cash flow obligations. The Group manages liquidity risk through holding a stock of highly liquid assets which can be readily realised for cash and by focusing on the liquidity profile of its assets and liabilities.

Liquidity risk is measured using the cash flow mismatch approach where cash inflows and outflows are analysed to produce a net cash flow position over set time periods. Consistent with the Group's conservative approach to liquidity risk, cash outflows are assumed to be paid at the earliest potential time period and cash inflows to be received at the latest potential time period.

Liquidity risk is monitored centrally by ALCO. Its responsibilities include:

- approving and maintaining Group funding and liquidity policy;
- setting liquidity risk strategy for the Group; and
- maintaining internal and external liquidity risk limits.

ALCO's Liquidity Sub-committee specifically deals with all matters relating to Group liquidity.
Group Treasury is responsible for the operational execution of liquidity strategy and management of Group cash flows on a daily and intra-day basis.

A fundamental component of the Group liquidity policy is the Group funding policy which seeks to build and maintain a funding profile which is well diversified in terms of retail, corporate and capital markets on a customer, segmental, geographical and duration basis.

ALCO is responsible for ensuring asset growth is funded in an appropriate manner in accordance with Group funding policy.

The Group maintains a contingency funding plan to deal with periods of market liquidity stress. The plan is comprehensive and includes detailed actions which may be required depending on the nature and severity of the potential liquidity stress. Early warning indicators are an important facet of the contingency funding plan.

The Group has a comprehensive stress testing framework which is consistent with market best practice for liquidity risk stress and scenario testing. The suite of stress tests incorporates both market and bank specific stresses including moderate and severe events. These stress tests are also modelled for short, medium, and long-term time periods.

The stress testing results enable the Group to analyse the potential effects of low probability yet high impact events and review the probability of such an event occurring. The Group has limits in place which set the maximum tolerance for the results of the various stress test scenarios. The Group has also pre-defined courses of action to reduce the exposure to a particular stress if deemed appropriate.

The Financial Regulator in Ireland introduced new regulatory liquidity requirements in 2007 replacing the liquid stock approach with a more advanced cash flow mismatch approach. Minimum regulatory ratios are in place for specified timebands, specifically sight to 8 days and over 8 days to 30 days, with conservative assumptions set for certain cash flow types.

Cash outflows must be met with cash inflows or highly liquid assets and the Group must maintain a minimum of 100% coverage in the sight to 8 day timeband and 90% coverage in the over 8 days to 30 days timeband. In addition, the Financial Regulator in Ireland requires banks to comply with qualitative requirements regarded as best practice for liquidity risk management.

The Group operates internal limits over and above the minimum regulatory requirements.

Operational risk
Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency, systems failure or exposure to external events. The risk is associated with human error, systems failure, and inadequate controls and procedures.

The Group's management of its exposure to operational risk is governed by a policy document prepared by Group Risk Management and approved by the Risk and Compliance Committee. The policy document 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 for shareholders. The policy document also sets out the responsibilities of senior management, the requirement for reporting of operational risk incidents and the role of Group Internal Audit in providing independent assurance.

The operational risk management process consists of the setting of strategic objectives, the identification of risks and the implementation of action plans to mitigate the risks identified. 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.

The business units and support functions formally reassess their operational risk profile and provide certified reports to Group Risk Management. These reports are consolidated and presented to the Risk and Compliance Committee.

Compliance risk
Management and the Group Compliance function are responsible for ensuring that the Group is compliant with all relevant laws and good practice guidelines in each of the jurisdictions in which the Group operates. This includes ensuring that all of the Group's personnel are aware of and take steps to comply with Group policies and procedures. Non-compliance can give rise to reputational loss, legal or regulatory sanctions or material financial loss.

Group Compliance is charged with defining and identifying regulatory and compliance risks and developing a compliance programme for the Group that includes the implementation and review of specific policies and procedures, compliance monitoring and education of Group staff on regulatory and compliance matters. This programme is risk-based and the Head of Group Compliance is responsible for ensuring appropriate coverage and co-ordination with other Group functions.

The Risk and Compliance Committee have oversight on all compliance issues.

47. Risk management and control continued

Capital management
The types and levels of capital maintained by the Group are determined in line with its capital management objectives which ensure that the levels of capital:

- comply with minimum regulatory requirements;
- are appropriate to the Group's underlying risk profile;
- meet the expectations of investors and other stakeholders; and
- support the Group's dividend.

The Group's regulatory capital base consists of both Tier 1 and Tier 2 capital. Tier 1 capital includes equity (comprising ordinary share capital, qualifying preference shares, share premium and eligible reserves), hybrid capital instruments, deductions for intangible assets and prudential adjustments. Tier 2 capital includes subordinated debt and collective impairment provisions. The composition of both Tier 1 and Tier 2 capital is subject to prudential limits. Total capital is further reduced by supervisory deductions representing the Group's investment in subsidiaries that are not consolidated for the purposes of regulatory supervision.

It is Group policy to pre-fund capital requirements ensuring a strong capital base to support underlying growth. At 30 September 2007 the Group's Tier 1 capital and Total capital ratios are strong at 8.6% and 12.0% respectively, well in excess of minimum regulatory requirements. In February the Group issued 35,709,707 ordinary shares at a market price of €15.20 in a 5% share placement. A further Stg£350 million was raised in June 2007 by issuing a new Tier 1 hybrid capital instrument. These initiatives, together with strong retentions of €912 million contributed to a 41% increase in Tier 1 capital during the year of €1,985 million. In addition, the Group also issued €750 million of Tier 2 capital in June 2007. Risk weighted assets have grown by 37%, which is primarily due to the increase in lending across the Group during the year ended 30 September 2007.

