

## Press release

Anglo Irish Bank Corporation Limited today (Friday 29 May 2009) published its Interim report for the six month period to 31 March 2009.

The Bank reports a loss before taxation of €4.1 billion for the period, primarily driven by specific and collective lending impairment charges of €3.7 billion and €0.4 billion respectively.

**Mr Donal O'Connor, Executive Chairman of Anglo Irish Bank said:**

*"This has been a most difficult period for Anglo Irish Bank culminating in the reporting of a pre-tax loss of €4.1 billion. This is as a result of significant impairment charges on the Bank's loan portfolio following continued deterioration in the economic environment in each of our core markets and further declines in property values.*

*Clearly the Bank made mistakes in some of the lending decisions taken in recent years, particularly in relation to property development in Ireland. Our rate of growth and risk appetite at the top of the economic cycle was imprudent and the stark evidence of this is seen in the figures announced today.*

*We welcome the statement from the Minister for Finance confirming the Government's decision to provide, subject to EU approval, up to €4 billion of capital and we are very grateful to the Government for this support. We also welcome the Minister's confirmation that the Bank will participate in the National Asset Management Agency as this is a fundamental assumption in our draft Business Plan.*

*The Bank is very conscious of its responsibility to the taxpayer. The Minister's decisions place the Bank on a sound financial footing and we are determined to repay the taxpayer by creating a viable, efficient and respected Bank."*

**- Ends -**

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**Full details of our interim results are available on our website [www.angloirishbank.com](http://www.angloirishbank.com)**

Anglo Irish Bank Corporation Limited is regulated by the Financial Regulator in Ireland.

# Executive Chairman's statement

## Introduction

Today we publish the results of our financial performance for the six months to 31 March 2009. This has been a most difficult period for Anglo Irish Bank culminating in the reporting of a pre-tax loss of €4.1 billion. This loss is due principally to a specific lending impairment charge of €3.7 billion and a collective lending impairment provision of €0.4 billion following a detailed examination of our entire loan book.

The marked deterioration in asset quality over the last six months is as a result of rapidly declining property values, particularly relating to land and development assets in Ireland, combined with the worsening economic environment in each of our core markets.

Clearly we made mistakes in some of the lending decisions taken in recent years, particularly in relation to property development in Ireland. Our rate of growth and risk appetite at the top of the economic cycle was imprudent and the stark evidence of this is seen in the figures announced today. A detailed review of the Bank's performance for the six months ended 31 March 2009 is set out on pages 7 to 16.

My fellow Board members and I are acutely aware of the anger and disappointment amongst all stakeholders and the wider public regarding the issues that have emerged during the period under review. In my Chairman's letter accompanying the Annual Report issued in February, I apologised to shareholders, customers, staff and other stakeholders for the issues that emerged which damaged the reputation of the Bank and I do so again today.

We welcome the statement from the Minister for Finance confirming the Government's decision to provide, subject to EU approval, up to €4 billion of capital and we are very grateful to the Government for this support. We also welcome the Minister's confirmation that the Bank will participate in the National Asset Management Agency as this is a fundamental assumption in our draft Business Plan.

## Capital

The Bank undoubtedly requires additional capital following the reported loss for the six months to 31 March 2009 and the further losses we expect to record in the second half of the financial year. As an interim measure, the Financial Regulator has granted the Bank temporary derogations on certain regulatory capital requirements. As noted earlier, the Government plan to invest up to €4 billion of capital in the Bank over the coming weeks. Furthermore, the Bank intends to offer to repurchase certain outstanding subordinated bonds at a significant discount to par value which will generate profit and additional capital for the Bank. This is a major step towards placing the Bank on a firmer footing for which we are most grateful to the Minister.

Looking forward the Board and Government are committed to ensuring that the Bank maintains a robust capital position which is appropriate to its ownership, taking account of the needs of its wider stakeholders and the underlying risks that are assumed by the business.

## National Asset Management Agency ('NAMA')

The Irish Government decision to establish NAMA is very welcome and is a clear demonstration of its constructive support for the Irish banking system. The Board welcomes this move by the Minister for Finance as a positive development and the Bank will work closely with the Minister and his officials in the Department of Finance and the National Treasury Management Agency in the establishment of NAMA.

The transfer of land and development loans to NAMA will considerably improve the Bank's liquidity and remove much of the uncertainty over impairment. This should create greater access to funding markets which have been largely closed during the last year.

# Executive Chairman's statement (continued)

## **Asset quality**

In my Chairman's letter of 19 February I mentioned that asset quality would be a critical area of focus for the Board and the Bank. We recently concluded a comprehensive review of all loans to assess the impact of the rapid deterioration in market conditions since September 2008 and to estimate the likely level of impairments we may need to recognise over the next three years and, as accounting standards do not permit us to anticipate events after 31 March, how much of those should be charged in the current period.