Regulatory capital	**The Group**	
	2007	2006
	€m	€m
Tier 1 capital *	**6,777**	4,792
Tier 2 capital	**2,715**	2,134
Supervisory deductions	**(12)**	(10)
Total capital	**9,480**	6,916
Total risk weighted assets	**78,677**	57,358
Tier 1 capital ratio	**8.6%**	8.4%
Total capital ratio	**12.0%**	12.1%

* Tier 1 capital is adjusted for proposed final dividends.

Basel II
The Group will apply the Standardised Approach for credit and operational risk from 1 January 2008. The Group is currently preparing an application for qualification under the Foundation Internal Ratings Based Approach for submission to the Financial Regulator in Ireland in 2008. The Group expects some regulatory capital benefit over time following implementation of the Capital Requirements Directive.

48. Average effective interest rates

The table below shows the average yields on interest bearing assets and liabilities:

	The Group	
	2007	2006
	Yield %	Yield %
Assets		
Loans and advances to banks	**4.66**	3.38
Loans and advances to customers	**7.18**	6.35
Other financial assets held on own account	**4.67**	3.52
Liabilities		
Deposits from banks	**4.16**	3.41
Customer accounts	**4.79**	3.95
Debt securities in issue	**4.76**	3.54
Subordinated liabilities and other capital instruments	**5.78**	5.06

The above yields are calculated using monthly average balances.

Interest income and expense on interest-bearing financial instruments are recognised using the effective interest rate method.

49. Currency information

At 30 September 2007 the Group's main currency exposures, which arose primarily from the hedging of forecast non-euro income, were a Stg£ short position of €745m (2006: €366m) and a US$ short position of €303m (2006: €220m).

The income statement includes net exchange gains of €7m (2006: losses €1m).

It is Group policy to eliminate structural foreign exchange risk by matching all material foreign currency investments in operations whose functional currency is not in euro with funding in the same currency.

50. Interest rate repricing

The Group manages interest rate risk on a consolidated basis. The following tables analyse the Group's assets and liabilities into relevant repricing groupings. The interest rate repricing table of the Bank does not provide meaningful information and therefore has not been presented.

Non-interest bearing balances include interest accruals, impairment provisions, fair value movements and fair value hedge accounting adjustments.

Assets and related liabilities held in respect of liabilities to customers under investment contracts are separately disclosed as the underlying interest rate risk is borne by the policyholders and has no direct impact on the results of the Group.

50. Interest rate repricing continued

30 September 2007

The Group

	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	Trading book €m	Policy-holders' funds €m	Total €m
Assets									
Cash and balances with central banks	**848**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**848**
Financial assets at fair value through profit or loss	**398**	**4**	**-**	**-**	**-**	**28**	**-**	**644**	**1,074**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**291**	**1,044**	**20**	**1,355**
Loans and advances to banks	**10,377**	**769**	**387**	**84**	**3**	**176**	**-**	**255**	**12,051**
Available-for-sale financial assets	**8,129**	**1,030**	**1,287**	**1,605**	**589**	**(110)**	**-**	**-**	**12,530**
Loans and advances to customers	**65,280**	**232**	**521**	**589**	**245**	**209**	**-**	**(1,127)**	**65,949**
Other assets	**-**	**-**	**-**	**-**	**-**	**755**	**-**	**2,090**	**2,845**
Total assets	**85,032**	**2,035**	**2,195**	**2,278**	**837**	**1,349**	**1,044**	**1,882**	**96,652**
Liabilities									
Deposits from banks	**6,013**	**797**	**341**	**24**	**-**	**45**	**-**	**381**	**7,601**
Customer accounts	**46,034**	**2,167**	**3,494**	**716**	**74**	**564**	**-**	**(363)**	**52,686**
Debt securities in issue	**17,952**	**1,911**	**1,249**	**2,187**	**120**	**169**	**-**	**-**	**23,588**
Derivative financial instruments	**-**	**-**	**-**	**-**	**-**	**203**	**966**	**6**	**1,175**
Liabilities to customers under investment contracts	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,779**	**1,779**
Other liabilities	**-**	**-**	**-**	**-**	**-**	**374**	**-**	**110**	**484**
Subordinated liabilities and other capital instruments	**2,000**	**603**	**5**	**429**	**2,322**	**(61)**	**-**	**(24)**	**5,274**
Total equity	**-**	**-**	**-**	**-**	**-**	**4,072**	**-**	**(7)**	**4,065**
Total equity and liabilities	**71,999**	**5,478**	**5,089**	**3,356**	**2,516**	**5,366**	**966**	**1,882**	**96,652**
Hedging derivatives - nominal amounts	**(10,776)**	**2,408**	**2,526**	**3,174**	**2,668**	**-**	**-**	**-**	**-**
Interest rate repricing gap	**2,257**	**(1,035)**	**(368)**	**2,096**	**989**	**(4,017)**	**78**	**-**	**-**
Cumulative interest rate repricing gap	**2,257**	**1,222**	**854**	**2,950**	**3,939**	**(78)**	**-**	**-**	**-**
Euro Cumulative interest rate repricing gap	**625**	**732**	**1,049**	**2,806**	**3,996**	**(167)**	**-**	**-**	**-**
Stg£ Cumulative interest rate repricing gap	**1,377**	**544**	**(203)**	**117**	**(91)**	**60**	**-**	**-**	**-**
US$ Cumulative interest rate repricing gap	**546**	**50**	**51**	**75**	**82**	**62**	**-**	**-**	**-**

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The Group

	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	Trading book €m	Policy-holders' funds €m	Total €m
Assets									
Cash and balances with central banks	440	-	-	-	-	-	-	-	440
Financial assets at fair value through profit or loss	-	421	-	-	-	35	-	309	765
Derivative financial instruments	912	161	220	482	-	172	505	7	2,459
Loans and advances to banks	10,703	950	333	212	5	42	-	179	12,424
Available-for-sale financial assets	3,978	81	31	853	156	56	-	-	5,155
Loans and advances to customers	47,620	392	582	1,191	400	42	-	(1,085)	49,142
Other assets	-	-	-	-	-	949	-	1,956	2,905
Total assets	63,653	2,005	1,166	2,738	561	1,296	505	1,366	73,290
Liabilities									
Deposits from banks	9,209	160	660	-	-	84	-	162	10,275
Customer accounts	32,650	1,481	1,846	644	110	283	-	(156)	36,858
Debt securities in issue	11,936	788	565	1,645	41	85	-	-	15,060
Derivative financial instruments	1,534	273	-	9	-	183	476	15	2,490
Liabilities to customers under investment contracts	-	-	-	-	-	-	-	1,394	1,394
Other liabilities	-	-	-	-	-	316	-	-	316
Subordinated liabilities and other capital instruments	1,351	601	4	435	1,882	(34)	-	(34)	4,205
Total equity	-	-	-	-	-	2,707	-	(15)	2,692
Total equity and liabilities	56,680	3,303	3,075	2,733	2,033	3,624	476	1,366	73,290
Hedging derivatives - nominal amounts	(6,689)	862	1,243	2,196	2,388	-	-	-	-
Interest rate repricing gap	284	(436)	(666)	2,201	916	(2,328)	29	-	-
Cumulative interest rate repricing gap	284	(152)	(818)	1,383	2,299	(29)	-	-	-
Euro Cumulative interest rate repricing gap	784	414	324	1,869	2,853	(25)	-	-	-
Stg£ Cumulative interest rate repricing gap	217	(21)	(757)	(362)	(473)	(18)	-	-	-
US$ Cumulative interest rate repricing gap	(495)	(404)	(278)	(46)	(2)	13	-	-	-

51. Fair value of financial assets and financial liabilities

The following table represents the carrying amount and the fair value of the Group's financial assets and financial liabilities at the year end.

The concept of fair value assumes realisation of financial instruments by way of a sale. However, in many cases, particularly in respect of loans and advances 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 the year end. 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 Group	**2007**		2006	
	Carrying amount €m	**Fair value €m**	Carrying amount €m	Fair value €m
Financial assets				
Cash and balances with central banks	**848**	**848**	440	440
Financial assets at fair value through profit or loss				
- held on own account	**430**	**430**	456	456
- held in respect of liabilities to customers under investment contracts	**644**	**644**	309	309
Derivative financial instruments	**1,355**	**1,355**	2,459	2,459
Loans and advances to banks	**12,051**	**12,048**	12,424	12,420
Available-for-sale financial assets	**12,530**	**12,530**	5,155	5,155
Loans and advances to customers	**65,949**	**66,055**	49,142	49,207
Financial liabilities				
Deposits from banks	**7,601**	**7,582**	10,275	10,272
Customer accounts	**52,686**	**52,678**	36,858	36,852
Debt securities in issue	**23,588**	**23,524**	15,060	15,070
Derivative financial instruments	**1,175**	**1,175**	2,490	2,490
Subordinated liabilities and other capital instruments	**5,274**	**4,993**	4,205	4,243

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The Group has estimated fair value wherever possible using quoted prices from active markets. The fair value of financial assets has been determined using bid prices, while offer prices have been used to determine the fair value of financial liabilities. In certain cases however, including loans and advances to customers, there are no active markets. Accordingly, fair value has been calculated using appropriate valuation techniques. The methods used to determine the fair value of items not carried at fair value are set as follows:

Cash and balances with central banks
The fair value of cash and balances with central banks is their carrying amount as these balances may be withdrawn without notice.

Loans and advances to banks
The fair value of overnight placements is their carrying amount. The fair value of other loans and advances to banks is calculated by discounting expected cash flows using market rates.

Loans and advances to customers
The carrying value of variable rate loans and advances to customers is considered to approximate fair value as there has been no significant change in the credit risk of the borrowers. The fair value of fixed rate loans is calculated by discounting expected cash flows using market rates or interest rates currently offered by the Group.

Deposits from banks and customer accounts
The fair value of deposit liabilities repayable on demand is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using market rates or interest rates currently offered by the Group.

Debt securities in issue, subordinated liabilities and other capital instruments
The fair value of debt securities in issue, subordinated liabilities and other capital instruments is their quoted market value at year end.

52. Maturity profile

The Group manages liquidity risk on a consolidated basis. The following tables analyse the Group's financial assets, financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period to the contractual maturity date as at the balance sheet date. The maturity profile of the Bank does not provide meaningful information and therefore has not been presented.

As the information presented in the following tables is prepared on the basis of contractual maturity it should not be taken as an indication of the Group's liquidity risk.

Assets and related liabilities held in respect of liabilities to customers under investment contracts are separately disclosed as the underlying liquidity risk is borne by the policyholders and has no direct impact on the results of the Group.