This review concluded that losses are likely to reach €7.5 billion. Of this, €3.7 billion and €0.4 billion have been charged in the current period as specific and collective provisions, respectively. Total impairment provisions on our balance sheet now amount to €4.9 billion, comprising specific €3.9 billion and collective €1.0 billion.

We expect and have allowed for market conditions to continue deteriorating in the next twelve months. However, should business cash flows and asset values become further stressed this could lead to additional further impairment beyond our expectations.

The Bank has also recognised other charges of €0.7 billion in the period relating to Private Banking and Treasury asset impairments and fair value adjustments in respect of corporate swap transactions.

In my Chairman's letter of 19 February I stated that impairment would arise on loans secured on shares in the Bank. As a result of the permanent diminution in the value of the Bank's share price following nationalisation €308 million has been provided against the loans to ten longstanding clients of the Bank. In addition, €31 million has been provided against loans to certain former Directors who held office during the six month period, none of whom were Board members at 31 March 2009. I assure you that, as with all borrower facilities, we will be seeking full repayment of these loans. These provisions are included within the specific charge.

Further information on asset quality is included in the Business review.

## **Funding and liquidity**

Conditions during the period remained very challenging with continued dislocation in the international banking and capital markets. In addition, the Bank's capacity to raise funding was impacted by the emergence of governance weaknesses which eroded confidence in the Bank and led to a significant decline in our non-retail deposits across all geographies. Funding from the debt and interbank markets has also fallen sharply as a result of wider market dislocation and as investors await clarification of the Bank's future strategy. While retail deposits have grown since 30 September 2008, overall there has been a material reduction in customer funding. This combination of factors has resulted in the Bank having to seek a special liquidity facility arranged through the Central Bank of Ireland, secured by a loan repurchase arrangement.

Central to the Bank's capacity to fund is the continued Government support under the deposit guarantee scheme, certain key elements of which the Minister intends to extend beyond 2010, and our participation in NAMA which will materially improve both funding and liquidity. Against this background, we are confident that we will rebuild the Bank's funding base and liquidity. In turn, this will serve to increase the market's confidence in the Bank.

## **Draft Business Plan**

Over the past few months, in consultation with the Minister and his officials, we have been reviewing our strategic options. We concluded that any wind-up option would be very costly for the Irish taxpayer and that the interests of the Minister, as shareholder, would be best served by stabilising and de-risking the Bank and for the Bank to continue to operate as an independent going concern to assist in the recovery of the Irish economy. Operating as a going concern maintains a range of options and reduces the overall cost for the taxpayer.

# Executive Chairman's statement (continued)

We have prepared a draft Business Plan, and over the coming weeks we will be engaging extensively with the Minister and his officials, and with the Financial Regulator, in order to finalise the plan. Key elements of the draft Business Plan include:

- Rebuilding trust and confidence in the Bank and its management by strengthening our governance and controls;
- Operating on a “funding-led” basis, limiting balance sheet size to that which can be funded in a more sustainable manner with strong liquidity;
- Scaling down the balance sheet and reducing concentration risks;
- Maximising the recoverability of loans through this difficult economic cycle;
- Co-operating fully with NAMA;
- Creating a viable, efficient and respected business bank;
- Building and enhancing the Bank's culture to meet the challenges of the new environment;
- Reducing our cost base to match the balance sheet size; and
- Ensuring the business of the Bank is profitable.

The Bank recognises that it has a real responsibility to be part of the solution to the economic recovery in Ireland by managing its assets to maximise recoveries and significantly improve its funding base.

## **Board and management**

The Minister for Finance intends to strengthen the Board further with the appointment of additional Non-executive Directors.

The Board will implement a new leadership and management structure which will operate under a new Chief Executive Officer recruited from outside the Bank. We are working with our search consultants to identify an experienced high calibre individual and to assist us with further appointments of external candidates to key positions, including the appointment of a new Chief Risk Officer. We expect to start making appointments in the near future.

## **People**

The Bank has experienced a very turbulent period during which our staff have remained extremely professional, focused and committed. Their effort and energy has been exceptional and on behalf of the Board I would like to express my gratitude to them for this. The next year is going to be very challenging and the Board is confident in the capability and strength of our people to achieve the restructuring and rebuilding of the Bank and its reputation.

## **Legacy matters**

There are a number of ongoing investigations and reviews by external authorities. The Bank is co-operating fully with these investigations and will continue to do so. Given the nature of these investigations, it would be inappropriate for the Bank to comment further on them.

## **Group external audit**

The Board has decided to commence a tender process for the Group external audit contract.

# Executive Chairman's statement (continued)

## **Future**

The Bank is very conscious of its responsibility to the taxpayer. The Government has taken major strategic initiatives to support the Bank through the proposed capital injection and through our inclusion in NAMA. These decisions place the Bank on a sound financial footing and we are determined to repay the taxpayer by creating a viable, efficient and respected Bank.

**Donal O'Connor**

Executive Chairman

29 May 2009