52. Maturity profile continued

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The Group

	Demand €m	Not more than three months €m	Over three months but not more than one year €m	Over one year but not more than five years €m	Over five years €m	Equity shares €m	Policy-holders' funds €m	Total €m
Financial assets								
Cash and balances with central banks	848	-	-	-	-	-	-	848
Financial assets at fair value through profit or loss								
- held on own account	-	3	48	93	220	66	-	430
- held in respect of liabilities to customers under investment contracts	-	-	-	-	-	-	644	644
Derivative financial instruments	-	228	201	615	291	-	20	1,355
Loans and advances to banks	377	9,607	1,217	543	52	-	255	12,051
Available-for-sale financial assets	-	2,540	2,907	4,645	2,431	7	-	12,530
Loans and advances to customers	2,255	12,314	14,458	25,935	12,114	-	(1,127)	65,949
Total financial assets	3,480	24,692	18,831	31,831	15,108	73	(208)	93,807
Financial liabilities								
Deposits from banks	414	4,621	1,150	1,035	-	-	381	7,601
Customer accounts	3,800	42,673	5,757	724	95	-	(363)	52,686
Debt securities in issue	-	6,509	4,990	11,602	487	-	-	23,588
Derivative financial instruments	-	156	124	496	393	-	6	1,175
Liabilities to customers under investment contracts	-	-	-	-	-	-	1,779	1,779
Subordinated liabilities and other capital instruments*	-	50	13	1	5,234	-	(24)	5,274
Total financial liabilities	4,214	54,009	12,034	13,858	6,209	-	1,779	92,103

* Undated subordinated liabilities and other capital instruments have been included in amounts maturing over five years.

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The Group

	Demand €m	Not more than three months €m	Over three months but not more than one year €m	Over one year but not more than five years €m	Over five years €m	Equity shares €m	Policy-holders' funds €m	Total €m
Financial assets								
Cash and balances with central banks	440	-	-	-	-	-	-	440
Financial assets at fair value through profit or loss								
- held on own account	-	-	433	-	-	23	-	456
- held in respect of liabilities to customers under investment contracts	-	-	-	-	-	-	309	309
Derivative financial instruments	-	199	567	1,469	217	-	7	2,459
Loans and advances to banks	45	10,315	1,372	459	54	-	179	12,424
Available-for-sale financial assets	-	481	1,216	2,874	568	16	-	5,155
Loans and advances to customers	4,493	6,074	10,147	19,793	9,720	-	(1,085)	49,142
Total financial assets	4,978	17,069	13,735	24,595	10,559	39	(590)	70,385
Financial liabilities								
Deposits from banks	43	8,866	827	377	-	-	162	10,275
Customer accounts	2,036	30,838	3,382	649	109	-	(156)	36,858
Debt securities in issue	-	4,993	2,375	7,617	75	-	-	15,060
Derivative financial instruments	-	195	599	1,450	231	-	15	2,490
Liabilities to customers under investment contracts	-	-	-	-	-	-	1,394	1,394
Subordinated liabilities and other capital instruments*	-	126	13	9	4,091	-	(34)	4,205
Total financial liabilities	2,079	45,018	7,196	10,102	4,506	-	1,381	70,282

* Undated subordinated liabilities and other capital instruments have been included in amounts maturing over five years.

53. 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

All members of the Remuneration Committee are Non-executive Directors. Its current members are Ned Sullivan (Chairman), Sean FitzPatrick, Anne Heraty and Gary McGann. 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 of Directors.

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 shareholders. The policy is based heavily on rewarding performance. The Group Chief Executive is fully consulted about remuneration proposals in relation to other Directors. 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 opportunity to participate in employee share incentive plans. They also participate in either a personal Revenue approved defined contribution pension plan or a Group defined benefit pension scheme.

Remuneration for Non-executive Directors is a matter for the Chairman in consultation with the Group Chief Executive and the Group Company Secretary. Neither the Chairman nor any Director are involved in decisions relating to their own remuneration.

Performance bonuses

Performance bonuses are determined for each individual Executive Director. Bonuses earned in any one year depend on the Remuneration Committee's assessment of each Director's performance against predetermined individual, divisional and Group objectives.

The annual performance bonus is based on a multiple of base salary and is paid annually in cash once the Group's financial results have been independently audited. The annual performance bonus motivates and rewards Directors for achieving strategic financial and non-financial objectives.

The Group also operates a deferred bonus scheme for Executive Directors. Prior to 2007 the Group deferred bonus scheme was cash-based. However from 2007 onwards, subject to ordinary shareholder approval at the forthcoming Annual General Meeting, the Remuneration Committee intends replacing this scheme with a new share-based long term incentive plan ('share-based LTIP'). The benefits under the proposed share-based LTIP scheme will be deferred to the earlier of three years or the individual's retirement date and will be conditional on the Group achieving set key performance targets. This proposed policy change is designed to further enhance the alignment between Directors' and shareholders' interests.

Share incentive plans

It is the Group's 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 provided in notes 8 and 44 of 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. Details of loans to Directors are included in note 54.

Contracts

Other than in the normal course of business, there have not been any contracts or arrangements with the Bank or any subsidiary undertaking during the year in which a Director of the Bank 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 Bank or any of its subsidiary undertakings.

Pensions

Executive Directors participate in either a defined contribution scheme or a Group defined benefit scheme. All pension benefits are determined solely in relation to basic salary. Fees paid to Non-executive Directors are not pensionable.

53. Report on Directors' remuneration and interests continued

Directors' remuneration - 2007

	Salary €'000	Fees €'000	Annual performance bonus €'000	*Deferred performance bonus €'000	Benefits €'000	**Pension contribution €'000	Former Director €'000	Total €'000
Executive Directors								
David Drumm	**956**	**-**	**2,000**	**-**	**44**	**274**	**-**	**3,274**
Tom Browne	**455**	**-**	**600**	**-**	**48**	**123**	**-**	**1,226**
William McAteer	**485**	**-**	**800**	**-**	**48**	**94**	**-**	**1,427**
Declan Quilligan (1)	**484**	**-**	**735**	**-**	**8**	**139**	**-**	**1,366**
Pat Whelan	**413**	**-**	**640**	**-**	**41**	**118**	**-**	**1,212**
Non-executive Directors								
Sean FitzPatrick	**-**	**431**	**-**	**-**	**-**	**-**	**-**	**431**
Lar Bradshaw	**-**	**80**	**-**	**-**	**-**	**-**	**-**	**80**
Fintan Drury	**-**	**85**	**-**	**-**	**-**	**-**	**-**	**85**
Noël Harwerth (2)	**-**	**53**	**-**	**-**	**-**	**-**	**-**	**53**
Anne Heraty	**-**	**83**	**-**	**-**	**-**	**-**	**-**	**83**
Michael Jacob	**-**	**90**	**-**	**-**	**-**	**-**	**-**	**90**
Gary McGann	**-**	**85**	**-**	**-**	**-**	**-**	**-**	**85**
Ned Sullivan	**-**	**108**	**-**	**-**	**-**	**-**	**-**	**108**
Patrick Wright (3)	**-**	**27**	**-**	**-**	**-**	**-**	**-**	**27**
Former Director								
Peter Murray (4)	**-**	**-**	**-**	**-**	**-**	**-**	**85**	**85**
Total	**2,793**	**1,042**	**4,775**	**-**	**189**	**748**	**85**	**9,632**

(1) In addition, relocation costs of €160,000 were incurred by the Group in respect of Declan Quilligan's transfer to the UK.

(2) Co-opted on 2 February 2007.

(3) Retired on 2 February 2007.

(4) Fees paid to Peter Murray in his capacity as a member of the Supervisory Board of Anglo Irish Bank (Austria) A.G. and as a Non-executive Director of Anglo Irish Assurance Company Limited.

* The cash-based deferred bonus scheme ceased during the year. Pending ordinary shareholder approval, this will be replaced by a share-based long term incentive plan.

** Includes amounts due in lieu of pension benefits foregone.

Directors' remuneration - 2006

	Salary €'000	Fees €'000	Annual perfor-mance bonus €'000	Deferred perfor-mance bonus €'000	Benefits €'000	*Pension contri-bution €'000	Former Director €'000	Total €'000
Executive Directors								
David Drumm	818	-	1,300	600	39	258	-	3,015
Tom Browne	435	-	750	350	45	112	-	1,692
William McAteer	435	-	800	400	54	87	-	1,776
Declan Quilligan (1)	301	-	300	200	-	88	-	889
John Rowan (2)	110	-	-	-	27	42	-	179
Pat Whelan (3)	85	-	100	50	11	25	-	271
Non-executive Directors								
Sean FitzPatrick	-	363	-	-	-	-	-	363
Lar Bradshaw	-	72	-	-	-	-	-	72
Fintan Drury	-	77	-	-	-	-	-	77
Anne Heraty (4)	-	34	-	-	-	-	-	34
Michael Jacob	-	96	-	-	-	-	-	96
Patricia Jamal (5)	-	32	-	-	-	-	-	32
Gary McGann	-	72	-	-	-	-	-	72
Ned Sullivan	-	93	-	-	-	-	-	93
Patrick Wright	-	72	-	-	-	-	-	72
Former Director								
Peter Murray (6)	-	-	-	-	-	-	84	84
Total	2,184	911	3,250	1,600	176	612	84	8,817

(1) Co-opted on 26 January 2006. In addition, relocation costs of €175,000 were incurred by the Group in respect of Declan Quilligan's transfer to the UK.
(2) Retired on 31 December 2005. In recognition of his substantial contribution to the Group, John Rowan received an additional €1,108,000 on his retirement.
(3) Co-opted on 6 July 2006.
(4) Co-opted on 27 April 2006.
(5) Retired on 21 March 2006.
(6) Fees paid to Peter Murray in his capacity as a member of the Supervisory Board of Anglo Irish Bank (Austria) A.G. and as a Non-executive Director of Anglo Irish Assurance Company Limited.

* Includes amounts due in lieu of pension benefits foregone.

53. 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 of the Bank are included in the following table:

Interests in ordinary shares	30 September 2007		30 September 2006	
	Ordinary shares	Share options	Ordinary shares	Share options
Directors				
Sean FitzPatrick	**4,512,712**	**-**	4,473,869	-
David Drumm	**510,899**	**1,201,834**	305,520	1,402,696
Lar Bradshaw	**141,195**	**-**	120,139	-
Tom Browne	**893,936**	**1,601,791**	884,733	1,608,330
Fintan Drury	**53,796**	**-**	53,327	-
Noël Harwerth	**-**	**-**	- *	- *
Anne Heraty	**25,000**	**-**	25,000	-
Michael Jacob	**746,921**	**-**	746,766	-
William McAteer	**3,367,452**	**501,056**	2,863,376	1,002,696
Gary McGann	**140,028**	**-**	139,247	-
Declan Quilligan	**183,419**	**900,000**	179,148	902,696
Ned Sullivan	**427,584**	**-**	425,200	-
Pat Whelan	**346,192**	**701,366**	145,248	701,366
Secretary				
Natasha Mercer	**16,737**	**26,834**	16,664 *	26,834 *

* or date of appointment if later

There have been no changes in the Directors' and Secretary's shareholdings between 30 September 2007 and 27 November 2007. The Directors and Secretary and their spouses and minor children have no other interests in the shares of the Bank or its Group undertakings as at 30 September 2007.

Details of options outstanding at 30 September 2007 are shown in the Register of Directors' and Secretary's Interests, which may be inspected at the Bank's registered office. The closing market price of the Bank's ordinary shares at 30 September 2007 was €13.26 (2006: €12.95) and the range during the year to 30 September 2007 was from €11.63 to €17.53.

Share options granted to Directors

Options to subscribe for ordinary shares in the Bank granted to and exercised by Directors during the year to 30 September 2007 are included in the following table:

	Options at 1 Oct 2006	Options granted since 1 Oct 2006	Options exercised since 1 Oct 2006	Market price at exercise date	Options outstanding at 30 Sept 2007				Weighted average exercise
	Number	Number	Number	Price €	Number	Date from which exercisable	Expiry date	Exercise price €	price €
David Drumm	200,000	-	200,000	16.25	-	● Sept 06	Sept 13	4.68	
	200,000	-	-		200,000	# Sept 08	Sept 13	4.68	
	500,000	-	-		500,000	● Nov 07	Nov 14	7.97	
	500,000	-	-		500,000	# Nov 09	Nov 14	7.97	
	2,696	-	2,696	15.70	-	* Feb 07	Aug 07	4.51	
	-	1,834	-		1,834	* Jan 12	July 12	11.51	
	1,402,696	1,834	202,696		1,201,834				7.43
Tom Browne	300,000	-	-		300,000	● Feb 05	Feb 12	2.25	
	300,000	-	-		300,000	# Feb 07	Feb 12	2.25	
	500,000	-	-		500,000	● Sept 06	Sept 13	4.68	
	500,000	-	-		500,000	# Sept 08	Sept 13	4.68	
	8,330	-	8,330	15.93	-	* June 07	Dec 07	2.54	
	-	1,791	-		1,791	* July 12	Jan 13	11.79	
	1,608,330	1,791	8,330		1,601,791				3.78
William McAteer	500,000	-	500,000	16.25	-	● Dec 06	Dec 13	6.30	
	500,000	-	-		500,000	# Dec 08	Dec 13	6.30	
	2,696	-	2,696	15.70	-	* Feb 07	Aug 07	4.51	
	-	1,056	-		1,056	* Jan 10	July 10	11.51	
	1,002,696	1,056	502,696		501,056				6.31
Declan Quilligan	100,000	-	-		100,000	● Sept 06	Sept 13	4.68	
	100,000	-	-		100,000	# Sept 08	Sept 13	4.68	
	100,000	-	-		100,000	● Nov 07	Nov 14	7.97	
	200,000	-	-		200,000	# Nov 09	Nov 14	7.97	
	100,000	-	-		100,000	+ Nov 07	Nov 14	7.97	
	150,000	-	-		150,000	● Dec 08	Dec 15	11.82	
	150,000	-	-		150,000	# Dec 10	Dec 15	11.82	
	2,696	-	2,696	14.82	-	* Feb 07	Aug 07	4.51	
	902,696	-	2,696		900,000				8.52
Pat Whelan	200,000	-	200,000	16.25	-	● Sept 06	Sept 13	4.68	
	200,000	-	-		200,000	# Sept 08	Sept 13	4.68	
	50,000	-	-		50,000	● Nov 07	Nov 14	7.97	
	100,000	-	-		100,000	# Nov 09	Nov 14	7.97	
	50,000	-	-		50,000	+ Nov 07	Nov 14	7.97	
	50,000	-	-		50,000	● Dec 08	Dec 15	11.82	
	50,000	-	-		50,000	# Dec 10	Dec 15	11.82	
	1,366	-	-		1,366	* Jan 09	July 09	8.90	
	-	70,000	-		70,000	● Feb 10	Feb 17	16.11	
	-	80,000	-		80,000	# Feb 12	Feb 17	16.11	
	-	50,000	-		50,000	+ Feb 10	Feb 17	16.11	
	701,366	200,000	200,000		701,366				9.90

● Basic tier options - ESOS
Second tier options - ESOS
* SAYE scheme options
+ ESOP options

53. Report on Directors' remuneration and interests continued

Directors' pension benefits

The Group makes payments to defined contribution pension plans for Tom Browne and William McAteer. All of the other Executive Directors are members of a Group defined benefit scheme. Details are as follows:

	Defined benefit			Defined contribution
	Increase in accrued annual pension benefit during year €'000	Total accrued pension benefit at year end €'000	Total increase in transfer value of accrued benefit €'000	Group contribution €'000
David Drumm (1)	-	258	-	-
Tom Browne	-	-	-	123
William McAteer	-	-	-	94
Declan Quilligan	21	147	179	-
Pat Whelan	38	117	718	-
	59	522	897	217

(1) David Drumm's pension fund has been capped in line with the provisions of the Finance Act, 2006 and as a result there is no increase in the accrued annual pension benefit during the year ended 30 September 2007. He is entitled to a supplementary taxable cash allowance of €274,000 in lieu of pension benefits foregone.

The increase in accrued annual pension benefit during the year excludes any increase for inflation. The total accrued pension benefit at the year end is that which would be paid annually on normal retirement date, based on service to the year end. The increase in transfer value of accrued benefit has been calculated by an independent actuary.

Fees paid to Non-executive Directors are not pensionable.

54. Related party transactions

Subsidiary undertakings

Banking transactions are entered into by the Bank with its subsidiaries in the normal course of business. Balances between the Bank and its subsidiaries are detailed in notes 20, 21, 24, 35, 36, 38 and 44. Details of the principal subsidiary undertakings are shown in note 28.

Joint ventures

The Group provides certain banking and financial services for its joint ventures. Details of loans to and deposits from joint ventures are shown in notes 24 and 36 respectively.

Pension funds

The Group provides normal investment fund management and banking services to pension funds operated by the Group for the benefit of its employees. These services are provided on similar terms to third party transactions and are not material to the Group.

Remuneration of key management personnel

The following disclosures are made in accordance with the provisions of IAS 24 'Related Party Disclosures' in respect of the remuneration of key management personnel. For the purposes of this standard, key management personnel comprise the Board of Directors (Executive and Non-executive) and members of the Senior Executive Board.

The amounts presented below include the figures separately reported in the Report on Directors' remuneration and interests in note 53.

	2007 €m	2006 €m
Salaries and short-term employee benefits	**12**	9
Directors' fees	**1**	1
Post employment benefits	**1**	9
Other long-term benefits	**1**	3
Equity compensation benefits	**3**	5
	18	27

54. Related party transactions continued

Transactions with key management personnel

Loans to key management personnel are made in the ordinary course of business on normal commercial terms. In addition, key management personnel may hold deposits with the Group.

The aggregate amounts outstanding at year end of loans to and deposits by persons who, at any time during the year, were key management personnel were:

	2007		2006	
	Aggregate balance €m	**Number of persons**	Aggregate balance €m	Number of persons
Directors				
Loans	**41**	**13**	31	12
Deposits	**8**	**13**	5	11
Members of the Senior Executive Board *				
Loans	**6**	**5**	6	4
Deposits	**1**	**6**	3	7
Total loans	**47**	**18**	37	16
Total deposits	**9**	**19**	8	18

* Excluding Executive Directors

Other related party transactions

Anne Heraty, a Non-executive Director, is also a Director of CPL Resources plc. During the year ended 30 September 2007, CPL Resources Group received €263,000 (2006: €156,000) in fees, incurred in the normal course of business, from the Group.

Fintan Drury, a Non-Executive Director, is also a Director of Platinum One Ltd. During the year ended 30 September 2007, Platinum One Ltd received €nil (2006: €26,000) in fees, incurred in the normal course of business, from the Group.

55. Events after the balance sheet date

In accordance with IAS 10 'Events after the Balance Sheet Date', the proposed final dividend of 13.01 cent per ordinary share, amounting to €99m, is not recognised as a liability until it is ratified at the Annual General Meeting.

56. Trust activities

The Group provides custody, trustee, investment management and advisory services to third parties which involve the Group making allocation, purchase and sale decisions in relation to a wide range of assets. Those assets that are held in a fiduciary capacity are not included in these financial statements. At the balance sheet date the Group had the following assets under management:

	2007	2006
	€m	€m
Equities and investment properties	**2,232**	4,830
Managed cash and other assets	**638**	1,638
	2,870	6,468

On 21 December 2006 the Group disposed of its Isle of Man trust business (note 12).

57. General

Anglo Irish Bank Corporation plc is domiciled and incorporated in the Republic of Ireland as a public limited company. Its principal place of business and registered office is situated at Stephen Court, 18/21 St. Stephen's Green, Dublin 2. It is principally engaged in banking activities.

58. Approval of financial statements

The Group financial statements were authorised for issue by the Board of Directors on 27 November 2007.

Consolidated income statement

For the year ended 30 September 2007

	USDm	GBPm	CHFm
Interest and similar income	**7,615**	**3,742**	**8,916**
Interest expense and similar charges	**(5,395)**	**(2,651)**	**(6,317)**
Net interest income	**2,220**	**1,091**	**2,599**
Fee and commission income	**251**	**123**	**294**
Fee and commission expense	**(23)**	**(11)**	**(27)**
Dealing profits	**18**	**9**	**22**
Other operating income	**30**	**15**	**35**
Other income	**276**	**136**	**324**
Total operating income	**2,496**	**1,227**	**2,923**
Administrative expenses	**(522)**	**(256)**	**(611)**
Depreciation	**(15)**	**(8)**	**(18)**
Amortisation of intangible assets - software	**(20)**	**(10)**	**(23)**
Total operating expenses	**(557)**	**(274)**	**(652)**
Operating profit before provisions for impairment	**1,939**	**953**	**2,271**
Provisions for impairment:			
Loans and advances - specific	**(72)**	**(35)**	**(85)**
Loans and advances - collective	**(44)**	**(22)**	**(51)**
Other - collective	**(95)**	**(47)**	**(111)**
	(211)	**(104)**	**(247)**
Operating profit	**1,728**	**849**	**2,024**
Share of results of joint ventures	**3**	**2**	**3**
Profit on disposal of Isle of Man trust business	**31**	**15**	**36**
Profit before taxation	**1,762**	**866**	**2,063**
Taxation	**(333)**	**(164)**	**(390)**
Profit for the year	**1,429**	**702**	**1,673**
Attributable to:			
Equity holders of the parent	**1,415**	**695**	**1,657**
Minority interest	**14**	**7**	**16**
Profit for the year	**1,429**	**702**	**1,673**
Basic earnings per €0.16 ordinary share	**$1.91**	**93.9p**	**Chf 2.24**
Diluted earnings per €0.16 ordinary share	**$1.89**	**92.8p**	**Chf 2.21**

Exchange rates used at 30 September 2007
One Euro = USD 1.4179 / GBP 0.6968 / CHF 1.6601

Consolidated balance sheet

As at 30 September 2007

	USDm	GBPm	CHFm
Assets			
Cash and balances with central banks	**1,202**	**591**	**1,408**
Financial assets at fair value through profit or loss			
- held on own account	**610**	**300**	**714**
- held in respect of liabilities to customers under investment contracts	**913**	**449**	**1,069**
Derivative financial instruments	**1,921**	**944**	**2,249**
Loans and advances to banks	**17,087**	**8,397**	**20,006**
Assets classified as held for sale	**408**	**201**	**478**
Available-for-sale financial assets	**17,766**	**8,731**	**20,801**
Loans and advances to customers	**93,509**	**45,953**	**109,482**
Interests in joint ventures	**125**	**61**	**146**
Intangible assets - software	**24**	**12**	**28**
Intangible assets - goodwill	**65**	**32**	**76**
Investment property			
- held on own account	**36**	**17**	**42**
- held in respect of liabilities to customers under investment contracts	**2,963**	**1,456**	**3,470**
Property, plant and equipment	**53**	**26**	**62**
Retirement benefit assets	**41**	**20**	**48**
Deferred taxation	**67**	**33**	**78**
Other assets	**203**	**100**	**237**
Prepayments and accrued income	**50**	**24**	**58**
Total assets	**137,043**	**67,347**	**160,452**
Liabilities			
Deposits from banks	**10,778**	**5,296**	**12,619**
Customer accounts	**74,704**	**36,712**	**87,464**
Debt securities in issue	**33,445**	**16,436**	**39,158**
Derivative financial instruments	**1,666**	**819**	**1,951**
Liabilities to customers under investment contracts	**2,522**	**1,240**	**2,953**
Current taxation	**89**	**44**	**105**
Other liabilities	**248**	**122**	**291**
Accruals and deferred income	**269**	**132**	**315**
Retirement benefit liabilities	**10**	**5**	**12**
Deferred taxation	**70**	**34**	**81**
Subordinated liabilities and other capital instruments	**7,478**	**3,675**	**8,755**
Total liabilities	**131,279**	**64,515**	**153,704**
Share capital	**173**	**85**	**202**
Share premium	**1,615**	**793**	**1,891**
Other reserves	**(130)**	**(64)**	**(153)**
Retained profits	**4,088**	**2,009**	**4,786**
Shareholders' funds	**5,746**	**2,823**	**6,726**
Minority interest	**18**	**9**	**22**
Total equity	**5,764**	**2,832**	**6,748**
Total equity and liabilities	**137,043**	**67,347**	**160,452**
Contingent liabilities			
Guarantees	**2,161**	**1,062**	**2,530**
Commitments			
Commitments to lend	**13,860**	**6,811**	**16,227**

Exchange rates used at 30 September 2007

One Euro = USD 1.4179 / GBP 0.6968 / CHF 1.6601

Shareholder information

Substantial shareholdings

As at 27 November 2007 the following interests in the ordinary share capital had been notified to the Bank.

	Number of shares	% of issued ordinary share capital
Credit Suisse Securities (Europe) Limited & Credit Suisse International	**52,329,327**	**6.9**
Invesco plc	**38,078,107**	**5.0**
Lehman Brothers International (Europe)	**36,536,195**	**4.8**
Bank of Ireland Nominees Limited	**24,539,364**	**3.2**

The above represent all shareholdings in excess of 3% of the issued ordinary share capital which have been notified to the Bank.

Size analysis of shareholdings at 30 September 2007

	Shareholdings		Shares	
	Number	%	Number	%
1 - 5,000	**15,407**	**79.6**	**18,966,094**	**2.5**
5,001 - 10,000	**1,653**	**8.6**	**11,720,615**	**1.5**
10,001 - 25,000	**1,273**	**6.6**	**20,182,648**	**2.6**
25,001 - 50,000	**425**	**2.2**	**14,934,487**	**2.0**
50,001 - 100,000	**237**	**1.2**	**16,587,827**	**2.2**
100,001 - 500,000	**220**	**1.1**	**46,100,149**	**6.0**
Over 500,000	**137**	**0.7**	**634,621,827**	**83.2**
	19,352	**100.0**	**763,113,647**	**100.0**

Financial calendar

Publication of results	Half year to 31 March 2007	10 May 2007
Dividend (ordinary shares)	Interim dividend paid	17 July 2007
Publication of results	Year to 30 September 2007	28 November 2007
Share transfer books closed		7 December 2007
Accounts posted to shareholders		3 January 2008
Annual General Meeting		1 February 2008
Dividend (ordinary shares)	Proposed final dividend payment	14 February 2008

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Forward looking statements
This report contains certain forward looking statements with respect to the financial condition, results of operations and businesses of Anglo Irish Bank. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors which could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. The statements are based on current expected market and economic conditions, the existing regulatory environment and interpretations of IFRS applicable to past, current and future periods. Nothing in this report should be construed as a profit forecast.

For further information, please email: **enquiries@angloirishbank.ie**

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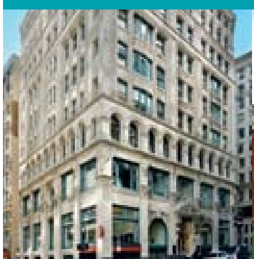

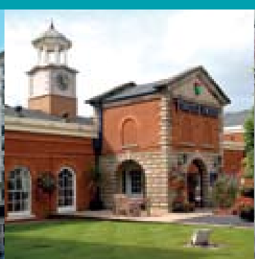

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